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TODAY'S DOT AND THE QUEST FOR MORE ACCOUNTABLE ORGANIZATIONAL STRUCTURES







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#### Research Report KTC-05-41/TA18-04-1F

### Today's DOT and the Quest for More Accountable Organizational Structures

by

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December 2005

KTC-05-41/TA18-04-1F 4. Title and Subtitle Today's DOT and the Quest for More Accountable Organizational Structures	5. Report Date	
Organizational Structures		
	December 2005	
	6. Performing Organization Code KTC-05-41/TA18-04-1F	
7. Author(s)	8. Performing Organization Report No.	
Lenahan O'Connell, Juita-Elena (Wie) Yusuf, Merl		
Hackbart, Don Hartman, Candice Wallace & Doug Kreis		
9. Performing Organization Name and Address	10. Work Unit No. (TRAIS)	
Kentucky Transportation Center	TA-18	
College of Engineering	11. Contract or Grant No.	
University of Kentucky		
Lexington, KY 40506		
12. Sponsoring Agency Name and Address	13. Type of Report and Period Covered	
Kentucky Transportation Cabinet	Final Report	
State Office Building		
Frankfort, KY 40622	14. Sponsoring Agency Code	
<b>16.</b> Abstract This study investigates the impact of DOT organizational splanning and performance. A review of the 50 state D organizational charts found minimal differences in organizational charts found minimal differences in organization organization of the states have quasi-independent commission councils.) A statistical analysis showed that the commission effective commissions avoid having members represent parties and avoid giving the commission the power to select the states with effective DOTs staff their commissions wi the commission oversight authority, a policy formation rol phase of the study, we conducted five case studies of his obtain best practices. The high performing states were for	DOT authorizing statutes and DOT zational structures among the states. ons (sometimes called boards, or sion states have higher Government on states. The analysis suggested that geographical regions and political t the director of the DOT. In addition th citizens, not politicians, and give le and a clear mission. In the second gh performing commission states to ound to institutionalize practices and	
rules to improve performance and accountability. These	ement in project selection; (2) hold	
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Accountability, DOT performance, organizational structures,		Unlimited	
transportation project selection			
<b>19.</b> Security Classif. (of this report) <b>20.</b> Security Classif. (of this page)		21. No. of Pages	22. Price
Unclassified	Unclassified	127	

Form DOT F 1700.7 (8-72)

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#### **Executive Summary**

The purpose of this study was to analyze whether state department of transportation (DOT) organizational structures may influence or impact state transportation planning and investment performance. To that end, this study reviewed the DOT organizational structures of the 50 states, identified performance measures, and analyzed whether the existence of organizational entities such as DOT boards and commissions may impact state DOT performance. While most DOTs have a hierarchical structure—with the Governor appointing the DOT Secretary or Director, who in turn manages a Department divided into operating divisions, some states have established boards or commissions with policy and/or oversight roles designed to provide policy guidance or greater transparency to DOT planning, operations and performance.

The in-depth review of state DOT authorizing statutes and DOT organizational charts revealed minimal differences in organizational structures among the states. However, 37 states have quasi-independent bodies such as commissions, boards or councils (hereinafter referred to as commissions) that carry out various advisory and oversight functions. The commissions perform many roles, including policy setting, budget review, performance oversight, and project selection. The state DOT commissions typically give their states an additional voice in policy and management decision making. They provide additional accountability and transparency in policy making and performance. Consequently, the impact of such bodies on DOTs is a useful venue for inquiry.

As shown in Table I, the most common role for a DOT commission is the development of DOT policy (76%). Other common responsibilities were financial oversight and project selection (60% and 65%, respectively). A smaller number of state commissions

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had responsibility for long-term and short-term planning and selection of DOT directors (43%, 43% and 27%).

Role or Attribute	Number	Percent
Role in the development of DOT policy	28	76%
Role in long term planning	16	43%
Role in project selection	22	60%
Role in financial oversight	24	65%
Role in short term planning	16	43%
Role in selecting the director of the DOT	10	27%

 Table I: Attributes and Roles of State Transportation Commissions

In pursuing the research question of whether the existence of a DOT commission improved DOT performance, two indicators were selected for the performance comparison of commission and non-commission states. The first indicator was the capital management performance grade provided by the 2000 Government Performance Project, a study carried out by the Maxwell School of Citizenship and Public Affairs at Syracuse University in cooperation with Governing Magazine. State capital management grades were based on three components, including (1) capital planning, (2) project management, and (3) asset maintenance. As transportation infrastructure investment constitutes approximately 70% of aggregate capital investment, the GPP scores for the states seemed a reasonable performance measure for their DOTs. The second measure chosen for the performance comparison was highway capital outlays per vehicle mile traveled. The study team felt that this performance measure indicated the responsiveness of a state DOT transportation system needs.

The comparison of the commission and non-commission states found that the commission states had higher Government Performance Project (GPP) scores than the non-commission states. States with commissions had average grades of 2.83 (on a 4 point scale), while the non-commission states had average grades of 2.43.

The study's investigation of the impact of commissions on DOT performance also utilized regression analysis. This involved regressing DOT performance – measured as the GPP capital management grade – on explanatory variables including the presence of a commission, characteristics and roles of the commission, and other state-specific variables such as the size of the state highway system, and resource availability. Findings from the regression analysis suggest that it is the presence of the commission, board, or council that matters, not the commission's specific roles or their characteristics.

The second phase of this study involved five case studies of high performing commission states. The case studies were designed to identify potential reasons why the commission states, based on these performance measures, performed at a higher level than the non-commission states. In addition, the case studies sought insights regarding "best practices" for state DOT commissions as well as other insights regarding policies and practices that might enhance DOT performance and accountability.

Among the commission "best practice" guidelines garnered from the statistical analysis and the case studies were the following:

- 1. Avoid geographical representation of commissioners
- Avoid giving the commission the authority to nominate or select the DOT Secretary or Director
- 3. Have a clear mission for the commission
- 4. Staff the commission with "citizens," not elected officials

Interviews with various officials in the commission case study states provided the following recommendations regarding commission powers, roles and responsibilities:

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- 1. The principal role of a commission should be policy formulation for the state DOT.
- 2. The commission should be given oversight responsibility for performance review.
- 3. The commission should be responsible for holding hearings in various regions of the state to obtain citizen input into transportation policy and to improve the transportation planning process.
- 4. The commission should serve as an advocate for transportation needs in the state.

As noted, the case studies of the high performing states also sought to identify policies and practices that may improve state DOT performance and accountability. Among the observed "best practice" policies often pursued by the high performing case study states, which could positively impact performance, were the following:

> 1. Improve performance and accountability in transportation system development by reducing political involvement in project selection. For example, Ohio's commission has statutory authority to select new capacity projects. Such authority permits the commission to consider emerging transportation needs and trends without being pressured by the legislature or governor. In Florida, the commission certifies that first three years of the five-year plan is fully funded. Also, additions to the five year plan by legislative action require a commensurate deletion of an equivalent project. This pay-as-you-go policy discourages political or legislative meddling in the orderly management of construction and maintenance activities. In Washington State, under their

"Nickel Program," project lists were developed regionally based on analytical studies that included capacity and safety concerns. These lists (prioritized as A, B, or C) were compiled by WSDOT professionals in the central office. The list was then given to the commission and to the legislature for review and comment. The only projects funded were those rated as A by all three parties.

- 2. Improve performance and accountability by holding statewide, regional and local meetings regarding transportation plans to increase transparency and trust. Maryland, for example, has its DOT planning staff tour the counties of the state and meet with local officials to take suggestions for projects. The commission in Washington holds monthly meetings in different locations to garner input from public officials and citizens. Florida's commission also holds meetings on projects around the state. Such meetings encourage citizen and community participation in the project selection and planning processes more open and transparent.
- 3. Improve performance and accountability by empowering district offices to make decisions regarding system maintenance and preservation. All five case study states (Florida, Ohio, Maryland, Minnesota, and Washington) have districts rank and select maintenance projects for inclusion in their transportation plans. Most DOTs are divided into districts and most states measure the quality of their highways with such yardsticks as the international roughness index (IRI). These DOTs have also instituted measures of performance, ranging from organizational effectiveness to the actual quality of

the transportation system. The availability of such objective measures makes it possible to devolve decision-making power to the district level.

- 4. Improve performance and accountability by establishing formal waste reduction techniques and processes. Resource waste can take several forms including redundant employees, project over-runs, project delays, and inadequate maintenance. Institutionalized devices such as Ohio's requirement that local governments fund cost over-runs and Florida's requirement that all projects in the first three years of their five-year plan be fully funded can help insure the timely and efficient completion of construction and maintenance projects, thus reducing waste.
- 5. Improve performance and accountability by allocating Road Fund resources on a consistent and objective basis. Managing competition for resources is an inherent challenge for public departments and agencies. The development of objective project and system development criteria is especially challenging for state DOTs due to state diversity (such as urban and rural interests) and difficulties associated with comparing needs for system maintenance with demands for system capacity expansion. However, the public's perception of objectivity can be enhanced with greater planning process transparency and public involvement in system and project planning and prioritization processes.
- 6. Improve performance and accountability by ensuring that sufficient funds are available to complete projects on time and on budget. Many states have problems finishing projects in a timely manner resulting in delays which drive up the cost of the projects. As noted, Florida gives its commission

responsibility for reviewing projects and finances to make sure that each project in the work plan has sufficient funding. In Washington State efforts are under way to improve project delivery based on recommendations in a recent management audit performed by the Performance Audit Board (now a responsibility of the commission). The audit report called for the increased use of "critical path management" and improvement in the supporting information technology systems. The Ohio DOT takes a different approach; it funds maintenance projects first. Money left over is then allocated to projects at the top of its new construction list. Thus, projects are only begun when the money to finish them is available.

This study suggests that performance and accountability of state DOTs may be enhanced with the establishment of boards, commissions or councils with oversight authority and responsibility. The specific responsibilities of such boards and commissions vary considerably for the 37 states that have established such entities. Their responsibilities vary from policy setting to budget review to project selection. However, the common impact appears to be that such entities enhance transparency, credibility and the public perception of equity and fairness in the transportation planning and system development process. By building greater public support and understanding of the transportation planning and project selection process, it is likely that public perceptions regarding DOT performance and accountability will be enhanced. The case studies conducted as part of this study also provided a series of suggestions and recommendations for improving accountability and performance. The value of such suggestions and recommendations will depend, of course, on how these process options merge with existing practices and processes.

#### **Chapter 1: Meeting the Transportation Challenge in a Complex and Politicized Environment**

#### 1.1 Overview

State Departments of Transportation (DOTs) are charged with planning, designing, constructing and maintaining an effective system of roads and other transportation-related facilities in their states. Within the constraints of available resources, DOTs are asked to provide as many high quality transportation services and facilities as possible. And, like other government agencies, their performance can vary for many reasons, including organizational structures, management processes, and intergovernmental relationships. Thus, DOTs need to be governed in a manner that facilitates maximum performance as well as promotes accountability to the taxpayers and residents of their states.

High quality performance and accountability are not easily attained, however. Among the reasons for this are the inherent complexity of providing a multi-modal service and the conflicting or inconsistent views of desired performance by the numerous parties involved in transportation. DOTs are accountable for their performance to the general public, but also in varying degrees to the governor, the state legislature, and to local, county, and federal officials. Often they are also accountable to transportation commissions or boards as well. The DOT's task is rendered more difficult by its multifaceted nature, as it typically involves the coordination of several transportation modes, the design and construction of new facilities, and the maintenance of existing ones. Resources must be allocated in the most technically efficient manner, but they must also be allocated in a manner judged to be equitable to the various regions and needs of a state. At all times DOTs are expected to budget efficiently to not waste the taxpayer's money. More importantly, perhaps, DOTs are expected to manage program cash flows tightly and be able to provide individual project status information that can convincingly justify any cost increase and/or time delay. Last, to be accountable a DOT must communicate well with the public to maintain the public's trust. For this it needs ways to measure its performance and then inform the public in language the public will understand. It must also consult with the public in various ways to ensure it is giving transportation users the system they want at a reasonable cost to the taxpayer.

A glance at the organizational charts of our state DOTs demonstrates that each is responsible for developing and maintaining a multimodal and intermodal system involving transportation by road, rail, air and water. The complexity of the transportation system is compounded further by the intergovernmental nature of American transportation policy. Many state and local transportation projects rely on federal funding—in full or in part—and, therefore, must comply with federal regulations and specifications. Thus, each state must find a way to meld local, state, and federal objectives into a coherent plan for its transportation system. In doing so it must coordinate all passenger vehicle travel with freight transport on the highways as well as coordinate the latter two with rail and air transport. At the same time, it must accommodate pedestrians and cyclists while being sensitive to the physical and social environment.

This study focuses on the organizational structures and arrangements most likely to enhance DOT performance and promote DOT accountability in a complex and politicized environment. This environment is one in which many actors—public and private—are involved in transportation policy and where methods for holding each accountable are vital to the pursuit of the public interest. **The study's research question is: Do differences in DOT**  organizational structures and by implication their governance processes impact the performance and accountability of state DOTs, and if so, how?

#### **1.2 Research Strategy**

In pursuing the study's purpose of determining whether organizational structures can impact or influence DOT performance and accountability, the first step was a comprehensive analysis of the organizational structures and authorizing statures of the 50 state DOTs. We found that all DOTs have divisionalized structures devoted to such specialized areas as construction, maintenance, planning, and the like. As an organizational strategy, divisionalization is appropriate, since DOTs produce many outputs from safe roads to intermodal freight transport. This strategy of divisionalization is analogous to the private sector's adoption of the multi-divisional firm, which research indicates is the best fit between corporate strategy and task on the one hand and organizational structure on the other..

In addition to the operating divisions, 37 of the states had a commission, board, or council that served a governing, advisory and/or administrative role. Following this determination, the research plan focused on analyzing how the two different DOT organizational structures—commission and non-commission—may impact state-level transportation planning, resource allocation and performance. At this time, there is no research on the role of transportation commissions; however, research on a similar institution—State Boards of Education—suggests that the latter tend to improve the performance of the system of higher education in their respective states (Knott and Payne 2004). State Boards of Education set policy and priorities for state spending on higher education. Transportation commissions may function in similar ways in regard to decisions about investments in highway and transportation infrastructure.

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The research was conducted in several steps. In the first step, as noted above, we reviewed the organizational charts of the 50 state DOTs. We then read the 37 state statutes that authorize the creation of a commission, analyzing them to discern differences in regard to commission powers and roles. This involved identifying the commission structures, characteristics, and responsibilities pertaining to transportation planning and decision making.

We then gathered state-level data on a number of attributes and characteristic relevant to transportation policy and planning in the 50 states (e.g., the size of their state highway systems, the number of employees in their DOTs, their gas and diesel tax rates, their GSP per capita, and the like). In addition, we had several indicators of state DOT performance. With this data and the information on commission roles and powers, we were able to statistically assess the impact that commissions and their different powers and roles have on DOT performance.

In the second research step, we conducted in-depth case studies of five states with commissions. These required site visits to each state's DOT. The case study states were selected based on having high performance grades for capital management of transportation assets. The study states were: Florida, Maryland, Minnesota, Ohio, and Washington.

The purpose of the site visits was to gather additional information on the role of each state's transportation commission in transportation decision-making as well as information on any other methods used to ensure high performance and accountability. This information complemented the data collected in the first step. These case studies entailed analysis of documents obtained from each state as well as information from interviews with high-level DOT officials conducted during the site visits by members of the research team.

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#### 1.3 Summary

State DOTs perform essential tasks under demanding and difficult circumstances. Each DOT, moreover, confronts challenges unique to its state's geography and climate. And they do so under resource constraints. Nevertheless, they can learn much from each other, as all operate in an intergovernmental environment and must coordinate multimodal transportation systems. This study is designed to facilitate DOT effectiveness by identifying structures and policies that increase performance and accountability. Indeed, the last chapter will identify recommendations for improvements in organizational structures and their associated policies to improve DOT decision making.

#### **Chapter 2: Theories of Accountability and Governance**

Recent theoretical work in public administration has addressed the issue of governance under complex conditions. One line of theoretical thinking arises from the study of employeremployee relationships in the private sector. It looks at the relationship between principals (the employer) and their agents (the employee or a contractor) and addresses this question: how can the principal ensure that the agent delivers the desired performance? There are many answers to this question—direct supervision, detailed contracts, profit-sharing, to name three. Unfortunately, these techniques work best when the task in question can be clearly defined in advance and easily measured upon completion. In such situations, the principal has sufficient information to evaluate the task performance of the agent. In many situations, however, the agent has more information or information is lacking and must be generated through the interaction of the interested parties. In these complex situations where the goals and means are often ambiguous, it can be necessary to turn to governance structures that involve more discussion between stakeholders. That is, structures must be devised that facilitate cooperation and trust between agents and principals.

#### 2.1 Accountability Under Three Governance Structures

Hill and Hupe (2002) have created a model of governance structures that relates the type of managerial task to the appropriate governance structure for implementing policy, of which there are three: authority; transaction; and persuasion. Each is associated with a different type of accountability structure—authority with organizational hierarchy; transaction with marketplace relations; and persuasion with networks in which parties discuss and negotiate. In general, managers in a *hierarchy* obtain accountability by making

responsibilities explicit, creating clarity of tasks, providing sufficient resources to employees, motivating with appropriate rewards and punishments, and monitoring compliance with standard operating procedures. In *markets*, managers create accountability by locating competent contractors, writing binding contracts, and monitoring and rewarding compliance with the details of the contract. Obtaining accountability through *persuasion and negotiation* in networks requires explicit articulation of discretion, the creation of partnerships, institutionalization of stakeholder participation, enhancement of professionalization, and coordination of service delivery by the members of the network.

#### **2.2 The Accountability Environment for DOTs**

Hill and Hupe's typology is directly relevant to the complex challenges facing today's DOTs. Directors of DOTs must manage complex stakeholder relations with state governors, legislators, and local politicians and citizens groups. Increasingly they also confront relations defined by contracts and open-ended negotiation (Lockwood 1998; Warne 2003; Witheford 1997). And, with the widespread use of transportation commissions, directors of DOTs confront an additional actor whose concerns must also be addressed. Clearly, in dealing with its many stakeholders, directors cannot simply give or take orders. They are locked into a network of relationships with elected and appointed officials from which policy decisions emerge following much discussion and negotiation. Adding a commission to the mix means there is one more group of actors with which the DOT director must discuss and negotiate.

Perhaps more than most agencies, DOTs confront a geographically based political interference to their performance. Elected officials in state legislatures represent local districts and frequently want to bring road projects to their district or region, whether or not their particular district has the greatest technical need for the limited funds available for new road

construction. In this sense, a state DOT perforce operates in a complex, political environment. Both the legislature and the governor in most states are interested in its work, its sources of revenue, and the allocation of its resources. The director of the DOT must answer in various ways to both of them. This can conflict with the duties and standards of the DOT's employees, many of whom are professional engineers committed to objective standards of technical job performance.

We have then an accountability environment split along two dimensions: (1) the pursuit of local versus general interest on one axis, and (2) a concern for optimizing the use of resources versus the maximization of political advantage on the other. Table 2.1 lays out the interests and value commitments of the major actors in the accountability environment that surrounds decision-making for transportation-related capital projects.

 Table 2.1: Focus of Interest and Dominant Value Commitment of the Major Actors in

 the Accountability Environment for Transportation Decision Making

Stakeholder	<b>Focus of Interest</b>	Dominant Value	
		Commitment	
Legislature	Local	Political Advantage	
Governor	General	Political Advantage	
Director of DOT	General and Agency	Optimal Technical Use of	
		Resources	
Commissioner Representing	Local	Maximum State Investment	
Region		in Region	
Commissioner Representing	General	Optimal Use of Resources	
Entire State			

Governors, of course, are elected by all the residents of their state and must strive to reconcile the general with the various local interests. In contrast, as representatives of specific localities or regions, elected officials in state legislatures can obtain political advantage by advocating policies that place local interests above the general interest. This aspect of our political system can produce conflicts over the geographic distribution of projects. In theory, the decision to fund a proposed road project should be a response to objectively measurable need, as indicated by traffic flows and patterns of population and economic growth, as well as other objective factors such as road conditions and traffic safety. In practice, however, the objective data may be ambiguous or conflicting. Moreover, the choice of projects may be influenced by the political power of specific legislators or various interest groups. Under these circumstances, it is possible for local interests to trump the general interest.

The foregoing suggests that when there are multiple parties present it is important that none be too weak or too powerful. In regard to transportation policy, a rough balance among the governor, the legislature, the commission, if present, and the DOT is desirable. Governors can be said to represent the public interest. Legislators who represent districts can be said to represent local interests. DOTs represent the systematic and rational judgments of the professionals in the bureaucracy as well as the general interest. The addition of a transportation commission representing the general interest can increase the lines of influence and the amount of discussion that occurs. In doing so, a transportation commission can increase transparency, making it more difficult for narrow interests to shape the outcomes of the decision process (See Figure 2.1).

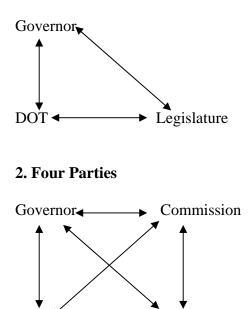
The purpose of this study is to identify if and how differences in DOT organizational structures impact the performance and accountability of state DOTs. To this end, the analysis performed in Chapters 5 seeks to address the question: Do transportation commissions improve the capital management performance of state DOTs? These transportation commissions share the accountability environment associated with the implementation of transportation policy with the governor, the legislature, and the department of transportation. Kearns (1996) uses the term 'accountability environment' to capture the multidimensional

nature of the quest for accountability in public administration. The implementation of public policy frequently entails multiple actors and concerns (Behn 2001, 1998; Halachmi 1986; Dubnick 2005; Yates 1985). Therefore, there is more to accountability than the agency theory metaphor of hierarchical control of subordinates by their formal superiors (Garson and Overman 1992). By implication, then, in order to enlarge the sum total of accountability surrounding a specific government agency, it is necessary to attend to the web of relationships between the major stakeholders as well as to their capacity to influence each other's decisions. Accountability is thus an emergent product of the structure of relations in the accountability environment (O'Connell 2005)

# Figure 2.1: Increasing the Lines of Influence and Negotiation from Three to Potentially Six with Addition of a Commission



DOT



As we demonstrate in our review of the statutes in the findings, the transportation commissions appear to possess relatively little formal power. Nevertheless, as this research

Legislature

will show, transportation commissions appear to have a salutary effect on DOT performance. Before describing our methods, data, and findings, we discuss some recent work on the quest for accountability under various governance structures. This work sees accountability emerging from negotiations between the parties that share powers in a broad accountability environment (Kearns 1996; Hill and Hupe 2003; Hult and Walcott 1990, O'Connell 2005). This approach to accountability suggests that even a relatively weak commission can augment the quality of performance of its state DOT.

From its first steps, the field of public administration has struggled to define the proper role of elected officials in the administration of public policy. The Wilsonian formulation that politicians establish the policy and its objectives, but leave the technical details of administration to objective and neutral experts in the bureaucracy, is frequently unattainable in practice (Hult and Walcott 1990; Graham and Hays 1986). Moreover, even when the goals are clear and the bureaucracy able and motivated, politicians can meddle in the policy to aid various special interests (Lindblom 1980; Yates 1982). That is, as Wilson (1887) feared, elected officials can thwart the public interest in efficient administration. This presents a problem that can best be summarized in the question: How can the public keep its elected and appointed servants focused on the general interest as opposed to the various special interests?

This study assessed the efficacy in the area of transportation infrastructure policy of one approach to this problem—the creation of state transportation commissions to oversee the work of their state DOTs. As of 2000, 37 of the 50 states have created transportation commissions, councils, boards, and other types of independent external bodies to advise, oversee, or govern their state DOT. In this report, we will refer to these independent bodies as commissions, since most are called that. As we found from our review of their authorizing

statutes, their powers tend to be limited and they are rarely given explicit roles in every day DOT operations (e.g., the power to select, rank or prioritize projects), but the statutes do tend to confer upon commissions some role in transportation policy, finance, and decision-making. There has been little research on how these government entities distribute resources across a state; but a recent study of statewide education boards suggests that oversight boards or commissions can shape policy and ultimately the distribution of desired resources (Knott and Payne 2004).

#### **Chapter 3: Comparison of the States by Organizational Structures: Commission and Non-Commission States**

Our initial survey of DOT organizational structures across the 50 American states found that there were not many differences among the states. With few exceptions, DOTs have a top administrative official who reports to the state's elected governor. The DOTs are divided into functional divisions headed by division managers who report to the top administrative manager. However, there was one obvious difference between them – some state DOT organizational charts indicated the presence of a commission, council, or board, either in an advisory, governing, or leadership capacity. Further investigations determined that these commissions, councils, or boards are quasi-independent bodies that play some role in transportation decision making. Given this initial finding, the remainder of the research focused on the organizational differences between commission and non-commission organizational structures.

A review of the transportation statutes (up-to-date as of April 2004) indicated that 37 states had quasi-independent bodies referred to as Commissions, Councils, Boards, or Committees while the remaining 13 states did not have such quasi-independent bodies involved in their transportation planning. Figure 3.1 geographically summarizes these commission and non-commission states (commission states are highlighted in this map). Geographically, commission states are mostly located in the central and western parts of the U.S. Some states along the eastern seaboard are also categorized as commission states.

#### 3.1 Research Method

We gathered data from several sources to explore the contribution of commissions to the general performance of DOTs. Our measure of state DOT performance is based on the results of the 2000 Government Performance Project or GPP (Barret et al. 2001; Ebdon 2001; Government Performance Project 2002). The Maxwell School of Citizenship and Public Affairs at Syracuse University conducted a study that estimated the efficiency and performance of state governments. The relevant performance measure is from the 2000 GPP, which included in the assessment of state management of capital assets measures specifically related to transportation. Performance grades for capital management were based on three components: (1) capital planning, (2) project management, and (3) asset maintenance. Three primary sources – survey responses, government documents, and interviews with state officials – were used to collect the data on which the grades were based. The GPP assessed procedures for capital management for all state resources. However, it is a good measure of capital performance for DOTs, given the large ratio of highway capital expenditures to all capital outlays for construction in the states—approximately 70 % of state capital outlays are for highways (see Table 3.1).

Year	Highway Capital Outlays (\$ thousands)	Capital Outlays for Construction (\$ thousands)	Highway Capital Outlay as Percentage of Capital Outlays for Construction
2002-03	48,718,935	72,374,446	67.3%
2001-02	49,271,518	71,034,814	69.4%
2000-01	44,760,853	64,668,030	69.2%
1999-00	41,650,642	59,680,668	69.8%
1998-99	37,986,175	53,856,968	70.5%
1997-98	35,008,489	50,541,874	69.3%
Average	42,899,435	62,026,133	69.2%

 Table 3.1: State Government Expenditures for Highway Capital Outlays, 1997 – 2003

Source: U.S. Census Bureau's Census of Governments and Annual Survey of Government Finances.



Figure 3.1: Commission and Non-Commission States (37 Commission States and 13 Non-Commission States), as of April 2002

Note: Minnesota and Kansas both had commissions in 2000. The analysis in Chapter 5 was based on 2000 data, so for regression analysis purposes, Minnesota and Kansas were treated as commission states.

In the GPP, each state received a grade from A to D. The distribution of grades is presented in Table 3.2. The scores have a normal distribution with a grade of B as the midpoint. We turned these letter grades into numerical grades similar to those used to determine academic grade point averages. For example, A = 4.000, A = 3.667, B + = 3.333, B = 3.000, etc.

Grade	Number of States		
А	1		
A-	4		
B+	7		
В	12		
B-	9		
C+	8		
С	6		
C-	1		
D+	1		
D	1		

Table 3.2: Distribution of GPP grades for Management of Capital Assets in the States

#### **3.2 Does Having a Commission Impact Performance?**

The important research question for Phase 1 of this study, apart from identifying the commission and non-commission organizational structures, was to determine if having a commission impacts the performance of the state's DOT. In essence, this involves determining whether commission states perform better than do non-commission states. To this end, we utilized two measures of state DOT performance. The first measure, highway capital outlays per vehicle-miles traveled (VMT), is a measure of the DOT's responsiveness to transportation needs in the state. (This measures makes the assumption that spending per VMT translates into a better maintained state highway system.)

The second measure, the Government Performance Project (GPP) Capital Management Grade, reflects the state's management of its transportation infrastructure. The GPP Grade encompasses three aspects of transportation infrastructure management: (1) capital planning; (2) project management; and (3) asset maintenance.

A comparison of the two performance measures for commission and non-commission states, presented in Table 3.3, shows that in fact, having a commission does make a difference. Commission states had, on average, higher capital management grades and spent more on highway capital outlays than did non-commission states. For both performance measures the differences between commission and non-commission states were statistically significant.

 Table 3.3: Comparison of Average Performance Measures for Commission and Non-Commission States

Performance Measure	Commission States (N=37)	Non-Commission States (N=13)
GPP Grade for Capital Management <sup>*</sup> (A=4.00,	2.83	2.43
B=2.00, C=1.00, etc. )		
Highway Capital Outlays per VMT**	\$1.56	\$1.14

\*\* significant at the 0.05 level

\* significant at the 0.10 level

# **Chapter 4: An In-Depth Analysis of the Transportation Commission Statutes and Commission Roles and Powers**

We reviewed the transportation statutes of the 50 states. As noted earlier, 37 of the statutes had a section authorizing the creation of a quasi-independent body to serve in an oversight or advisory capacity for some aspect of the duties of the state DOT. Variously referred to as commissions, boards, authorities and the like, they tend to differ in their specific powers and responsibilities. Moreover, as we demonstrate in this chapter, a review of the authorizing statutes of the states with commissions suggests that their powers may not be extensive.

The statutes tend to be broadly written with few details of commission powers and responsibilities. We could only note statutory reference to a limited set of roles. In addition to commission powers and roles, the review of transportation statutes identified several features or characteristics unique to some commissions. For example, several commissions had statutory restrictions on the *political party* composition of the commission, with the goal of ensuring equal representation of the political parties. Washington's statutes, for instance, specify that "not more than four members of the commission shall at the time of appointment or thereafter during their respective terms of office be members of the same major political party" (RCW 47.01.051).

Many states had selection criteria to ensure that commission members are selected to represent *specified geographic regions*. In Florida, for example, the composition of the commission must include members representing all geographical areas of the state.

The method of selection or appointment of commission members also varies across the states. In most states, commission members are citizens appointed by the Governor with approval from the legislature. But in a minority of states, the commission is comprised of a combination of citizens and elected officials (such as the Governor and key legislators). These

different characteristics are summarized in Table 4.2. The most common type of membership composition is citizen commissioners appointed by the governor. In addition, representation by geographic region is more likely to be statutorily mandated than representation by political party.

Table 4.2 also lays out the number of commissions with specific attributes for the 37 states with commissions. While only 13 states (35%) have statutes that stipulate that the members of the commission come from both major political parties, 22 have statutes (60%) that insist that their transportation commission members come from specific regions in their state. This guarantees geographic representation for all the major areas in a particular state.

Many of the statutes conferred specific roles on their commissions. We noted the reference to the six roles defined in Table 4.1: (1) policy making; (2) short-term planning; (3) long-range planning; (4) project selection; (5) financial management and oversight; and (6) the power to nominate candidates for or select the director of the DOT.

 Table 4.1: Five Roles and Responsibilities of Transportation Commissions

	Deltine relation of the second s	
	Policy making encompasses determining statewide transportation	
Policy making	policy, in addition to departmental policies such as rules and	
I oncy making	regulations pertaining to the administration and operations of the	
	Department of Transportation.	
<b>Short-term planning</b> Short-term planning is defined as transportation planning activity		
Short-term planning	with durations less than 10 years.	
	Long-range planning is defined as planning activities with time	
Long-range planning	horizons beyond 10 years. This includes comprehensive and balanced	
	statewide transportation planning and long-term multimodal planning.	
Project selection encompasses all activities related to the selection		
Project selection	ranking and prioritization of projects and the matching of these	
	projects to the budget and other funding sources.	
Financial	Financial management and oversight involves all fiscal activities	
<b>Financial</b> related to the financing and managing of transportation systems		
management and	includes budget development, resource allocation, bond issuance and	
oversight	financial audits.	
Selection of the DOT	Statute states that commission either nominates candidates or selects	
director	the candidates for director of the DOT.	

The percentage of statutes that mention specific role-enabling powers and attributes are summarized in Table 4.2. A role in policy development was the most frequently mentioned power. In total, 28 statutes (76%) give their respective commissions a role in the creation of policy for their department of transportation. Given the importance of financial accountability and project selection to overall DOT performance, it is not surprising that, 65% of statutes mention financial oversight as a commission role and 60% grant a role in project selection. Planning roles were mentioned less frequently in the statutes—43% of the statutes mentioned each type of planning role.

At the other extreme, only 10 (27%) of the statutes give the commission a role in the selection of the director of the DOT. There were two methods in the statutes used to grant the commission a role in the selection of the DOT director, one direct and one less so. The Missouri Highway and Transportation Commission directly appoints the DOT Director. Florida takes a less direct approach—its transportation commission nominates three candidates for the Secretary of Transportation and the governor then makes the final appointment. Thus, the commission's role, while less direct, is still quite substantial.

 Table 4.2: Number and Percent of State Transportation Commissions with Eight Roles

 and Attributes Mentioned in Their Authorizing Statutes (N=37)

Role or Attribute	Number	Percent
Members represent specific regions of state	22	60%
Commission must contain members of both major	13	35%
political parties		
Role in the development of DOT policy	28	76%
Role in long term planning	16	43%
Role in project selection	22	60%
Role in financial oversight	24	65%
Role in short term planning	16	43%
Role in selecting the director of the DOT	10	27%

Number of Roles	Number of Commissions	Percent
0	1	3%
1	8	22%
2	5	14%
3	7	19%
4	5	14%
5	9	25%
6	2	6%

 Table 4.3: Distribution of the Number of Roles Mentioned in Statutes Authorizing 37

 Commissions

The statutes tend to grant a circumscribed number of powers to their commissions, with only a few granting all the powers to their commissions. As Table 4.4 shows, only 6% of the statutes mentioned all the roles. Conversely, 22% mentioned only one role. The median number of roles attributed to commissions is 3 and the mean number of roles is 3.14. In other words, many commissions appear to have limited roles to play in transportation decision-making. Still, with three-fourths having a statutorily authorized voice in policy setting, it is possible that a majority of states can assume the other roles even when they are not explicitly mentioned in the authorizing statute.

The finding in the previous chapter that the commission states outperform the noncommission states gives rise to this question: do the states with commissions differ from those without commissions on some of the factors such as financial resources that could explain their superior performance? In Table 4.4, the 37 states with a commission are compared to those without a commission on several factors: gross state product, miles in the state highway system, governor's institutional power score, and the gas tax and diesel tax rates per gallon. None of the comparisons are statistically significant. Commission states have lower gross state products, lower governor's power scores, and more lane miles in their state highway systems to care for. While there is little difference in their gas tax rates, the commission states do have a slightly higher tax on diesel. Thus it appears that none of these variables could account for the higher

GPP score for capital management. Nevertheless, we will include them in the regression analyses

in the next chapter.

Variables	Commission State (N=37)	Non- Commission State (N=13)	T-value
Gross State Product per Capita	\$31,194	\$32,558	0.681
Lane Miles in the State Highway System	16,319	12,929	0.608
Governor's Institutional Power Score (out of 25)	20.568	21.115	0.695
Gas Tax Rate (per Gallon)	\$0.217	\$0.216	-0.092
Diesel Tax Rate (per Gallon)	\$0.224	\$0.208	-0.997

 Table 4.4: Comparison of Commission versus Non-Commission States on Variables of

 Interest

#### 4.1 Techniques for Ensuring Political Independence/Neutrality

In addition to the previously described powers and characteristics of transportation or highway commissions, we also examined several features of the commissions that serve to ensure their political independence or neutrality. For example, several states have restricted termination clauses that protect the commission members. Washington, for instance, has a statute that reads "commissioners shall not be removed from office by the governor before the expiration of their terms except...for cause based upon a determination of incapacity, incompetence, neglect of duty, or malfeasance in office by the Superior Court of the state of Washington." In addition, some states have statutes that prohibit commission members from holding other political positions or from deriving personal gain from their service on the commission.

#### 4.2 Recent Trends in State Adoption and Roles of Commission

We were only able to identify five recent changes in DOT commission structures and roles. Ohio went from being a non-commission state to a commission state with the creation of the Transportation Review Advisory Council in 1997. Mississippi went from having a highway commission to having a multi-modal transportation commission in 1992. In 2004, the statutes pertaining to the transportation commissions were allowed to expire in Kansas and Minnesota. West Virginia repealed the statute creating its Road Commission in 1995.

### **Chapter 5: Regression Analyses of Commission Attributes and Characteristics that Predict GPP Performance**

We saw that states with transportation commissions appear to be more effective at capital management. But as we noted in the previous chapter, this could be due to a number of factors besides the presence of a commission. In this chapter we use regression analysis to compare the impact on DOT performance of the variables discussed in the previous chapter . If the presence of a commission is a positive and statistically significant predictor of GPP score—our measure of capital management performance—then we can be more confident that commissions do contribute to improved capital management. In the analysis the variables of interest are the presence of commissions, the different features of commissions, the governor's institutional power, the size of the state's highway system, and the economic resources of the state. We have two measures of the latter—the gross state product and the combined gas and diesel tax rates.

Since the role of governors varies from state to state, we used Beyle's (n.d.) measure of the institutional power of state governors as a control. Strong governors may serve as an additional check on the demands of local legislators. A summary of all other variables and their data sources are presented in Tables 5.1 and 5.2

Financial resources also vary across the states. We included three measures of financial resources in our analyses: the gas tax rate; the diesel tax rate, and the state's GSP per capita. In the regression analysis we combined the measures of tax rates into a single indicator to eliminate multicollinearity. To control for differences in the size of the state highway systems we included the number of lane miles in each state's highway system in the regression.

 Table 5.1: Description of Variables and Data Sources, except Commission Roles and Powers

Variable	Operationalization	Data Source	
GPP Score	State's numerical grade for the capital management component of the 2000 Government Performance Project.	Government Performance Project, State Grade Report 2001 (Barret et al 2001)	
Commission Present	A transportation commission, council or board is defined in the statutes. Coded 1 if commission is present, 0 otherwise.	Analysis of state statutes	
Both Parties Represented in Commission	Statutes require that both political parties be represented in the commission. Coded 1 if political party representation is required, 0 otherwise.	Analysis of state statutes	
Geographic Representation in Commission	Statutes require that commission members represent specific geographic region. Code 1 if geographic representation is required, 0 otherwise.	Analysis of state statutes	
Number of Commission Roles	Count of roles attributed to the commission in the statutes. Ranges from 0 to 5. Coded as 0 if the commission has no statutory authority, 1 if the commission is statutorily assigned one of the five transportation roles/functions, etc.	Analysis of state statutes	
Governor's Institutional Power Score	2000 Governor's Institutional Power Scores	Data compiled by Thad Beyle	
Size of State Highway System (in thousands)	Lane Miles of State Highway in State Highway System, 2000	GAO Report number GAO-03- 915SP: Trends in State Capital Investment in Highways	
Combined Motor Fuels Taxes	Sum of the gas and diesel fuel tax rates, 2000	FHWA Highway Statistics, 2000	
GSP per Capita (in thousands)	Gross State Product per Capita, 2000	U.S. Census Bureau Statistical Abstract	

Variable	Operationalization	Data Source	
Role in Long Term Planning	Statute mentions involvement in constructing plans of more than 10 years. $1 = yes; 0 = no$	Analysis of state statutes	
Role in Project Selection	Statute mentions a role in project selection. $1 = yes; 0 = no$	Analysis of state statutes	
Role in Financial Management	Statute mentions a role in financial management. $1 = yes; 0 = no$	Analysis of state statutes	
Role in short Term Planning	Statute mentions involvement in constructing plans of 10 or fewer years. $1 = yes; 0 = no$	Analysis of state statutes	
Direct Commission Involvement in Selection/nomination of DOT Director	Statute provides direct commission involvement in selection of DOT Director. Coded 1 if commission nominates director candidates or selects the DOT Director, 0 otherwise.	Analysis of state statutes.	
Role in the Development of DOT policy	Statute mentions a role in development of DOT policy. 1 = yes; 0 = no.	Analysis of state statutes.	

 Table 5.2: Specific Commission Roles and Powers Mentioned in Statutes

With measures for each of these variables, we can assess the validity of the following hypotheses about the impact of commissions and their attributes on capital management.

#### **5.1** Three Hypotheses

The analysis in this chapter involved looking at differences in DOT capital management between states with and without transportation commissions. DOT performance depends on two factors: (1) addressing the broad transportation needs of the state; and (2) the optimal use of scarce resources based on technical criteria. Given the different focus of interests and value commitments of the multiple actors (as discussed in Chapter 2), transportation commissions may be able to shift the focus away from gaining electoral success, injecting instead greater emphasis on the use of technical criteria for resource allocation. Commissions, if structured correctly, may also be able to advocate for the state's general interests, reducing some of the local-oriented political influence that may detract from DOT performance.

The addition of a commission to the accountability environment, therefore, creates a new actor that can potentially advocate for greater general interests and emphasize the optimal use of technical expertise to determine resource allocation, thus improving performance.

## H1: States with transportation commissions will have higher performance scores for capital management.

Our review of the 50 state transportation statutes (discussed below) identified three frequently specified attributes of commission structure: (1) the specific powers and roles granted to the commission (e.g., statutory involvement in policy formation); (2) a requirement that commissioners be representative of both major political parties; and (3) a requirement that commissioners come from different regions of their state. The first two of these seem likely to improve commission performance, since powerful commissions and participation by commissioners from both parties seem likely to increase the ability of commissions to represent and pursue the public interest. Knott and Payne's (2004) study of statewide education boards found that strong education boards possess more control over education budgets and academic programs, having greater impact on the performance of their educational institutions. It is likely, therefore, that as the commissions acquire additional powers and roles, they can better improve the performance of their DOTs. Commissions with mandated representation from both political parties also seem likely to reduce legislative and gubernatorial influence in project selection and other decisions, further enhancing the DOT's performance.

H2: States with powerful commissions will have higher performance scores for capital management. States with mandated commissioner representation from both political parties will have higher performance scores for capital management.

We have theorized that commissions represent the general interest and transportation needs of the state. Some commissions, however, are statutorily required to select commissioners to represent specific areas or regions in their states. These states may not perform as well as those with statutes that do not require such representation, because the local interests of geographically-constrained commissions may subvert (subjugate) the commission's general interest. Thus, commissioners chosen to represent regions could undermine the general interest by, for example, working with their legislatures to bring unnecessary projects to their regions. If so, they would be acting as a fourth party in pursuit of local, rather than general public interests.

H3: States that mandate geographical representation in commission membership will have lower performance scores for capital management.

#### **5.2 Results of Regression Analyses**

We used regression analysis to test the three hypotheses. Regression results are summarized in Table 5.3. Along with the two measures of state resources, the independent variables were: governor's institutional power score; the presence of a commission; statutory representation of both parties; the number of specified commission roles and powers; and statutory representation of geographic areas. To compute the measure of commission power we added the number of roles mentioned in each state's authorizing statute.

Independent Variable	Coefficient	Standard Error	Beta	t-value	p-value
(Constant)	-0.642	0.896		-0.716	0.476
Governor's Institutional Power	0.052	0.034	0.201	1.533	0.133
Commission Present	0.698	0.266	0.496	2.625	0.012
Both Parties Represented in Commission	-0.117	0.192	-0.083	-0.613	0.543
Geographic Representation in Commission	-0.233	0.187	-0.187	-1.247	0.219
GSP per Capita (in thousands)	0.032	0.000	0.266	2.003	0.052
Combined Gas Diesel Rate	0.021	0.009	0.301	2.360	0.023
Lane Miles of State Highway (in thousands)	0.003	0.000	0.169	1.248	0.219
Commission Roles and Powers	-0.033	0.057	-0.107	0.588	0.560
$\mathbb{R}^2$	0.377				
Adjusted R <sup>2</sup>	0.250				

 Table 5.3: Unstandardized and Standardized Regression Coefficients Predicting GPP

 Score

In support of Hypothesis 1, the presence of a commission is a positive predictor of GPP grade (b = .496, p = .01). Both measures of resources were also significant at the .05 level. The results do not support Hypothesis 2. Neither commission power nor mandated representation from both political parties predicted higher capital performance. Hypothesis 3 was not supported. Although geographical representation was a negative predictor, it failed to reach statistical significance.

#### 5.3 Discussion

From the review of their authorizing statutes, we found that 37 states have established independent entities, usually referred to as commissions, to work with their DOTs. The regression analyses suggest that these entities make a positive contribution to capital management. Since it is not possible to do a panel study of commissions with measures of performance before and after the adoption of the commission the findings are suggestive only. The results did not support our second and third hypotheses. Geographic representation, although negatively signed as predicted, was not statistically significant. The more powerful commissions and those with mandated geographic and political representation are not more effective. On balance, it could be that it is the addition of a commission as a stakeholder in the accountability environment surrounding transportation decision-making is sufficient to improve performance, no matter the attributes of the commission.

The failure of geographic representation to improve performance is to be expected, since state legislators also represent local interests. The lack of impact for mandated political representation may reflect the willingness of both parties to pursue regional interest. In regard to commission roles and powers, our measure may be too crude to capture the differences.

A commission may also contribute to performance by serving as a buffer between the governor and legislature on the one hand and the DOT on the other. With a commission as a buffer, the DOT director may have more flexibility to make more systematic and rational recommendations and decisions.

Perhaps, also, the presence of a commission promotes effectiveness by encouraging the application of more universalistic standards when making capital management decisions. Unlike elected officials, commission members may not be under as much political pressure. Thus the presence of a commission may improve capital management by ratcheting up the willingness and ability of the DOT to apply engineering considerations to its capital planning. This seems to be the case in Ohio, which has a commission authorized to rank and select new highway projects based on a set of objective engineering and economic criteria.

But a commission may improve performance for other reasons. The act of consultation with a commission can inject more diverse information and analysis into decision-making and

planning. In situations burdened with controversy, research suggests that decision structures that air conflicts generate better decisions (Schweiger et al. 1986). A commission can also enhance public acceptance of decisions by generating more transparency in the decision process. This legitimating effect is another reason for the widespread turn to commissions in the area of transportation. In a politicized environment in which controversy is common the states can be expected to look for and imitate governance structures that confer legitimacy (DiMaggio & Powell 1991). Maryland has a commission with little power. It sets policy and consults with the governor. However Maryland has a policy that mandates negotiation throughout its decisionmaking process, as DOT officials must consult each year with county officials on a final list of projects that are recommended to the governor, who makes the final decision.

Taken together, these results are consistent with the idea that accountability is more likely to emerge in an environment characterized by multi-party negotiation and increased lines of communication. The presence of an additional party in the form of a commission appears to improve performance by increasing discussion and transparency.

### **Chapter 6: Lessons for Increasing Accountability from Five Case Studies of Commission States**

States with commissions appear to perform better. The statistical analyses suggested that it is the effective presence of a commission rather than the number of powers and responsibilities the particular commission may possess that contributes to improved capital performance by the DOT. To deepen our understanding of the ways in which a commission can contribute to its DOT's capital performance, we conducted case studies of five states with above average GPP scores. We reviewed background information on each state and then conducted on-site interviews with high ranking officials in the DOT in each state. (The list of officials interviewed is provided in Appendix B).

To give our work an organizing focus we developed an interview instrument with two themes: (1) project selection and prioritization and (2) project funding. The interview instrument is included in this report in Appendix C. We then asked officials to describe in detail the project selection, prioritization, and funding process in their states. The questions were written to elicit the powers and responsibilities of the major actors involved—including their transportation or highway commission. The full descriptions and discussions of the case study states are included in Appendix A.

Our conversations with the officials gave us a much clearer picture of the ways in which their respective commissions made contributions to their states and in the case of Minnesota gave us an insight into the ineffectiveness of commissions.

The observations and findings from these case studies appear to be consistent with the findings of another Kentucky Transportation Center study titled "Meeting Kentucky's Transportation Needs and Priorities: Citizen's Perceptions and Recommendations" (Hartman et

al. 2005). The study's report made two recommendations for improving communication between state DOTs (specifically the Kentucky Transportation Cabinet) and the citizens of the states. These findings were: (1) devise a decentralized project selection process that begins with public input at the district level; and (2) hold statewide public hearings to obtain public input regarding statewide needs and priorities. The findings of this study support these findings and illustrate how the selected case study states have approached decentralized project selection and enhanced public input.

#### 6.1 Dimensions of Accountability

The high-scoring states appear to have solved a number of the accountability problems that we identified in the first chapter. They have mechanisms in place that:

- reduce unwarranted political influence in project selection and prioritization;
- ensure an emphasis on system maintenance and preservation;
- require meetings at the local or district level to increase communication, trust, and transparency;
- ensure fair allocation of resources to each region of the state;
- reduce wasteful expenditures; and
- ensure sufficient funding to complete projects in an efficient manner.

Not every state had a mechanism to address each dimension of accountability. What is more, the individual commissions did not necessarily contribute to each of these accountability concerns, but in each state the commissions contributed to one or more of them.

### Table 6.1: Characteristics of the State Transportation Systems in Case Study States

	Florida	Maryland	Minnesota	Ohio	Washington
Size of the State Highway System (lane miles)	40,834	14,624	29,140	48,625	18,298
Transportation Expenditures (billions)	\$6.7	\$1.8	\$2.0	\$3.6	\$2.3
Transportation Capital Expenditures (billions)	\$3.6	\$0.8	\$0.7	\$1.6	\$0.9
Vehicle Miles Traveled in the State (millions)	185,511	54,701	55,296	108,938	55,015
Size of Work Force (full-time equivalents)	8,379	4,740	5,092	7,061	6,835
GPP Capital Management Grade	B-	А	B+	В	A-

### Table 6.2: Characteristics of the Transportation Commissions of the Case Study States

	Florida	Maryland	Minnesota	Ohio	Washington
Establishment Year	1987	1971	2000 (terminated in 2002)	1997	1977
Size of Commission	9	17	20	9	7
Appointment Term	4 years	3 years (Governor appointees) and 5 years (State Roads Commission)	No appointment term	5 years	6 years
Membership and Appointment	Citizen members appointed by the Governor with approval by the Senate	<ul><li>10 citizen members appointed by the Governor;</li><li>7 members of State Roads Commission are ex-officio.</li></ul>	5 citizen members, 7 members of the House; 7 members of the Senate; Commissioner of Transportation	6 citizen members appointed by the Governor; 1 appointed by the House; 1 appointed by the Senate; ODOT Director	Citizen members appointed by the Governor with approval by the Legislature
Staggered Terms	No	Yes	No	Yes	Yes

#### 6.2 Background Information on the Case Study States

While all the study states have above average GPP scores and commissions, they differ in a number of respects. Two of them are among the nation's most populous states—Florida and Ohio. The others—Minnesota, Maryland, and Washington are midsized states. Transportation expenditures appear to follow the number of residents more than the size of the system as measured by the number of lane miles in the state highway system. Table 6.1 summarizes important characteristics of the selected case study DOTs. The transportation commissions in the selected states also varied (see Table 6.3). Commission size ranged from 9 members to 20 members. Their appointment terms varied from 3 years to 6 years. More interestingly, the composition of the commissions differed, with some being fully comprised of citizen members, some including ex-officio members such as the DOT Director, and some having legislative members.

#### 6.2.1 Florida

The Florida Department of Transportation (FDOT) has a central office in Tallahassee and 7 district offices located throughout the state. Each of the district offices is headed by a Secretary and has major operating and planning responsibilities consistent with FDOT's decentralized management and operational style. While organizational structures vary, the districts have operating divisions that focus on administration, planning, and production and operations in some form.

Florida Department of Transportation policies and activities are monitored and/or supervised by the Florida Transportation Commission, which was established in 1987. The commission is a citizens' oversight board which is independent of the FDOT and has its own

staff. In 1989, the Florida Legislature decided to enhance the role and responsibilities of the Florida Transportation Commission, statutorily granting three commission powers: (1) review of the performance of the Florida Department of Transportation; (2) review the department's Work Program; and (3) responsibility to propose three nominees to the Governor for the Secretary of Transportation. The Commission conducts a statutorily-mandated annual review of the FDOT's tentative 5-year Work Program. Review of the Work Program ensures that sufficient funds exist to accomplish the projects in the plan.

The organizational structures used to meet the six accountability goals are discussed next.

#### 1. Reduce unwarranted political influence in project selection and prioritization

The Legislature can add specific earmarked projects to the Work Program but the cost of such projects have to be offset by Work Program reductions in the district where the legislatively-initiated project resides. Moreover, if legislatively added projects are included in the transportation appropriation bill, the Governor can line-item veto these projects. The current Governor, Governor Bush, has vetoed every project that the Legislature has added to the 5-year Work Program.

#### 2. Ensure an emphasis on system maintenance and preservation

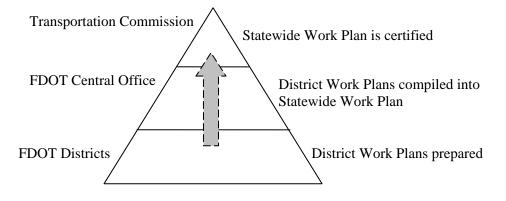
FDOT's funding emphasis is on system preservation and maintenance. Statutes specify that at least 50% of funds for the Florida Interstate Highway System funds must be used for preservation and maintenance. Remaining funds after system preservation and maintenance needs are addressed can then be used for capacity improvement.

## 3. Require meetings at the local or district level to increase communication, trust, and transparency

The Florida Department of Transportation has established a decentralized project evaluation and selection process which includes (1) local (by the district) and state wide (by the Commission) public hearings; (2) input from metropolitan planning organizations (MPOs) and/or counties; and (3) the professional expertise and judgment of the district Secretary and his or her staff. The districts develop draft work plans for their area which includes all transportation construction and maintenance. While preparing the district plans, they hold public hearings and receive feedback from local interest groups including the MPOs in their district.

As indicated, project selection involves a cooperative effort between MPOs or counties (for areas without MPOs) and the FDOT district offices July and January of each fiscal year. The MPOs and counties in non-urbanized areas provide their FDOT districts with a prioritized list of local projects. The district office then identifies and reviews project information, including cost estimates and construction scheduling. The FDOT districts then develop their respective 5-year Work Programs in conjunction with MPOs and local governments prior to submission to the FDOT for approval by the Secretary of Transportation.

#### Figure 6.1: FDOT's Bottom-up Planning Process



#### 4. Ensure fair allocation of resources to each region of the state

The Florida Transportation Commission has 9 members, who serve four year terms, and are appointed by the Governor and confirmed by the Senate. By state statute, commission members must be selected to equitably represent all geographic areas of the state. Historically, this spatial precedent requirement has been met by having one commissioner appointed from each of the seven districts supplemented with two at-large commissioners with rail and port expertise, respectively.

#### 5. Reduce wasteful expenditures

The Commission is responsible for certifying the Work Program that has been approved by the Secretary of the Transportation Department, and submitting it, on behalf of the Department, to the Governor and the Legislature. As previously noted, the Legislature can add specific earmarked projects to the Work Program but the cost of such projects have to be offset by reductions in the district where the legislatively-initiated project resides. Moreover, the governor can line-item veto any legislatively added projects.

#### 6. Ensure sufficient funding to complete projects in an efficient manner

The number of eligible projects in a districts work program is determined by estimates of all sources of available funding. Estimates of state revenues available for allocation to district projects are made by the state Revenue Estimating Commission (REC). To insure that the Work Program is funded (particularly the first three years of the five year plan), funding is matched to specific projects, which are then scheduled or programmed for construction and/or maintenance.

The Florida Transportation Commission was strengthened in 1989, in part, due to problems associated with the financial mismatching of projects and funds. The mismatch of commitments with available resources created a lack of credibility and public concern about the ability of the Department to meet its financial obligations in a timely and equitable manner. As a result the Commission was directed to insure that the Department's Work Program was financially viable and the Commission was required to certify the Work Program before it went to the Governor and Legislature.

#### 6.2.2 Maryland

The Maryland Department of Transportation (MDOT) planning office assumes a central role in project planning and selection. The Office of Planning and Preliminary Engineering coordinates transportation planning statewide and performs project planning activities. It prepares the six-year funding program known as the Consolidated Transportation Program (CTP). By law it must work with the counties and city of Baltimore before presenting the CTP to the governor and legislature.

The State Report on Transportation, which contains both the 20-year and 6-year documents, is developed by the planning section in the State Highway Administration (SHA) in draft form and presented to each of the 23 counties and the city of Baltimore each fall during the annual tour of the counties. The county officials can react to it and request the addition of other projects. MDOT officials visit each county to present the proposed work program and plan. Following the fall tour of the counties, the State Report on transportation is prepared in final form for presentation to the General Assembly, the legislature in January.

#### 1. Reduce unwarranted political influence in project selection and prioritization

Maryland does not so much reduce politics as invite it by giving a role to local officials. Project selection in Maryland is a complex process in which actors at all levels of government are able to participate. During the interviews, the respondents mentioned actors at the local level including county and city officials, MPOs, and other local politicians. But, they also described a significant role for the planners in the SHA, which can evaluate the proposed projects of local politicians and refuse to put them in the CTP In addition, the director of transportation, the governor and the legislature are involved in project selection. The process can be said to have political as well as technical aspects.

SHA's Office of Planning and Engineering (specifically the Program Development Division) is responsible for selecting the highway projects for the CTP, but many other actors have a voice in the selection process. The highway planning process begins with the annual updates to the highway needs inventory (HNI), which is compiled by SHA planners and serves as the basis for setting priorities for major capital improvement projects for inclusion in the CTP. Before the tour of the counties and Baltimore City, planning selects projects for the preliminary draft of the CTP from the highway needs inventory (HNI). After the tour of the counties and consultation with local officials, other projects may be added to or removed from the CTP. The Secretary of Transportation is said to have the final say on the projects that go into the final CTP draft. Then the proposed CTP goes to the governor for his approval. He can add and subtract projects. Last it goes to the general assembly for budget approval.

#### 2. Ensure an emphasis on system maintenance and preservation

Pavement management planning is conducted centrally within the Pavement Division of the Office of Materials Technology (OMT) with funding and project selection approved through the Office of the Chief Engineer (OCE). The seven engineering districts recommend projects to be considered in the annual system preservation program and manage construction and maintenance operations within their districts. Maryland has adopted a two-step optimization approach to pavement preservation. The first step entails the development of investment strategies to reach defined objectives, such as maximizing highway conditions. This step in the process would identify an objective (e.g., resurfacing 120 lane miles of pavement currently classified as fair). The second step is performed by the 7 districts, which are given the responsibility of identifying the particular miles to be resurfaced. Computer programs have been developed for each step.

# 3. Require meetings at the local or district level to increase communication, trust, and transparency.

The Regional and Intermodal Planning Division (RIPD) within the Office of Planning and Preliminary Engineering is responsible for long range systems planning and the integration of SHA's program with regional and local transportation plans. RIPD prepares briefing packages for the annual Consolidated Transportation Program (CTP) Tour that visits each county and Baltimore City to meet with local officials. It also tracks the follow-up assignments and changes in the CTP generated at Tour meetings. Each team is responsible for long range planning for their areas and works with MPOs, counties, and local governments. In addition, the regional planning teams assist in the preparation of the Highway Needs Inventory (HNI), which is SHA's long-term, financially unconstrained planning document that serves as a source document of the CTP.

The State Report on Transportation, which contains both the 20-year and 6-year planning documents, is developed by the planning section in the SHA in draft form and presented to each of the 23 counties and the city of Baltimore each fall during the annual tour of the counties. The county officials can react to it and request the addition of other projects. MDOT officials visit each county to present the proposed program and plan. Following the fall tour of the counties,

the State Report on transportation is prepared in final form for presentation to the General Assembly, the legislature in January.

#### 4. Ensure fair allocation of resources to each region of the state;

Each year the local districts send a letter to the planning office with their list of priorities. There is a formula for how much money is allocated to each district for system preservation. The planning department will allocate money to all the counties, assuming that all counties have a need for funds. However, the more populated regions get more money. In the opinion of one respondent, if planning were to use totally objective standards then some counties would get nothing. So there is some political influence insofar as projects and funds must be distributed throughout the counties and regions.

#### 5. Reduce wasteful expenditures

The Office of Planning and Engineering uses technical criteria to assess proposed projects. Planners from SHA will do preliminary studies if the county says it has a transportation problem. Feasibility studies are conducted to see if the problems described by the counties warrant a project. However, if the pre-planning study determines that no problem exists, the project will not get placed on the CTP. Thus, engineering criteria are said to enter the evaluation of all proposed projects.

However, there is no official scoring/evaluation system in the planning office. Staff in the Office of Planning and Engineering work with MPOs, MDOT, and the counties and brainstorms about what the needs of the state are and how much funding is available. SHA's Office of Planning and Engineering will have its own list of potential projects and will match it with the counties' lists during the tour of the counties.

#### 6. Ensure sufficient funding to complete projects in an efficient manner

Maryland has limits on spending and will not give the counties everything they want. However, with the exception of borrowing limits, there appear to be no policies specifically designed to match project authorization to available funds.

#### 6.2.3 Minnesota

Minnesota Department of Transportation (Mn/DOT) operations is divided into 8 transportation districts statewide under the supervision of the Mn/DOT's Division of District Operations. The districts are responsible for construction programming, planning, designing, constructing, and maintaining state highways. Each district is headed by a transportation district engineer who leads the development of the transportation system in his region, while coordinating those efforts with the other districts and the Mn/DOT central office.

Mn/DOT uses a fiscally-constrained long-range plan that spans 23 years. The long-range planning process begins with the districts identifying its needs to meet their performance targets. Given these needs, the district then prioritizes its projects according to available funding, first emphasizing the preservation of bridges and highways. This emphasis on system preservation, combined with limited funding, caused many needed capital projects to disappear from the list.

The Minnesota Major Transportation Projects Commission was created by the legislature through the 2000 Transportation Bill. The focus of the Commission was major projects, defined as those multimillion dollar projects that constitute more than 25% of a district's annual construction budget. Its goal was to review these major projects, cut those it considers unnecessary, and rank remaining projects for submission to the governor and legislature.

It was expected that the commission would solve the problem of adequately funding major new capacity projects. With its dispersal of decision making and funding to the districts, the emphasis had been on system preservation, to the neglect of new construction for capacity improvement. The state had been forced to resort to incremental construction of major projects – building projects in several small stages over many years – which resulted in substantial increases in the overall costs of the projects.

Membership in the Commission is comprised of the Commissioner of Transportation, 14 legislators – 7 senators and 7 representatives – and 5 private citizens appointed by the governor, one of whom is designated as a representative of the governor. The Commission was structured to meet regularly to evaluate Minnesota's proposed major transportation projects and advise the governor on which projects to pursue. It had no formal power.

The Major Projects Commission was terminated by the legislature in 2002. With twenty members, the Commission was very large and constituted primarily of legislators, both from the Senate and from the House. The Commission has been characterized by some as being self-serving, with legislators having pet projects that needed funding expressing interest in serving on the Commission. It appears that the Commission's work got bogged down because of the number of legislators involved in the process. Whatever the reason for its demise, the commission failed to achieve its goals of improving project selection and reducing waste.

#### 1. Reduce unwarranted political influence in project selection and prioritization

Legislators, by choice and by tradition, have not been involved in project selection, apart from appropriating transportation funds and limiting their distribution to a 50/50 split between rural and urban. Legislative input into the process comes through the Area Transportation Partnerships (ATPs) that decide on federally-funded projects within each district. The Major

Projects Commission was perceived as one way legislators could influence the project selection process. This conflicted with the intent of the Commission, which was to (1) review projects already selected and trim the list of those projects deemed unnecessary; and (2) address the issue of how major projects could be funded

Unfortunately, Minnesota's commission increased political influence. The Commission may have failed because the interests of the legislators involved in the Commission and the mandate of the Commission were at odds. Legislators viewed the Commission as a means of getting specific projects funded and constructed.

The state has other institutional practices, however, that limit political involvement. Officially, the legislature has no formal role in project selection. There are no direct mechanisms for legislative involvement in developing the 3-Year Construction Plan. Traditionally, the legislature has not become involved in project selection, primarily due to informal agreement to that it would keep its hands off the process. If a legislator wanted to get a project funded for construction, he/she would have to go through regional representatives and the ATP to make the project a priority. Legislators do not simply add their projects to the finalized State Transportation Plan recommended by the Transportation Program Investment Committee (TPIC) and approved by the Commissioner for Transportation.

#### 2. Ensure an emphasis on system maintenance and preservation

Minnesota's system of decentralized decision-making places a premium on preservation and may result in underfunding of new capacity projects. In 1997, Mn/DOT began utilizing performance-based planning. Target performance measures were used to measure pavement performance, make decisions, and facilitate district planning.

# 3. Require meetings at the local or district level to increase communication, trust, and transparency

Mn/DOT's planning and project selection process is very decentralized and open to public input. The selection of projects for funding and construction is bottom-up, driven by public input through transportation partnerships at the district level for any project affecting its jurisdiction.

The project selection process begins with districts, Metropolitan Planning Organizations (MPOs) and Regional Development Commissions (RDCs) initiating the project solicitation process. Each district, MPO, and RDC then evaluates the solicited projects and compiles a prioritized list of projects. The District offices and the area transportation partnerships (ATPs) then take the priority lists from their MPOs and RDCs and integrate them into their respective Area Transportation Improvement Programs (ATIPs), which are then submitted to the Office of Investment Management in the form of an integrated list organized by year. These area transportation partnerships serve as quasi-advisory or coordinating group for various organizations in its transportation district. ATPs are involved in making decisions regarding federally-funded projects. Projects funded by non-federal resources are decided by the Mn/DOT districts.

#### 4. Ensure fair allocation of resources to each region of the state

Minnesota's methods for distributing funds to the districts provides for geographic equity and local input. The central Mn/DOT office allocates funding to the districts, which then create priority lists of their projects given the allocated funding targets. There is much local control throughout project selection. Local units of government have virtual veto power over every transportation improvement that touches their jurisdiction. This was originally intended as a mechanism to protect local interests, but has instead evolved into a system that allows local government units with an agenda to hold hostage a major project impacting the entire surrounding region. Negotiations with a local governmental unit could delay a project for years and even decades

#### 5. Reduce wasteful expenditures

Project selection is fiscally-constrained based on projected funding targets developed by the central Mn/DOT office.

#### 6. Ensure sufficient funding to complete projects in an efficient manner

In theory, funding is matched to projects to ensure adequate funding. The Office of Investment Management (OIM) and the Transportation Program Investment Committee are responsible for the developing and approving funding targets. These funding targets assist the districts and ATPs during the process of developing the ATIP and the district in developing, monitoring, managing, and evaluating the regional portion of the STIP. The Office of Investment Management is then responsible for developing the final STIP from the ATIPs and regional STIPs from the ATPs and districts.

#### 6.2.4 Ohio

Since 1994, there have been two major changes in the operation of Ohio Department of Transportation (ODOT). Both have improved its method of project selection and prioritization. The first created the Transportation Review Advisory Council or TRAC, which was given the responsibility of ranking proposed new projects for expanding capacity. TRAC does not choose preservation and maintenance projects. The second major change was to hand the latter responsibility to the 12 local ODOT districts.

New capacity projects are identified in three ways: (1) local proponents bring proposals to the TRAC through an annual application process; (2) the 12 district offices propose projects for their regions; or (3) a project may be identified based on the findings of the monitoring system, which has goals for reducing crashes and congestion and increasing mobility. These projects are to fit into the state's long-range transportation plan, dubbed Access Ohio. For TRAC to accept a project it must also be on the long-range plan of the metropolitan planning organization (MPO). Accepted projects are then placed on the 6 year plan, after approval by TRAC.

#### 1. Reduce political intervention in project selection

The creation of TRAC reduced unwarranted political influence in project selection and prioritization. It made the process more objective by establishing a set of evaluation criteria by which to judge proposed projects. TRAC receives 50 to 75 applications for new capacity projects annually. Each proposed project is assessed and given a numerical score from 0 to 130. The points are allocated to the following TRAC criteria: transportation efficiency (55 points); safety (15 points); economic development (30 points); public/private/local participation (15 points); unique multimodal impacts (5 points) and urban revitalization (10 points).

TRAC evaluates and ranks projects, so politicians are not directly involved. The following quotes from the interviews explain how TRAC operates to reduce the role of politics in the process. "Before TRAC citizen groups would lobby directly to ODOT. But ODOT did not have any criteria for ranking or deciding which projects had merit." In addition, before TRAC, "gubernatorial candidates used to make promises to build new transportation facilities. Now they are much less likely to, since they know that TRAC selects the projects. This too has reduced the role of politics in project selection." "Political officials (legislators, governors) cannot make

promises about new roads/bridges. Every thing is visible. Sponsors can see the score, costs, etc. for their project and other projects. Previously, project decision making was done in a vacuum. The perception was that those who scream the loudest or have the best political connections will get their projects funded."

Politicians can attend the public hearings and voice their support for a specific project, but in the words of one respondent: "Their support does not make a difference as to whether the project will be selected" by the TRAC. In prioritizing projects there is said to be no legislative involvement.

#### 2. Ensure an emphasis on system maintenance and preservation

In 1994, the 12 ODOT district offices were given their own budgets for system preservation and maintenance. Prior to this the central office controlled all funds. With the new system, the central office gives each district a system preservation budget based on several factors such as highway lane miles in the district and the number of bridges. Each district is also given a set of goals for the overall condition of roads in its district. The district then decides how the money will be spent to reach these goals. Each district office must prioritize based on deficiencies and devise a preventive maintenance program. One interviewee informed us that: "most employees really like having goals set and being evaluated. Makes them feel that they are really performing."

The central office monitors the performance of the districts by obtaining measures of road conditions. In 1999, ODOT instituted goal-based management accountability with an organizational performance index. Each district must reach 90% of its goals. The ODOT business plan for road conditions has five strategic initiatives. Every Monday and Friday the ODOT director receives updates on progress at the district level toward those strategic initiatives.

Data on system conditions drive systems preservation, with all project selection being criteriadriven.

# 3. Require meetings at the local or district level to increase communication, trust, and transparency

Annually, TRAC holds six public hearings around the state beginning in August and ending in October. A draft project list is published each December. The following officials are involved in the project selection process: city and county officials, transportation district officials, MPOs, and central office staff. The first three propose projects, which are scored by the central office staff using the TRAC criteria. TRAC does not identify projects. Once the applications are received TRAC prioritizes them based on the pre-determined criteria. TRAC then publishes the scores of the various projects in local newspapers.

#### 4. Ensure fair allocation of resources to each region of the state

The TRAC scoring system is said to produce a better balance between rural and urban projects. It is also said to better reflect the population distribution of the state between urban, rural and suburban areas.

Funding tends to be distributed evenly (a third to each) among rural, urban, and suburban areas. This is done through the weighting system in the TRAC criteria, primarily the urban/rural macro corridor.

#### 5. Reduce wasteful expenditures

By reducing political involvement, TRAC also reduced waste in the ODOT labor force. "Before TRAC, there were three or four times the number of projects in the ODOT pipeline. TRAC brought a more realistic number of projects and a process that is more objective. ODOT is no longer wasting resources on projects that will not be built." ODOT now consistently builds

the projects it says it will build. The result, respondents say, is that the number of ODOT employees has dropped from more than 8,000 to less than 6,000, without a large increase in contracting out.

In regard to spending on system preservation projects, the districts are responsible for producing the desired preservation outcomes with the funds they are allocated. If they need more money than allocated they have to justify the additional funds

#### 6. Ensure sufficient funding to complete projects in an efficient manner

While funds are dedicated by the legislature, the legislature does not identify the major transportation projects to be built. That is entirely up to the TRAC. The allocated funds go to the planning department for disbursement to projects.

TRAC has reduced overspending and encouraged local governments to assume some of the costs of projects. One of the criteria for scoring a project is local contribution of funds. "This requirement has brought about greater levels of local money for capacity improvement projects."

TRAC imposes funding caps or ceilings on projects and can refuse to authorize additional funds when a project goes over budget. When local projects go above cost, the district or local officials must come before TRAC and request additional funds. This forces districts to be more honest with their cost estimates when they propose new projects. The TRAC does not automatically approve additional funds for projects that are more than 10% over budget.

#### 6.2.5 Washington

The state of Washington recently made changes in the responsibilities of its commission. In 2004, the legislature passed a 9.5 cent gas tax increase and changed the governance of transportation. They divested the commission of the responsibility of appointing the secretary of

the DOT and its authority to approve the DOT's budget. However, the commission retains the responsibility for the 20-year transportation plan and the shorter range investment plan. It also kept the responsibility for setting transportation performance benchmarks as well as the authority to set tolls and ferry fares. The Transportation Performance Audit Board (TPAB) was moved from the auspices of the legislature to the commission. Additional responsibilities were given to the commission, including a biennial report on the state of transportation, a series of special studies and rule making authority for a new public-private initiatives program. Finally, the commission kept the authority to approve funding changes between projects and for bond authorizations.

Project planning in Washington has both centralized and decentralized features. The Washington State Department of Transportation (WSDOT) is divided into six regional divisions and an urban corridor division. Project development and selection for their "nickel program" began with the regions conducting various needs analyses (including safety and capacity). Project lists (with the accompanying descriptions/analyses) were then sent to the central office to create a composite roster. This composite roster was then reviewed by senior professionals in the WSDOT central office, who rated the projects (based on their experience and knowledge) as A, B, or C (with the A listed projects being the highest priority and limited to about one-third of the total projects in terms of projected revenues).

#### 1. Reduce unwarranted political influence in project selection and prioritization

Politics is reduced by giving a role to all the major actors including local authorities. However, there is a political element in that the legislature now plays a role. The commission itself now plays less of a role in project selection and program budgeting.

#### 2. Ensure an emphasis on system maintenance and preservation

The interviews did not provide information on current maintenance policies.

# 3. Require meetings at the local or district level to increase communication, trust, and transparency

The Commission engages in public outreach by holding two-day meetings each month. These are held in the different regions of the state and are open to the public. In addition they are televised by the state's public service network, thus providing a highly visible public forum. At these sessions the WSDOT is held accountable for program performance and project delivery.

#### 4. Ensure fair allocation of resources to each region of the state

WSDOT's project selection system, as employed for their "nickel program" was a bottom's up system in which new projects were proposed by transportation professionals operating in the regions and in consultation with local authorities about their needs. The composite state priority list of projects was determined by a mix of professionals in the WSDOT office and then subjected to review by their commission and the legislature. By all accounts the reviewing parties endorsed the WSDOT list of projects for funding with only a few exceptions. Thus, the attempt to bring the transportation professionals and the politicians to agreement on the most worthy projects was successful, as both championed the funding of the same projects.

#### 5. Reduce wasteful expenditures

There is a significant and growing emphasis on benchmarking performance and reviewing and auditing the processes and procedures of the WSDOT. The usefulness of the audits/reviews has been clearly recognized by the DOT. The commission (and previously the legislature) through the Transportation Performance Audit Board has the responsibility for performance auditing.

#### 6. Ensure sufficient funding to complete projects in an efficient manner

WSDOT has established a pro forma budget that has the acceptance of the commission and the legislature. This provides the department and others with more useful information regarding the financial condition of the department versus the capital expenditure program However, the WSDOT (as other DOTs) finds it increasingly difficult to manage the flow of revenue, project scope or cost creep, and the nearly inevitable time delays associated with public infrastructure projects. And this leads to both public and political outcries for improved governance and management, if not charges of government mismanagement. In regard to program management information, they appreciate the need to keep up with scope, schedule and budget for all the projects, not just the mega projects. The WSDOT is often asked to explain the individual project over-runs that adversely impact the total funding available for the program's remaining projects.

### **Chapter 7: Some Implications for Organizational Changes to Improve DOT Accountability and Public Trust**

This chapter summarizes the findings from the case studies. It also discusses the implications of our findings for understanding the best way to incorporate a transportation commission into the transportation decision-making arena. We conclude with a discussion of implications for building a more accountable set of structures and laws to govern state transportation decision-making.

#### 7.1 A Summary of Case Study Findings

In public administration accountability is multifaceted and frequently requires trade-offs between the various facets of accountability. In regard to DOTs, this appears to mean trade-offs between the political, understood broadly, and the technical. Clearly, as our case studies revealed, none of the five high performing states based project selection, prioritization, and funding on technical criteria alone. Accountability to the regions and localities appears to require structures and rules that guarantee that each region of a state get some projects, even though some of them may be less worthy from a technical standpoint. This slight lean toward the regions in project selection appears to have the added benefit of increasing trust.

Each case study illustrated the importance of building transparency and local input into the project selection process. Even in Ohio, where the commission must follow technical criteria for project prioritization, there is a great deal of discussion and input at the local level. New capacity projects are identified in three ways—the first two of which involve local input: (1) local proponents bring proposals to the TRAC through an annual application process; (2) the 12 district offices propose projects for their regions; or (3) a project may be identified based on the findings of the monitoring system, which has goals for reducing crashes and congestion and increasing mobility. But, TRAC has generated more trust in ODOT on the part of the public and legislators. As an independent body, TRAC makes ODOT look more credible in its activities and project selection. This was attributed to the criteria based selection process more than TRAC's relative independence. In addition, TRAC is said to give ODOT stability and clout with the legislature, because the public knows that it is delivering on its promises. The rise in trust was said to have made it possible for ODOT to ask for and receive an increase in the gas tax. Another sign of trust is a decline in complaints of unfairness in project selection. In the beginning there were complaints, but the public has grown to accept TRAC's decisions.

Unlike Ohio, the commission plays only a small role in project selection in Maryland. Accountability appears to arise from the openness of the system. Indeed, the overall system of project selection encourages local participation and public trust. Clearly, the annual Tour of the Counties and Baltimore City generates transparency as well as public discussion. Accountability appears to arise from the role of the counties and local officials in the identification of projects. It appears that public acceptance of project selection is rooted in the role allocated to local officials and the give-and-take between local officials and the State Highway Administration that occurs during and after the annual tour. For its part, the SHA advances technical merit and is not obligated to give the county and local officials all the projects they request. But, merit alone does not govern project selection and prioritization. Each county and district gets money for projects. In other words, the system is structured to provide for some, though not all, local desires.

Florida uses its commission to enhance accountability and trust by having the commission conduct an annual review of FDOT's tentative 5-year Work Plan. Review of the work plan ensures that sufficient funds exist to accomplish the projects in the plan. Trust is also generated by commission members representing the regions of the state, but more so by Florida's

bottom-up planning process. The Florida Department of Transportation has established a decentralized project evaluation and selection process which includes: (1) local (by district) and state wide (by commission) public hearings; (2) input from MPOs and/or counties; and (3) the professional expertise and judgment of the district Secretary and his or her staff.

Minnesota also devolves project planning to local districts. The project selection process begins with districts, Metropolitan Planning Organizations (MPOs) and Regional Development Commissions (RDCs). Minnesota had a major projects commission but it was terminated, apparently because it gave legislators too large a role in project selection. Minnesota appears to treat its regions fairly—by gathering input at the local level and adequately funding system preservation, but it has yet to solve its need to coordinate projects across jurisdictions.

Washington's commission appears to be in a state of flux in which it is losing its role in project selection but acquiring a stronger oversight role in regard to audits. Like the other states, it has a decentralized selection process in the early stages but then has its central office review the local plans. Two days each month the commission holds meetings at different locations around the state. These are public forums that increase transparency and public trust. The bottom-up approach to project development appears to ensure that each region of the state receives resources.

#### 7.2 Implications for Adopting a Commission

Our analysis in Chapter 5 suggests that a transportation commission need not be very powerful to be effective. We observed no connection between the number of powers granted to a commission and our measure of performance. In fact, there was a negative correlation with one of the powers—the ability to select or nominate the director of transportation. There was also a negative association with the policy of requiring commission members to represent specific geographic regions of their state. This is probably due to the fact that since state legislators already represent regions or districts, a requirement that commission members do likewise only reinforces the inclination to pursue local interests at the expense of the general interest.

We turn now to lessons learned from this study about the proper attributes of a commission. Table 7.1 summarizes our findings on effective characteristics of commissions. Our findings suggest the advisability of granting a commission a broad role in policy setting and oversight. This gives the commission a clear mission to pursue. A commission, as we discussed, is a fourth party in the complex accountability environment that surrounds a DOT. It shares that environment with the governor, the legislature, local officials, and the DOT. While it tends to play only a marginal role in the everyday decision-making of a DOT, its presence seems to enhance public discussion of transportation issues and lend transparency to the decision-making process.

#### Table 7.1: Four Attributes of Effective Commissions

- (1) They avoid geographic representation of commissioners
- (2) They avoid giving the commission the authority to nominate or select the DOT Director
- (3) They have a clearly stated mission
- (4) Their members are citizens, not elected officials

Commissions should be composed of private citizens. The experience of Minnesota is a cautionary tale in this regard. A majority of its commission members were from its legislature. Clearly, putting state representatives and senators on a commission is a formula for legislative meddling in the project selection process.

There are several other principles that can reduce the exercise of narrow political interests. While they were not associated with improved performance, they seem likely to generate public trust in the commission and the DOT. These are: (1) requiring a fairly even split

in the political party affiliations of the commission's members may be an effective way to reassure the public that the commission is not pursuing a partisan agenda; (2) giving the commission a degree of independence from the governor, it may be advisable to stagger the appointments to the commission, so that a governor is not able to appoint all the members of a commission in a first term.

In Table 7.2 we present some suggested roles for a transportation commission.

#### Table 7.2: Suggested Commission Roles and Responsibilities

- (1) Policy formulation
- (2) Oversight responsibility including performance measurement or program audit
- (3) Public meetings in regions of the state as part of the planning process
- (4) Public advocate for state's transportation needs

#### 7.3 Implications for Building a More Accountable Set of Structures and Laws

Commissions contribute in various ways to the performance of their state DOTs; but, as the interviews of state officials show, the contributions of commissions depend on a variety of other policy choices and organizational structures. Indeed, the role of a commission will depend in part on the way a state settles several fundamental issues. First, does it want to take a topdown or bottom-up approach to project selection? If it chooses to decentralize, should it do so by county, region, or district? Our investigation found examples of each. But, our case studies suggest that decentralization by region is the best approach for maintenance and preservation projects.

Decentralizing some DOT decision-making has several advantages. In a given year, the DOT will fund hundreds of projects. It does not seem feasible to rank all of them against each other. There are several ways to handle this problem. One, the approach taken by Ohio, involves ranking only a limited set of projects, e.g., new capacity projects. Ohio leaves the ranking of maintenance and preservation projects to its districts. Each district gets an overall target for the

conditions of the state highways in its jurisdiction as well as a budget, but is free to choose the specific projects it will fund.

For new capacity projects on the other hand, some degree of centralized decision-making seems necessary. But only after the districts are allowed to suggest projects, which leads to this question. After obtaining input from the districts, what role will the central office take in selecting the final set of projects? What role should the commission, the governor and the legislature have in this final selection? Most states seem to have systems that give each actor a small role.

A related set of issues concerns the degree of public transparency to afford the process. It appears that the public hearings in the districts improve transparency and public confidence in the DOT. This is beneficial. But it then becomes difficult to reject a proposed project without the use of some objective criteria. The state of Ohio's TRAC has a set of evaluation criteria that it uses to rank new capacity projects. The other states have central office review by transportation professionals, but the criteria are not made public. A state must decide whether or not to make its decision criteria public and project scoring public knowledge.

#### 7.4 Steps to Improve Accountability

We conclude with a brief discussion of six steps to improve accountability. They relate the findings from our study to the six dimensions of accountability previously discussed.

#### Table 7.3: Six Steps to Improve Accountability

- (1) Build in techniques for reducing political involvement in project selection.
- (2) Hold numerous meetings to increase local participation, transparency and trust.
- (3) Empower districts to make decisions for maintenance and system preservation.
- (4) Build in formal waste reduction techniques.
- (5) Ensure fair allocation of resources and projects.
- (6) Ensure sufficient funding to complete projects on time.

#### 1. Build in techniques for reducing political involvement in project selection.

For example, Ohio's commission has statutory authority to select new capacity projects. Florida's governor has a line item veto. In addition, Florida demands that projects be fully funded and insists that a new addition to the 5-year work plan be paid for by the deletion of a project in the same region. These requirements discourage legislative meddling.

#### 2. Hold numerous meetings to increase local participation, transparency and trust.

Maryland, for instance, has its planning officials tour the counties of the state and meet with local officials to take suggestions for projects. The Washington State Transportation Commission holds monthly meetings in different locations. Florida's commission holds meetings on projects around the state. Such meetings afford public input and render the project selection process more open.

#### 3. Empower districts to make decisions for maintenance and system preservation.

Washington, Minnesota, Florida, Ohio, and Maryland have districts rank and select projects. Most DOTs are divided by district and most states measure the quality of their highways with such yardsticks as the international roughness index (IRI). The availability of such objective measures makes it possible to devolve decision-making power to the district level.

#### 4. Build in formal waste reduction techniques.

Understandably, the public is opposed to waste in all its forms: redundant employees; projects not finished in a timely manner; cost overruns; and inadequate maintenance to name some of the more common manifestations of waste in the area of transportation. It seems advisable to institutionalize devices to reduce waste. Here are two examples. Ohio asks local governments to pay for cost over-runs. Florida requires projects to have sufficient funds.

#### 5. Ensure fair allocation of resources and projects to the regions.

This, or course, is never easy. There is an inevitable conflict between allocating resources by objective criteria and allocating based on the equity driven desire to distribute resources to each region. One way to resolve this conflict is to separate maintenance and preservation projects from new capacity projects. Each region can be assured sufficient resources to reach maintenance targets. The new projects can then be ranked according to objective criteria. Another way to ensure rural areas get projects is to make connectivity one of the criteria. Other things being equal, a proposed project that connects a rural area to a major center or interstate would have a higher rating.

#### 6. Ensure sufficient funding to complete projects on time.

Many states have problems finishing projects in a timely manner with the result that delays occur, driving up the ultimate cost of the project. Florida gives its commission the responsibility of reviewing projects and finances to make sure that each project in the work plan has sufficient funding. ODOT takes a different approach. It funds maintenance projects first. Whatever money is left over, it allocates to the projects at the top of its list and stops funding projects when funds run out. Thus, projects are only begun when the money to finish them is available.

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# **Appendix A: Case Studies**

# A.1 Florida Case Study

#### **Case Study Highlights:**

- Florida Department of Transportation policies and activities are monitored and/or supervised by two oversight bodies: (1) the Florida Transportation Commission and (2) the FDOT Executive Board.
- The Florida Transportation Commission has independent oversight responsibility of the DOT. The Commission's statutory powers include: (1) the review of the performance of the Florida Department of Transportation; (2) the review the department's work plan; and (3) the responsibility to propose three nominees to the Governor for the Secretary of Transportation.
- The Commission's roles were clearly intended as a combination of oversight and policy making rather than project selection. The enacted statutes strictly prohibited the Commission from involvement in day-to-day Department operations.
- The FDOT utilizes a bottom-up planning process (district to central office to Commission for certification) to develop Florida's 5-year Work Program.
- To insure that the Work Program is funded (particularly the first three years of the five year plan), funding is matched to specific projects, which are then scheduled or programmed for construction and/or maintenance.
- FDOT's funding emphasis is on system preservation and maintenance. At least 50% of funds for the Florida Interstate Highway System funds must be used for preservation and maintenance.
- The MPOs and counties in non-urbanized areas provide their FDOT districts with prioritized lists of local projects. Public input regarding the Work Program is obtained through public hearings hosted by the Florida Transportation Commission.
- The Legislature can add specific earmarked projects to the Work Program but the cost of such projects have to be offset by reductions in the district where the legislatively-initiated project resides. The Governor has the power to line-item veto projects added by the legislature.

# A.1.1 Florida Department of Transportation (FDOT)

# History and Structure of the FDOT

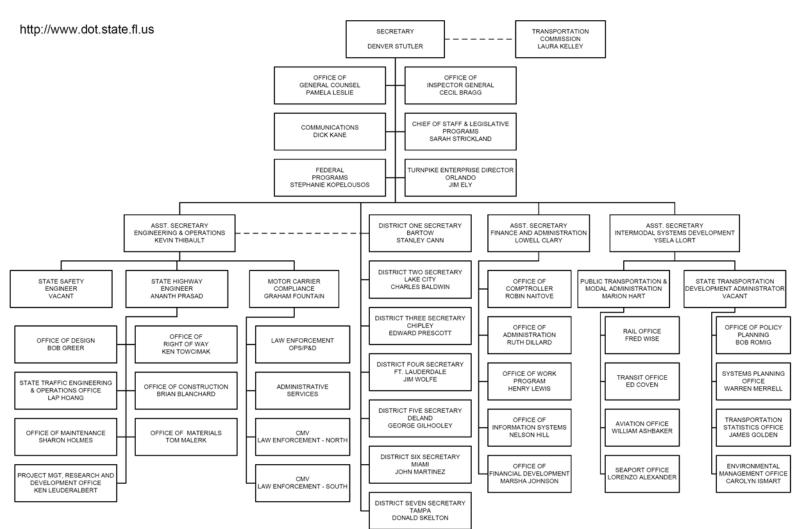
The Florida Department of Transportation (FDOT) is an executive agency of the Florida state government whose primary responsibility is "coordinating the planning of a safe, viable, and balanced state transportation system serving all regions of the state, and to assure the compatibility of all components, including multimodal facilities" (FS 334.044). The FDOT was established in 1968, replacing a five member Road Board that had been responsible for managing Florida's transportation system since 1915. The Road Board, an influential group representing five districts in Florida, had replaced the Florida Road Department, the original Florida department responsible for road development and related issues in the state.

The FDOT has a central office in Tallahassee and seven district offices located throughout the state. The central office has four divisions including: (1) the Office of the Secretary; (2) the Finance and Administration division; (3) the Engineering and Operations division; and (4) the Intermodal Systems Development. The Office of the Secretary provides legislative, legal, communications and other support for the department and the Department Secretary. The Finance and Administration division houses procurement, human resources, information technology, financial development, financial management and related mission support programs. Meanwhile, the Engineering and Operations division, the largest division of FDOT, is responsible for the day-to-day operations of the department. Included in the Engineering and Operations division are engineering, construction, right-of-way, maintenance and oversight of the agency' law enforcement unit. Finally, the Intermodal Systems Development division serves as the central policy and intergovernmental coordination secretariat. It is responsible for development of the Florida Transportation Plan, intermodal plans and policies, and grants management (see Figure A.1.1, the organizational structure of the Florida Department of Transportation).

Each of the seven Florida DOT district offices is headed by a District Secretary and has major operating and planning responsibilities consistent with FDOT's decentralized management and operational style. While organizational structures vary, the districts have operating divisions that focus on administration, planning, and production and operations in some form.

Florida Department of Transportation policies and activities are monitored and/or supervised by two oversight bodies: (1) the Florida Transportation Commission, and (2) the FDOT Executive Board. The Florida Transportation Commission, which was established in 1987, is a citizens' oversight board independent of the FDOT and has its own staff. The FDOT Executive Board is an internal policy-level board that oversees the operations of the Department. The Board includes the Department Secretary, Assistant Secretaries, District Secretaries, and the Executive Director of the Turnpike Enterprise. The Executive Board reviews and approves departmental policies and procedures, commissions significant initiatives, and reviews the overall assessment of the agency.

#### **Figure A.1.1: Organizational Chart for the Florida Department of Transportation**



#### FLORIDA DEPARTMENT OF TRANSPORTATION ORGANIZATION CHART

Source: Florida Department of Transportation Public Information Office

#### A.1.2 Florida Transportation Commission

#### **Commission Origin, Structure and Responsibilities**

The Florida Transportation Commission (FTC) was initially created by the Florida legislature in 1987 as an advisory board for the FDOT, 20 years after the demise of the Florida Road Board in 1968. In 1989, the FDOT was under increasing criticism for financial and operational mismanagement. A major part of the criticism resulted from a cash shortage that stalled \$210 million worth of contracts. Other operational issues and concerns, including the lack of appropriate experience of some of the Department's senior administrators fostered a crisis of confidence in the Department.

After the Florida Auditor General raised substantial questions regarding the department's activities and operations, the legislature decided to enhance the role and responsibilities of the Florida Transportation Commission. The legislation changed the Commission's responsibilities from advisory to the FDOT to independent oversight of the Department. The 1989 enacted statute specified three Commission powers including: (1) the review of the performance of the Florida Department of Transportation; (2) the review the department's work plan; and (3) the responsibility to propose three nominees to the Governor for the Secretary of Transportation. Governor Graham was the first Governor to name members of the enhanced Commission.

The Florida Transportation Commission has 9 members. Commission members serve four year terms and are appointed by the Governor and confirmed by the Senate. By state statute, Commission members must be selected to equitably represent all geographic areas of the state. Historically, this geographical precedent requirement has been met by having one commissioner appointed from each of the seven districts supplemented with two at-large commissioners with rail and port expertise, respectively. The Commissioners receive no salary and regularly meet about 6 times a year but can meet more if issues arise that demand their attention.

While the Commission's responsibilities relating to the selection of a Departmental Secretary and reviewing the Department's performance are important, the Commissions role in enhancing the Department's credibility through its review of the FDOT's 5-year work plan is equally important. Annually, the Commission conducts a Statewide Public Hearing (to consider questions, suggestions, or comments offered by the public regarding the work program) and, performs a statutorily-mandated review of the FDOT's tentative 5-year Work program. The FTC reviews this tentative work program for compliance with federal and state laws and financial soundness prior to approving and submitting it to the legislature. As part of the Statewide Public Hearings process, the Commission must, at a minimum, conduct an in-depth evaluation of work program for compliance with laws and departmental policies; report findings and recommendations to the legislature and the Governor; and hear all questions, suggestions, or other comments offered by the public. The Commission's evaluation of the work program involves analysis of: (1) financial soundness; (2) stability; (3) production capacity; (4) accomplishments; (5) compliance with approved local government comprehensive plans; (6) objections and requested made

by Metropolitan Planning Organizations; (7) policy changes and effects thereof; (8) identification of statewide/regional projects; and (9) compliance with other applicable laws.

The role of the FTC has evolved over time. In the early 1990's, the Commission's immediate major role was to review the performance of the Department in the wake of the management and credibility concerns of the late 1980s (which, of course, led to its expanded responsibilities in 1989). Over time, however, the performance assessment role, which was started in 1991 (after a set of performance measures were identified), has become more routine as the Department has improved its financial and operational management processes. As a result, the Commission has refocused its efforts on transportation and Department advocacy, transportation policy and Department directional issues while continuing to meet its specific threefold statutory responsibilities. As its role has evolved, the Commission has tended to take a "holistic" perspective regarding transportation system needs and is considered, by some, as the "go to guy" for all modes of transportation in Florida.

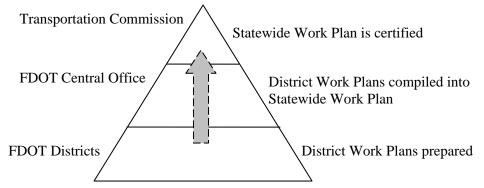
It should also be noted that the 1987 and 1989 Florida legislatures were clear that they wanted the Commission's roles to be a combination of oversight and policy making rather than project selection. The clarity of that intent was expressed through their enacted statutes which prohibited the Commission from involvement in day-to-day Department operations. These statutes prevented Commission involvement in such activities as consultant or contractor selection, involvement with specific projects, and personnel issues.

# A.1.3 Project Selection Process

The FDOT utilizes a bottom-up planning process (district to central office to Commission for certification) to develop Florida's 5-year Work Program. This bottom-up process is summarized in Figure B.1.2. The 5-year Work Program specifies details of projects and services to be undertaken in each of the next five years. The first three years are considered to be "locked in" so that local governments can coordinate their transportation planning and development activities with those of the state.

The districts develop draft work programs for their area which includes all transportation construction and maintenance (including turnpike). While preparing the district plans, they hold public hearings and receive feedback from local interest groups including the Metropolitan Planning Organizations (MPOs) in their district. The number of eligible projects in a district's work program is determined by estimates of all sources of available funding. Estimates of state revenues available for allocation to district projects are made by the state Revenue Estimating Commission (REC). To insure that the work program is funded (particularly the first three years of the five year plan), funding is matched to specific projects, which are then scheduled or programmed for construction and/or maintenance.

## Figure A.1.2: FDOT's Bottom-up Planning Process



Source: Graphical depiction as understood by the research team.

Affordability guidance in the longer term is provided by the Program and Resource Plan which encompasses a 10 year allocation of resources by major program area. This allocation follows the policies and goals contained in the Florida Transportation Plan and includes consideration of relevant federal and state laws governing the use of transportation funds. This Program and Resource Plan is developed by the Office of Financial Development and is supported by a 10-year Financial Plan. The Program and Resource Plan contains "commitment" authority to fund the full amount of a transportation project, even if the project will be constructed over multiple years with cash disbursements stretching beyond the first year of the annual state budget. The Office of Financial Development estimates future revenues and builds a business plan of transportation improvements on a cash flowed, commitment basis.

FDOT's funding emphasis is on system preservation and maintenance. Statutes specify that at least 50% of funds for the Florida Interstate Highway System funds must be used for preservation and maintenance. Remaining funds after system preservation and maintenance needs are addressed can then be used for capacity improvement.

As indicated, project selection occurs involves a cooperative effort between MPOs or counties (for areas without MPOs) and the FDOT district offices July and January of each fiscal year. The MPOs and counties in non-urbanized areas provide their FDOT districts with a prioritized list of local projects. The district office then identifies and reviews project information, including cost estimates and construction scheduling. The FDOT districts then develop their respective 5-year Work Programs in conjunction with MPOs and local governments prior to submission to the FDOT for approval by the Secretary. Among other responsibilities, the FDOT Secretary is responsible for insuring the financial viability of the overall plan as part of the approval process and may need to adjust the district plans to match costs with available revenues. At the local level, the Work Program must be consistent with the capital improvement elements of the local governments' comprehensive plans. Public input regarding the statewide Work Program is received at public hearings sponsored by the Florida Transportation Commission which are held in November and December. After the Commission has heard and reviewed the public comments, it conducts a final review of the 5-year Work Program for compliance

with federal and state laws. Once this process is completed, the Commission submits the work program to the Governor and the Legislature.

The first year of the Work Program is included in the Department's Legislative Budget Request that is submitted to the Office of the Governor. Following review and approval of the Governor, the Work Program appropriation recommendations are included in the Governor's Budget, which is then submitted to the legislature for final approval through the transportation appropriation bill.

In addition to the Work Plan and the Program and Resource Plan, the FDOT's long-range planning is encompassed by the Florida Transportation Plan. The Florida Transportation Plan is a 20-year multimodal plan.

# The Role of Political Actors

The Commission is responsible for certifying the Work Plan that has been approved by the Secretary of the Transportation Department, and submitting it, on behalf of the Department, to the Governor and the Legislature. The Legislature can add specific earmarked projects to the Work Plan but the cost of such projects have to be offset by Work Plan reductions in the district where the legislatively-initiated project resides. Moreover, if legislatively added projects are included in the transportation appropriation bill, the Governor can line-item veto these projects. The current Governor, Governor Bush, has vetoed every project that the Legislature has added to the 5-year Work Plan during his term.

# A.1.4 Financial Management and Funding Commitment

The Florida Transportation Commission was established in 1987 and strengthened in 1989, in part, due to concerns regarding the financial management of the Department and its programs. The mismatch of commitments with available resources created a lack of credibility and public concern about the ability of the Department to meet its financial obligations in a timely and equitable manner. As a result the Commission was directed to insure that the Department's Work Plan was financially viable and the Commission was required to certify the Work Plan before it went to the Governor and Legislature. The review process has, apparently, restored the credibility of the financial management processes of the Department, improved the working relationship between the KDOT and local governments and reduced legislative concerns regarding the Department's management style and practices. The Commission has also taken on an additional, nonstatutory role. As the initial goals of the Commission were met, the Commission has taken on the role of "independent public advocate" for the financial needs of the Department. Overall, the various roles and responsibilities of the Commission appear to be major positive factors in the improvement of the financial management operations of the Department in the last decade.

# A.1.5 Other Structural Features that Impact Performance

## Workforce Reduction and Organizational Efficiency

A 2001 Operational and Organizational Review of the Florida Department of Transportation commissioned by the Florida Transportation Commission and conducted by KPMG found that, in comparison to peer agencies, the FDOT was overstaffed in several functional and administrative areas. The study's findings were influential in decisions to reorganize the Transportation Department and to pursue a privatization and workforce reduction initiative. Also included was an executive level reorganization which involved the elimination of some existing Assistant Secretary positions and the creation of new Assistant Secretary positions consistent with the new organization structure. Restructuring of departments, functions, and operational responsibilities also took place.

Based on the privatization and workforce reduction initiative, the FDOT began the implementation of a 5-year organizational efficiency plan in 2002 to reduce its workforce by 27%. Including appropriations for 2006, the department has reduced its workforce by 2788 positions over the five year period. The fairly dramatic staff reduction has led to concern by some staff regarding the capability of certain units in the organization to effectively carry out their responsibilities.

# **Private Sector Involvement in FDOT Operations**

The same FDOT initiative (the privatization and workforce reduction initiative) has significantly increased the role of the private sector in KDOT operations. The extent of its privatization is summarized in Table A.1.1. This extensive use of privatization has come as a partial result of the department's workforce reduction, which shifted the work formerly performed in-house, to external private sector agencies.

# Table A.1.1: Extent of Privatization Activity of the Florida Department of Transportation

Activity	Percent Privatized
Planning	74%
Design	83%
Construction Engineering Inspection	81%
Construction	100%
Right-of-way Support	73%
Maintenance	80%
Toll Collections	99%

Source: Florida Department of Transportation Agency Overview (July 2005).

## A.1.6 Best Practices

## **Project Selection**

The Florida Department of Transportation has established a decentralized project evaluation and selection process which includes (1) local (by the district) and state wide (by the Commission) public hearings; (2) input from MPOs and/or counties; and (3) the professional expertise and judgment of the district Secretary and his or her staff. The district plans have to be consistent with broader state arterial system needs and requirements as clarified by Florida's Strategic Intermodal System (SIS). The districts proposed Work Plan projects are also subject to funding availability as identified by the FDOT. The bottoms up planning process insures local input while insuring that broader, statewide arterial needs of the state are met as indicated by the SIS process.

#### Accountability

Two factors appear to have played a role in improving the accountability of the FDOT. These are (1) the creation of the Transportation Commission, and (2) the reorganization of the Department which clarified roles and responsibilities and, therefore, established clearer lines of authority and responsibility. As indicated in the previous section on funding and financial management, the Commission was initially charged with conducting a performance review of the Department (which has matured to a routine process due to the improved management of the Department) and the approval or certification of the Work Plan to insure that it is appropriately funded and meets current and emerging state needs. The successful completion of both of these goals has created a system of accountability assessment which could be adapted for other states.

# A.1.7 Other Observations Regarding the Florida DOT Commission

As one of the major reasons for the case study of the FDOT was to review and learn from their experience with its Commission, the following additional observations and suggestions are offered for other states which might be contemplating the establishment of a Commission or altering the role of an existing Commission:

The success that the Florida Commission had in meeting its' goals appears to emanate, to a great extent, from its' initial "clarity of mission." Its' roles including reviewing the Department's Work Plan, conducting a performance review of the Department and providing 3 names of nominees for the Department Secretary were clear and adhered to by the Commission. It was statutorily prevented from becoming involved in operational issues such as project selection and hiring consultants. These prohibitions permitted the Secretary and the Department staff to carry out their responsibilities without day to day involvement of the Commission and permitted the Commission to provide support to the Department in carrying out it's responsibilities without becoming involved in conflicts over operational decisions of the Secretary or the Department staff.

- The focus of the Commission on performance assessment and measurement encouraged the Department to focus on accomplishments and outcomes, and that focus, in turn appears to have encouraged Departmental innovation and management improvement.
- The Commission, because of its' independent, broad, statewide view of state transportation and economic development needs, can be effective in establishing a forward vision for a state's transportation system which transcends transportation modes, interest group views and resistance to change.
- The Commission should have a clear and concise set of statutory responsibilities and activities in order the Commission to focus its activities and effectively work with the Department.
- Finally, the Commission should have a policy rather than an operational focus. Commission members tend to be selected for their independence and real world view and understanding of trends and needs. Such input into state transportation system planning and development processes can produce maximum benefit in the establishment of policies which insure that the Department is responsive to and focused on emerging state transportation needs.

## A.2 Maryland Case Study

#### **Case Study Highlights:**

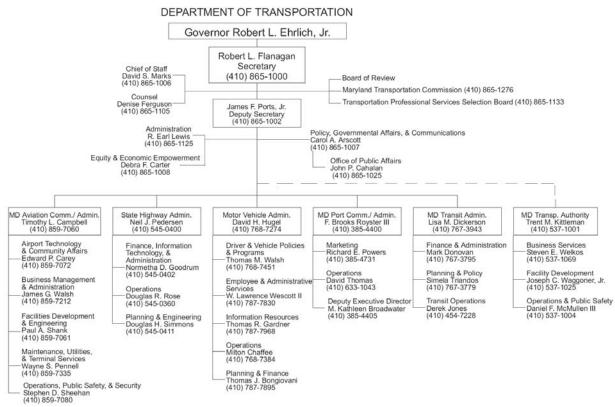
- Maryland has two transportation/highway commissions: (1) the Maryland Transportation Commission – which is an advisory group concerned with departmental management and operations; and (2) the State Roads Commission – which has only the power to condemn property for right-of-way purposes.
- Selection and prioritization of capital projects and preservation projects are performed separately.
- Capital project selection and prioritization involves actors at all levels of government. Local actors include county and city officials, MPOs and other local politicians. State Highway Administration (SHA) planners also play a significant role, especially with respect to technical decisions. The Secretary of Transportation, the Governor, and the Legislature are also involved in project selection.
- The State Report on Transportation is the major planning document. It contains both the 20-year (Maryland Transportation Plan) and 6-year (Consolidated Transportation Plan) plans and is developed by the SHA planning section in draft form and presented to each of the 23 counties and the city of Baltimore each fall during the annual tour of the counties.
- The annual tour provides a forum for city and county officials to react to the proposed plans and if necessary request the addition of other projects. MDOT officials visit each county to present the proposed program and plan. Following the fall tour of the counties, the State Report on transportation is prepared in final form for presentation to the legislature in January.
- The preliminary draft of the CTP is based on projects selected from highway needs inventory. County and local officials can request additions or removals of projects in the draft CTP. The Secretary of Transportation has the final say on the projects that go into the final CTP. The governor and legislature can add and subtract projects to the CTP. The General Assembly has budget approval of the CTP.

# A.2.1 Maryland Department of Transportation (MDOT) and the State Highway Administration (SHA)

#### History and Structure of the MDOT and SHA

The Maryland Department of Transportation is responsible for five entities under its purview. The five are: (1) the State Highway Administration (SHA); (2) the Maryland Transit Administration (MTA); (3) the Motor Vehicle Administration (MVA); (4) the Maryland Aviation Administration (MAA); and (5) the Maryland Port Administration. The Secretary of transportation also has authority over the Maryland Transportation Authority, which regulates the toll roads. The organizational chart for the MDTO is presented in Figure A.2.1. The focus of this case study is the activities and

responsibilities of the State Highway Administration, which is responsible for roadbuilding and system preservation.



#### Figure A.2.1: Maryland DOT Organizational Chart

Source: Maryland Manual On-line

(http://www.mdarchives.state.md.us/msa/mdmanual/24dot/html/dot.html)

There are 29,265 centerline miles of roadways in the state of Maryland, of which the SHA maintains 5,243 centerline miles or approximately 18% of the states lane miles. A full 70% of all vehicle miles of travel are on the state maintained roads.

Of the funds invested in capital projects by the Maryland DOT, 57% are allocated to the State Highway Administration. The other entities split the remaining 43%, with transit expenditures accounting for 27% of the programmed expenditures. Capital expenditures can also be broken down by type: Those for new capital projects (57% of capital expenditures) and those for system preservation (43% of capital expenditures).

The DOT is headed by the Secretary of Transportation who is appointed by the governor with the advice and consent of the state senate. The Deputy Secretary, in turn, is chosen by the Secretary. Each of the major divisions has a chief administrator, appointed by the Secretary of Transportation with the governor's approval. There are three main divisions within the SHA: (1) finance, information technology, and administration; (2) operations,

and (3) planning and engineering. Figure A.2.2 summarizes the organizational structure of the SHA.

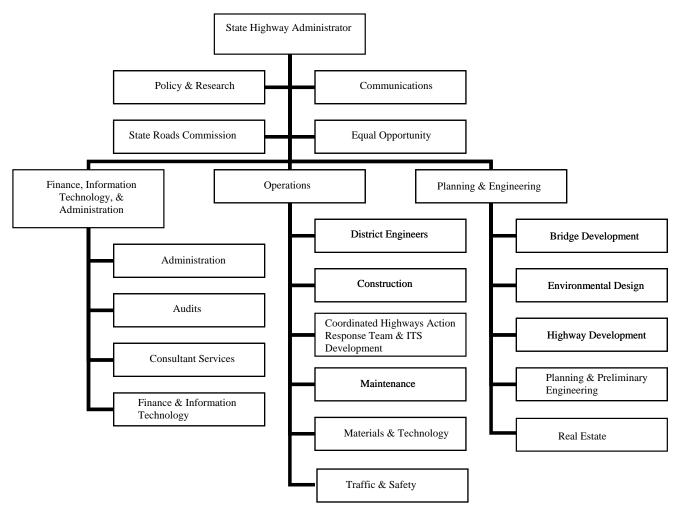


Figure A.2.2: Organizational Structure of the State Highway Administration

Source: Organizational chart created by the research team from information in the Maryland Manual Online

# SHA Office of Planning and Preliminary Engineering

The Office of Planning and Preliminary Engineering is within the SHA's division for Planning and Engineering. This office coordinates transportation planning statewide and performs project planning activities. It prepares the six year funding program known as the Consolidated Transportation Program (CTP). The office is organized into four divisions: (1) the Highway Information Services Division (HISD); (2) the Program Development Division (PDD); (3) the Regional and Intermodal Planning Division (RIPD); and (4) the Project Planning Division (PPD).

All divisions, with the exception of the HISD, are involved in highway planning. The highway information services division maintains databases and is not directly involved in planning. The program development division coordinates and produces SHA's portion of the CTP. It also plays a role in preparing for the annual CTP tour of the counties in which SHA officials present the draft CTP to local governments and officials.

The regional and intermodal planning division is responsible for long range systems planning and the integration of SHA's program with regional and local transportation plans. RIPD prepares briefing packages for the annual Consolidated Transportation Program (CTP) Tour that visits each county and Baltimore City to meet with local officials. It also tracks the follow-up assignments and changes in the CTP generated at Tour meetings. There are six regional teams based on geography. Each team is responsible for long range planning for their areas and works with MPOs, counties, and local governments. In addition, the regional planning teams assist in the preparation of the Highway Needs Inventory (HNI), which is SHA's long-term, financially unconstrained planning document that serves as a source document of the CTP.

The project planning division (PPD) has the lead responsibility for the project production activities necessary for obtaining federal and state agency approvals. The division performs preliminary engineering.

In short, planning activities are primarily carried out by these two divisions in the SHA: (1) the Program Development Division; and (2) the Regional and Intermodal Planning division.

# A.2.2 Maryland Transportation Commission and State Roads Commission

# Commission Structure and Responsibilities

Maryland has two commissions: the Maryland Transportation Commission (MTC) and the State Roads Commission. The former was created in 1971 for the purpose of (1) studying the state's entire transportation system; and (2) advising the Secretary of Transportation and Department heads on transportation policy and program execution. By statute the Maryland Transportation Commission it is authorized to regularly discuss any matter relating to the state's transportation system with the Secretary. The statute empowers the MTC to request of the Secretary any information relating to MDOT that is needed for the Commission's studies, surveys, and deliberations. The Maryland Transportation Commission has 17 members, 10 of whom are appointed directly to it by the governor (with staggered 3-year terms) and 7 of whom are ex-officio members from the State Roads Commission.

The Maryland Transportation Commission has very limited powers. Its main job is to put names and numbers on roads. It is said to look at recommendations, hear presentations, and make recommendations but to possess no real power. One respondent described the MTC as an advisory group to the Secretary that is concerned with how the department is running.

The State Roads Commission was originally created in 1908 to construct, improve, and maintain a state system of roads and highways. The Commission consists of eight members. Seven are appointed to five-year terms by the Secretary of Transportation with the governor's approval. Serving part-time, they are appointed from seven geographic areas. The State Highway Administrator is the commission's chair.

Over time the State Roads Commission has lost most of its responsibilities. In 1971, the Maryland Department of Transportation was created and the State Roads Commission became part of MDOT. Most of the State Roads Commission's responsibilities were assumed by the newly created State Highway Administration (SHA). According to the Deputy Director of Real Estate and Right of Way (within the Office of Real Estate), the state roads commission has only one power: the ability to condemn property. It has no role in project selection. Before 1971, however, the road commission handled all spending for projects. After MDOT was created in its present form in 1971, the approval of projects was transferred to MDOT. The only influence the State Roads Commission has on the budget is to estimate right of way costs for land acquisition. However, the seven members of the state Roads Commission serve on the Maryland Transportation Commission and are authorized to conduct a survey of the secondary roads in each member's district and report on the highway needs and problems of that particular district to the Maryland Transportation Commission.

# A.2.3 Project Selection Process

# Actors and Decision Criteria

Capital project selection in Maryland is a complex process in which actors at all levels of government are able to participate. During the interviews, the respondents mentioned actors at the local level including county and city officials, MPOs, and other local politicians. They also described a significant role for the planners in the SHA. In addition, the Secretary of Transportation, the governor and the legislature are involved in project selection. The process can be said to have political as well as technical aspects.

Like most states, Maryland has a long-term, 20-year plan (the Maryland Transportation Plan) and a short term, 6-year plan (the Consolidated Transportation Program). Both of these are contained in the State Report on Transportation, which is prepared annually.

Maryland also compiles a highway needs inventory (HNI), which is described as a technical reference and planning document that identifies highway improvements to serve existing and projected population and economic activity as well as to address safety and structural problems that warrant major construction or reconstruction. The project needs identified in the HNI are based on technical analysis. But, not every project on the HNI will make it onto the Consolidated Transportation Plan for construction.

The HNI is compiled by regional planners in the Regional and Intermodal Planning Division in consultation with the District Engineers. Placement on the HNI is based on several factors, including: (1) safety problems; (2) service deficiencies based on traffic growth (e.g., service levels of E or F); (3) severe structural deterioration or inadequacy; (4) economic development; or (5) local and regional master plans.

The HNI lists only major capital construction projects that entail a significant increase in traffic capacity, extensive right-of-way, high cost or major impact. Low cost capital improvements for system preservation projects such as resurfacing, safety, and spot improvements, drainage and the like are not included in the HNI. However, these smaller projects are included in the annual update to the CTP.

The CTP is the state's 6-year capital budget for transportation projects. It contains detailed listings and descriptions of capital projects for the next six year period.

The State Report on Transportation, which contains both the 20-year and 6-year documents, is developed by the planning section in the SHA in draft form and presented to each of the 23 counties and the city of Baltimore each fall during the annual tour of the counties. The county officials can react to it and request the addition of other projects. MDOT officials visit each county to present the proposed program and plan. Following the fall tour of the counties, the State Report on transportation is prepared in final form for presentation to the General Assembly, the legislature in January.

# **Steps in the Project Selection Process**

SHA's Office of Planning and Engineering (specifically the Program Development Division) is responsible for selecting the highway projects for the CTP. But many other actors have a voice in the selection process. The highway planning process begins with the annual updates to the HNI, which serves as the basis for setting priorities for major capital improvement projects for inclusion in the CTP. Before the tour of the counties and Baltimore City, planning staff select projects for the preliminary draft of the CTP from the highway needs inventory (HNI). After the tour of the counties and consultation with local officials, other projects may be added to or removed from the CTP. The Secretary of Transportation is said to have the final say on the projects that go into the final CTP draft. Then the proposed CTP goes to the governor for his/her approval. The governor can add and subtract projects to the CTP. With the governor's approval, the CTP then goes to the general assembly for budget approval.

# **Pavement Preservation**

Pavement preservation projects are selected through a different process than major capital construction projects. Pavement management planning is conducted centrally within the Pavement Division of the Office of Materials and Technology (OMT) with funding and

project selection approved through the Office of the Chief Engineer (OCE). The seven engineering districts recommend projects to be considered in the annual system preservation program and manage construction and maintenance operations within their districts.

Maryland has adopted a two-step optimization approach to pavement preservation. The first step entails the development of strategies of investment to reach defined objectives, such as maximizing condition. This step in the process would identify an objective (e.g., resurfacing 120 lane miles of pavement currently classified as fair.) The second step is performed by the seven districts, which are given the responsibility of identifying the particular miles to be resurfaced. Computer programs have been developed for each step.

Each year the local district sends a letter to the planning office with their list of priorities. There is a formula for how much money goes into system preservation.

# A.2.4 Financial Management and Funding Commitments

All MDOT activities, including debt service, maintenance, operations, administration and capital projects, are supported by the Transportation Trust Fund, which is an integrated account combining revenues from motor fuel taxes (23.5 cents per gallon), the motor vehicle excise tax, registration and licensing fees, a share of the corporate income tax (24% of the 7% corporate income tax), and federal aid.

The Transportation Trust fund is dedicated to MDOT and the allocation of funds for projects and programs is made in conjunction with state and local elected officials. None of the trust funds are earmarked.

The Trust Fund was established in 1971 and is separate from the general fund. If MDOT does not spend the entire fund in a given year it gets to keep the remaining funds.

Regarding borrowing, bonds are approximately 5% of revenues per year. MDOT must pay the debt service before operating costs, which are about \$3 billion per year. There are several restrictions on debt: (1) a cap on bonds outstanding; and (2) a requirement that MDOT maintain a 2 times coverage ratio of bonds. The bulk of funds are spent on highways, transit, air and sea ports.

There is also a cap on the amount of bonds that MDOT can issue. The current limit is \$2 billion though this number can increase as taxes increase.

# A.2.5 Other Structural Features that Affect Performance

#### **Responsiveness of the Project Selection Process to Local and Political Pressure**

The selection and prioritization of projects can be described as both centralized and decentralized. According to respondents, the counties identify projects they want constructed in official letters that are submitted annually to the Office of Planning and Engineering at SHA. Planning and Engineering then considers the counties' suggested projects as well as those on the HNI before producing a list of projects that are subsequently submitted to the Secretary of MDOT and the legislature. But the secretary, the legislature, and the governor can also add a project to the list. So, ultimately, the governor, legislature, and the secretary of transportation decide what is in the CTP. In the words of one respondent: "If there are deals to be made then they are made at the higher level—not in the planning department."

Planning and engineering uses technical criteria. But there is no official scoring/evaluation system in the planning office. Planning and Engineering staff work with MPOs, MDOT, and the counties and brainstorms about what the needs of the state are and how much funding is available. Planning and engineering will have its own list of potential projects and will match it with the counties' lists during the tour of the counties. Feasibility studies are conducted to see if the problems described by the counties warrant a project.

#### **Reducing the Influence of Politics**

Politics is involved to some extent, as elected officials from all levels of government are involved in transportation planning in various ways. Still there are aspects of the process that reduce the influence of politics. While the SHA will try to accommodate the counties as much as possible, SHA is said to <u>not</u> be obligated to do the projects proposed in the letters from the counties.

Planners from SHA will do preliminary studies if the county says it has a transportation problem. However, if the preplanning study says there is no problem, the project will not get placed on the CTP. Thus, engineering criteria are said to enter the evaluation of all proposed projects.

The Planning and Engineering Office will allocate money to all the counties, assuming that all counties have a need for funds. However, the more populated regions get more money. In the opinion of one informant, if planning were to use totally objective standards then some counties would get nothing. So there is some political influence insofar as projects must be distributed throughout the counties and regions.

Legislators are said to play a minor role in the process. One respondent said: "If a legislator wanted a project and it was not on the county list, then it is unlikely that the project will make it on to the CTP." But the legislature does approve the CTP. And the

same respondent noted that legislators have recently removed projects from the CTP and taken the money for other projects not originally on the list of projects

The MDOT Secretary enters the project selection process for another reason. Most of the planners are concerned with highways and tend not to consider projects for the airports and seaports. The Secretary is responsible for putting in projects for the non highway areas of transportation to balance the state's priorities.

# A.2.6 Best Practices

#### Accountability, Public Acceptance and Credibility

With its complex system for identifying and selecting projects, accountability appears to arise from the role of the counties and local officials in the identification of projects. The SHA must respond to the request of local officials, but it is not obligated to give the county and local officials the projects they want. For its part the SHA uses objective criteria to assess the merit of proposed projects and to evaluate the projects it places on the HNI. But, merit alone does not govern project selection and prioritization. Each county and district gets money for projects. In other words the system is responsive to local desires. The annual Tour of the counties and Baltimore City generates transparency as well as public discussion. In that sense, Maryland has an element of accountability as well as political influence built into its project selection and prioritization process.

Politics is present also in the powers allocated to the governor, MDOT secretary, and the legislature. They can add and subtract projects and shift funds from highway projects to transit and ports. Maryland, it should be noted, devotes a substantial share of its transportation funding to transit facilities and ports.

The Maryland Transportation Commission appears to contribute little to this process, but given the substantial powers of the Secretary, legislature and the Governor it may contribute to the public confidence in their decisions. It appears also that public acceptance of project selection is rooted in the role allocated to local officials and the give-and-take between local officials and the SHA that occurs during and after the annual tour.

# A.3 Minnesota Case Study

#### **Case Study Highlights:**

- The Minnesota Major Transportation Projects Commission was created by the legislature in 2000 and terminated in 2002. The Commission was focused on major projects, defined as multimillion dollar projects that constitute more than 25% of a district's annual construction budget. Its goal was to (1) review major projects; (2) cut those it considers unnecessary, and (3) rank remaining projects for submission to the governor and legislature. The Commission comprised primarily of legislators.
- The primary reason for Commission's demise was its lack of purpose and activity. The Commission had no formal power and its authorizing mandate did not clearly specify meaningful actions. The Commission has been characterized by some as being self-serving, with legislators having pet projects that needed funding expressing interest in serving on the Commission. The size of the Commission (20 members) bogged it down.
- Mn/DOT's transportation planning process is very bottom-up with the districts and Area Transportation Partnerships playing an important and early role in defining projects. However, the central Mn/DOT office has final say on which projects will ultimately be constructed.
- Officially, the legislature has no formal role in project selection. There are no direct mechanisms for legislative involvement in developing the 3-Year Construction Plan. However, the legislature can impact the project outcomes for the construction plan by setting spending limits (i.e. controlling appropriations outcomes) and restricting funding.
- The Major Projects Commission was perceived as one way through which legislators could influence the project selection process. This conflicted with the intent of the Commission, which was to (1) review projects already selected and trim the list of those projects deemed unnecessary; and (2) address the issue of how major projects could be funded. The Commission may have failed because the interests of the legislators involved in the Commission and the Commission's purpose were at odds.

# A.3.1 Minnesota Department of Transportation (Mn/DOT)

# History and Structure of the Minnesota Department of Transportation

The state of Minnesota first participated directly in road development with the creation of the State Highway Commission in 1905. This Highway Commission was abolished in 1917 with the Minnesota legislature creating the Department of Highways. Constitutional amendments in the 1920s created a trunk highway system and dedicated gas taxes for the building and maintenance of public roads, which greatly increased the Department's resources and responsibilities. Subsequent legislation gave the Department a broad-based mandate to develop the state's road system. Legislative mandates included the authority to acquire right-of-way; locate, construct, reconstruct, improve, and maintain the trunk highways; let necessary contracts; buy needed materials and equipments; and expend necessary funds.

The 1930s and 1940s saw growth in railroads and aeronautics in the state. Following the 1944 Federal Aid Highway Act that authorized funding to improve secondary urban and rural roads, the State Aid Division was created in 1945 as an addition to the Department of Highways. This Division's role was to work with Minnesota cities and counties. Following a national trend to merge all sate transportation programs and activities in one department, the Minnesota Department of Transportation (Mn/DOT) was created in 1976 by the Minnesota legislature. The new department absorbed the Departments of Aeronautics, the Department of Highways, and the transportation-related divisions of the State Planning Agency and of the Public Service Department. In creating the Department of Transportation, the legislature established Mn/DOT as the principal agency to develop, implement, administer, consolidate, and coordinate state transportation policies, plans and programs.

Minnesota statutes (Chapter 174) defines the Mn/DOT as the agency that develops, implements, administers, consolidates, and coordinates policies, plans, and programs for a statewide transportation system that includes highways, aeronautics, motor carriers, ports, public transit and railroads.

Mn/DOT is structured around 5 divisions: (1) program management; (2) engineering services; (3) operations, safety and technology; (4) state aid for local transportation (SALT); (5) district operations. Program management encompasses activities related to statewide transportation investment and modal operations. Engineering services provides engineering guidance, standards, raining, and expertise to support the districts in delivering projects and managing roads. The operations, safety and technology division oversees the use of technology to promote and enhance transportation safety and operations. SALT administers the distribution of federal-aid funds, authorizes grants for bridge construction on local road systems and provides technical assistance for the stateaid and federal-aid road systems. Mn/DOT operations is divided into 8 transportation districts statewide under the supervision of the districts operations division. The districts are responsible for construction programming, planning, designing, constructing, and maintaining state highways. Each district is headed by a transportation district engineer who leads the development of the transportation system in his region while coordinating those efforts with the other districts and the Mn/DOT central office. The organizational chart for the Minnesota Department of Transportation is presented in Figure A.3.1.

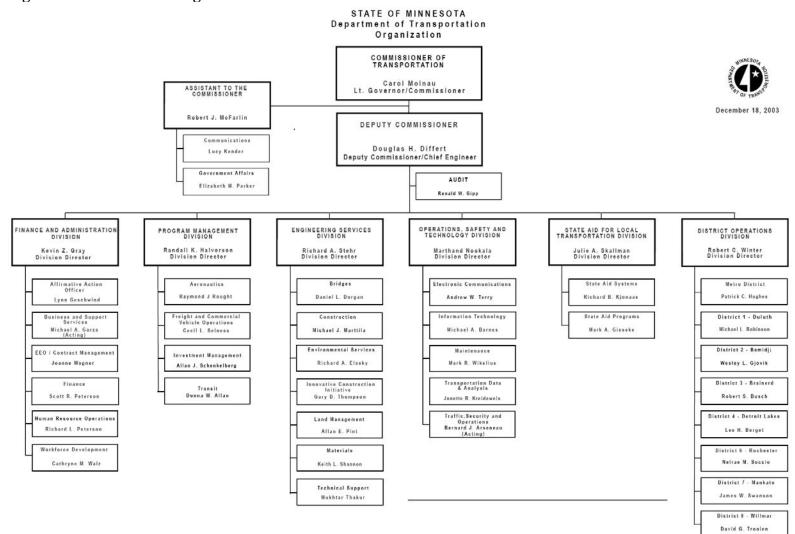


Figure A.3.1: Mn/DOT Organizational Chart

Source: Mn/DOT website (http://www.dot.state.mn.us/information/orgchart.html)

#### A.3.2 Major Projects Commission

#### **Commission Structure and Responsibilities**

The Minnesota Major Transportation Projects Commission was created by the Minnesota legislature in 2000. The Commission was proposed by the legislature's Transportation Committee Chair, at a time when there was a high degree of frustration with the financial challenges facing the state's transportation system. Two factors contributed to this frustration and dissatisfaction. First, the state was facing a major financial challenge as it sought funding for the rehabilitation of "budget buster bridge" projects. Many bridges in the state needed major work, requiring significant funding. However, such funding needs for these bridges would consume most of a district's funding allocations, with little remaining for system preservation and other non-bridge needs. The Major Projects Commission was created in part to address how Mn/DOT would fund such major and budget-busting projects. The second concern of the legislature focused on funding for other major non-bridge infrastructure construction needs. Partly due to the state's method of distributing funds to the district to ensure geographic equity and local input, the state had been forced to resort to incremental construction of major projects – building projects in several small stages over many years – which resulted in substantial increases in the overall costs of the projects.

The Commission was supposed to focus its attention on major project funding and related issues on those multimillion dollar projects that constitute more than 25% of a district's annual construction budget. The Commission's role was to review these major projects, eliminate proposed projects that it considered unnecessary, and rank the remaining projects for consideration by the governor and legislature. Membership in the Commission included the Commissioner of Transportation, 14 legislators – 7 senators and 7 representatives – and 5 private citizens appointed by the governor, one of whom was designated as a representative of the governor.

The Major Projects Commission had a short life as it was terminated by the legislature in 2002. The primary reason for the termination of the Commission was its inactivity resulting from its lack of formal powers. With twenty members, the Commission was also very large. Some of the Commission's members, primarily comprised of Senate and House members, were characterized as being "self-serving." Such members focused more on "pet projects" than the broader goals of the Commission. As a result, the Commission got bogged down and was unable to meet its original objectives.

#### A.3.3 Planning and Project Selection Process

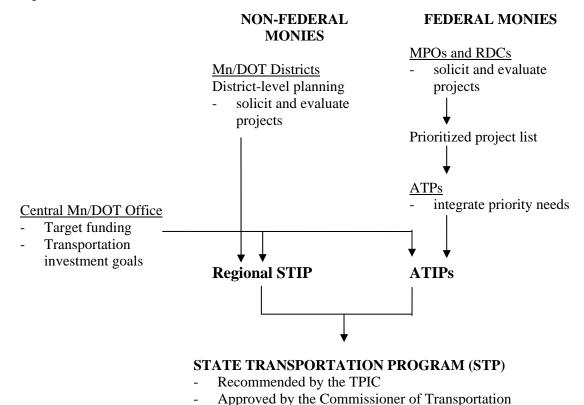
Mn/DOT employs three planning horizons including the shorter term which is for 3 years, a 10-year Work Plan, and a long-range plan that spans 23 years. The Mn/DOT planning process is decentralized and open to public input. The selection of projects for funding and construction is bottom-up, driven by public input through transportation partnerships at the district level. Project selection is also fiscally-constrained based on

projected funding targets developed by the central Mn/DOT office. Each district identifies its needs to meet its performance targets. Given these needs, the district then prioritizes its projects according to available funding, first emphasizing preservation of bridges and highways. This emphasis on system preservation, combined with limited funding, caused many needed capital projects to disappear from the projects list.

Mn/DOT's planning and project selection process is very decentralized and open to public input. The selection of projects for funding and construction is bottom-up, driven by public input through transportation partnerships at the district level. Project selection is also fiscally-constrained based on projected funding targets developed by the central Mn/DOT office.

The project selection process begins with districts, Metropolitan Planning Organizations (MPOs) and Regional Development Commissions (RDCs) initiating the project solicitation process. Each district, MPO, and RDC then evaluates the solicited projects and compiles a prioritized list of projects. The District offices and the area transportation partnerships (ATPs) then take the priority lists from their MPOs and RDCs and integrate them into their respective Area Transportation Improvement Programs (ATIPs), which are then submitted to the Office of Investment Management in the form of an integrated list organized by year. These area transportation partnerships serve as quasi-advisory or coordinating group for various organizations in its transportation district. Districts and ATPs have the primary responsibility of bringing together transportation improvement recommendations of Mn/DOT and its transportation partners. ATPs are involved in making decisions regarding federally-funded projects. Projects funded by non-federal resources are decided by the Mn/DOT districts.

The Office of Investment Management (OIM) and the Transportation Program Investment Committee (TPIC) are responsible for the developing and approving funding targets. These funding targets assist the districts and ATPs during the process of developing the ATIP and the district in developing, monitoring, managing, and evaluating the regional portion of the STIP. The Office of Investment Management is then responsible for developing the final STIP from the ATIPs and regional STIPs from the ATPs and districts.



#### **Figure A.3.2: Simplified Diagrammatic Explanation of Minnesota's Transportation Project Selection Process**

Source: Created by the research team from information collected during interviews

Mn/DOT's transportation planning process appears to be very bottom-up with the districts and ATPs playing an important and early role in defining those projects to be programmed for construction. However, the central Mn/DOT office has final say on which projects will ultimately be constructed.

#### The Role of Political Actors

Officially, the legislature has no formal role in project selection. There are no direct mechanisms for legislative involvement in developing the 3-Year Construction Plan. However, the legislature can impact the project outcomes for the construction plan by setting spending limits (i.e. controlling appropriations outcomes) and restricting funding such that there is a 50/50 split between rural and urban areas of the state. Traditionally, the legislature has not become involved in project selection, primarily due to informal agreement to that it would be hands-off the process. If a legislator wanted to get a project funded for construction, he/she would go through regional representatives and the ATP to make the project a priority. Legislators do not simply add their projects to the finalized STP recommended by the TPIC and approved by the Commissioner for Transportation. From a budgeting perspective, the legislature has a long history of not including specific

transportation projects in the budget. Legislators have been more focused on the revenue side of the budget. The Senate was traditionally opposed to tying the budget to specific projects because there is the assumption that the Mn/DOT is making good decisions.

# A.3.4 Transportation Finance

In 1956, Minnesota voters approved a constitutional amendment providing for the distribution of state road user funds with 62% going to the state, 29% to the county, and 9% to the municipality.

Over the last twenty years, Minnesota has seen much monetary resources being diverted away from transportation. The state's gas tax was last raised in 1988 by 20 cents per gallon. In 1988/1989, a percentage of the motor vehicle sales tax was dedicated to the Trunk Fund, but this has not yet occurred to date. The vehicle registration fee was reduced in 2001, and the 2005 Transportation Bill was vetoed by the Governor because it included an increase in the gas tax.

# A.3.5 Other Structural Features that Affect Performance

# **Overly Powerful Local Governments**

Transportation project selection in Minnesota is very decentralized and the process is bottom-up, driven by the highway districts and the local MPOs and RDCs. The central Mn/DOT office allocates funding to the districts, which then create priority lists of their projects given the allocated funding targets. As such, the local governments are dominant and powerful players in the project selection process.

Local units of government have virtual veto power over every transportation improvement that touches their jurisdiction. This was originally intended as a mechanism to protect local interests, but has instead evolved into a system that allows local government units with an agenda to hold hostage a major project impacting the entire surrounding region. For example, local governments can veto any transportation project affecting their jurisdiction and must provide their consent for any tolling practices within their jurisdiction. Mn/DOT has also recently pursued the use tolling to finance transportation infrastructure improvement. However, the use of toll roads requires municipal consent, and municipalities have resisted the implementation of tolling projects.

Negotiations between the central Mn/DOT (or the state) and local governmental units can consume significant resources and may delay a project for years and even decades. As a result, having overly powerful local governments may decrease the effectiveness of the state's transportation planning and negatively affect the DOT's performance.

## **Informal Tradition of Political Uninvolvement**

Legislators, by choice and by tradition, have not been involved in project selection, apart from appropriating transportation funds and limiting its distribution to a 50/50 split between rural and urban. Legislative input into the process comes through the Area Transportation Partnerships that decide on federally-funded projects within each district.

Given that legislators have the opportunity to become involved in the planning and project selection process at the district level, Minnesota has been able to avoid political involvement in the state's planning process during legislative sessions, leading to greater stability and consistency in the overall planning process.

# Performance-Based Planning

In 1997, Mn/DOT began utilizing performance-based planning. Target performance measures were used to measure pavement performance, make decisions, and facilitate district planning. With this performance-based planning, Mn/DOT made the switch from standards-based need to performance-based needs.

#### A.3.6 Best Practices and Lessons Learned

#### **Project Selection that is Locally-Driven**

The Minnesota project selection is decentralized and can be described as a bottom-up process. The process for development of planning documents and project plans provide for significant public and interest group (including MPOs and RDCs) participation early in the process. This planning and project selection model reduces incentives for local groups to intervene later in the project approval process via the state legislature. The success of this process design is evidenced by the tradition and culture of the Minnesota legislature to avoid involvement in the project selection process (except for the recent, but unsuccessful, effort to become involved through the Major Projects Commission which was created and terminated within two years).

#### **<u>Create Balance of Power between State and Local Governmental Units</u>**

Local governments hold the majority of the power with regards to transportation in Minnesota. Planning and project selection is driven by local needs and local actors. In addition, local governments have veto power over any transportation project affecting their jurisdiction. The latter has shifted the balance of power towards local government, putting the central Mn/DOT office at the mercy of local governments. This has caused transportation planning in Minnesota to focus primarily on district system preservation, to the neglect of broader, statewide capital improvement projects.

# <u>Reduce Legislature Involvement in the Transportation Commission to Reduce</u> <u>Conflicts of Interest</u>

Minnesota's Major Projects Commission was created to: (1) review projects already selected and trim those projects deemed unnecessary; and (2) address the issue of how major projects could be funded. One of the primary reasons for the failure of the Minnesota Major Transportation Projects Commission appears to be that the Commission was dominated by legislators. The interests of the legislators involved in the Commission and the mandate of the Commission were at odds. Apparently, some legislators viewed the Commission as means of getting specific projects funded and constructed. These legislators approached membership in the commission as a means of pursuing their own agenda. As such, the Commission's purpose and goals took a backseat as the legislators used the Commission to focus on their "pet projects."

This conflicted with the culture of the Minnesota legislature which was, and continues to be, one of "hands off" when it comes to transportation project selection. As a consequence, the role of the Commission was unclear and the majority of the Minnesota legislature felt that it did not add to the planning and project selection process and decided to terminate the Commission after two years.

# A.4 Ohio Case Study

#### **Case Study Highlights:**

- Since 1994, there have been two major changes in ODOT operation of ODOT that have improved its method of project prioritization and selection: (1) changes to the system for preservation and maintenance; and (2) creation of a commission-like structure for the selection of major new capacity projects.
- Transportation Review Advisory Council (TRAC) as the commission-like entity responsible for project prioritization and selection of new capacity expanding projects.
- Responsibility for selection and prioritization of preservation projects resides with the highway districts.
- TRAC is allocated funds for major, new capacity projects after funds for system preservation have been determined. A major new project defined as one that will cost at least \$5 million and will do one or more of the following—reduce congestion, increase mobility, provide connectivity, or increase economic development.
- TRAC projects are assessed using on a numerical score from 0 to 130, based on the following criteria: (1) transportation efficiency; (2) safety; (3) economic development; (4) public/private/local participation; (5) unique multimodal impacts; and (6) urban revitalization.
- TRAC has changed the dynamics of project selection. It has provided ODOT with a
  means for ranking or deciding on projects. TRAC has also reduced the ability of
  elected official to make promises regarding transportation projects.
- The biggest impact of TRAC has been the increased transparency of the project selection process. Numerical scores and costs for all proposed projects are made public so project sponsors, elected and appointed officials, and members of the public can compare the merits of different projects.

# A.4.1 Ohio Department of Transportation (ODOT)

# **Structure and Leadership of ODOT**

The Ohio Department of Transportation is headed by a Director of Transportation and two assistant directors—one for planning and production and the other for highway management. ODOT also has district deputy directors who oversee operations in 12 districts. The assistant director of planning and production is in charge of the following divisions: (1) planning; (2) local programs; (3) production management; (4) finance; and (5) forecasting. The assistant director of highway management is responsible for these divisions: (1) contract administration; (2) construction management; (3) highway operations; and (4) facilities and equipment management. All twelve district deputy directors report to both of the assistant directors. The organizational chart for the Ohio DOT is presented in Figure A.4.1.

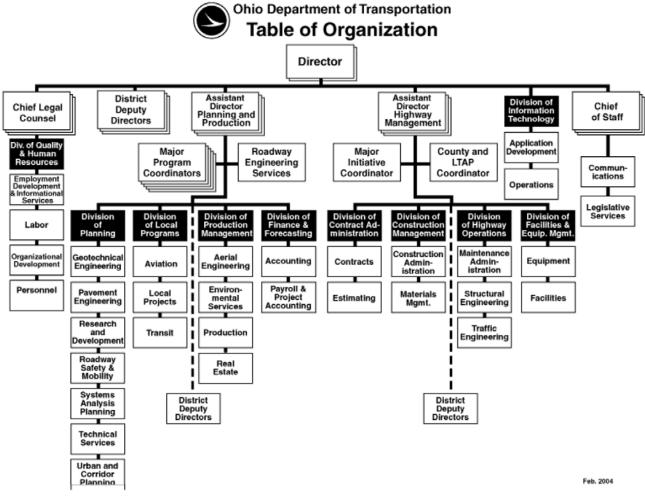


Figure A.4.1: Ohio Department of Transportation Organizational Chart

Source: Ohio Department of Transportation Website (http://www.dot.state.oh.us/)

Transportation planning in Ohio involves four types of plans: (1) a 30-year long-range plan; (2) a 15-year plan; (3) a 6-year capital plan approved by the TRAC; and (4) a 2-year strategic initiatives and business plans.

Since 1994, there have been two major changes in the operation of ODOT, which have improved its method of project prioritization and selection. The first reformed the operation of its system for preservation and maintenance. The second institutionalized a commission-like structure for the selection of major new capacity projects.

### **Reforming Pavement Preservation**

In 1994, the 12 district offices were given their own budgets for system preservation and maintenance. Prior to this the central ODOT office controlled all funds. The central office gives each district a system preservation budget based on several factors such as lane miles in the district and the number of bridges. Each district is also given a set of goals

for the overall condition of roads in its district. The district then decides how the money will be spent to reach the goals. Each district office must prioritize based on deficiencies and devise a preventive maintenance program. One interviewee informed us that: "most employees really like have goals set and being evaluated. Makes them feel that they are really performing."

The central office monitors the performance of the districts by obtaining measures of road conditions. In 1999, ODOT instituted goal-based management accountability with the organizational performance index. Each district must reach 90% of its goals. The ODOT business plan for road conditions has five strategic initiatives. Every Monday and Friday the ODOT director receives updates on progress at the district level toward those strategic initiatives. Data on system conditions drive systems preservation, with all project selection being criteria-driven.

The districts are responsible for producing the desired preservation outcomes with the funds they are allocated. If they need more money than allocated they have to justify the additional funds

The second major reform was the creation of the Transportation Review Advisory Council, which is referred to as TRAC. It will be described in the next section.

# A.4.2 Transportation Review Advisory Council (TRAC)

### Commission Structure and Responsibilities

Project prioritization and selection of new capacity expanding projects in Ohio is done by the Transportation Review Advisory Council, which is referred to as TRAC. The TRAC does not select preservation projects. As described above, that responsibility is held by the highway districts.

The TRAC was created by the Ohio General Assembly in 1997 and is composed of the director of ODOT and eight appointees, who are chosen for their experience in the areas of transportation, business, or economic development. The governor appoints six members and the president of the Ohio Senate and the speaker of the Ohio House each name one member. Commission members have staggered terms, so not all members are appointed at the same time.

TRAC is allocated funds for major, new capacity projects after funds for system preservation have been determined. A major new project is defined as one that will cost at least \$5 million and will do one or more of the following—reduce congestion, increase mobility, provide connectivity, or increase economic development. Historically, TRAC has had about \$300 million each year to pay for projects, including design, right of way and construction. This is about 20% of overall construction expenditures—the rest going to system preservation.

#### A.4.3 Project Selection Process

#### Actors and Decision Criteria

New capacity projects are identified in three ways: (1) local proponents bring proposals to the TRAC through an annual application process; (2) the 12 district offices propose projects for their regions; or (3) a project may be identified based on the findings of the monitoring system, which has goals for reducing crashes and congestion and increasing mobility. These are to fit into the long-range transportation plan, dubbed Access Ohio. For TRAC to accept a project it must also be on the MPO's long range plan. Accepted projects are then placed on the 6 year plan, after approval by TRAC.

The following officials are involved in the selection process: city and county officials, transportation district officials, MPOs, and central office staff. The first three propose projects, which are scored by the central office staff using the TRAC criteria. TRAC does not identify projects. Once the applications are received TRAC prioritizes them based on the criteria. TRAC then publishes the scores of the various projects in local newspapers.

#### **Steps in the Project Selection Process**

TRAC receives 50 to 75 applications for new capacity projects annually. Each proposed project is assessed and given a numerical score from 0 to 130. The points are allocated to the following TRAC criteria: transportation efficiency (55 points); safety (15 points); economic development (30 points); public/private/local participation (15 points); unique multimodal impacts (5 points) and urban revitalization (10 points).

Annually, TRAC holds six public hearings around the state beginning in August and ending in October. A draft project list is published each December. Politicians can attend the public hearings and voice their support for a specific project, but in the words of one respondent: "Their support does not make a difference as to whether the project will be selected" by the TRAC. In prioritizing projects there is said to be no legislative involvement.

Funds are dedicated by the legislature but the legislature does not identify the projects to be built. That is entirely up to the TRAC. The allocated funds go to the planning department for disbursement to projects.

Funding tends to be distributed evenly (a third to each) among rural, urban, and suburban areas. This is done through the weighing system in the TRAC criteria, primarily the urban/rural macro corridor.

### **Political Influence in Project Selection**

TRAC was created to remove political influence on project decision-making. All the respondents said it was a successful reform in this regard. The Director of the Ohio DOT is the chairperson of TRAC. This is described as producing a better relationship with more understanding between TRAC and the ODOT. TRAC is said to improve ODOT performance by bringing about an open, visible process to project decision-making.

TRAC, the interviewees stated, has changed the dynamics of project selection. "Before TRAC citizen groups would lobby directly to ODOT. But ODOT did not have any criteria for ranking or deciding which projects had merit." In addition, before TRAC, gubernatorial candidates used to make promises to build new transportation facilities. Now they are much less likely to, since they know that TRAC selects the projects. This too has reduced the role of politics in project selection. "Political officials (legislators, governors) cannot make promises about new roads/bridges. Every thing is visible. Sponsors can see the score, costs, etc. for their project and other projects. Previously, project decision making was done in a vacuum. The perception was that those who scream the loudest or have the best political connections will get their projects funded."

Legislators are said to like the current system because they are no longer expected to bring projects home for their districts.

By reducing political involvement, TRAC also reduced waste in the ODOT labor force. "Before TRAC, there were three or four times the number of projects in the ODOT pipeline. TRAC brought a more realistic number of projects and a process that is more objective. ODOT is no longer wasting resources on projects that will not be built." ODOT now consistently builds the projects it says it will build. The result, respondents said, is that the number of ODOT employees has dropped from more than 8,000 to less than 6,000, without a large increase in contracting out.

### **Greater Local Involvement**

TRAC is successful in other respects. It has reduced overspending and encouraged local governments to assume some of the costs of projects. One of the criteria for scoring a project is local contribution of funds. "This requirement has brought about greater levels of local money for capacity improvement projects."

TRAC imposes funding caps or ceilings on projects and can refuse to authorize additional funds when a project goes over budget. When local projects go above cost, the district or local officials must come before TRAC and request additional funds. This forces districts to be more honest with their cost estimates when they proposed new projects. The TRAC does not automatically approve additional funds for projects that are more than 10% over budget.

The scoring system is said to also produce a better balance between rural and urban projects. It is also said to better reflect the population distribution of the state between urban, rural and suburban areas.

## A.4.4 Financial Management and Funding Commitments

Ohio's system puts maintenance ahead of new capacity projects. Of the funds that are allocated, some are used for capacity projects and some for resurfacing and preventive maintenance. "If there is not enough money allocated for the year, then there will not be any capacity projects, as there were not for the last two years. However, there was money for preservation for the districts." However, funding for capacity expansion is predictable and underfunding does not occur, because projects are not put on the capital improvement list, if funds are not available.

The approval of the transportation budget follows the same steps and procedures as the approval of the general fund. Financial capacity to fund long term needs begins with a revenue forecast. ODOT then determines what the districts need to finance preservation and maintenance needs. If there are funds left after preservation needs are met, then those dollars go to TRAC for capital improvement projects. The ODOT finance department sets the budget for ODOT (the central and district offices) based on their allocation from the legislature. TRAC, itself, has no financial responsibilities beyond balancing its budget. TRAC has no input as to the size of its budget. As noted above, TRAC's budget is based on the amount of money left after the preservation needs are met. When a project that TRAC has approved is underfunded then it is deferred to the next year. Upon hearing how much money is available for new projects, TRAC assigns funds to projects. Currently, they have \$500 million for projects.

Only a small amount of funding comes from debt. The debt limit for road fund supported bond issues is 20%. Currently, Ohio is at 11%. The state has no revenue bonds or GARVEE bonds. The state also has a policy not to dedicate more than 10% of federal funds for debt service. Today they are at 9.9%.

# A.4.5 Other Structural Features that Affect Performance

According to respondents, TRAC has contributed to some other changes that have made ODOT more effective. People are said to be better at their jobs, because positions are more analytical than clerical. They are using computers to monitor the performance of the 12 districts. TRAC makes it easier to see which jobs they do well and those they don't, so that the latter can be contracted out. They no longer hire and train for all jobs, only those they do well. The reforms also improved the attitude of the remaining employees. "Those employees who were left were much more excited and energetic about their jobs. This energy helped ODOT receive the most improved department in state government for six or seven years. People were happy to come to work and proud of where they worked after the organizational change."

#### A.4.6 Best Practices

Ohio appears to have a well-thought out and comprehensive system for project selection and prioritization— with a number of built-in accountability mechanisms. It divides system preservation and maintenance from system capacity expansion by having the Transportation Review Advisory Council (TRAC) select and prioritize the major new projects, while the districts are responsible for selecting the maintenance and preservation projects. System preservation is given funding priority, as TRAC is funded after the districts have been allocated sufficient funds to maintain the state highway system.

#### Integrating Local Needs and Goals into Decision Making

The districts are held accountable by the creation of performance goals for their road systems. They are expected to achieve satisfactory performance on various quantitative indicators (e.g., highway condition as measured by IRI). District officials choose the specific maintenance projects in their district most likely to meet the goals. The central office, for its part, gathers information on progress in each of the districts and holds weekly meetings to ensure attainment of performance standards. In sum, under the 1994 reform, the districts are allocated resources and can spend those resources as they see fit, so long as performance goals are met.

TRAC selects the new capacity enhancing projects based on a set of criteria that take local needs into account. In addition, local officials can propose projects, but they do not score the projects, a task performed by the central office that has the requisite expertise. As a result, new highway capacity project selection is much more objective. TRAC is authorized to make the final selections based on the scoring.

Local governments are encouraged to share the costs of projects and must contribute more local money when projects go over the estimated cost. They do not automatically get money from the central office when overruns occur.

### **Enhancing Accountability and Credibility**

The respondents indicated that the new system improved accountability and produced a number of desirable results. ODOT now spends less time designing projects that will not be built and has 1800 fewer employees. The condition of the roads has improved. Politics has been removed from the system, as the politicians and their constituents accept the decisions of TRAC. Governors and legislators no longer make transportation promises now that TRAC, not the politicians, chooses the projects to be built. With less waste there is more money to fund new capacity projects. Taken together, the new system has increased public esteem for ODOT.

TRAC has generated more trust in ODOT on the part of the public and legislators. As an independent body, TRAC makes ODOT look more credible in its activities and project

selection. This was attributed to the criteria based selection process more than TRAC's relative independence. In addition, TRAC is said to give ODOT stability and clout with the legislature, because the public knows that it is delivering on its promises. The rise in trust was said to have made it possible for ODOT to ask for and receive an increase in the gas tax. Another sign of trust is a decline in complaints of unfairness in project selection. In the beginning there were complaints, but the public has grown to accept TRAC's decisions.

### A.5 Washington State Case Study

#### Case Study Highlights

- The various roles and responsibilities for some key state transportation functions were in the process of being recast as this case study was being completed.
- The Washington Transportation Commission is a bipartisan independent commission with seven citizen members that serves in a policy making and 'boards of director' capacity.
- Strengths of the commission: (1) serves as a public sounding board; (2) acts a conduit for legislators to speak out; (3) tempered WSDOT's decision making; (4) provided a level of comfort for all parties; and (5) allowed for continuity and longevity to the position of Secretary of Transportation. Weaknesses of the commission: (1) allows for rubber stamping of WSDOT decisions without executive branch oversight; and (2) commission had no independent staff analytical capability, but provided the appearance of independence.
- In 2003 a "nickel gas tax program" was passed by the legislature along with the legislative evaluation accountability program. Failure to meet expectations set forth in the Nickel Program has resulted in major changes in the governance of transportation functions in the state.
- The Washington Transportation Commission provides a two-day public forum monthly. The open meetings are held at various locations throughout the state and the WSDOT has been held publicly accountable in these televised forums by the bipartisan commission.

At the time this case study was conducted (August 2005), Washington was undergoing a transition in how the function of state transportation was arranged. Prior to 2005, the State of Washington had a bipartisan independent transportation commission with seven citizen members appointed by the governor and confirmed by the Senate. The commission had responsibility for appointing the Secretary of Transportation beginning when that new agency was created in 1977. The commission's other responsibilities included preparing the state's long range transportation plan, proposing the state's transportation budget, working with others to formulate transportation policy, and overseeing the implementation of policy and operational plans for highways, ferries, and intercity passenger rail. The various roles and responsibilities for some key state transportation functions were in the process of being recast as this case study was being completed. The major changes and their rationales are described in the discussion that follows

# A.5.1 Washington State Department of Transportation (WSDOT)

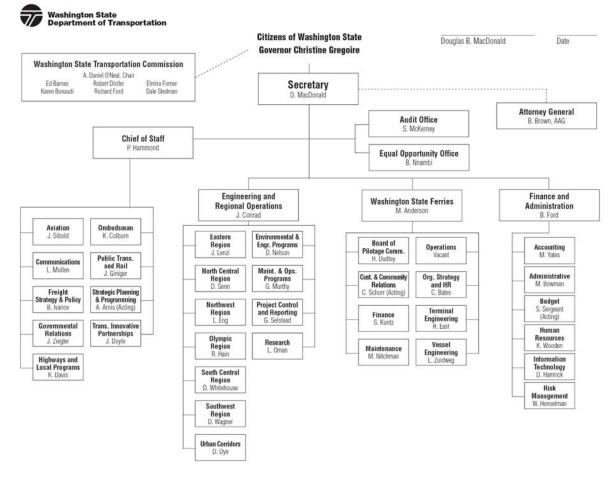
The Washington State Department of Transportation (WSDOT) was created in 1977 and is headed by the Secretary of Transportation. The 1977 legislature vested the department

with the responsibility for developing and maintaining a comprehensive and balanced statewide transportation system.

WSDOT is organized into 6 geographical regions and the Urban Corridors Officers, several modal divisions, and statewide oversight through the central headquarters office. The organizational chart for WSDOT is presented in Figure A.5.1.

Prior to 2005, the Secretary of Transportation was appointed by the Washington Transportation Commission, which also served in a policymaking and board of directors capacity for the WSDOT. Effective July 2005, however, WSDOT became a Cabinet Agency, with the Secretary of Transportation becoming a Cabinet Secretary, appointed by and serving at the pleasure of the Governor.





Source: WSDOT Website (http://www.wsdot.wa.gov/about/ExecOrgChart.htm)

The most significant change in structure for the WSDOT in recent years has been the establishment of six regional offices which are capable of dealing with project development (some including mega bridge projects) in their areas and an "urban corridor" division.

It should be further noted that they have had only four secretaries in 28 years. The WSDOT recognizes that the commission structure with this past appointment authority has provided that stability.

#### A.5.2 Washington Transportation Commission

#### **Background**

The Washington Transportation Commission, a bipartisan independent commission with seven citizen members, was established in 1951. It was not until the 1977 creation of the WSDOT out of the "Highway Board" was the commission given authority to choose the WSDOT Secretary as it had previously chosen the Directors of the Highway Board. Its legislative preamble stressed that, given the long-term nature of transportation investments, programs/projects should not be subject to the shorter term political whims. In essence, longer term transportation leadership was needed, and the selection of Transportation Secretary by the commission provided for continuity of WSDOT leadership.

#### **Primary Functions of the Commission**

In the past, the Transportation Commission had responsibility for preparing the 20-year transportation plan, reviewing and approving the department's budget and investment plan, and oversight of the department. The WSDOT received a broad program appropriation that included its 'reference list of projects' from the legislature. The commission had the ability to authorize changes and shift money from those lagging projects to those that were ready to move ahead. Clearly, controversies arose form time to time when legislators perceived their projects as being 'cut' or not moving forward quickly enough.

In 2003 a "nickel gas tax program" was passed by the legislature along with the legislative evaluation accountability program. The passing of the nickel program was premised on a definitive list of projects that would be built over a specific time period. At his time the commission lost the wholesale authority to make changes to the nickel list. While the legislature acknowledged the need for the Commission and/or the WSDOT to be able to make some changes over time, the nickel list was held to a stricter accountability guideline. Only under very specific circumstances was the commission allowed to grant changes requested by the DOT and the legislature was to be kept informed of these changes on a quarterly basis.

### Monthly Meetings

There are not many state functions/agencies in any state that the public can access monthly to get a report of progress and have the opportunity to raise concerns. The Washington Transportation Commission has provided a two-day forum monthly. The open meetings are held at various locations throughout the state and the WSDOT has been held publicly accountable in these televised forums by the bipartisan commission.

### Recent Changes to the Commission's Responsibility

In 2004, the Washington legislature passed a 9.5 cent gas tax increase and changed the governance of transportation functions. They divested the commission of the responsibility of appointing the secretary of the DOT and the authority to approve the DOT's budget. The legislature also left with the commission the responsibility for the 20-year transportation plan and the shorter range investment plan. The Transportation Commission also maintained the responsibility for setting transportation performance benchmarks as well as the authority to set tolls and ferry fares. The Transportation Performance Audit Board was moved from the auspices of the legislature to the commission. Additional responsibilities were given to the commission that included a biennial report on the state of transportation, a series of special studies and rule making authority for a new public-private initiatives program. Finally, they kept the authority to approve funding changes between projects and for bond authorizations.

The law that made the most recent changes contained a provision requiring the legislature to conduct a study on transportation governance. While the governor vetoed this provision, she did call for the Governor's Office to bring all the parties to the table to examine the statutory changes put in place and to determine whether realignment may be needed in the future. The issues surrounding the roles of the commission, the DOT, the legislature, and the executive branch in transportation have been hotly debated since the 1999/2000 report of the Blue Ribbon Commission on Transportation. The Blue Ribbon Commission recommended that the governor appoint the WSDOT Secretary and that the governor and the legislature have more control over transportation functions in the state. Among the Blue Ribbon Commission's other recommendations was for the state to institute a series of benchmarks to guide future transportation development and measure performance.

#### **Commission Strengths and Weakness**

The following are strengths and weaknesses of the past commission/department arrangement as seen from the Washington Senate staff coordinator's perspective:

Commission Strengths --

- Public sounding board
- Conduit for legislators to speak out

- Tempered the DOT's decision making
- Bipartisan policy structure gave a level of comfort to everyone
- Continuity and longevity to secretary's position

Commission Weaknesses --

- Rubber stamp of the DOT without executive branch oversight
- No independent staff analytical capability, but appearance of independence
- Legislators attempted to influence DOT at central office and/or regions

Table A.5.1 summarizes the key role/responsibility/relationship changes in transportation governance and function as they stand in 2005 for the State of Washington (**bold** type indicates a current 2005 function vs. the *italics* type for a previous function):

### A.5.3 Project Selection Process

### **Projects in the Nickel Program**

The current management of WSDOT used a relatively straight forward process of project prioritization and selection for the roster of projects in the nickel program. Project selection began with the regions conducting various needs analyses (including safety and capacity) and project lists (with the accompanying descriptions/analyses) were then sent to the central office to create a composite roster for review. The composite was distributed to central office WSDOT senior professionals who were instructed to review and array the projects (based on their added experience and knowledge) into A-B-C (with the A listed projects being the highest priority) funding categories having approximately equal funding requirements. The high correlation between the lists of the senior professionals was "absolutely remarkable" according to the WSDOT secretary and even more remarkable that the commission and the legislature saw the priorities the same way. In the words of the secretary:

I believe good projects came forward... and that a lot of work from the staff in the regions went into building the project evaluation and descriptive lists. Different projects have different attributes... and we didn't need complex scoring systems. It's a matter of good project information built up from the regions, professional judgment based on experience and knowledge, and common sense as confirmed by the commission and legislature. The dichotomy about projects being picked purely politically vs. through a rational system of screening is useless since neither of those polarities exist... it is a matter of where and how you import value contributions into the process.

Both persons interviewed from the commission and the legislature brought up, without prompting, how well this WSDOT initiated system of project prioritization and selection worked for the nickel program.

Transportation Commission	WSDOT	Governor	Legislature
<ul> <li>Long-range transportation plan (including investments)</li> <li>Appointment of the WSDOT secretary</li> <li>Audit and performance measures</li> <li>Capital (transportation) program authorization and monitoring</li> <li>Capital program interim project change approval and bond authorizations</li> <li>Advise governor regarding transportation investments</li> <li>Sets ferry rates, tolls and benchmarks</li> <li>Biennial report on the state of transportation</li> <li>Special studies (including rail) and public-private initiatives program</li> </ul>	<ul> <li>Reports to the commission</li> <li>Reports to the governor</li> <li>Agency budget is part of executive budget</li> <li>Capital (transportation) program and monitoring</li> </ul>	<ul> <li>Governor appoints commission members</li> <li>Appoints the WSDOT secretary</li> <li>WSDOT agency budget part the executive budget</li> </ul>	<ul> <li>Capital program authorization</li> <li>Audit and performance measures</li> <li>Executive budget (with WSDOT) authorization</li> </ul>

# Table A.5.1: Changes in Roles and Responsibilities in Washington's Transportation Governance

#### A.5.4 Financial Management

When the current Secretary of Transportation arrived at the WSDOT in 2001, he found the department using a confusing array of financial plans with a variety of time horizons. Operating costs and capital (project) expenditures were commingled and bond proceeds were shown as revenues. The latter produced what the Secretary referred to as "a bizarre revenue trend line." Over the intervening years a pro forma budget has been established that has the acceptance of the commission and the legislature. This provides the department and others with more useful information regarding the financial condition of the department and status of the capital expenditure program. The ten-year capital plan is based on a thorough analysis of needs that are bubbled-up from the regions. The process includes regional WSDOT public input and has had the benefit of the commission holding monthly public meetings around the state that are also televised on the state's public affairs TV network.

### A.5.5 Other Structural Features that Affect Performance

#### Management Audits

With the legislative passage of the of the nickel gas tax and the programming of a specific list projects came increased accountability and a series of management audits of WSDOT conducted by the Transportation Performance Audit Board in conjunction with the Joint Legislative Audit and Review Committee (JLARC). The Transportation Performance Audit Board has been moved recently from the auspices of the legislature to the commission. The management audits have included: environmental permitting and practices; project construction management practices; and the supporting information technology systems. The WSDOT acknowledges the usefulness of these audits and the resulting improvement recommendations. A recent audit report (2004-5) was issued that reviewed the critical path management, risk management, project reporting and organizational structures used to execute capital projects (focusing on project delivery of state transportation facilities) by the WSDOT. The JLARC employed a nationally recognized engineering consulting firm to assist with example (case study) project The report states a series of findings regarding WSDOT's critical path reviews. management, risk management, reporting and organization and also provides management recommendations for WSDOT.

### **Project Management Tools and Program Management Information**

While the JLARC audit praised some of the WSDOT project management efforts, they recommended that they refine and extend their practices. Especially the use of the WSDOT Project Delivery Information System and the project management software tools including Primavera Project Planner for the Enterprise. The audit found that projects that "utilized the advanced software tools yield superior critical path management practices." However, the according to the JLARC the current degree of

local (regional) autonomy has precluded the universal adoption of "these strong practices."

In regard to program management information the picture is not as positive. According to the WSDOT secretary, they need to keep up with scope, schedule and budget for all the projects. They particularly need to be able to roll up the current expenditures and projected cost to completion for all projects in the program to compare with projected revenue availability. The WSDOT is often ask to explain the individual project over-runs that adversely impact the total funding available for the program's remaining projects. This is particularly troublesome since the nickel program was sold on the expectation of delivering specific projects that had definitive schedules and costs. The secretary lamented the fact of project cost creep impacts especially in the current economy with dramatically increased cost of oil, steel and cement. The WSDOT Secretary simply stated: "the problem is bigger than our solutions." He elaborated as follows:

(The two problems) are first, persuading and demonstrating to the legislature that we... do good work and the second is the legislature and us persuading the public that this system is functioning... but every time we go outside we realize that it is a Mt. Everest we are trying to climb of public skepticism and trust of us (WSDOT) and government in general.... (this) comes back to haunt us by their voting against any taxes... against the incapability and incompetence of government. We've done a lot of things right to turn that around, but not enough - it's a big problem.

### A.5.6 Best Practices

It is clear that the structure of transportation governance has been a hotly-debated subject in the State of Washington since 1999/2000. Particularly, the executive and legislative branches of government in Washington were largely out of the loop of direct decision making and accountability. Changes finally occurred with the advent of the Blue Ribbon Commission and its recommendations for the WSDOT to be brought under the executive branch and the desire of the legislature to represent the interests of their constituents in the area of transportation. There is uncertainty about whether that the new mix of responsibilities among the entities will work effectively or efficiently and this was recognized by the call for a study on transportation governance to be conducted. Key changes include the governor now appointing the secretary and the WSDOT preparing its agency and capital project budget as part of the executive budget to be submitted directly to the legislature. The commission maintains its responsibility for long-range transportation planning and investment and is given new responsibility for benchmarking and measuring performance for transportation. It remains to be seen how this new governance structure will work, but it is clear that the independence of the commission and WSDOT has been reduced. In the candid words of the senate staff coordinator - "In the end the legislators might not realize what they have done."

Regardless of this recent shift of responsibilities, there are significant issues that will affect the future of the WSDOT's performance. While they may not be unique to the State of Washington, they are part of the situation leading up to these changes and will continue to impact efforts to improve transportation governance and transportation program and project delivery. Three concerns are at the top of the list of the secretary: public perception and trust; project management; and professional staff retention. The first two issues were discussed previously. The professional staff retention issue seems to be pervasive among DOTs and there have been few positive steps taken to address the problem anywhere including the WSDOT.

### WSDOT Project Selection

The bottom-up system previously discussed starting with a detailed project analysis/evaluation (including safety and capacity factors) initiated in the region; followed by overall prioritization based on the professional judgment (combining experience and knowledge) of the central office; and concluding with review and common sense adjustment by the commission and the legislature has proved reliable and acceptable.

### Commission Public Outreach and WSDOT Accountability

The two-day monthly meetings of the commission held in various locations throughout the state are unique. These sessions, open to the public and televised by the state's public service network, provide a highly visible public forum. At these sessions the WSDOT is held accountable for program performance and project delivery.

# TPAB/JLARC Review/Audit

There is a significant and growing emphasis on benchmarking performance and reviewing and auditing the processes and procedures of the WSDOT. The usefulness of the audits/reviews has been clearly recognized by the DOT. A sampling of the program management audit results were noted previously. The commission (and previously the legislature) through the Transportation Performance Audit Board has the responsibility for performance auditing.

#### **Appendix B: Case Study Interviewees**

For each case study visit, our goal was to interview the following:

- (1) DOT Director or his/her Chief of Staff
- (2) Commission member and/or staff person
- (3) Senior staff member of the Legislative Transportation Committee
- (4) Chief or Deputy Chief Engineer or Senior Highway Engineer
- (5) Senior DOT official involved in project selection and/or planning
- (6) Senior DOT official responsible for budgeting and finance
- (7) Representative of the State Budget Office

The actual interviewees for each case study visit are detailed below:

#### <u>Florida</u>

- (1) Dave Lee & Dick Glaze, Intermodal System Development
- (2) Kevin Thiebault, Assistant Secretary for Engineering and Operations
- (3) Howard Glassman, Executive Director of the Florida Metropolitan Planning Organization Advisory Council
- (4) Reynold Meyer, Staff Director of the Senate Committee on Transportation
- (5) Kurt Eichin, Legislative Analyst, Florida Senate, Transportation Committee
- (6) Laura Kelley, Executive Director of the Florida Transportation Commission
- (7) Mark Reichert, Senior Analyst, Florida Transportation Commission
- (8) Sally Patrenos, Assistant Executive Director of the Florida Transportation Commission
- (9) Lowell Clary, Assistant Secretary for Finance and Administration

#### **Maryland**

- (1) Joseph Miklochik, State Roads Commission
- (2) Dennis Yoder, Assistant Division Chief, Regional and Intermodal Planning
- (3) Mary Deitz, Assistant Division Chief, Regional and Intermodal Planning
- (4) Charles Martin, Senior State Engineer, Traffic and Safety
- (5) Peter Stephanos, Director, Materials and Technology
- (6) Ed Strocko, Planning Division
- (7) Missy Cassidy, Director, Policy and Governmental Affairs

#### **Minnesota**

- (1) Al Schenkelberg, Director, Transportation Office of Investment Management
- (2) Norm Foster, Executive Budget Director
- (3) Robert Winter, Director, District Operations Division
- (4) John Walz, Fiscal Analyst, House Transportation Finance Committee
- (5) Randy Halvorson, Director, Program Management Division
- (6) Amy Vennewitz, Fiscal Analyst, Minnesota Senate
- (7) Charles Kettering, Economic Policy Analyst
- (8) Michael Hagerty, Transportation Budget Director
- (9) Doug Differt, Deputy Commissioner of Transportation

#### <u>Ohio</u>

- (1) Andrew I. Gall, Chief of Staff
- (2) Carla C. Cefaratti, Deputy Director for Local Programs

- (3) Tim S. McDonald, Deputy Director, Division of Production Management
- (4) Michelle Holdgreve, Deputy Director, Legislative Services
- (5) Howard P. Wood, Deputy Director, Division of Planning
- (6) Cash Misel, Assistant Director, Planning and Production & Chief Engineer
- (7) Julie Ray, Deputy Director, Finance and Accounting

#### **Washington**

- (1) Doug MacDonald, Secretary of Transportation
- (2) John Conrad, Chief Engineer
- (3) Jennifer Ziegler, Administrator (former), Washington Transportation Commission
- (4) Reema Griffith, Administrator, Washington Transportation Commission
- (5) Mike Groesch, Staff Coordinator, Transportation Committee of the Washington Senate

# **Appendix C: Case Study Survey Interview Questions**

#### Introduction

We are conducting research to identify best practices for the planning of transportation projects—including project identification, prioritization and project selection.

We know that project planning can be a complex process in which many people from different areas of government must participate. Therefore we are talking to representatives of the DOT, the legislature, the governor's office, the transportation commission or board, and the budget office.

#### The Planning Process and Your Role in It

- 1. What is your current position?
- 2. How long have you worked in this position?
- 3. The next question concerns three aspects of the transportation planning process as you understand them.

#### A. First, how do potential projects get identified?

B. Second, after being identified, how then do specific projects get placed on the list of projects to be built?

- C. Third, how and when are funds dedicated to them and by whom?
- 4. Which government officials and departments are involved in identifying and prioritizing projects—for example which legislative committees, which DOT departments, etc.?

- 5. What does each of them do to move the planning and selection process along?
- 6. What role do you play in regard to transportation planning and project selection?
- 7. During the course of your duties which government officials do you consult with or work with?
- 8. Concerning the overall process, would you say that there is an unofficial as well as official process for identifying and prioritizing projects?
- 9. If yes, what distinguishes the unofficial from the official?

#### **Possible Shortcomings with the Process**

It is frequently asserted by many observers that there are flaws or shortcomings in the transportation planning and prioritization process, flaws or shortcomings that lead to the poor allocation of scarce transportation resources. In practice, this means that some projects receive funds that they ought not to receive and, conversely, more worthy projects are ignored or under funded.

- 1. What is your state doing to prevent flaws and shortcomings that can lead to misallocation of transportation resources?
- 2. What additional safeguards or changes to the process might improve the planning and prioritization process?
- 3. Why do you think these safeguards and changes have not been made?
- 4. Please describe a project that should have been selected but was not or a project that was either over or under funded.
- 5. Why was this particular project not selected or, if selected, allocated either too much or too little funding as the case may be?

- 6. If a politician has a pet project that is not deemed worthy of placement on the priority list and he wants to see it funded, what, if anything, can be done to prevent him from getting a less worthy project on the priority list?
- 7. Which individual or organization in your state would be able to block such a pet project?
- 8. How would they do it?

#### States with Transportation/ Highway Commissions

In our preliminary research, we have found a possible association between the presence of a highway commission and improved DOT performance.

- 1. What is the overall role of your transportation review advisory council?
- 2. What role does the commission play in transportation planning?
- 3. Which parties in and out of government does the commission consult with in the course of its work?
- 4. What do you think your transportation commission does that contributes to improved performance?
- 5. What is the commission's role in the identification and prioritization and selection of projects to fund?
- 6. Please describe a case or situation in your state when the commission appears to have contributed to a better outcome.
- 7. What would have been different if the commission had not acted as it did?
- 8. If the commission was abolished in what ways would the planning and prioritization process change?

- 9. Which, if any, changes would be a detriment and why?
- 10. Which, if any, changes would be an improvement and why?
- 11. What authority or powers does the commission possess to prevent a politician from moving a pet project onto the priority list?

#### State without Commission – Minnesota

The 2000 Transportation Bill created a Major Transportation Projects Commission. However, in the 2002-2003 session, this Commission was terminated and your state does not currently have a commission.

- 1. Why did your state eliminate its commission?
- 2. Who now makes the decisions formally made by the commission?
- 3. How has this changed project planning and selection?
- 4. Is project planning and selection better or worse?
- 5. In what ways are things better or worse?

#### **Other DOT Reforms and Practices**

Many DOTs are currently revising their organizational practices. For example, DOTs are increasingly turning to preventive maintenance to protect their investments in transportation infrastructure. And many others are doing more contracting out for design and other tasks once done in-house. Most have added a number of new IT systems..

- 1. What has your DOT changed lately in regard to these and other activities?
- 2. Have these changes improved the DOT performance?
- 3. In what respects has performance changed?

- 4. Has your DOT undergone any other changes or reorganizations?
- 5. Please describe them?
- 6. How have they changed the overall performance of the DOT.
- 7. Do you think that your state devotes sufficient resources to preventive maintenance?
- 8. Why do you think it is or is not spending enough?
- 9. What changes might improve preventive maintenance?
- 10. Why do you think these change have not been made?

#### **Financial Management**

- 1. What is the relationship of your office to the central budget office?
- 2. Does approval of the transportation budget follow same steps and procedures as the approval of the general fund?
- 3. If not, how are they different?
- 4. How do you determine your financial capacity to fund long term needs?
- 5. Who do you consult with to assess your financial capacity?
- 6. Do you discuss finances with the commission?
- 7. What is their role in financial management of DOT?
- 8. If the long term plan is underfunded, what do you do?
- 9. If its determined that additional funds are need to meet the long term plan, please describe the roles of the secretary, the governor, the commission?
- 10. What portion of the current long term plan is financed by current revenue versus debt financing?

- 11. Do you have a debt limit for road fund supported or transportation related bond issues?
- 12. What is it and who established it?
- 13. How determine how much debt you can take on?
- 14. What changes in financing would improve the system of funding highway project?