

Memorandum

Tab 18

To: CHAIR AND COMMISSIONERS

CTC Meeting: March 16, 2016

Reference No.: 4.9
Information

From: WILL KEMPTON
Executive Director

Subject: **UPDATE ON THE CAPITAL OUTLAY SUPPORT WORKLOAD FORECASTING
RECOMMENDATION DEVELOPMENT PROCESS**

SUMMARY:

In response to his request, the Commission has agreed to help Secretary Kelly and the Transportation Agency related to the Caltrans capital outlay support (COS) workload. The request resulted from a recommendation included in the Commission's 2015 Annual Report, and entails forming a workgroup of staff from various entities to review current and projected COS staffing levels at Caltrans and the methodology used to arrive at those levels. The objective of this workgroup is to review the Department's current workload projections and, if possible, to gain consensus around a reasonable methodology to determine the appropriate level of staff relative to Caltrans' workload.

BACKGROUND:

As part of the 2013-14 budget package, the Legislature adopted supplemental report language directing the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) to work with Caltrans to review its COS program. The review was primarily prompted by legislative concerns regarding the lack of information to fully support the program's annual staffing level and budget. The goal of the review was to increase accountability and efficiency of the COS program, such as by identifying workload metrics, improving program processes, and using information technology tools in order to achieve a transparent and standardized workload-based assessment of appropriate staffing needs.

During the summer and fall of 2013, representatives from the LAO, DOF, and Caltrans met on a regular basis to discuss the COS program. Although the review group collected information about the program and reached general consensus on some initial steps to improve efficiency and accountability of the COS program, the group was unable to reach consensus on all of the concerns identified in the review and solutions to address them. In the spring of 2014, the administration made some recommendations to address the concerns raised by the Legislature, while the LAO published a report with some alternative recommendations. Since that time there has remained much debate over how to determine the appropriate staffing level for the COS program.

In its 2015 Annual Report to the Legislature, the Commission included a recommendation that the Transportation Agency continue efforts to develop a workload forecasting process for Caltrans' COS program that includes convening the appropriate agencies in preparing a methodology

acceptable to all parties. Neither the legislature, the administration, nor the public is well-served by the ongoing dispute over the appropriate level of COS staffing.

Transportation Secretary Kelly requested in a letter dated January 22, 2016, that the Commission lend its help and leadership in resolving this challenging issue due to the fact that the Commission has a well-earned reputation for independence and is often called upon to be a fair arbiter.

Specifically, Secretary Kelly requested that the Commission form a workgroup with experts from the Commission, Caltrans, DOF, LAO, the Legislature, and the Transportation Agency to review current and projected COS staffing levels at Caltrans and the methodology used to arrive at those levels. Attachment A is a copy of the Secretary's letter to Chair Dunn incorporating his request of the Commission.

Secretary Kelly's letter notes that the Commission is a respected entity that can play a pivotal role in gaining policy consensus around the reasonableness of the methodology used to determine what staffing level is appropriate for Caltrans' COS program. Despite the Commission's limited resources, Chair Dunn agreed to take on this additional workload given the importance to resolve this contentious issue (see Attachment B). Commission staff estimates that this may be a year-long effort, and therefore there may be other Commission work that may be affected in order for staff to drive this important task.

In his letter, Secretary Kelly expressed the Administration's willingness to subject its staffing methodology to review as well as to consider fundamentally altering the way Caltrans budgets its resources in order to hopefully address this issue once and for all. With that in mind, staff intends to lead the workgroup through an effort to rethink the entire budgeting process in order to properly align incentives, ensure effective internal controls are in place, and instill appropriate oversight and accountability measures such that the Legislature and the public can be confident in how Caltrans arrives at its annual budget request.

Attachment A – Secretary Kelly's letter to the Commission

Attachment B – Chair Dunn's response to Secretary Kelly



CALIFORNIA STATE TRANSPORTATION AGENCY

Edmund G. Brown Jr.
Governor

Brian P. Kelly
Secretary

915 Capitol Mall, Suite 350B
Sacramento, CA 95814
916-323-5400
www.calsta.ca.gov

January 22, 2016

Ms. Lucetta Dunn, Chair
California Transportation Commission
1120 N Street, MS-52
Sacramento, CA 95814

Dear Chairwoman Dunn:

I write to commend the commission on the production and release of its *2015 Annual Report to the California Legislature* and to seek your assistance in implementing one of the recommendations contained in the report.

First, my highest compliment to you and your team for the production of this report. I think it is highly informative and instructive to the legislature and the public on California's transportation programs and the system by which those programs are funded. Since I was a legislative staff person working on transportation matters, I have read the commission's report each year, and I have continued that practice since moving to the executive branch. Kudos to the commission on a fine report.

Second, as you know, this year's report includes several legislative and administrative recommendations to address numerous transportation-related issues. One recommendation affecting Caltrans reads as follows:

"Support CalSTA's efforts to develop a workload forecasting process for Caltrans related to the STIP and SHOPP that includes convening the appropriate agencies in preparing a methodology acceptable to all parties."

This an important and timely recommendation, particularly as it relates to the department's capital outlay support (COS) workload levels that have been the focal point of so much discussion in the legislature during 2015. While the department's current COS level has been declining steadily over the last several years and is now at an 18-year low, there remains much debate over what the appropriate COS staffing level should be. It's time to address this issue once and for all.

January 22, 2016

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Because the commission has a well-earned reputation for independence and is often called upon to be a fair arbiter, I respectfully request your help and leadership in evaluating the COS staffing issue at Caltrans. Specifically, I request the commission form a workgroup that includes expert staff from the commission, Caltrans, the Department of Finance (DOF), the Legislative Analyst's Office (LAO), budget or policy staff from the legislature, and representatives from the California State Transportation Agency (CalSTA), to review current and projected COS staffing levels at Caltrans and the methodology used to arrive at those levels. The objective of this workgroup should be to review the department's current workload projections and, to gain a consensus to ensure reasonable methodology is used to determine the appropriate level of COS staff to meet the department's workload. I would hope with a concerted effort, this work can be completed in time to inform budget deliberations by spring, 2016.

Neither the legislature, the executive branch, nor the public is well-served by the ongoing dispute between LAO and the Administration over staffing levels at the department. As the legislature considers additional investment in the state's transportation system, it will be in our collective interest to ensure consensus on the methodology the department uses to request the appropriate staff resources to meet workload demands in upcoming years.

In short, the department is willing to subject its staffing methodology to review. The commission is a respected entity that can play a pivotal role in gaining a policy consensus around the reasonableness of the methodology deployed to best serve the public.

I thank you for your consideration of this request.

Respectfully,



Brian P. Kelly
Secretary

cc: *Mr. Will Kempton, Executive Director, California Transportation Commission*
The Honorable Jim Frazier, Chair, Assembly Transportation Commission
The Honorable Richard Bloom, Chair, Assembly Budget Subcommittee #3
The Honorable Jim Beall, Chair, Senate Transportation and Housing Committee
The Honorable Lois Wolk, Chair, Senate Budget Subcommittee #2
Mr. Michael Cohen, Director, Department of Finance
Mr. Mac Taylor, Legislative Analyst
Mr. Malcolm Dougherty, Director, Department of Transportation

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JOSEPH TAVAGLIONE

STATE OF CALIFORNIA

EDMUND G. BROWN Jr., Governor



SENATOR JIM BEALL, Ex Officio
ASSEMBLY MEMBER JIM FRAZIER, Ex Officio

WILL KEMPTON, Executive Director

CALIFORNIA TRANSPORTATION COMMISSION

1120 N STREET, MS-52
SACRAMENTO, CA 95814
P. O. BOX 942873
SACRAMENTO, CA 94273-0001
FAX (916) 653-2134
(916) 654-4245
<http://www.catc.ca.gov>

February 16, 2016

Secretary Brian Kelly
California State Transportation Agency
915 Capitol Mall, Suite 350B
Sacramento, CA 95814

Re: Capital Outlay Support Workload Methodology

Dear Secretary Kelly:

Thank you for your letter dated January 22, 2016 and for the kind acknowledgement of the Commission's work on its *2015 Annual Report to the California Legislature*, particularly its effectiveness in sharing the facts on accomplishments and state mobility needs.

We are delighted to have your support of the Commission's recommendation related to developing a workload forecasting process for Caltrans' capital outlay support budget. We agree that it does no one any good to debate budget numbers questioned for their credibility. Addressing this problem would be an important improvement for transportation in California.

Thus, per your request, the Commission will form a workgroup that includes experts from various entities to review current and projected capital outlay support staffing levels at Caltrans and the methodology used to arrive at those levels. The goal will be to lead this workgroup to a consensus and ensure a reasonable methodology is used to determine the appropriate staffing level at Caltrans.

One note, however: Caltrans is well along into developing its 2016-17 budget and it may be difficult to accomplish anything that can materially inform budget deliberations by Spring 2016, as your letter requests. Commission staff has been instructed to begin this process ASAP.

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February 16, 2016
Secretary Brian Kelly

As always, do not hesitate to call me or Executive Director Will Kempton at (916) 654-4245 if you have any questions.

Sincerely,

LUCY DUNN
Chair

c: California Transportation Commissioners

The Honorable Jim Frazier, Chair, Assembly Transportation Committee

The Honorable Richard Bloom, Chair, Assembly Budget Subcommittee #3

The Honorable Jim Beall, Chair, Senate Transportation and Housing Committee

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