

Senate Transportation and Housing Committee

Informational Hearing

CALTRANS REFORM

Tuesday, February 11, 2014

1:30 p.m. – Room 112

BACKGROUND PAPER

Introduction

At this hearing, the committee will examine various recent reviews and critiques of the California Department of Transportation (Caltrans). This hearing is the third in a series of informational hearings examining the way the state develops and delivers transportation projects. The first hearing focused on the state's experience with large-scale, expensive megaprojects and how we might improve outcomes for future projects. The second hearing, using the state's recent experience developing and constructing the eastern span of the San Francisco-Oakland Bay Bridge, illustrated many of Caltrans' and the state's shortcomings in delivering transportation projects. At this hearing, outside entities will present their reviews of Caltrans and discussions will center on potential opportunities to enact meaningful Caltrans reform both through legislation and administratively.

The Call for Caltrans Reform

The state originally created Caltrans as an organization to accomplish a particular task, namely the establishment of a highway network linking cities, opening new land for development and tourism, and providing farm-to-market access. But now, with the state and interstate system largely built-out, the era of epic highway building is over. Unfortunately, Caltrans has not accepted this new reality and remains largely a department developing, designing, and planning to build road projects for which funding may never become available. In addition, Caltrans' highway- and auto-centric focus may be directly contradictory to the overall policy direction of the state toward more sustainable communities. For years people have

called for wholesale change, but Caltrans has resisted such efforts and continued pursuing its historic mission for decades.

Nevertheless, recently within Caltrans there is renewed and demonstrated interest in reform and meaningful change. In late 2011, Caltrans Director Malcolm Dougherty initiated an internal program review of Caltrans that is still underway but has instigated a number of internal reform efforts. For example, the internal review has led Caltrans to consolidate some divisions, such as the Research and Innovation Team with the Transportation System Information Division, and the Rail Division with the Mass Transportation Division. Director Dougherty expects that these consolidations, along with other streamlining efforts intending to reduce duplicative reviews, will improve Caltrans' overall efficiency.

An additional effort by Caltrans, at least partially instigated through proposed legislation, involves Caltrans' Audits and Investigations Division. This division conducts audits and investigations to assist Caltrans management identify and address problem areas as well as make good financial decisions. In the past year, Caltrans has made the division more robust through improved processes, more training for team members, and enhanced services such as putting all completed audits online and acquiring a third-party whistleblower hotline to encourage reporting of problems within Caltrans.

In the past year, Caltrans has also created a new division of Enterprise Risk Management responsible for doing analyses of risk for each division and district in Caltrans. The new division will help the organization identify and manage risks appropriately, as well as help individuals and groups better understand various risks, and apply the proper level of concern to each.

Also initiated by legislation, Caltrans has developed a performance report based on the Washington State Department of Transportation's *Gray Notebook*. Intending to eventually publish quarterly, this new report, called *Mile Markers*, will honestly document Caltrans' performance against straight-forward, understandable measures in order to better communicate Caltrans' successes and failures to the public. This is a first step toward performance management, outlining clear expectations, and then holding individuals, divisions, and the entire organization accountable.

Finally, Caltrans is in the preliminary stages of compiling an asset management plan, including managing the various pieces of equipment Caltrans owns and operates.

All these efforts are positive, and Caltrans deserves credit for their undertaking. Unfortunately, due to their relatively recent institution, these efforts have not yet accomplished the major shift needed to modernize Caltrans and change its culture.

Recent Reviews

In 2013, the California State Transportation Agency contracted with a consultant called State Smart Transportation Initiative (SSTI) to conduct an external review of Caltrans. SSTI, from the University of Wisconsin, Madison, conducted more than 100 interviews with Caltrans staff, stakeholders, and partner agency representatives. SSTI's review, released in January, found that Caltrans has not kept pace with changes in transportation policy and called for reforms to modernize its mission, strengthen management and performance, and match investments and resources to the state's policy goals. An SSTI representative will present this review and recommendations at the upcoming hearing.

In addition, a prominent Southern California construction contractor, Jim Coffman of Coffman Specialties, Inc. (CSI), submitted a recent Caltrans review and reform proposal to this committee. Since 1991, CSI has completed nearly 100 major public highway, airfield, and waterway projects, including many large projects for Caltrans. In Mr. Coffman's experience, Caltrans' organizational structure and management policies continue to perpetuate excessive administrative costs and substandard performance. From the contracting industry perspective, significant efficiencies can be realized by improving Caltrans' structure, increasing transparency and accountability, and correcting incentives within the organization that currently lead to increased costs and substandard products. Mr. Coffman will also present his perspective in the February 11th hearing.

Finally, Professor Elizabeth Deakin with the University of California Transportation Center in Berkeley has conducted research recently for Caltrans on its ability to innovate. Generally, she identifies challenges to departments of transportation trying to be "learning organizations," such as how their inherent risk-aversion hampers innovation and how bureaucracies cannot move fast enough to take full advantage of new research. In addition, contracting procedures that favor low-cost bids over value-for-money proposals further impede

state departments from innovating. Professor Deakin will present her research in the hearing as well.

Recommendations

From these reviews a number of recommendations emerge. The committee may wish to ask panelists to expand on all of these:

- The SSTI report recommends that Caltrans and the Transportation Agency develop a mission and vision for Caltrans that are fully consistent with state planning and policy goals. In what ways should the Legislature be engaged in this process, and how does the administration plan to ensure legislative buy-in?
- The SSTI report includes more than 40 recommendations, many of which appear to be primarily the responsibility of Caltrans and the administration to implement. In what ways does Caltrans and the Transportation Agency plan to drive these recommendations? Can witnesses identify any and all that require legislation or that could be easier to implement with legislation?
- Both the SSTI report and Mr. Coffman suggest that Caltrans should find ways to provide incentives for manager performance. What are the impediments to doing this and how can the Legislature assist in making this a reality?
- The SSTI report concludes that the state's goals and priorities have expanded beyond what Caltrans has traditionally pursued, and suggests that either the Transportation Agency or the California Transportation Commission (CTC) play a more active role in project selection by imposing a policy review of all proposed investments. How could this work and what can the Legislature do to facilitate this?
- While both the Transportation Agency and Caltrans' leadership appear committed to reform, who is ultimately responsible for seeing this effort through, and what is the expected timeline before meaningful change will be evident?