

EFFICIENCIES IN THE DELIVERY of Transportation Funding & Services to Local Governments

COUNTY ROAD ADMINISTRATION BOARD

FREIGHT MOBILITY STRATEGIC INVESTMENT BOARD

TRANSPORTATION IMPROVEMENT BOARD

WASHINGTON STATE DEPARTMENT OF TRANSPORTATION HIGHWAYS AND
LOCAL PROGRAMS DIVISION

Executive Summary

January 11, 2011

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EXECUTIVE SUMMARY

Introduction

The Legislature directed the Joint Transportation Committee to conduct a study evaluating funding and services provided to local governments by four Washington State transportation agencies: the County Road Administration Board (CRAB), the Freight Mobility Strategic Investment Board (FMSIB), the Transportation Improvement Board (TIB), and WSDOT's Highways and Local Programs division.

Governor Gregoire proposed a bill in the 2010 legislative session that would have consolidated CRAB, FMSIB, and TIB into WSDOT in an effort to streamline state government activities and increase efficiency. Though not introduced, the bill provided the genesis for this study to identify opportunities to improve service delivery to local governments.

This report does not recommend consolidation; however, it does make recommendations to improve the current system and operations of the four agencies.

Study Context and Agency Overview

The overarching purpose of the four studied agencies is to help local jurisdictions plan, fund, and implement high quality projects that meet the needs of communities and strengthen the transportation network across the state.

Overview of Agencies

	Origin	Key Functions	09-11 Budget
CRAB	<ul style="list-style-type: none">Formed in 1965 to oversee and regulate the administration of county roads	<ul style="list-style-type: none">Oversees and distributes the motor vehicle fuel tax, ensuring funds are used exclusively for highway purposes at the county levelMajor resource for County Engineers and County Public Works staff	<ul style="list-style-type: none">\$105.4 million capital and \$4.5 million operating
FMSIB	<ul style="list-style-type: none">Created in 1998 to ensure strategic investments to facilitate freight movement	<ul style="list-style-type: none">Invests in freight projects that are often cross-jurisdictional, serving cities, counties, port districts, and freight movers, including railroads and trucking companies	<ul style="list-style-type: none">\$55.0 million capital and \$0.7 million operating
TIB	<ul style="list-style-type: none">Created in 1988 to bring an objective method to funding transportation needs previously addressed through earmarks	<ul style="list-style-type: none">Funds projects in urban areas and has dedicated programs for small cities	<ul style="list-style-type: none">\$209.5 million capital and \$3.0 million operating
WSDOT H&LP	<ul style="list-style-type: none">Established in 1937 as WSDOT State Aid Division	<ul style="list-style-type: none">Serves as the steward of Federal Highway Administration fundsFunctions as a "WSDOT for local agencies," providing technical assistance, regulatory oversight, and funding for cities and counties	<ul style="list-style-type: none">\$695.9 million capital (with ARRA funds and earmarks) and \$13.5 million operating

Source: Agencies, BERK, 2010.

In recent years, jurisdictions' ability to fully fund transportation projects has become a significant challenge as available funding has declined. The objectives of this study – and of the programs it examines – are a product of these conditions: the need for transportation funding far exceeds available resources, both at the state and local level. Therefore, the dollars that do exist must be deployed *effectively* and *efficiently*.

Stakeholder Input and Participation

Throughout the project, a Technical Work Group and a Policy Work Group helped guide the process and reviewed findings and products as they were developed. The customer perspective was represented through focus groups with cities, ports, county elected officials, and county engineers.

Report Organization

In this report, we employed a two-level approach to analysis:

- **System evaluation:** The four agencies are examined as a local transportation funding system to see if they are functioning as intended and meeting the needs of their customers.
- **Agency management systems, programs, and process evaluation:** Each agency is examined to identify improvements to current systems and processes.

Our recommendations are listed on pages ES-6 and -7.

System Evaluation: Findings and Recommendations

Alignment with State Transportation Policy Goals

How does the current funding model compare to potential alternatives?

All of the four agencies' funding programs are currently operating as grant programs. Funds are distributed through formula-driven allocations, assessment-based awards, or competitive awards. This system was established incrementally, with the intention of moving away from the political nature of the previous process of funding local projects through legislative appropriations. The current model has many benefits that draw on the strengths of these different funding approaches.

In their various configurations, the programs act as strategic intermediaries that target limited funds at priority projects at the appropriate time. As shown under Agency Staffing and Administration, below, they provide this value efficiently, requiring comparatively few resources for their own operations.

Are the agencies delivering the services and benefits they were designed to deliver?

Each of the four agencies was created to address a particular need. Our assessment is that agencies have continued to execute programs and deliver services in alignment with their founding statutes and program direction. The four agencies' programs and outcomes are in line with the six State Transportation Policy Goals. In addition, customers interviewed for this study are generally very satisfied with the four agencies and did not highlight a need for significant structural changes.

Based on this assessment, we do not see a need for or benefit from restructuring the current system. Substantial changes are occurring in the environment, however, that require careful consideration, as discussed below.

Current Funding Environment

How are local jurisdictions and studied agencies affected by the current funding environment?

Jurisdictions' ability to initiate projects has been compromised with declining local tax collections resulting from the economic recession. Not only are there fewer transportation dollars, but general fund revenues are being shifted away from transportation investments into other essential public services.

At the state level, revised forecasts show declines in projected gas tax revenues of \$1.8 billion over 16 years. If the forecasts are correct, this will reduce the direct allocation to cities and counties, and will directly reduce revenues to CRAB and TIB. These two agencies may not be able to finance new projects, and may have trouble servicing previously-awarded projects and bond obligations.

Alignment with Local and Statewide Needs

Are the agencies meeting the current needs of local jurisdictions? Are there gaps?

State provision of centralized resources and expertise provides efficiencies, reducing the need to replicate these resources locally across the state. This is particularly valuable for smaller jurisdictions that could not otherwise afford access. Local governments are generally very satisfied with the services provided by the agencies and complaints, when were stated, were directed at functional opportunities for improvement rather than a need for wholesale, structural adjustment. The following three needs or issues came up repeatedly during this project:

- There were strong concerns raised about the ability of local jurisdictions to address immediate and significant **maintenance and preservation needs**. Such investments reduce the much greater costs required to replace infrastructure with significant deferred maintenance. Our most important recommendations for achieving an "efficient" system direct more dollars at meeting these immediate needs.
- There is a pressing funding need for **bridge maintenance**, and several funding gaps were noted.
- **CRAB's first-in funding is critical to smaller, rural counties**. Without these pre-design funds, small counties would be unable to initiate projects.

Possible Changes to Transportation Funding Levels and Policy Direction

What does the future hold and how relevant is the existing model likely to be?

The economic situation at both the federal and state levels produces significant uncertainty concerning the amount of investment that will be possible in the future, how new investments will be financed, and what types of projects will be prioritized. Initial discussions around Federal Transportation Reauthorization suggest that Congress may more closely link funding to how well projects meet certain goals. A shift to performance-based funding at the federal level would likely lead to similar shifts in state policy.

- Changes at the state and/or federal level might necessitate another look at the structure and intent of the agencies.
- Continuation of the competitive grant model, with its focus on criteria-based selection and accountability, are recommended in the event of performance-based funding.

Evaluation of Current Management Systems, Programs, and Processes

The four studied agencies are generally functioning well and receive positive reviews from their customers, local governments. The sections below summarize our assessment of performance in key areas, with related recommendations for improvement listed on pages ES-6 and -7.

Technical Assistance and Oversight

Overall Technical Assistance and Oversight Functions

All four agencies provide, or facilitate, some level of technical assistance or oversight to local jurisdictions. Overall, customers are satisfied with and genuinely value the technical assistance provided by all the agencies. In particular, the following points were raised:

- Support for smaller jurisdictions is critical.
- Compliance with federal requirements is expensive and often onerous.
- CRAB engineering and standards software systems could be improved by linking software systems to accounting systems and developing more diverse tools for design and maintenance management.

Funding and Grant Programs

Promotion of Funding Opportunities

Agencies promote their various funding programs through presentations and trainings, direct mail, websites, and related professional associations. The consensus from customer focus groups is that agency funding programs and eligibility requirements are clear and commonly understood.

Application Process and Timeline

The possibilities of a joint application and/or a coordinated application cycle were explored; however, the potential challenges were found to outweigh the benefits. In addition, there was little interest for such change from customers.

Project Selection

Project selection varies both by agency and by program. For programs that require legislative approval, a full construction cycle may pass between the time project awards are determined by the agency and recipient jurisdictions actually begin construction.

Reporting Requirements

State reporting requirements for projects were identified by cities and county engineers as a potential challenge, particularly for smaller jurisdictions. All agreed that agencies should continue to streamline reporting requirements to the greatest possible degree for recipient jurisdictions.

Federal reporting requirements were identified by customers as particularly onerous. In particular, cities and counties identified the costs of federal compliance as a significant impediment to seeking funds under the various federal programs.

Agency Management

Portfolio Management

One of the challenges inherent in the role the agencies play is that they have little direct control over individual projects once they are underway. In the aggregate, however, these projects determine the quality of an agency's overall portfolio and affect its ability to efficiently manage its finances.

Agencies are taking steps to better track and manage their portfolio of projects. They differ significantly in their scope and ability to actually affect portfolio performance.

Financial Management

The agencies are all managing to a unique set of project funding requirements and budgeting constraints. CRAB and TIB manage to the revenue stream from motor vehicle fuel taxes, adjusting award amounts each year as appropriate. FMSIB and H&LP are required to develop line-item capital budgets by project for legislative approval and are not able to manage funds on a cash-flow basis.

Policy changes could be made to improve metrics such as appropriations versus expenditures, but this would affect the type of project and jurisdiction that ultimately receives funding. For example, CRAB could be directed to be a "last-in" funder similar to TIB in order to increase the pace at which its funds are used by recipient jurisdictions. This would have significant impacts on the types of projects and jurisdictions that would benefit from the program.

Performance Measures

The four agencies differ considerably in their tracking of program outcome and internal agency measures, and there are no consistent performance measures to enable comparison across agencies.

Communication with Stakeholders

Agencies have many audiences, including their customers, their boards, and decision-makers in the executive and legislative branches of state government. Conversations with customers and stakeholders within state government highlighted the importance of communicating a comprehensive picture of individual and collective performance of the agencies.

Governance and Organizational Structure

Boards

CRAB, FMSIB, and TIB have governing boards that provide credibility and support the agencies' ability to fund projects. Their independence has protected the focus and mission of the organizations, as well as their funding streams.

Agency Staffing and Administration

Each agency currently provides its own staffing, with the exception of FMSIB, which pays for financial support services from H&LP and website development and maintenance services from CRAB. Collectively, the four agencies have program administration expenses that average 1% of their total capital budgets. In other words, one cent on the dollar is spent on program administration, and the rest is distributed to local jurisdictions.

A shared services model was considered, but given the current efficiencies obtained by agency staff and the minimal overhead currently required for funding program administration, we do not recommend such a change given the potential for disruption and challenges.

Recommendations

The following recommendations will enable the current system to operate more effectively, efficiently, and transparently. Recommendations which require additional funding or legislative action are identified with the money and gavel symbols, respectively. Page references to the main body of the report are included to the right in brackets.

Addressing Unmet Preservation Needs

-  1. State policymakers should consider directing additional resources to address maintenance and preservation needs. [31]
-  2. Without new money, state policy makers should consider reallocating some existing resources to address preservation needs. [31]
-  3. Agency boards and staff should use flexibility within existing programs to focus on maintenance and preservation needs. [31]
4. Transportation stakeholders should better communicate the importance of maintenance and preservation projects to the public and to decision-makers. [32]
-   5. Policy makers should seek to address unmet needs related to short span bridges, high cost bridges, and funding for preventative maintenance through additional federal and state resources. [33]

Strengthening Funding Programs and Technical Assistance

6. CRAB should continue to function as a first-in funder despite the challenges that such a portfolio brings. The agency should continue to develop stronger portfolio and financial management tools to manage cash-flows and fund balance. [34]
7. TIB should evaluate the need for and implications to creating a first-in funding mechanism for cities in its Urban Arterial and Urban Corridor programs. [34]
8. CRAB should work with County engineers to undertake a review of current and future software product offerings and training. [38]
-  9. FMSIB and H&LP (for the Safe Routes to School and Pedestrian and Bicycle Safety programs) should be given the ability to finalize their project lists without legislative approval. This would release the funds earlier than currently occurs, speeding project implementation by as much as a construction season and in down cycles could produce lower construction costs. [45]
10. Opportunities to create a combined quarterly project update should be explored so a jurisdiction with a project funded by multiple funding sources could complete a single update. [47]
11. Washington should collaborate with other states to advocate for less onerous project reporting requirements for federally funded projects [47]

Improving Financial Management, Portfolio Management, and Performance Measures

12. Agencies should actively manage their portfolio of projects. While individual projects may be subject to unforeseeable variances, it is critical that agencies manage predictable aggregate portfolios. Agencies must invest in the staff and tools required for data tracking and reporting (see Recommendation #22). They should establish portfolio management targets (see Recommendation #19) and have the ability to modify program parameters to achieve those targets. [52]

13. CRAB should use enhanced portfolio management tactics to improve project timeliness and manage financial performance based on real time information about project timeliness. If portfolio challenges continue to hinder CRAB's financial management abilities, CRAB should review the status of active projects and encouraging stalled projects to withdraw their request for funding. [57]
-  14. Take legislative action to merge TIB's two accounts (UATA and TIA) to allow for simpler cash management. [58]
-  15. Shift responsibility for cash advances of federal emergency funds from CRAB to WSDOT and target freed-up funds to immediate county preservation needs. [58]
16. The state should continue to track and monitor the agencies' program administration costs relative to their capital budgets to ensure continued efficiency. [58]
17. Agencies should link program outcome measures to program objectives and project selection criteria. [59]
18. The same set of outcome measures should be tracked consistently over time. Tracking measures over time facilitates comparison across agencies, when appropriate, and provides valuable information to agencies on trends. [60]
-  19. Institute a manageable set of internal performance measures consistent across the four agencies related to financial management, portfolio management, and customer service. [60]

Communicating More Effectively

20. Agencies should ensure that their reports and briefings tell the full story, reminding decision makers of their distinctive roles, how these roles create specific benefits and challenges, and an annotated description of current contributions and challenges. [63]
21. Briefings with decision makers and staff should augment written reports, and particular effort should be taken to develop relationships with new policy makers and their staff as turnover occurs. [63]
22. CRAB, FMSIB, and H&LP should identify ways to use their websites to communicate more timely information about project and portfolio status to support transparency and encourage timely project advancement. Agencies should adopt a "Dashboard-lite" approach rather than recreating the full extent of the TIB Performance Management Dashboard. Agencies should collaborate and consider models and partnerships with other agencies that manage grant and loan portfolios. [63]

Developing Agency Leadership and Succession Plans

-  23. CRAB, FMSIB, and TIB should develop formal plans for leadership development and succession. [70]