

State of Washington
Joint Legislative Audit and Review Committee (JLARC)



Review of Accountability
Mechanisms for Washington State
Department of Transportation

Report 05-15

August 7, 2005

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The Joint Legislative Audit and Review Committee (JLARC) carries out oversight, review, and evaluation of state-funded programs and activities on behalf of the Legislature and the citizens of Washington State. Committee membership is divided equally between the two major political parties. Its statutory authority is established in RCW 44.28.

The Transportation Performance Audit Board (TPAB) conducts performance measure reviews and identifies performance audits to be undertaken for transportation agencies. JLARC staff conduct performance audits on behalf of TPAB. Board members include the majority and minority members of the House and Senate transportation committees, five citizen members with transportation expertise, one at-large member, and the Legislative Auditor in ex-officio capacity. TPAB's statutory authority is established in RCW 44.75.

REVIEW OF
ACCOUNTABILITY
OVERSIGHT
MECHANISMS FOR
WSDOT

Conducted for the
Transportation
Performance Audit
Board

REPORT 05-15

REPORT DIGEST
AUGUST 7, 2005



STATE OF WASHINGTON

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Study Mandate

In January 2005, the Transportation Performance Audit Board (TPAB) requested that the Joint Legislative Audit and Review Committee (JLARC) assess the various state government-sponsored performance oversight initiatives related to the Washington State Department of Transportation (WSDOT), with the goal of identifying the alignment and overlap among them. The study reviews the agencies, boards, commissions, and committees that review the performance of WSDOT, and discusses specific issues related to assessing WSDOT's capital project delivery.

Background on Changes to Governance of WSDOT

As a result of legislation passed during the 2005 Legislative Session, the accountability structure for WSDOT will change effective July 2005:

- The Governor — not the Transportation Commission — will appoint the Secretary of WSDOT. As a result, the role of the Governor and cabinet management initiatives will become prominent for direction of WSDOT.
- Legislative Transportation Committee (LTC) will dissolve and staff support to TPAB will be shifted to the Transportation Commission.
- TPAB membership will expand to include a representative from the Transportation Commission and the State Auditor.
- The State Auditor, in addition to TPAB, also will have the authority to independently conduct performance audits of transportation agencies.

These recent changes mean the accountability structure will be evolving, and new players will be introduced to transportation programs. This review addresses the current accountability system, but it also looks forward to issues related to forthcoming changes under the new governance structure.

Oversight Entities Prior to July 2005

Several entities now play an accountability role with WSDOT: TPAB, JLARC, LTC, legislative policy committees, the State Auditor, the Office of Financial Management (OFM), the Office of the Governor, and the Transportation Commission. These agencies, boards, and committees currently fall into one of three distinct "zones" of responsibility: management direction, performance audit/evaluation, and fiscal audit/internal control. There are some additional entities overseeing WSDOT compared to other agencies, but several of them have an identical oversight role that is applicable to any executive branch agency. However, because gas-tax funding is dedicated to transportation programs, oversight of WSDOT is unique compared to many other government agencies.

There has currently been little overlap among the three zones of responsibility, though within each zone some roles have overlapped. The area with the greatest *potential* for duplication of effort or inconsistent direction is management direction from the Commission, the Governor, and OFM. However, in practice this intersection did not result in redundancy or inconsistency. WSDOT reports performance quarterly to the public, Legislature, and others in the "Gray Notebook." WSDOT has limited the redundancy of performance reporting by focusing external oversight entities on using the same information that is contained in the Gray Notebook.

Role of Oversight Entities After July 2005

The new governance structure will result in additional overlap and tighter linkages among some entities. Also, the separation between the three zones of responsibility will become less distinct. The Commission will have duties that relate both to management direction and auditing, and the State Auditor will have duties that relate to both financial auditing and performance auditing. These changes will include opportunities to coordinate the expectations of various entities. These changes will also present a risk that approaches by different parties could become inconsistent.

Project Delivery Performance Data

WSDOT continues to move from a program-focused to a project-focused approach for managing and reporting the delivery of capital improvements and preservation. While there is substantial information about the status of capital delivery published in external reports, it tends to be qualitative in nature, limited to certain projects, or programmatic instead of project-specific. The existing externally available information by itself is not sufficient to comprehensively assess the Department's success delivering capital projects on a project-by-project basis.

TPAB's effort to obtain improved project-specific performance measures is occurring at the same time that staff from OFM, the Governor's Office, and the Legislature are seeking similar information. JLARC is delaying specific recommendations for TPAB's information requests on project delivery in order to ensure direction provided to the Department is coordinated with other entities.

Conclusions

- The new governance structure that takes effect July 1, 2005, poses greater risks that various oversight entities will hold inconsistent performance expectations. There will be a need for more coordination among these entities when roles change.
- The impact on WSDOT's workload for performance reports is unknown at this time because of ongoing efforts by multiple entities to develop reporting expectations.
- The role of the Commission includes some potential conflicts and duplication that should be examined more fully as the Governor and Legislature study appropriate responsibilities.
- A clear understanding of the goals and expectations for WSDOT performance will help ensure entities approach their oversight roles consistently.
- There are limitations to currently published project delivery information, and WSDOT's reporting capacity is limited by a lack of interfaces between automated management and financial systems.

Summary of Recommendations

Recommendation 1 – The Transportation Performance Audit Board and the State Auditor should collaborate on developing the 2005-07 audit work plans for each organization.

Recommendation 2 – The Office of the Governor should include an assessment of independence requirements for the Transportation Commission's role supporting TPAB, as part of the upcoming study of Transportation Commission and WSDOT responsibilities.

Recommendation 3 – Staff supporting TPAB, the Legislature, OFM, the Office of the Governor, and WSDOT should collaborate on developing standardized performance measures for delivering transportation projects.

Recommendation 4 – The Washington State Department of Transportation should add statistics to its quarterly status reports regarding the proportion of capital projects for which standardized performance data (cost and schedule progress) is available.

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CHAPTER ONE – STUDY MANDATE

The Legislature established the Transportation Performance Audit Board (TPAB) with the passage of Substitute Senate Bill 5748 during the 2003 Legislative Session. TPAB is authorized to conduct performance reviews and performance audits of transportation agencies. The Legislative Transportation Committee (LTC) provides staff support and funding for TPAB reviews and audits. The 2003-05 biennial transportation budget earmarked funds in the LTC appropriation specifically for TPAB studies.

State law currently directs the Joint Legislative Audit and Review Committee (JLARC) to conduct performance audits on behalf of TPAB. TPAB recommends specific audit topics to LTC and, upon approval, assigns those study topics to JLARC.

In January 2005, TPAB recommended JLARC review certain accountability issues related to the Washington State Department of Transportation (WSDOT):

1. Assess whether inconsistent direction is provided to WSDOT by the entities — state agencies, boards, committees, and commissions — that have an accountability role for WSDOT, and determine whether there is duplication of effort in these roles.
2. Develop an approach to help TPAB periodically evaluate WSDOT’s success delivering capital projects.

This review identifies recommendations to help TPAB coordinate its oversight functions with other entities, issues the Office of the Governor and Legislature should consider when studying the responsibilities of the Transportation Commission, and recommendations for monitoring WSDOT’s ability to provide data on project delivery performance. These recommendations are addressed in Chapter Seven. The appendices include the following:

- a. The full scope and objectives for the study,
- b. Current legislation on transportation goals,
- c. Investment criteria to be assessed in the near future by TPAB, and
- d. Lessons learned on recent studies and reviews of performance measures and goals.

CHAPTER TWO – BACKGROUND ON NEW CHANGES TO GOVERNANCE OF WSDOT

Dramatic Changes to WSDOT Governance are Pending

Soon after this review was initiated in January 2005, legislation was introduced in the Washington State Senate to dramatically change the governance of WSDOT. Governor Gregoire signed Engrossed Senate Bill 5513 in May 2005, and it will become effective July 1, 2005. This report includes a review of the governance and oversight system in place through June 2005. However, it is perhaps even more important to provide some background about how these factors will change under this new legislation.

For decades, a commission-secretary structure has governed WSDOT.¹ The Washington State Transportation Commission is composed of seven members, whom the Governor appoints to six-year terms. State law includes residency and political requirements for commissioners in order to establish a bipartisan and geographically representative commission. The Commission serves as a governing board that sets policy to guide WSDOT. The Secretary of Transportation is the executive of WSDOT and is appointed by and responsible to the Commission.

Under ESB 5513, the secretary continues to be the chief executive for WSDOT, but will be appointed by and responsible to the Governor instead of the Commission. While the Commission will no longer have a direct management-oversight role, it will continue to be responsible for conducting certain planning processes, for selling bonds authorized by the Legislature, and for serving as WSDOT's tolling authority. It will also be responsible for soliciting public involvement for transportation programs, making policy recommendations, conducting studies, and providing staff support to TPAB.

Role of the Governor Will Become Prominent

Historically, the Governor's office has played a limited role in WSDOT policy and management. When the new legislation takes effect, however, the Governor's management policies will have a prominent and required role at WSDOT.

Two specific management initiatives of the Governor's office will affect the way WSDOT manages, sets priorities, and reports on the performance of its activities and programs.

- **Government Management Accountability and Performance (GMAP)** was instituted during the 2005 Legislative Session with legislation passed at the request of Governor Gregoire. The initiative will require agencies to conduct regular management meetings with the goal of integrating performance reporting and data-based analysis into operational decision-making.

¹ This structure is relatively uncommon among state agencies. Other examples include the Governor-appointed Washington Fish and Wildlife Commission, which hires the director of the Department of Fish & Wildlife. Also, the Governor appoints the governing boards of public colleges and universities, which hire institutions' presidents.

Agencies will be required to visibly demonstrate how management decisions relate to performance outcomes.

- **Priorities of Government (POG)** is an initiative established by former Governor Locke and which Governor Gregoire has chosen to continue. The process identifies which government programs are the state's highest priorities. Agencies submit budget requests based on activities and performance measures that support the priorities. POG is intended to broaden the focus of budget development from individual agencies to a statewide perspective. Recent legislation has made POG a mandatory practice and requires agencies to integrate performance measurement into the budget development process.

The implementation of these initiatives will be essential to changes in the oversight of WSDOT. However, the specific details about how POG and GMAP will be put into effect at WSDOT are not yet known. Under the previous administration of Governor Locke, WSDOT voluntarily participated in the POG process.

Other Changes and New Players Mean Roles Will Still Be Evolving

The Legislature may again modify the division of duties between WSDOT and the Commission during the next legislative session. The Governor vetoed a provision of ESSB 5513 that directed a new Joint Transportation Committee to study the division of roles between WSDOT and the Commission. The Governor noted in her veto message, however, that her office will conduct this study with the cooperation of the Legislature.

Additionally, several other legislative actions will change transportation governance and introduce new players into the WSDOT oversight process:

- **The dissolution of the Legislative Transportation Committee (LTC)**, and the expanded authority of TPAB to independently conduct audits without requiring direct approval from the Legislature.
- **A change in membership of the TPAB** to include the State Auditor and a member of the Transportation Commission.
- **Expanded authority for the State Auditor's Office**, allowing the State Auditor to independently conduct performance audits of transportation agencies in addition to fiscal audits.

These changes will further clarify oversight roles and require groups with new accountability responsibilities to learn a great deal about the nature of state transportation programs. These changes also mean it is important to reflect on issues related to the new accountability structure, as well as how accountability was exercised prior to July 2005.

CHAPTER THREE – CURRENT OVERSIGHT ENTITIES PRE-7/1/05

Although the landscape of transportation governance is changing dramatically, JLARC started its review by documenting the roles of all agencies, boards, commissions, and committees that have an accountability role with WSDOT under existing laws and practices.

Based on research and interviews with staff from WSDOT, the Transportation Commission, and the Office of Financial Management (OFM), JLARC catalogued the following lists of entities and/or initiatives designed to monitor or assess WSDOT’s performance. The first list describes the groups that perform a substantial role with WSDOT. In some cases, this report identifies specific, high profile performance measure initiatives associated with an entity.

Figure 1: Primary Accountability Entities/Initiatives

Entity/Initiative	Purpose (prior to 7/1/05)	Authority
Transportation Performance Audit Board (TPAB)	Board composed of legislators and Governor-appointed citizens who conduct performance measure reviews and audits of transportation agencies.	RCW 44.75
Joint Legislative Audit and Review Committee (JLARC)	Bi-partisan committee of legislators that hires Legislative Auditor and conducts performance audits, sunset reviews, and special studies as directed by the Legislature.	RCW 44.28
State Auditor	Separately elected official who conducts financial and compliance audits of state and local government agencies, and administers investigations under the state Whistleblower Act.	State Constitution and RCW 43.09 and 42.40
Legislative Transportation Committee (LTC)	Bi-partisan committee of legislators that conducts special studies and analyses on transportation issues to inform legislative policy making. Approves TPAB audit work plan.	RCW 44.40 (dissolved effective 7/1/05)
House/Senate Transportation Committees (standing)	Standing committees in each legislative body, which serve as both the policy and fiscal committees for transportation legislation. These committees propose a transportation budget act, which can contain specific agency-reporting requirements.	No specific statute—established by legislative leadership and House/Senate administration

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Entity/Initiative	Purpose (prior to 7/1/05)	Authority
Transportation Commission	Governor-appointed body of commissioners, who hire the Transportation Secretary, provide policy and guidance to WSDOT, set transportation benchmarks, and submit WSDOT budget proposals to the Legislature.	RCW 47.01.012 and RCW 47.01.071 (Substantially modified effective 7/1/05 to shift management direction to Governor, such as responsibilities for hiring the Secretary)
Office of Financial Management (OFM) (Performance measure tracking and implementation of legislative audit recommendations)	Initiatives whereby agencies integrate performance measurement into the budget development process to link measurements to strategic plans, and agencies document how they are implementing recommendations issued in JLARC audits.	RCW 43.88.090
OFM/Governor (Priorities of Government and Activity Inventory)	Governor Locke’s initiative to develop statewide priorities for determining budget decisions, linking performance and costs to the priority categories in a manner that spans agencies.	OFM’s 2005-07 Agency Budget Request Instructions
Governor (Executive Order on Quality Improvement)	Requires cabinet agencies to have quality improvement staff, submit quarterly quality reports, and use performance measures to measure progress toward quality goals.	Executive Order 97-03
Governor (Performance Agreements)	A performance contract negotiated between the Governor and the cabinet agency heads, which specifies certain goals against which the executive will be evaluated. Typically includes some specific performance measurement goals reflecting the agency’s outcomes.	No specific statute — cabinet agencies have participated in this activity
Internal Audits	Each agency is responsible for establishing internal audits following the professional standards of the institute of internal audit. OFM establishes policies on internal audits to be used by all state agencies, and directs agencies to conduct a risk assessment to determine the need for an internal audit program. Internal audits at WSDOT are risk based and designed to help the agency evaluate and improve the effectiveness of risk management, internal control, and governance processes. Engagements focus on accountability for resources, integrity of financial and operational information and legal compliance.	RCW 43.88.160 and OFM’s State Administrative and Accounting Manual

In addition to these primary oversight entities, there are some secondary entities that may perform accountability activities. These entities have been separately identified for one or more of the following reasons:

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- They have a relatively minor relationship to WSDOT (such as the Productivity Board and Quality Award Council);
- They have not historically received an assignment to interact with WSDOT (such as the Institute for Public Policy);
- They have a purely technical or administrative relationship (such as the Legislative Evaluation and Accountability Program); or
- They have primarily done internal research on engineering or technical topics (such as the Transportation Center).

Since these entities play only a minor role with WSDOT, they are not the subject of detailed analysis in this report. However, they are listed for reference below.

It should also be noted that the federal government, primarily the Federal Highway Administration, has a large role with WSDOT and has several reporting and compliance requirements as a condition of funding and federal laws. However, this study does not review federal agency oversight.

Figure 2: Secondary Accountability Entities/Initiatives

Entity/Initiative	Purpose (prior to 7/1/05)	Authority
Productivity Board	Board comprised of state officials and representatives from the private sector, which operates the Employee Suggestion and Teamwork Incentive Programs for implementing ideas to reduce the costs to operate state programs.	RCW 41.60
Washington State Quality Award Council	Non-profit corporation that promotes quality improvement efforts in the private and public sectors. Administers an award program patterned after the Malcolm Baldrige National Quality Award, and sponsors symposiums, conferences, and workshops on quality and performance improvement.	RCW 43.06.335
Washington State Institute for Public Policy	Research entity that conducts evaluations and studies of government programs, directed by a governing board of legislators, academics, and state officials.	No specific enabling legislation—Institute staff are employees of The Evergreen State College, studies are often assigned to the Institute by budget proviso
Legislative Evaluation and Accountability Program (LEAP) Committee	The committee is the Legislature's independent source of information and technology for developing budgets, communicating budget decisions, tracking budget and revenue activity, and providing analysis on special issues in support of legislative needs.	RCW 44.48

Figure 2: Secondary Accountability Entities/Initiatives

Entity/Initiative	Purpose (prior to 7/1/05)	Authority
Transportation Center (TRAC)	Interagency transportation research center, formed by partners from DOT, the University of Washington, and Washington State University. Provides forum to bridge application of academic research to practitioners who plan and operate transportation agencies. In addition to a large engineering-related focus, TRAC has assisted with congestion management and transportation planning studies.	No specific enabling legislation—formed cooperatively among DOT and higher education partners, with funding from all partners as well as federal and private contributors

Some Accountability Entities Interact with All Executive Branch Agencies

Several of the groups that interact with WSDOT provide a role that is consistent across state government:

- All state agencies are subject to financial audits by the State Auditor and must have internal audit policies;
- All state agencies are subject to performance audits, whether they are directed by TPAB or directed by the Legislature;
- All agencies must follow OFM directions on submittal of budget proposals for consideration by the Governor and the Legislature; and
- All cabinet agencies participate in initiatives sponsored by the Governor, such as the Priorities of Government, Performance Agreements and the Executive Order on Quality Improvement.

A Dedicated Revenue Source Sets WSDOT Apart

The 18th Amendment of the Washington State Constitution dedicates motor vehicle fuel taxes and vehicle registration fees solely to the operation and development of the state’s highway and ferry system. Revenues generated from these sources cannot be diverted to other general government programs.²

This constitutional separation of fund sources, by itself, removes WSDOT from a large element of the general budget decision making process of most state agencies. A separate transportation budget is passed to fund transportation projects. Other state programs are funded from the general government operating and capital budgets. State budget decisions always involve difficult choices about funding many large programs with limited resources (such as education, health care, social services, and prisons). Because transportation programs do not compete for the same pool of resources as these programs, the key WSDOT budget decisions relate primarily to setting priorities among programs and projects *within* WSDOT, per direction provided in RCW 47.05.

² These funds also may be used for policing state highways by the Washington State Patrol and vehicle licensing functions carried out by the Washington State Department of Licensing.

This separation in the budget process leads to inevitable differences between how policy decisions and accountability take place for WSDOT versus other state agencies.

Some Additional Oversight Coordination is Involved with WSDOT Compared to Other Executive Branch Agencies

In addition to the contrast of the Commission Secretary structure in place prior to July 2005, other notable differences exist between WSDOT and other executive agencies:

- **WSDOT voluntarily participated in cabinet activities**, even though the WSDOT secretary reported to the Transportation Commission, not the Governor. Participation included collaborating in the Priorities of Government process, developing a Performance Agreement with the Governor, and demonstrating compliance with the Executive Order on Quality Improvement.
- **The process by which performance audits were conducted involved coordination with multiple parties (TPAB, LTC, and JLARC)**. Performance audits of other state agencies have historically involved only the members and staff of JLARC.

Accountability Entities Fall Into Three “Zones” of Responsibility

Figure 1 (pages. 6 and 7) listed ten primary entities and their accountability roles related to WSDOT before July 2005. Each group acted in one of three distinct zones of responsibility:

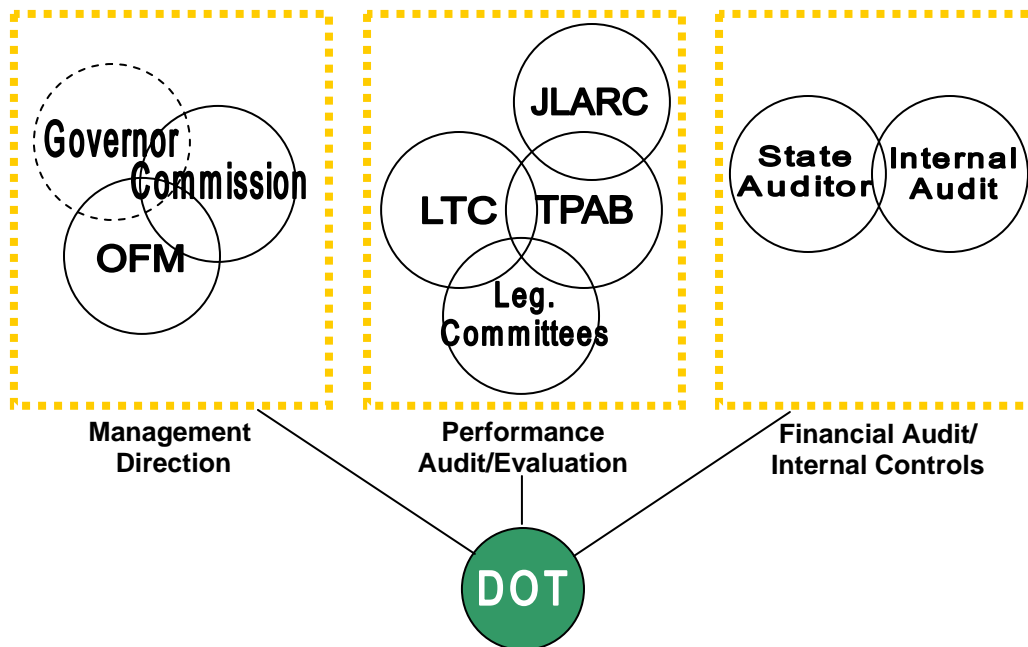
1. **Management Direction** – authority to direct the specific management decisions of WSDOT (within the parameters of legislation);
2. **Performance Audit/Evaluation** – authority as an outside entity to evaluate the performance of WSDOT, including issuing analyses and recommendations to improve management, but without authority to direct WSDOT decisions; and
3. **Financial Audit/Internal Controls** – authority as an outside entity to assess the capability of WSDOT to safeguard assets, maintain accurate financial accounting records, and ensure legal use of funds, including issuing analyses and recommendations to improve internal controls and accounting procedures.

Prior to July 2005, little redundancy or overlap in purpose existed among these zones. But *within* each zone, there was some overlap among the entities. This overlap exists either because roles are shared and coordinated, or similar accountability duties exist.

In Practice, Overlaps Did Not Result in Much Redundancy in the Pre-7/1/05 Accountability System

Figure 3 on the next page shows that several entities had an accountability role with WSDOT, but the overlap in their roles was not widespread and did not result in significant redundancies or inconsistencies.

Figure 3 – Before July 2005, Some Overlap Among the Entities Within Zones



Where performance-measurement duties overlap:

- **The overlap between the State Auditor and the WSDOT Internal Auditor** exists as part of a relationship to respond to financial audits, to help the agency improve internal control and accounting, and implement the state law pertaining to internal audit requirements. Both entities share work plans to coordinate efforts and avoid duplication of work. The Internal Auditor also acts as a liaison with the State Auditor to facilitate access to agency staff and records and coordinate responses to audit results.
- **The overlaps among TPAB, LTC, House/Senate Committees, and JLARC** represents the coordination that takes place among these parties, and the fact that certain legislative members participate in multiple entities. The coordination of TPAB with JLARC helps avoid redundant or inconsistent audits, and the fact that legislators sit in multiple groups helps ensure audits are consistent with legislative dictates and interests.
- **The overlap between the Commission and OFM/Governor’s office** exists due to the fact that WSDOT has voluntarily participated in several cabinet-agency initiatives while also being responsible to the management direction and policies of the Commission. This area provides the greatest potential for redundancy or inconsistent direction.

JLARC reviewed the activities WSDOT undertook to respond to specific cabinet-agency initiatives, and concluded they did not conflict with directives of the Commission. Furthermore, the activities to support cabinet-agency initiatives did not require substantial resources or result in inefficiencies.

WSDOT Has Limited Redundancy by Focusing on the Gray Notebook

WSDOT communicates a variety of performance information on a quarterly basis in the *Measures, Markers and Mileposts* publication, commonly referred to as the “Gray Notebook.” This is the main vehicle WSDOT uses to report on the agency’s performance to the Commission, the Legislature, and the public.

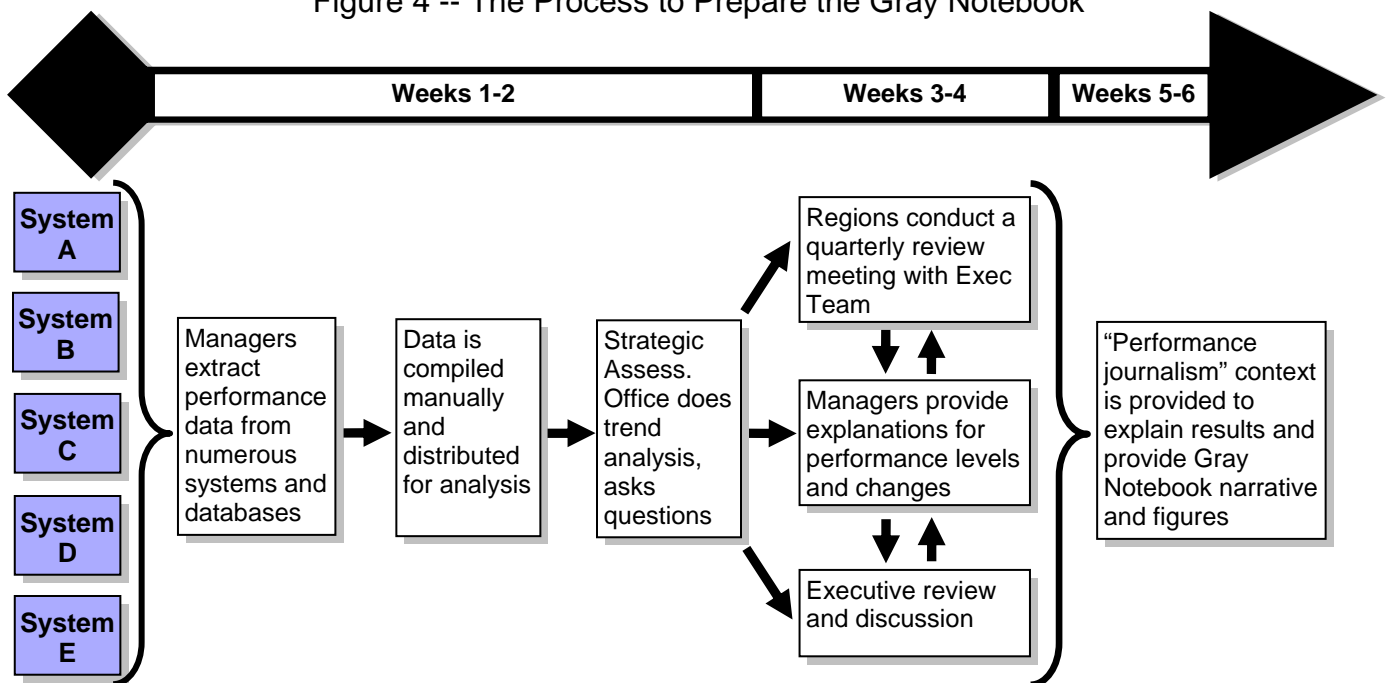
In effect, WSDOT has helped limit redundancy between the activities of the Commission and OFM/Governor’s office by focusing cabinet agency initiatives on the same information that is contained in the Gray Notebook. Consequently, at this time the effort to respond to cabinet agency initiatives, such as Priorities of Government and performance agreements, has primarily involved referring to or repackaging information from the Gray Notebook.

The Gray Notebook Stimulates Internal Discussion About Performance

The Gray Notebook addresses numerous aspects of WSDOT’s performance and relies heavily on a narrative format WSDOT refers to as “performance journalism.” The process of preparing the Gray Notebook requires numerous staff across WSDOT to extract information from various data sources and provide the narrative explaining the context, along with supporting select data displayed in graphical and tabular format (see Figure 4).

While the Gray Notebook is intended to communicate information to external audiences, perhaps one of its greatest strengths is how the preparation process stimulates internal discussions about performance. Precisely because a variety of management staff are engaged in producing the Gray Notebook, discussion about performance becomes part of the management process and not just a mechanical step of producing a report.

Figure 4 -- The Process to Prepare the Gray Notebook



The processes for responding to the other accountability entities in Figure 1 do not lend themselves to a standardized work flow at WSDOT for the following reasons:

- **Several are event-specific** or ad hoc, such as responding to individual audits, which require addressing focused and non-routine questions;
- **Some are simple processes** or an end-product as a result generated from information assembled for the Gray Notebook (such as the Governor's performance agreement);
- **Some performance information is neither maintained in a central repository** nor tracked in a standardized manner by different offices and regions in WSDOT. Information in this state requires various manual data collection methods to identify and summarize for internal and external audiences. This is especially true of information on the status of capital project delivery. WSDOT has begun to standardize methods for managing projects. But no centralized project management computer system is currently in place to show the scheduled progress against milestones and to correlate multi-year actual costs with milestone progress. While this does not necessarily relate to inconsistent or multiple expectations, the reliance on manual data collection results in inefficient and slow responses to reporting needs.

CHAPTER FOUR – THE NEW ROLE OF OVERSIGHT ENTITIES AFTER JULY 2005

As noted in Chapter Two, new legislation going into effect July 2005 will change the landscape of accountability for WSDOT:

- **Management direction for WSDOT will shift from the Commission to the Governor;**
- **The Commission will retain certain planning functions, have representation on TPAB, and continue to have approval authority for some transfers of spending allocation;**
- **The State Auditor will have representation on TPAB, as well as independent authority to pursue performance audits of transportation agencies;**
- **The role of consultants for evaluation and oversight will increase,** as legislation requires that the State Auditor’s performance audits must be performed by private contractors; and
- **The Legislative Transportation Committee will dissolve,** duties to provide staff support to TPAB will be transferred to the Commission, and a new Joint Transportation Committee will study transportation programs and make recommendations for audits to TPAB.

As a result of these changes, the Commission will soon be serving in roles that relate both to providing some management direction to WSDOT (through existing planning functions), as well as performance auditing (through TPAB membership and staff support).

Additionally, the State Auditor will soon conduct both performance audits (through TPAB membership and the extension of independent performance auditing authority) and financial audits.

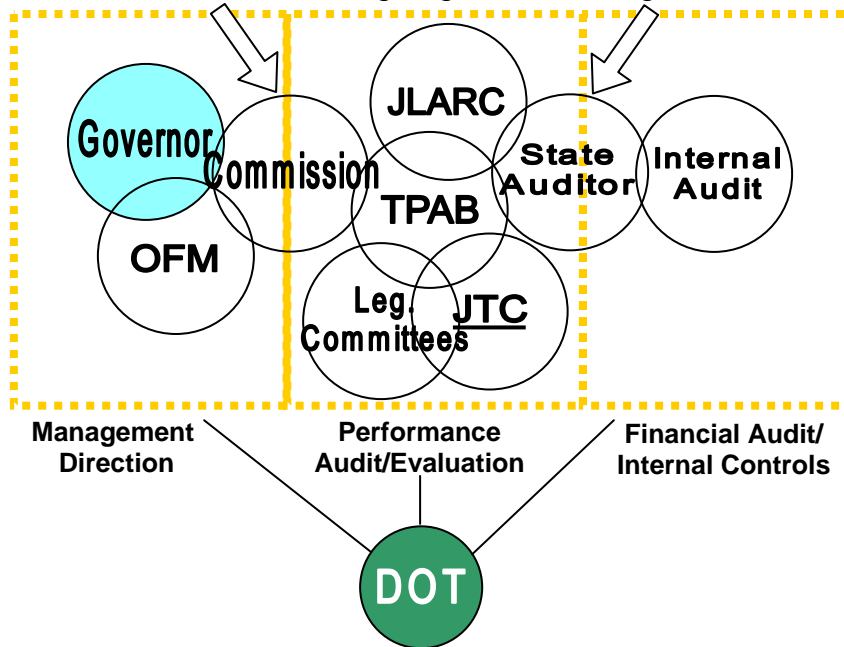
New Governance Links Accountability Entities More Closely, Presents Opportunities and Risks

The separation that has existed previously among the three “zones” of performance measurement will be less distinct when new legislation is enacted in July 2005. Further, there will be more overlap in duties among the entities, and all parties will be structurally tied together more closely (for example, through expanded board membership on TPAB). See Figure 5 on the follow page for a revised illustration of accountability relationships under pending legislative changes.

This new accountability structure offers the potential benefit that performance expectations will be more coherent and integrated. For example, financial audits may provide more value to the state and WSDOT if they identify specific issues to explore in performance audits.

On the other hand, if the various entities do not coordinate and communicate on shared responsibilities, accountability efforts by different parties may become disjointed, duplicative in effort, or inconsistent.

Figure 5 - Revised Illustration of Accountability Relationships Under Pending Legislative Changes



Multiple Studies/Initiatives Could Produce Inconsistent Direction

The 2005 Legislative Session produced a number of assignments to various entities for developing new transportation performance goals and measures:

Entity	Assignment
TPAB	<ol style="list-style-type: none"> 1. Study transportation goals and benchmarks (RCW 47.01.012—see Appendix 3). 2. Study the criteria for developing the ten-year capital investment plan (RCW 47.05.030 and RCW 47.05.051—see Appendix 4). 3. Develop performance measures and benchmarks for evaluating expenditures from the transportation partnership account (fund from the additional gas tax revenues imposed in 2005).
Senate/House Transportation Committees	<ol style="list-style-type: none"> 1. Develop a format for quarterly status reporting on scope, schedule, and budget for all capital projects (in conjunction with WSDOT).
Office of the Governor /OFM	<ol style="list-style-type: none"> 1. Develop performance measures to be used for the Priorities of Government budgeting process (in conjunction with WSDOT). 2. Develop performance measures to be used for the GMAP operational management process (in conjunction with WSDOT).

CHAPTER FIVE – PROJECT DELIVERY PERFORMANCE DATA

WSDOT's Transition to a Project-Focused Capital Management Approach

Historically, WSDOT has placed priority on managing and reporting resources across an entire program, such as all preservation efforts, all improvement efforts, etc. However, this program-focused practice, the delegation of autonomy to local WSDOT offices, and a lack of standardized terms, make it difficult to produce reliable and consistent reports on projects across the state.

Beginning in the 2003-05 Biennium, the Legislature has started providing resources on a project-by-project basis for certain projects. Further, in January 2005, JLARC issued recommendations to WSDOT to strengthen and standardize its project management practices.³ WSDOT reported on the progress it is making to standardize its project management methods during the March 2005 TPAB board meeting. It is not clear, however, when WSDOT will fully implement these methods.

Information on projects is voluminous, but standardized data on delivery outcomes is currently limited

WSDOT provides a significant amount of qualitative information on the status of certain projects in the Gray Notebook, and on various project pages maintained on its web site. It also publishes summary information on program-wide spending, statistics on success meeting milestone dates to advertise for construction bids, and some schedule and milestone progress for a limited number of projects (primarily those funded by the Nickel fund gas tax authorized in 2003). Finally, WSDOT executive staff conduct quarterly review meetings where the schedule and budget challenges of projects are discussed with regional and modal management staff.

While the volume of information currently published about projects is informative, it does not by itself include sufficient information to comprehensively assess the Department's success delivering capital projects on-time and within budget. This is due, in part, to the fact that prior to 2003, external accountability was focused at a program-wide level instead of on individual projects. Also, the ability to report cost and schedule status consistently across the Department is impacted by decentralized information systems and management practices.

JLARC is collaborating with others to identify a coordinated project delivery assessment approach

At the same time JLARC is looking for improved information on the Department's success delivering capital projects, staff from OFM, the Governor's Office, and the Legislature are seeking similar information.

In assigning this report to JLARC, TPAB requested JLARC develop an approach to help periodically evaluate WSDOT's project delivery performance. However, JLARC is delaying

³ JLARC report 05-3, *Overview of WSDOT Capital Project Management*, January 2005.

recommendations in this area, in consideration of pending oversight changes. This delay will allow JLARC to coordinate TPAB's approach with other accountability entities, to ensure they are consistent and to minimize the workload impact on WSDOT. Despite this delay, JLARC still anticipates WSDOT will provide continue to provide improved information to help assess capital delivery success for the 2003-05 Biennium.

CHAPTER SIX – CONCLUSIONS

The new governance and performance measurement structure that takes effect July 1, 2005, will include greater risks that performance expectations for WSDOT could become inconsistent among entities. There will be a need for more coordination between accountability entities when roles change.

- **The Governor and the State Auditor will play a more important role in the accountability of the transportation system than they have in the past.**
- **The various oversight entities will need to coordinate more closely to avoid duplicating effort and providing inconsistent direction to WSDOT.**
- **TPAB membership will be broadened, and the Board can serve as a central forum to help improve coordination across various entities.**
- **TPAB, House and Senate Transportation Committees, and the Office of the Governor and OFM have all received separate assignments to develop new performance goals and reporting measures for DOT.**

The workload impact on WSDOT for performance reporting is unknown at this time because of ongoing efforts by multiple entities to develop reporting expectations.

- **Prior to 7/1/05, there has been little redundancy in performance measurement efforts. WSDOT has minimized redundancy by reporting performance measurements through a single publication, the Gray Notebook.**
- **The future of current WSDOT performance measures will be unclear until the Governor finalizes performance expectations for WSDOT and the agency fully implements GMAP. New external oversight may request performance information data other than that which WSDOT uses for internal management.**
- **WSDOT will find it difficult to both improve the way it reports project performance, while also using the processes to support the Gray Notebook and expand project-level reporting to more areas.**
- **As noted in previous reviews, WSDOT's information systems are too old and outdated to adjust rapidly to new or revised performance reporting expectations. WSDOT is undertaking a study of information system needs, which it will report to the Legislature in 2006. Also, WSDOT has recently initiated conversations with consulting firms regarding solutions to its data collection and reporting challenges.**
- **Regardless of future automation, WSDOT still must meet requirements to report project status both internally and externally. A reliance on manual data collection may need to increase in the short term to respond to these expectations.**

The role of the Transportation Commission includes some potential independence conflicts and duplication of tasks that should be examined more fully as the Governor and Legislature study appropriate responsibilities.

- **There are possible conflicts for the Commission** if it retains management planning duties and contracts with WSDOT for staff support, while at the same time providing staff support to TPAB. Generally accepted auditing standards require audit organizations to avoid impairments to independence, both in fact and appearance.
- **Budget legislation gives the Commission authority to adjust certain project budgets** (those with Nickel gas tax funding). Under the new accountability structure, this could complicate budget management processes and result in duplicative and inconsistent direction to WSDOT.

A clear understanding of WSDOT performance goals and expectations will help all entities approach their oversight roles in a consistent manner.

- Depending upon the budget discretion provided to WSDOT, the focus of performance expectations could vary. For example, if the Legislature controls the list of construction projects to be produced, is WSDOT accountable for improving congestion, or for managing construction within time and resource constraints?
- Several entities (including TPAB, Legislative Committees, OFM, and the Office of the Governor) have overlapping interests in measuring the success of capital project delivery. These groups could benefit from working jointly to coordinate their interests and maintain an initial “keep-it-simple” approach to performance measurement.
- While the TPAB assignment to study transportation goals and benchmarks is not within the scope of this study, it will intersect with topics raised during this review. To provide a starting point for that analysis, JLARC has summarized some of the lessons learned about performance goals and measures from prior studies by TPAB, the Commission, and WSDOT (see Appendix 5).

There are limitations to currently published project delivery information, and WSDOT’s reporting capacity is limited by a lack of interfaces between automated management and financial systems.

- Accountability expectations prior to 2003 focused WSDOT’s reporting efforts on program-wide measures, as opposed to information about individual projects.
- WSDOT is transitioning into a project focused approach to management and reporting.
- JLARC is coordinating expectations for project delivery reporting with other accountability entities.
- As reported in JLARC Report 05-3 (*Overview of WSDOT Capital Project Management*, January 2005), WSDOT’s automated information systems are fragmented, which complicates the ability to report project status information in a comprehensive and standardized manner.

CHAPTER SEVEN – RECOMMENDATIONS

Recommendation 1

The Transportation Performance Audit Board and the State Auditor should collaborate on developing the 2005-07 audit work plans for each organization.

Legislation Required:	None
Fiscal Impact:	JLARC assumes this can be accomplished within existing resources.
Completion Date:	August 2005
Benefits:	Ensures efficient use of audit resources and avoids duplication of effort.

Recommendation 2

The Office of the Governor should include an assessment of independence requirements for the Transportation Commission’s role supporting TPAB, as part of the upcoming study of Transportation Commission and WSDOT responsibilities.

Legislation Required:	None
Fiscal Impact:	JLARC assumes this can be accomplished within existing resources.
Completion Date:	January 2006
Benefits:	Avoids conflicts of interest related to management and auditing duties, and ensures audit organizations comply with generally accepted independence standards.

Recommendation 3

Staff supporting TPAB, the Legislature, OFM, Governor’s Office, and WSDOT should collaborate on a joint plan for capital project delivery performance measures.

Legislation Required:	None
Fiscal Impact:	JLARC assumes this can be accomplished within existing resources.
Completion Date:	September 2005
Benefits:	Provides information to help TPAB assess the success of capital project delivery.

Recommendation 4

The Washington State Department of Transportation should add statistics to its quarterly status reports regarding the proportion of capital projects for which standardized performance data (cost and schedule progress) is available.

Legislation Required:	None
Fiscal Impact:	JLARC assumes this can be accomplished within existing resources.
Completion Date:	December 2005 and ongoing
Benefits:	Provides information to help TPAB assess the success of capital-project delivery.

AGENCY RESPONSES

We have shared the report with the Department of Transportation, the Office of Financial Management, the Office of the State Auditor, and the Transportation Commission. Their written responses are included as Appendix 2.

ACKNOWLEDGEMENTS

We would like to thank staff at the Washington State Department of Transportation who provided information to assist with this report. Daniela Bremmer, Greg Selstead, Ken Smith, and Steve McKerney provided assistance orienting JLARC and our consultants to WSDOT's practices and providing advice and guidance during the course of the review.

We would also like to thank Jennifer Ziegler, Tom Saelid, Theo Yu, Larisa Benson, Mary Campbell, Louise Bray, and Robin Rettew for insight into the current and future role of the Commission, the Office of Financial Management, and the Office of the Governor.

This study was conducted by Keenan Konopaski of the JLARC Staff.

Ruta Fanning
Legislative Auditor

On October 7, 2005, this report was approved for distribution by the Transportation Performance Audit Board.

Doug Hurley
Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

**BUSINESS PROCESS REVIEW
OF ACCOUNTABILITY
OVERSIGHT MECHANISMS
FOR WSDOT**

CONDUCTED FOR THE
TRANSPORTATION
PERFORMANCE AUDIT BOARD
FUNDED BY THE LEGISLATIVE
TRANSPORTATION COMMITTEE

SCOPE AND OBJECTIVES

JANUARY 21, 2005



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

Keenan Konopaski

LEGISLATIVE AUDITOR

CINDI YATES

Joint Legislative Audit & Review Committee
506 16th Avenue SE
Olympia, WA 98501-2323

(360) 786-5171
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Website: <http://jlarc.leg.wa.gov>
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MANDATE

The Transportation Performance Audit Board (TPAB) and the Legislative Transportation Committee (LTC) have approved and funded a set of performance measure reviews, performance audits, and studies to improve the efficiency and effectiveness of state transportation programs. The Joint Legislative Audit and Review Committee (JLARC) has assisted TPAB with several of these studies, including this assessment of various performance oversight initiatives that are applied to the Washington State Department of Transportation (WSDOT).

BACKGROUND

The TPAB was established in 2003, as an external oversight entity focused on improving the accountability and efficiency of transportation agencies. In addition to audits and performance reviews conducted by TPAB, there are several other initiatives and entities providing performance oversight for WSDOT and other transportation agencies.

WSDOT collaborates with several entities, as part of the performance oversight initiatives that are state government sponsored. For each of these initiatives, WSDOT provides certain performance-related information. Examples of the state government sponsored initiatives include the Priorities of Government; the Governor's Performance Agreement; the Legislative Evaluation and Accountability Program; Performance Progress Reports monitored by the Office of Financial Management; Transportation Commission Benchmarks; and others.

These initiatives are in addition to other internally developed WSDOT performance measurement processes reflected in WSDOT's quarterly "Gray Notebook," as well as performance monitoring required by the federal government.

The various external oversight initiatives are driven by different priorities and authorities, and require substantial agency management resources and attention.

STUDY SCOPE

As directed by TPAB, this review will focus on assessing the various state government-sponsored performance oversight initiatives for WSDOT, with the goal of identifying the alignment and overlap among them.

STUDY OBJECTIVES

1. Catalog the state government-sponsored performance oversight initiatives and describe the purpose, use, and authority of the various initiatives.
2. Document the business processes used to identify, define, collect, and report information in support of the initiatives, including the timing and infrastructures used for related data-collection processes.
3. Identify the consistency or differences among performance measures currently used to support the initiatives.
4. Analyze whether differences between the initiatives result in contradictory policy direction or conflicting priorities for WSDOT.
5. Assess whether opportunities exist to improve the consistency of performance measures used across the initiatives.
6. Assess whether efficiencies can be gained by eliminating redundancies between initiatives or streamlining the processes that support them.
7. Develop a performance assessment approach for system-wide, recurring review of project delivery performance for all capital projects, which could be applicable to multiple accountability initiatives.

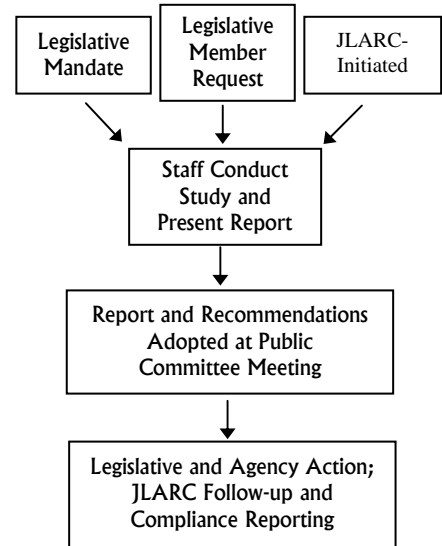
TIME FRAME FOR THE STUDY

Preliminary report to be delivered to TPAB in June 2005, with a final report available in July.

JLARC STAFF CONTACT FOR STUDY

Keenan Konopaski (360) 786.5187 konopaski.keenan@leg.wa.gov

JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources: For example:
 - Is the JLARC the most appropriate agency to perform the work?
 - Would the study be nonduplicating?
 - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?

APPENDIX 2 – AGENCY RESPONSES

- Department of Transportation
- Office of Financial Management
- Office of the State Auditor
- Transportation Commission



Washington State
Department of Transportation
Douglas B. MacDonald
Secretary of Transportation

Transportation Building
310 Maple Park Avenue S.E.
P.O. Box 47300
Olympia, WA 98504-7300

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TTY: 1-800-833-6388
www.wsdot.wa.gov

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JUL 20 2005

JLARC

July 20, 2005

Ann Dailey
JLARC
PO Box 40910
Olympia, WA 98504-0910

Dear Ms. Dailey:

I am pleased to provide you with WSDOT's formal response to the "Review of Accountability Mechanisms for WSDOT – Preliminary Report." This response has been formatted as requested and is attached.

In summary, we concur with each of the recommendations developed. We believe that these recommendations will continue to help us move toward the goal of a uniform approach to performance measurement and reporting on the delivery of our projects and programs. We look forward to working with you and others towards an implementation of these recommendations.

Sincerely,

Douglas B. MacDonald
Secretary of Transportation

DM:gs:mc

cc:

Victor Moore
Brian Sontag
Reema Griffith
Paula Hammond
John Conrad
Greg Selstead
Daniela Bremmer
Steve McKerney
Linda Long

Louise Bray
Robin Rettew
Carl Herzog

WSDOT Response to JLARC Audit
“Review of Accountability Mechanisms for
Washington State Department of Transportation”

<u>Recommendation</u>	<u>Agency Position</u>	<u>Comments</u>
1) The Transportation Performance Audit Board and the State Auditor should collaborate on developing the 2005-07 audit plans for each organization.	Concur	This will greatly enhance the Department’s ability to provide audit information consistently and efficiently by removing potential redundancy of effort.
2) The office of the governor should include an assessment of independence requirements for the Transportation Commission’s role supporting TPAB, as part of the upcoming study of Transportation Commission & WSDOT responsibilities.	Concur	This will provide the Department a clear understanding of the delineation of duties between the two organizations and enhance communication and delivery of services.
3) Staff supporting TPAB, Legislature, OFM, Governor’s Office, and WSDOT should collaborate on a joint plan for capital project delivery performance measures.	Concur	This is critical for the Department to be efficient and effective in providing the information necessary to address the specific performance elements of interest. The Department needs a single list of measures that are common for all the organizations, measurable within the capability of current data systems, and resources efficient for tracking and reporting.
4) The Washington State Department of Transportation should add statistics to its quarterly status reports regarding the proportion of capital projects for which standardized performance data (cost and schedule progress) is available.	Concur	The Department agrees that statistical analysis is important to providing a clear understanding of performance. The Department’s current legacy systems have hampered its ability to provide the level of analysis necessary for advanced forecasting and project-level delivery. It will be necessary to provide major modifications to these systems or replace them to get the level of statistical analysis needed.




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JUL 22 2005
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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

July 19, 2005

TO: Ann Daley, Interim Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Victor A. Moore, Director 

SUBJECT: REVIEW OF ACCOUNTABILITY MECHANISMS FOR DEPARTMENT OF TRANSPORTATION – PRELIMINARY REPORT

Thank you for seeking input from the Office of Financial Management on the Joint Legislative Audit and Review Committee’s preliminary report. We appreciate the opportunity to provide the following response.

Recommendation	Agency Position	Comments
Recommendation 1	Concur	
Recommendation 2	Concur	
Recommendation 3	Concur	The development of common performance measures and associated definitions and data standards for capital project delivery is essential to improving accountability. Performance data requirements will also influence future development of more effective computer systems. OFM will rigorously support this work, in collaboration with TPAB and the Legislature, through the Governor’s GMAP process. This sizeable effort will show progress, but not be complete, by September 2005.
Recommendation 4	Concur	This recommendation represents a pragmatic starting point for improving dissemination of standardized performance data on project cost and schedule progress. It will also be important for WSDOT, OFM, the Governor’s Office, TPAB, and the Legislature to establish common long-term goals for project reporting capacity within the department. This work will begin with defining what “on time, on budget” means for all highway projects under recommendation 3.

We commend your staff for their hard work on this report. If you have any questions, please contact Robin Rettew of my Budget Division staff at (360) 902-0609.

cc: Robin Rettew, OFM





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Washington State Auditor
Brian Sonntag

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July 15, 2005

RECEIVED
JUL 20 2005
JLARC

Ms. Ann Daley
Interim Legislative Auditor
Joint Legislative Audit and Review Committee
PO Box 40910
Olympia, WA 98504-0910

Dear Ms. Daley:

Subject: **Formal Response to JLARC's Review of Accountability Mechanisms for WSDOT**

I am pleased to provide my response to your preliminary report in the format you requested:

RECOMMENDATION	AGENCY POSITION	COMMENTS
The Transportation Performance Audit Board (TPAB) and the State Auditor should collaborate on developing the 2005-07 audit work plans for each organization.	Concur	As it is incumbent on all public officials to not duplicate efforts, we began collaboration with TPAB and other interested parties on our audit work plan over a month ago. We plan to routinely communicate with TPAB in developing and executing our work plan as well as in reporting the results.

We appreciate the opportunity to respond to your preliminary report. Should you have any questions, please contact Linda Long at (360)902-0367 or longl@sao.wa.gov.

Sincerely,


BRIAN SONNTAG, CGFM
STATE AUDITOR

BS:LL:ml





RECEIVED

JUL 29 2005

JLARC

STATE OF WASHINGTON

TRANSPORTATION COMMISSION

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July 28, 2005

TO: Ann Daley, Interim Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Dan O'Neal, Chairman
Washington State Transportation Commission

RE: Review of Accountability Mechanisms for WSDOT – Preliminary Report

Thank you for seeking input from the Washington State Transportation Commission on the Joint Legislative Audit and Review Committee's preliminary report. We appreciate the opportunity to provide the following response.

RECOMMENDATION	AGENCY POSITION	COMMENTS
Recommendation 2	Concur	Maintaining the independence of the Washington State Transportation Commission (WSTC) and the TPAB is critical to ensuring the credibility and effectiveness of both entities. As Governor appointed bodies comprised largely of citizen members, WSTC and TPAB oversight roles, while different, both depend upon a firm foundation of clear mandates and expectations as established and conveyed by the Legislature and the Governor's Office. The WSTC believes the placement of the TPAB under the WSTC umbrella nicely compliments each agency's missions. However, further direction is welcomed on how to ensure independence and credibility of agency critical functions to avoid potential conflicts or overlapping that may interfere with the most effective performance of agency responsibilities. The WSTC would recommend the Governor's assessment examine the relationship between the level of personnel resources currently available to the WSTC and its ability to achieve true independence in the delivery of its mandates. Lastly, the WSTC welcomes any insight that will further delineate and clarify the recently changed relationship between the WSTC and the WSDOT.



If you have any questions regarding our response, please feel free to contact Reema Griffith, Transportation Commission Administrator, at 360-705-7070 or email her at griffir@wsdot.wa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan O'Neal".

Dan O'Neal, Chairman
Washington State Transportation Commission

cc: Louise Bray
Robin Retew
Karl Herzog
Victor Moore
Doug MacDonald
Paula Hammond
Greg Selstead
Daniela Bremmer
Brian Sontag
Linda Long

APPENDIX 3 – TRANSPORTATION GOALS (RCW 47.01.012)

It is the intent of the Legislature to establish policy goals for the operation, performance of, and investment in, the state's transportation system. The policy goals shall consist of, but not be limited to, the following benchmark categories adopted by the state's Blue Ribbon Commission on Transportation on November 30, 2000. In addition to improving safety, public investments in transportation shall support achievement of these and other priority goals:

No interstate highways, state routes, and local arterials shall be in poor condition; no bridges shall be structurally deficient, and safety retrofits shall be performed on those state bridges at the highest seismic risk levels; traffic congestion on urban state highways shall be significantly reduced and be no worse than the national mean; delay per driver shall be significantly reduced and no worse than the national mean; per capita vehicle miles traveled shall be maintained at 2000 levels; the nonauto share of commuter trips shall be increased in urban areas; administrative costs as a percentage of transportation spending shall achieve the most efficient quartile nationally; and the state's public transit agencies shall achieve the median cost per vehicle revenue hour of peer transit agencies, adjusting for the regional cost-of-living.

These policy goals shall be the basis for establishment of detailed and measurable performance benchmarks.

It is the intent of the Legislature that the Transportation Commission establish performance measures to ensure transportation system performance at local, regional, and state government levels, and the Transportation Commission should work with appropriate government entities to accomplish this.

APPENDIX 4 – TEN-YEAR INVESTMENT CRITERIA (RCW 47.05.030 AND 47.05.051)

RCW 47.05.030

The Transportation Commission shall adopt a comprehensive ten-year investment program specifying program objectives and performance measures for the preservation and improvement programs defined in this section. The adopted ten-year investment program must be forwarded as a recommendation to the Governor and the Legislature. In the specification of investment program objectives and performance measures, the Transportation Commission, in consultation with the Washington State Department of Transportation, shall define and adopt standards for effective programming and prioritization practices including a needs analysis process. The analysis process must ensure the identification of problems and deficiencies, the evaluation of alternative solutions and trade-offs, and estimations of the costs and benefits of prospective projects. The investment program must be revised based on directions by the Office of Financial Management. The investment program must be based upon the needs identified in the state-owned highway component of the statewide transportation plan as defined in RCW 47.01.071(3).

(1) The preservation program consists of those investments necessary to preserve the existing state highway system and to restore existing safety features, giving consideration to lowest life cycle costing. The preservation program must require use of the most cost-effective pavement surfaces, considering:

- (a) Life-cycle cost analysis;
- (b) Traffic volume;
- (c) Subgrade soil conditions;
- (d) Environmental and weather conditions;
- (e) Materials available; and
- (f) Construction factors.

The comprehensive ten-year investment program for preservation must identify projects for two years and an investment plan for the remaining eight years.

(2) The improvement program consists of investments needed to address identified deficiencies on the state highway system to increase mobility, address congestion, and improve safety, support for the economy, and protection of the environment. The ten-year investment program for improvements must identify projects for two years and major deficiencies proposed to be addressed in the ten-year period giving consideration to relative benefits and life cycle costing. The Transportation Commission shall give higher priority for correcting identified deficiencies on those facilities classified as facilities of statewide significance as defined in RCW 47.06.140. Project prioritization must be based primarily upon cost-benefit analysis, where appropriate.

ACCOUNTABILITY MECHANISMS FOR WASHINGTON STATE DEPARTMENT OF TRANSPORTATION

The Transportation Commission shall approve and present the comprehensive ten-year investment program to the Governor and the Legislature as directed by the Office of Financial Management.

RCW 47.05.051

(1) The comprehensive ten-year investment program shall be based upon the needs identified in the state-owned highway component of the statewide multimodal transportation plan as defined in RCW 47.01.071(4) and priority selection systems that incorporate the following criteria:

(a) Priority programming for the preservation program shall take into account the following, not necessarily in order of importance:

(i) Extending the service life of the existing highway system, including using the most cost-effective pavement surfaces, considering:

- (A) Life-cycle cost analysis;
- (B) Traffic volume;
- (C) Subgrade soil conditions;
- (D) Environmental and weather conditions;
- (E) Materials available; and
- (F) Construction factors;

(ii) Ensuring the structural ability to carry loads imposed upon highways and bridges; and

(iii) Minimizing life cycle costs. The Transportation Commission in carrying out the provisions of this section may delegate to the Department of Transportation the authority to select preservation projects to be included in the ten-year program.

(b) Priority programming for the improvement program must be based primarily upon the following, not necessarily in order of importance:

- (i) Traffic congestion, delay, and accidents;
- (ii) Location within a heavily traveled transportation corridor;
- (iii) Except for projects in cities having a population of less than five thousand persons, synchronization with other potential transportation projects, including transit and multimodal projects, within the heavily traveled corridor; and
- (iv) Use of benefit/cost analysis wherever feasible to determine the value of the proposed project.

(c) Priority programming for the improvement program may also take into account:

- (i) Support for the state's economy, including job creation and job preservation;
- (ii) The cost-effective movement of people and goods;
- (iii) Accident and accident risk reduction;

- (iv) Protection of the state's natural environment;
- (v) Continuity and systematic development of the highway transportation network;
- (vi) Consistency with local comprehensive plans developed under chapter 36.70A RCW including the following if they have been included in the comprehensive plan:
 - (A) Support for development in and revitalization of existing downtowns;
 - (B) Extent that development implements local comprehensive plans for rural and urban residential and nonresidential densities;
 - (C) Extent of compact, transit-oriented development for rural and urban residential and nonresidential densities;
 - (D) Opportunities for multimodal transportation; and
 - (E) Extent to which the project accommodates planned growth and economic development;
- (vii) Consistency with regional transportation plans developed under chapter 47.80 RCW;
- (viii) Public views concerning proposed improvements;
- (ix) The conservation of energy resources;
- (x) Feasibility of financing the full proposed improvement;
- (xi) Commitments established in previous legislative sessions;
- (xii) Relative costs and benefits of candidate programs.

(d) Major projects addressing capacity deficiencies which prioritize allowing for preliminary engineering shall be reprioritized during the succeeding biennium, based upon updated project data. Reprioritized projects may be delayed or canceled by the transportation commission if higher priority projects are awaiting funding.

(e) Major project approvals which significantly increase a project's scope or cost from original prioritization estimates shall include a review of the project's estimated revised priority rank and the level of funding provided. Projects may be delayed or canceled by the Transportation Commission if higher priority projects are awaiting funding.

(2) The Commission may depart from the priority programming established under subsection (1) of this section: (a) To the extent that otherwise funds cannot be utilized feasibly within the program; (b) as may be required by a court judgment, legally binding agreement, or state and federal laws and regulations; (c) as may be required to coordinate with federal, local, or other state agency construction projects; (d) to take advantage of some substantial financial benefit that may be available; (e) for continuity of route development; or (f) because of changed financial or physical conditions of an unforeseen or emergent nature. The Commission or Secretary of Transportation shall maintain in its files information sufficient to show the extent to which the Commission has departed from the established priority.

ACCOUNTABILITY MECHANISMS FOR WASHINGTON STATE DEPARTMENT OF TRANSPORTATION

(3) The Commission shall identify those projects that yield freight mobility benefits or that alleviate the impacts of freight mobility upon affected communities.

APPENDIX 5 – LESSONS LEARNED ON PERFORMANCE GOALS AND MEASURES

1. Goals are different than measures:
 - Improve safety vs. number of fatal/disabling crashes.
2. Goals help specify intended priorities—but in practice, proposed and enacted budgets may reflect different policy decisions:
 - Goal of having no roads in poor condition vs. budget decisions that result in a certain percentage remaining in poor condition.
3. Even when goals are established as an appropriate policy intent, some can be hard to associate with meaningful measures over which an agency may exert influence:
 - Congestion and per capita vehicle miles are influenced by many factors in addition to WSDOT’s services, such as regional solutions, local development planning, and economic conditions.
4. Multiple measures and research may be needed to ascertain appropriate methods to meet goals:
 - Congestion caused by incidents vs. congestion caused by inadequate capacity.
5. Goals compared to other states or national means can provide helpful context, but have additional measurement challenges:
 - Strike a balance between finding perfect apples-to-apples comparisons with other states vs. finding a reasonable cohort for comparison.
6. Goals or measures with loosely defined terms can be subject to multiple interpretations:
 - Depending on how congestion is measured, it is possible to support arguments that it either increased or decreased.
7. It can be challenging to integrate incremental decision-making with long-term goals and measures:
 - Construction improvements can increase congestion in short-term or require multiple phases before improving an entire corridor.
8. Effective performance measures evolve over time:
 - Keeping initial performance measures simple and refining them over time can improve their adoption as a practical management and communication tool.
9. Different measures may be appropriate for different audiences.
 - Performance measures for external accountability may require a different approach or format than measures used for internal management.

