

SESSION #3: LINKAGE BETWEEN STATEWIDE PLANNING, PROGRAMMING, AND FINANCING

The purpose of this session was to reflect on the degree to which ISTEA's vision regarding the linkage between planning, programming and finance has occurred, and to discuss what issues have been raised during the intervening four and a half years.

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Let me start by reading part of an editorial from one of the nation's leading newspapers. This particular metropolitan area was facing a water shortage which caused several local communities to begin water rationing. The newspaper published the following editorial. "If thousands of the county residents who lost water service last week would like something to blame for their predicament, the culprit is easy to find. Many of them drive it daily. Because the opening of state highways serving these communities have made the area more accessible, this county has grown so fast that water systems and other infrastructure has been unable to keep pace." In essence, the water problems in this country were being blamed on transportation investment decisions.

In such an environment, what role is there for planning? In an ideal world, we would like to think that all decisions relating to infrastructure investments will result from a rational and comprehensive consideration of all sorts of factors. In a constrained financial environment, the best projects will rise to the top of that particular list. It is the planning process that identifies the best projects regardless of modal considerations. The planning, programming and financial aspects of this list of best projects are integrally intertwined with one another, and that the "public good" is the driving force behind these decisions. Planning, as a process, promotes a better definition of what a public good is. Planning and system performance feedback provides accountability to the public on the impact and consequences of these particular decisions. Innovation—not just innovative financing—in all things that we do in transportation is embraced by both decision makers and by a technical staff that provides the planning information. And importantly, decision makers depend and rely on planning information. Now notice I said "ideally." In reality, that's not the way it is, although I do believe many states are now using some elements of this "ideal" process, e.g., looking very carefully at performance and feedback loops, trying to understand

what the public is looking for, and what the public good is.

One of the complications in any discussion of statewide transportation planning is that, if you look at the state plans that were submitted as part of ISTEA, there were many different types of plans. Some plans were nothing more than policy statements or policy plans; others were very specific in the actions that had to be required in order to implement a particular plan. Others identified the corridors of statewide significance in their particular state and looked at investments in these particular corridors. Others were more or less a traditional needs study while others were true systems plans. Still others were not only systems plans, but also included lists of projects that were to be implemented in that particular state.

It is thus difficult to generalize about the linkage between planning, programming, and finance, simply because plans are structured in very different ways. However, I would argue, taking a fairly traditional perspective, that there are very strong linkages between the plan and what precedes it, the programming document that comes at the end, and eventually the projects that are implemented. These linkages start very early with the vision for that particular state, and the vision for the transportation system in terms of meeting the state's goals and objectives. The different alternatives and scenarios that are analyzed as part of the planning process, the analysis and evaluation itself, financial issues, and financial analyses all look at the different implications of possible system outcomes. This all leads to the programming document, guided by the open process where many stakeholders, users, and constituencies are involved. This is a very traditional perspective of the linkage between planning, programming, and financing.

The STIP is the document that will give a sense of where the investment priorities are going to be. It is a very important management tool. It helps determine projects and focus implementation efforts, and establishes the project linkages between what comes out of the planning process and goes into programming. However, if you look at how projects are actually selected in many states—not in all states, but in many states—projects are selected with little connection to what the planning process said or came up with. I certainly experienced this in my state DOT activities, and I'm sure all of you do too. Although we have a planning process that rationally leads to a TIP or STIP, which then rationally leads into the project

development process, which then rationally goes through the environmental analysis, and eventually implemented, in many ways, the programming decisions are influenced by many different factors outside of this process.

My thesis is that system performance and program performance—two different concepts—are clearly important. Program performance relates to how money is being used, and to being held accountable for such expenditures. Such accountability is found in all sorts of fields—education, crime, health—and will likely be found in transportation even more in the future. An example of such an approach is found in the State of Washington where system performance measurements are integrally tied to not only the policy plan and the system plan, but also directly to the program and the budget. Indicators or measurements are provided of how well the DOT is doing, and the impacts, benefits, and consequences of this investment. Another example comes from the State of Florida. Florida's state transportation plan is an excellent document. Again, what you see in that document is the concept of goals, objectives, and performance measures. How are we going to measure whether we are achieving these particular goals in our state transportation plan? What Florida does in their document is indicate the important objectives, and the benchmarks they are looking for in terms of they should be doing. This is not a systems performance perspective of level of service, but rather how much have we actually programmed on the Florida interstate highway system over the years that we are looking at? Five private sector proposals were received for innovative financing, what dates were they certified as projects? How effective are we in responding to such opportunities? This is what I think we are going to see more of over the next several years.

Other examples of accountability in statewide transportation planning come from Minnesota, New Jersey, Washington State, and Texas. Minnesota DOT has gone through a very extensive process to identify performance measures for their state transportation program. They have divided their goal to optimize investment in the transportation system into three major areas, i.e., the actual performance of the system; how that investment relates to public values and issues; and then how it relates to organizational performance and values as well. Interestingly, customer satisfaction is a very important element determining how successful MinnDOT is. Surveys are used to gauge this satisfaction. New Jersey DOT uses selective performance measures for what they call their report card on the performance of their transportation system. Washington State adopted so-called multimodal system performance measures. Interestingly, Washington DOT divided the system performance measures into a state-owned component (those things over

which they have direct control over investment), and a state-interest component which I interpret as meaning that the DOT has an interest from a policy perspective and from a total systems perspective, but the DOT that doesn't have direct control over the investment associated with those types of facilities. This broad perspective is quite unique as it relates to performance measures. The Texas DOT focusses its plan on a goal-oriented program of achievement where an important distinction is made between outcomes and output. Outputs related to such things as number of projects, vehicle lane-miles constructed, physical measures of organizational production. However, the outcome is ultimately what happens once the outputs are put in place. These could be defined in broad terms of environmental quality, quality of life, economic productivity, et cetera or perhaps in even more narrower terms.

It seems to me that a very broad definition of transportation in terms of what it is trying to achieve leads one to a broadened definition of what finance really means. This then leads to a much broader definition of those who actually benefit from particular projects. This is the crux of the whole issue associated with where innovative financing fits into the context of statewide planning. Wisconsin has developed a very interesting combination of financing packages associated with implementing the plan and program. The financial analysis of this combination included some very important questions such as, how stable will the gas tax revenues be over the lifetime of the plan? What will be the impact of new technologies on the ability of financing particular elements of this system? What are options for new revenue sources?

One of the critical issues related to developing reasonable financing strategies is to coordinate statewide planning and finance issues with that which occurs in MPOs. The Oregon DOT has developed an approach adopted in their state transportation plan which states that ODOT will coordinate, cooperate, and integrate state plans with metropolitan plans. Importantly, the ODOT will define the criteria for the adoption of MPO plans within the context of statewide goals relating to quality of life initiatives and growth management issues.

Let me end by providing a concept of where I see statewide planning heading. I am convinced that we will be seeing more of what I call performance-based planning. System performance as well as system condition is a growing concern around the country. However, system performance needs to be measured with close ties to what I call the fundamental roles of transportation, i.e., accessibility and mobility. Travel time in essence is a bottom line performance measure. These performance measures should be closely tied to the project evaluation

process in the form of compatible evaluation criteria. Improved means of collecting data and data management are going to be critical to making this performance-based planning process feasible. Up to this point in time, data availability was a critical issue and still is today. However, advancements in data collection technology will provide more cost effective ways to feed data into performance-based planning.

What does this all mean in terms of the statewide planning process and the role that it should play? Very simply, it is going to be the major mechanism for establishing accountability of the decision making process and what leads up to it, and it is going to be system performance focused. There will likely be project prioritization categories where certain type of projects receive priority because of their likely impact on outcomes (e.g., preservation projects, enhancements, air quality). In an era of scarce resources, I firmly believe that planning will guide funding allocation. If nothing else, the plan provides a convenient excuse to say "no". Importantly, the planning process and the inherent feedback loops provide critical monitoring of system performance. I was a supporter, and still am a supporter, of the management systems. I strongly believe they, or something like them, will be inherent to planning in the coming decades.

Let me end by reading a couple of lines from the editorial with which I began my talk. The editorial goes on to say that the federal government has laws to do regional planning for transportation. The editorial concludes, "The DOT does none of these things. At best, it goes through the motions needed to create the illusion of abiding by federal regulations, then it blithely does what it always intended to do. That approach is no longer acceptable. Its consequences on (and here we go in terms of outcomes) quality of life, economic development, and the environment are simply too profound. The DOT must be brought kicking and dragging into a meaningful transportation planning process in which it is one of several players, rather than the dictator that lays the paving and forces everyone else to deal with the consequence."

I see this happening more and more around the country, as people start questioning not necessarily what is going on with the roads, but what is happening because of the roads. This is our challenge for the future.

YSELA LLORT, FLORIDA DEPARTMENT OF TRANSPORTATION

It is my pleasure to talk to you about the Florida planning process; a process that has taken us years to put in place. We call it "planning-mentation." This is a phrase that we

have coined ourselves, because we see planning as being just the first part of implementation. I would like to cover three topics in my presentation—some background about Florida, some information on the Florida DOT, and then a discussion on some of the benefits and frankly some of the disbenefits of a process such as the one we have adopted.

Florida is the fourth most populous state in the country with 14 million people. More interestingly, we have about 40 million visitors per year. Some of these visitors spend a lot of time in Florida; half of these arrive by air, half arrive by land. Our economy is very much dependent on these visitors. As a matter of fact, about 17 percent of the gross state product is tourism, an additional 16 percent is international trade. Both of these factors together lead very to much an awareness of the importance of the transportation system.

The Florida DOT has about 10,000 employees with an annual budget of \$3 billion. This year for the first time we are going to have a letting of just over \$1 billion, which is twice what we had five years ago. So, as you can see, we have grown tremendously in terms of our program capability. We are a decentralized agency, where the central office is responsible for program policy. The actual programming in Florida is done in the eight districts. District personnel have the authority to make all operational decisions within the DOT. The central office focus is on policy, policy determination in cooperation with the districts, and quality assurance to make sure that the policies are carried out vis-a-vis procedures.

Our planning process is quite intricate. The late 1980's were real tough years for the Florida DOT. Thinking we were going to get a tax increase that never happened, we over-committed to the tune of almost \$850 million. When this happens, the subsequent assessment of "what happened?" provides some unique opportunities for restructuring, because you are certainly not hampered by anyone arguing that the current process works. The other thing that happens when you have a financial crash is that you lose the support of the legislature, thus requiring substantial efforts to regain credibility. Our problems were very much in the public eye which meant that many folks were wondering about the approach that FDOT was taking to safeguard public dollars. We know the importance of maintaining public credibility. The other thing that happened during this period was a restructuring of the Florida Transportation Commission. The Commission is a lay body whose unique function is to measure the performance of the agency. Initially, this meant measuring program performance, but it is now moving more to working with us on measuring system performance as well.

We know the importance of maintaining a planning-mentation process that is very open, so that people know we are listening to their expression of priorities, that we are measuring outcomes, and that we are measuring performance. Frankly, our survival depends on it. Our planning-mentation process is very cyclical. It is a process that is also defined by state statutes, so it is institutionalized within the Florida DOT and within the State's comprehensive planning structure. The first part of the institutionalization of this process arose with our finance and the programming responsibilities. More and more, the planning element caught up to it. Since 1985, Florida has been a growth management state which means that all local governments have comprehensive plans. We have a state land use agency. The transportation program is viewed as being supportive of the land use plan and an important part of the growth management strategies for the state.

We talked yesterday about transportation not being self-serving. In Florida, by statute it is not self-serving. We have a five-year capital improvement program that we call the work program. By law, the first three years of the work program stand as what we call a commitment to growth management, which means that any deviation from the first three years of the work program need to be accounted for in a very rigorous and open manner. This leads to a lot of stability in the program from the perspective that changes only occur for good reasons. Any time the legislature wants to depart from our programming document, the amount of the money that would support the new project cannot be earmarked off the top, it must come out of the construction district for that region. This is a very interesting policy, because it has really kept to a minimum those projects earmarked from other sources. It is very hard for a state legislator to earmark a project when it is known back in the district that other projects might not now occur.

Another characteristic of our process is that we are a policy-driven organization. We are guided by data analysis, although our policies in terms of growth management provide an overall context for actions. We have policies in terms of the number of lanes that we will provide for conventional traffic. These things lead to very intricate performance measures.

We also have sunshine laws in Florida which call for an open decision making process. In many ways, we were ahead of ISTEA in terms of public involvement. We simply cannot make decisions unless they are very public. Public involvement happens early and often. It occurs throughout the process. We have not perfected the public involvement role, but it has been institutionalized in all of our processes.

We are also lucky in that we have 25 MPOs with a dozen of these being transportation management areas (TMAs). We also have a superstructure of MPOs called the MPO Advisory Committee which helps guide the development of the Florida Transportation Plan and some of our other important processes. The Florida Transportation Plan lays out the goals, long- and short-range objectives, and the department strategy for meeting these goals. Objectives are benchmarked in the short-range component with this benchmarking focussing on outcomes. For example, one of our goals is providing an interconnected statewide system. One of the long range objectives in this goal category was to develop high speed rail in Florida. If you take that one step further down in our short range component of our plan, we have a short range objective that specifically says that by 2006, we will begin high speed rail service between Tampa, Miami, and Orlando. Then we have strategies on how we would do that. This culminates in an actual allocation in our program and resource plan that says we will allocate \$70 million per year. So the linkage between the planning and programming is there.

We have been working on developing a performance measurement system for our intrastate highway system, so that we can move away from measuring success in terms of dollar commitment, and instead we can measure success in terms of increased mobility.

The next part of our process is a program and resource plan which is our financial document. This starts off with the goals and long-range objectives, and the 25-year funding forecast that relates to the state's transportation plan and to our short-range objectives. The resource plan then distributes dollars to program area, and later to the districts. It is prepared annually and covers 10 years with a particular emphasis on the new fifth year of our work program. Remember, the first three years are stable, so we really don't focus on those. We look at these as historical data and focus on the new fifth year. This plan is developed from management systems data. The bridge and pavement management systems are very highly developed in Florida, as is our maintenance system that we use for allocations in the resource plan. In addition, we have modal plans for each of our modes that also lay out strategies. These modal plans are like a second layer of detailed information that serve as input into the resource plan.

The third part of our process is our work program. Work program development is an annual comprehensive process done at the district level. We spend a lot of time developing work program instructions which lay out (building on our program and resource plan) the targets, desired outcomes, and priorities by programs. The actual programming occurs at the district in cooperation with the

MPOs. We have a monthly meeting chaired by the Secretary where we monitor the targets that are laid out in our work program by district and by program.

A final performance monitoring occurs when the Florida Transportation Commission undertakes a review of our agency. It looks at every aspect of our performance, especially if we met our work program targets. This review is done on a quarterly review cycle, and then on an annual review cycle. The results of this review are of keen interest to the media and to the legislature, because frankly they want to know that the people of Florida are getting what we told them we would produce. The review is very program performance-oriented, but the Commission is likely to become more interested in including system performance data.

One of the major advantages of the approach I just described is that it is reliable. The people of Florida know what it is that we are promising in terms of transportation delivery. It is an open process that has a lot of stakeholder involvement, and it is credible. It does take some of the politics away from the process simply because it is fairly rigorous and data driven, and because it is participatory with a lot of evaluation of the whole delivery system. However, there are some disadvantages. It is a very complex process. Anytime you have a new elected official or for that matter the citizenry at large, a lot of effort is needed to make sure they can understand this process; so they know how decisions are made. It is also fairly inflexible in the first years. If you are a local elected official, you want to influence project delivery in your community. This process, because it is policy and program driven, does not allow such changes to be made easily.

We are still learning how to make our process work better. However, we have come a long way and are quite comfortable that we are heading in the right direction.

**KENNETH LEONARD, WISCONSIN
DEPARTMENT OF TRANSPORTATION**

I would like to describe in fairly general terms our current thinking on how to integrate planning, programming, and financing. In particular, this description will reflect what we are proposing for our new state highway plan, what we are calling "the next generation state highway plan." The plan is really more than a plan, it is really an investment management process. We are just starting now, so a lot of what I'm going to tell you is what we are planning to do in the near future.

Our last state highway plan was done in 1984. We updated certain corridors in 1988, and then in 1995 we did a statewide multimodal plan which we named Translinks

21. The 1984 plan identified system deficiencies which were driven at the time by best engineering practices. It concentrated mainly on the rural elements, as opposed to urban elements which were handled more by our MPOs. There was no bridge element, and there was little attention given to financial constraints. In 1988, we undertook our Corridors 20/20 effort. Again, this addressed mainly rural capacity needs. We looked at our major population economic centers in the state, and how to better link them. This was done mainly with a corridor focus. The plan really did not deal with pavement condition, safety, and bridge issues, but rather more with congestion. A backbone system of multiple lane highways would tie the state together. Connectors linked regions with communities of 5,000 or more people. When ISTEA required a national highway system, the 20/20 program became the backbone of our NHS. Most of the plan is now implemented. In our opinion, this was a very effective effort.

In 1995, we developed what we call Translinks which was a more policy-oriented plan that dealt with both rural and urban areas. We included an update of Corridors 20/20, but also looked at other factors like the environment, land use, and economic development. Translinks explicitly looked at future financial needs, discussed how to meet these needs, and identified different financing options.

Let me now turn to the future. Whereas our traditional approach has the plan leading to the program and then to financing, we have now reached a certain level of maturation where programming affects the plan, and financing obviously affects what is in the plan. Financial constraints now affect what goes in the plan. To some extent this thinking of an investment management process has caused us to reorganize. In the past, we had a division of planning and a division of highways that included the programming element. Instead of these two divisions, we now have a transportation investment management division. Within that we have planning and state highway programming. Both of these elements are now found in one division. Our transportation infrastructure development division includes what used to be highway engineering and operations, transit, rail and aeronautics. Then we have a division of districts which includes those people in the field who are the eyes and the ears of the department.

The goals for our state highway plan were that it provide a long term vision, that it be long-range in terms of policy, that it provide a management framework to identify highway needs, that it be undertaken at a systems level, that it estimate long-range improvement costs, and that it be the basic input into our programming process and STIP. This plan would be the way to communicate

the reasoning behind our highway budget proposals. It would also be the yardstick for evaluating the long term performance of the state highway plan.

The key elements in developing this new highway plan are to involve top management, involve technical experts and the districts who know what is going on in the field, provide an integrated plan and program, be performance-based (we are going to have various standards and alternatives), and be financially constrained. We will be trying to keep the plan visionary, and have an unconstrained financing scenario along with financially constrained alternatives too. What happens when we have a financially constrained alternative, and what is the impact on system performance measures? What happens to the pavement and the bridges and safety and so on? We will also be integrating our efforts with those that occur in MPOs. We want the MPOs to participate as part of the steering committee in developing the highway program. We are going to integrate the modeling process at the MPO level and the state level. Translinks 21 will provide the multimodal context for carrying this out.

There are really three main parts to this process of investment management—the management structure, the tools to produce the ingredients of the plan, and the process. At the management structure level, we will have an advisory committee. This will include the typical groups representing economic development interests, chambers of commerce, environmental groups, different modal groups, and different levels of government. A steering committee, which is made up of the heads of planning, programming, budget, various highway engineering folks, our districts, and internal technical experts, will guide this activity internally. This isn't just a group of management people. This group includes technical experts which I think is very important. The MPOs are going to be on this steering committee, as will the Federal Highway Administration. We have topical committees which focus on more technical issues and which look at various elements that go into the plan, providing us with standards for pavement, bridge, congestion, safety, and so on. In addition, we will have committees that examine policy issues dealing with economic development and the environment. We will have a special committee on highway and rail grade crossings which has become very important lately.

The core of our analytical process is modeling. We are in the process of developing our modeling approach. Our inventory and condition data will be input into the inner workings of the model. The same model will be used for both the plan and the program. The plan will provide the long term vision, strategies, and what the resource needs are. The program will include the actual projects and what the schedule is. Both of those will be

influenced by the financing, which will include the short range financing, or in our case a biennial budget, and long term financing. We'll have trade-off analysis among these three areas, e.g., if we only have so much money, what is going to be the impact on the plan and on the program? In the past, we looked more at the financial impact on the program, not so much what the impact was on the plan. We hope to really integrate all three.

The process will include project development and ultimately the performance of these projects. Feedback into the beginning of the process is a critical element of the overall approach. We are looking at performance within planning, programming, and financing, but also in terms of what gets built or programmatic performance. Policy issues will be considered strongly in this process. What is our policy on corridor preservation, access control, jurisdictional issues, funding, urban mobility needs, as well as many more?

Our target plan completion date is July, 1998. I think we can reach this goal. Our previous planning efforts, e.g., Translinks 21, provide a strong foundation for our proposed planning effort. In particular, we have evolved into planning that is undertaken in a multimodal context, so we believe we are well along in using a planning process that reflects the needs of our state.

QUESTIONS

1. *What oversight does Florida DOT Headquarters have over resource allocation in the Districts? In addition, how does Florida DOT make sure that projects of statewide significance receive their fair share of resources?*

Ysela Llort: The only program that gets separate money is the Interstate highway system. Apart from that, all the other programs are managed by the districts. Oversight stems from a collective decision process laid out by program and by districts. The monitoring process we have for accountability then allows us to see what progress we are making. Actual implementation decisions are done at the district level, in cooperation with the local government. We have what we call a priority highway system in Florida, and this is the Florida intrastate highway system. That system contains all the Interstates, the limited access facilities within the state, the Florida Turnpike, and some other key arteries. This system is viewed as ensuring statewide mobility. We have made it quite clear in the transportation plan, and we have concurrence from the MPOs, that Florida DOT will place priority on it in terms of increasing system performance. Our process is very clear on where the priorities are and how these priorities will be financed.

2. *How do you handle the divergent quality in the crisp, clear, good, high quality data about program output, and the miserable, subjective, and sometimes made up data about outcomes? Like safety for example, if you can report back to the legislature that when they gave you \$100 million, you fixed 214 substandard bridges, this is output. If in the same year the drinking age was changed and there were no hurricanes, you might have a significant change in safety statistics which could be construed as an outcome. Should we still fight for outcomes rather than programmatic output?*

Michael Meyer: The answer to your question is yes. I would argue for political reasons, for public accountability reasons, for good planning reasons to think very carefully about what are the logical outcome measurements of your transportation investment. I certainly do not underestimate the difficulty in doing so. Using your example of bridges, I think reporting the number of bridges fixed is an important productivity measure that I am sure the legislature would be interested in. However, taking the next step of saying what the economic impact was on that region of the state would also be important to convey to the public and elected officials what these improvements actually mean. The basis for my comments is that throughout my professional life, I have been an observer and a participant in transportation, especially in the political context within which transportation operates. I think it is incumbent upon the transportation community to think very carefully about the impact of investments instead of just saying we fixed 300 bridges last year. Resources are limited, and we are competing with a lot of other societal needs. We definitely have to have a better sense of what we are talking about with regard to the outcomes of investment. I go back to Ysela's comments about system performance. I can't help but think that in a state like Florida which is experiencing such high levels of growth, that any system performance measures can be so overwhelmed by growth and other factors, that some sense of what you are truly accomplishing will be lost to your constituencies. So, that is why I recommended serious consideration to outcome measures.

Ysela Llort: It is much easier for our legislators and elected officials to relate to outputs than outcomes, because they are easier to measure. We can report on how many miles of Florida Interstate highways we build. It is harder for us to relate what impact this investment had in increasing mobility, accessibility, or whatever other measures we want in terms of outcomes. We have been very successful informing people on output. So there is a real reluctance to go to outcomes. It is a moral dilemma, because we are supposed to the talk about outcomes.

Kenneth Leonard: My feeling is that in terms of the technical analysis that precedes decision making, it is very important to have some sense of likely outcomes which can be represented in system monitoring efforts as performance measures. In the end, elected officials make decisions based on their own reality systems, which may not rely on data at all. We have to provide the data, but the extent to which they are used is often outside our control.

3. *To what extent is (or should be) planning, programming and finance integrated organizationally within one division or unit?*

Michael Meyer: I am no longer in a DOT position, but when I was, I fought every day for five years to get control of the programming process. In my mind, an integrated approach to planning, programming, and finance means having an integrated organizational structure. One of the easiest ways of doing this is to have all three functions in one unit.

Kenneth Leonard: We now have planning and programming under one umbrella, and I think it works. However, I don't think programming necessarily has to be moved in with planning. Rather, there has to be communication, coordination, and interaction among the planning and programming staff.

Ysela Llort: We do have it integrated. From a policy perspective, it is integrated within the context of the state's transportation plan. At the district level, it is again integrated because the same unit has this responsibility.