

# Background

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## Reforming State Transportation Policy: Washington State's Efforts to Implement Performance-Based Policies

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For state leaders to put their transportation systems back on the road to success, they first need to understand their current transportation problems.

In business, measuring performance is a way of life. It is viewed as an indispensable tool that shapes decisions on distributing resources and managing a business. In the public sector, however, performance measures are often collected but rarely used to improve overall management. Rather than using performance measures as a management tool or as a way to set goals that the public can understand and support, performance-based management is treated more like an inconvenience because it might attract attention to the inability to meet ambitious targets. Quantitative measures of performance may also interfere with elected officials' ability to distribute public funds to influential constituencies regardless of value to the taxpayer.

Not knowing how a program or service performs indicates that resources are allocated for political reasons, not for effectiveness. This is especially true in transportation policy. Across the country, transportation spending decisions are too often tied to political agendas and the wishes of influential constituencies, not objective measures of public need, such as safety and congestion relief. Any hope of implementing a comprehensive regional investment strategy based on cost-effective mobility goals and accountability is ignored as public officials simply hand out (or take away) special favors.

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### Talking Points

- Across the country, transportation spending decisions are too often tied to political agendas and the wishes of influential constituencies, not objective measures of public need, such as safety and congestion relief.
- In 2005, voters in Washington State passed an initiative authorizing the State Auditor's Office to conduct independent performance audits on several major aspects of the state's transportation system. The findings of these audits could potentially trigger a seismic shift in how state and local governments do business.
- In 2007 and 2008, the Washington State Auditor's Office independently audited four facets of state transportation operations, uncovering \$110 million in potential cost savings. The congestion audit estimated that implementing the recommendations on reducing traffic congestion would produce \$3 billion in economic benefits.
- Since the Washington audits, officials in Virginia, Idaho, and Hawaii have considered or adopted similar assessments.

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transportation decisions on anything other than performance inevitably leads to a collage of spending that is at best indirectly related to relieving traffic congestion or improving safety.

Yet a recent development in the state of Washington could very well change how policymakers across the country make decisions on transportation policy. As part of a statewide voter initiative, the State Auditor's Office conducted a series of independent performance audits on several major aspects of the state's transportation system. The findings of these audits could potentially trigger a seismic shift in how state and local governments do business.

## Getting Started

In Washington State, the authority to carry out performance audits was created by a state voter initiative (I-900) in 2005, which also defined follow-up steps once a performance audit is completed. These performance audits are to be conducted by the State Auditor, an elected official who operates independently of the legislature, governor, and all other state agencies.

Under the new law, within 30 days of an audit's release, the governing body of the audited agency must hold a public hearing to consider the audit findings. Next, the state legislature must consider the findings through its appropriations process. The Joint Legislative Audit and Review Committee (JLARC), the legislature's audit committee, must produce an annual report that demonstrates the audited agency's progress in implementing the findings. JLARC must also explain why any recommendations are not being implemented.

In addition to the initiative that authorized the performance audits, Washington lawmakers passed Senate Bill 6839 during the 2006 legislative session and directed the State Auditor's Office to conduct an independent performance audit of transportation-related agencies. The legislature allocated \$4 million for the review.

Before embarking on the audits, State Auditor Brian Sonntag conducted a series of town hall meetings and focus groups across the state to determine

which areas in transportation were most important to citizens. Based on those results, the auditor chose to analyze four broad topics: traffic congestion, the ferry system, Washington's Department of Transportation (WSDOT) administration and overhead, and WSDOT maintenance and construction management. In 2007 and 2008, the State Auditor's Office independently audited these four facets of WSDOT operations, uncovering \$110 million in potential cost savings. The Auditor estimated that implementing the recommendations on reducing traffic congestion would produce \$3 billion in economic benefits.

## The Performance Audits

The most far-reaching potential impacts in the state and the nation were identified by the audit that focused on congestion relief in the Puget Sound region (the Seattle–Tacoma metropolitan area). The audit examined two areas:

- “The effectiveness of WSDOT's current highway spending and infrastructure utilizations given current and projected highway user volume over the next five years,” and
- “The financial and non-financial costs of any recommended improvements over the next five years.”<sup>1</sup>

The audit's key recommendations were to make traffic congestion relief a primary goal, apply congestion-related benchmarks to all highway spending, and reform governance. The 22 recommendations offered by the auditor can be summarized into eight broad proposals:

- “Commit to congestion reduction as primary goal” (along with safety),
- Assess tools based on their ability to reduce congestion,
- Add physical capacity to the system,
- Improve the planning and programming process by emphasizing performance measures and adopting an outcome-based planning process,
- Encourage high occupancy/toll (HOT) lanes,

1. Washington State Auditor's Office, *Performance Audit Report: WSDOT Managing and Reducing Congestion in Puget Sound*, October 10, 2007, p. 3, at <http://www.sao.wa.gov/reports/auditreports/auditreportfiles/ar1000006.pdf> (September 18, 2008).

- Better coordinate responsibilities of regional transportation authorities,
- Improve demand management and operations, and
- Focus on I-5 through Seattle.<sup>2</sup>

If this plan were adopted, the auditor estimates that the state government would save \$110 million and, more importantly, that \$3 billion in economic benefits would accrue to the community. In large part, these economic benefits follow from the estimated 15 percent to 20 percent reduction in traffic congestion. In an era when most state departments of transportation seek to do little more than reduce the rate at which traffic congestion worsens, this would be a remarkable outcome. The recommendations of the other three audits are summarized in the text box on page 4.

While the performance audits are significantly affecting how Washington State allocates its transportation resources, other states are developing similar approaches. Since the Washington audits, officials in Virginia, Idaho, and Hawaii have considered or adopted similar assessments. Every state transportation system will have its own strengths and weaknesses, and policymakers should implement a Washington-style performance audit to identify what is working and what is not working before any further increases in spending or taxes.

### Compliance with the Auditor's Recommendations

As noted, within 30 days of the audit's release, the governing body of the audited agency must hold a public hearing to consider the audit findings, and the state legislature must consider the findings through its appropriations process.

To date, the WSDOT contends that they have satisfied nearly half of the recommendations and

most of those remaining have scheduled completion dates, although this claim has not been independently verified.<sup>3</sup> A handful of policy recommendations were also directed at the state legislature, but lawmakers have been reluctant to act.

For example, the auditor recommended that congestion relief should be a higher priority when funding transportation projects. Currently, no mandatory policy relationships or performance measures tie public spending to congestion relief in Washington State. The audit found that spending is instead based on "other agendas."<sup>4</sup>

Two bills were introduced in 2008 that would have placed congestion relief among the state's spending priorities, but neither received a legislative hearing. In fact, none of the recommendations directed at the state legislature have been implemented in full.<sup>5</sup>

### Resistance from Key Lawmakers

The tepid response from the state legislature is not surprising. Lawmakers simply want to pursue a different policy direction and to act in accordance with their discretion and prerogatives. A few key lawmakers also objected to the auditor's selection of policy areas to audit. Despite the legislative mandate and funding authority, some transportation leaders in the legislature took issue with the auditor's decision to audit these particular four areas, especially the state's poor performance in relieving traffic congestion.

As a result, legislative opposition to reform is becoming an ever more serious obstacle to cost-effective policies. For example, in 2000, Washington's Blue Ribbon Commission on Transportation identified several benchmarks to measure the effectiveness of the state's transportation system. These performance measures were very specific, and some were adopted into law, including:

2. *Ibid.*, p. 4.
3. State of Washington, Government Management Accountability and Performance, "GMAP Forums: Transportation," July 9, 2008, at <http://www.accountability.wa.gov/reports/transportation> (September 18, 2008).
4. Washington State Auditor's Office, *Performance Audit Report: WSDOT Managing and Reducing Congestion in Puget Sound*, p. 66.
5. Washington State Legislature, Joint Legislative Audit and Review Committee, "Status Report: Implementation of State Auditor I-900 Recommendations to the Legislature," June 18, 2008, at <http://www1.leg.wa.gov/reports/SAO/2008%20Report-Legislative%20Implementation%20of%20SAO%20Audit%20Recommendations.pdf> (September 22, 2008).

## Washington State Performance Audits: State Ferries, Administration and Overhead, and Highway Maintenance and Construction Management

### Washington State Ferries

*Number of Recommendations:* 10

*Identified Cost Savings:* \$50 million over five years

*Audit Scope:* The audit examined two areas:

- “The functions and activities performed by WSF’s Maintenance Department, specifically the Eagle Harbor Repair Facility, which bears the main responsibility for vessel maintenance and preservation.”
- “The capacity and efficiency of ferry routes, in order to identify opportunities for cost savings related to fuel and labor.”

*Key Recommendations:*

- “Reduce indirect and overtime charges,”
- “Standardize timekeeping procedures,”
- “Establish an Agency-Wide Task Force to Facilitate Data Sharing and Exchange,” and
- “Change WSF’s ferry service schedule to reduce operational losses.”<sup>1</sup>

### WSDOT Administration and Overhead

*Number of Recommendations:* 11

*Identified Cost Savings:* Up to \$23.6 million over five years

*Audit Scope:* The audit focused on six operational areas: human resources, expenditure accounting, payroll, cash receipts, internal audit, and ONE-DOT (a recommendation to integrate all ferry functions under WSDOT).

*Key Recommendations:*

- “Centralize the personnel administration processing to WSDOT headquarters,”
- “Centralize processing of vendor payments,” and
- “Develop and implement a new labor system for WSDOT agency-wide.”<sup>2</sup>

### WSDOT Highway Maintenance and Construction Management

*Number of Recommendations:* 34

*Identified Cost Savings:* \$41.9 million

*Audit Scope:* The audit answered the following questions:

- “Is the... Consumable Inventory and Supply Management system meeting the operational needs of the Department efficiently and effectively?”
- “Is the... current procurement strategy for asphalt, as well as current state legislation, effective in optimizing supply chain costs?”
- “Are the... maintenance-operations as efficient as possible based on best practices identified at other state transportation agencies or the private sector?”
- Is WSDOT “[m]anaging its highway projects in order to minimize costs”?
- Is WSDOT “[e]ffectively managing highway projects to minimize delays in completion”?
- Is WSDOT “[a]ccurately, completely and effectively tracking costs by project”?

*Key Recommendations:*

- “[P]rioritize the development of a centralized maintenance management system,”
- “[A]nnually calculate an estimate of the current replacement cost of infrastructure,”
- “[E]stablish a maintenance and operations minimum,”
- “[R]egularly schedule and conduct regular competitive contracting analyses,” and
- “[P]ursue legislative authority to use a performance contracting strategy for applicable projects.”<sup>3</sup>

1. Washington State Auditor’s Office, *Performance Audit Report: Washington State Ferries*, September 4, 2007, pp. 2–3, at <http://www.sao.wa.gov/Reports/AuditReports/AuditReportFiles/ar1000003.pdf> (September 18, 2008).
2. Washington State Auditor’s Office, *Performance Audit Report: WSDOT Administration and Overhead*, November 15, 2007, pp. 2–3, at <http://www.sao.wa.gov/Reports/AuditReports/AuditReportFiles/ar1000007.pdf> (September 18, 2008).
3. Washington State Auditor’s Office, *Performance Audit Report: WSDOT Highway Maintenance and Construction Management*, January 10, 2008, pp. 2–9, at <http://www.sao.wa.gov/Reports/AuditReports/AuditReportFiles/ar1000009.pdf> (September 18, 2008).

- “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 be no worse than the national mean.”<sup>6</sup>

However, during the 2007 legislative session, the legislature passed Senate Bill 5412, which replaced these precise benchmarks with a broad set of principles that virtually eliminated any relationship between public spending and traffic congestion relief.

One audit recommendation aimed at the legislature was governance reform. In Washington State, a number of transportation agencies—many of which are local and regional—have taxing authority, and each operates independently from the others. The auditor said that this type of fragmented governance leads to conflicting policies and an inefficient transportation infrastructure system. The auditor recommended that the legislature combine some of these agencies into a single regional body. As in previous sessions, a few related bills were proposed, but they did not pass. John Stanton, an influential businessman who co-chaired a regional taskforce to study governance reform, is vowing to push this issue through the initiative process if the legislature fails to act in 2009.<sup>7</sup>

This friction with legislative leaders has been revealed in recent news reports. One television broadcast noted:

Sources said that the audit examines some very politically sensitive areas including congestion on our roadways, management of the state ferry system and some areas that have never been subject to audit before.

Chair of the [Senate] transportation committee, Mary Margaret Haugen says she welcomes an audit but [Auditor] Sonntag's is too wide-ranging, and is focusing on big issues like “congestion” as opposed to things the Legislature can control.<sup>8</sup>

According to other reports, legislators have “questioned the usefulness of a planned audit.” “Auditing congestion gives you one result—that we’ve done a very bad job, because we, the Legislature, and we, the people, have not invested in transportation until the 2003 and 2005 legislative session.”<sup>9</sup>

## Conclusion

While some lawmakers are reluctant to relinquish their control over funding transportation projects to a performance-based system, other legislators and state departments of transportation should welcome the new approach. Performance audits can separate areas that are working from those that are not. This information then becomes extremely valuable when deciding how to allocate finite public resources.

The current political system and the uncertainty over whether those decisions will actually reduce traffic congestion will put state leaders further behind in meeting the growing demand on their transportation infrastructure. A Washington-style performance audit, not political agendas, is the key to learning what is working and what is not, so that transportation resources are allocated in a strategic and efficient way.

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6. State of Washington, Blue Ribbon Commission on Transportation, “Final Recommendations to the Governor and Legislature,” November 29, 2000, p. 2, at <http://www.leg.wa.gov/documents/LTC/jtc/Blue%20Ribbon%20Commission%20Final%20Report.pdf> (September 22, 2008).
7. Deirdre Gregg, “Business Group May Force Washington Transportation Reform Initiative,” *Puget Sound Business Journal*, June 25, 2008, at <http://seattle.bizjournals.com/seattle/stories/2008/06/23/daily22.html> (September 18, 2008).
8. Eric Wilkinson, “Transportation Committee Fights Audit,” *King 5 News* (Seattle), October 10, 2006, at [http://www.king5.com/localnews/stories/NW\\_101006WABtransportEL.2701f96a.html](http://www.king5.com/localnews/stories/NW_101006WABtransportEL.2701f96a.html) (September 18, 2008).
9. Deirdre Gregg, “Sonntag and Lawmakers Feuding over State Audits,” *Puget Sound Business Journal*, October 6, 2006, at <http://seattle.bizjournals.com/seattle/stories/2006/10/09/story8.html> (September 18, 2008).