

# Performance-Based Budgeting for Caltrans

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LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Subcommittee No. 6  
On Budget Process, Oversight and Program Evaluation  
Hon. Bob Blumenfield, Chair





## Background on Performance-Based Budgeting

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### What Is Performance-Based Budgeting?

- Performance-based budgeting is the allocation of resources based on an expectation of performance levels, where performance is measured in specific, meaningful terms.
- It differs from the traditional approach to budgeting in that it focuses on outcomes rather than inputs and processes.



### How Has Performance-Based Budgeting Been Used in California?

- In the 1990s, the state undertook a pilot program to use performance-based budgeting for four departments (Department of Consumer Affairs, Department of General Services, Department of Parks and Recreation, and the Stephen P. Teale Data Center). The state did not fundamentally change how these departments are budgeted based on this pilot program.
- However, local governments and other states have used performance-based budgeting with varying degrees of success.



### What Are the Potential Benefits?

- Provides an effective way for the Legislature to determine and track a department's overall performance.
- Provides measurable outcomes for programs that are directly related to specific policy goals.
- Facilitates improved outcomes for programs by linking program funding to performance.



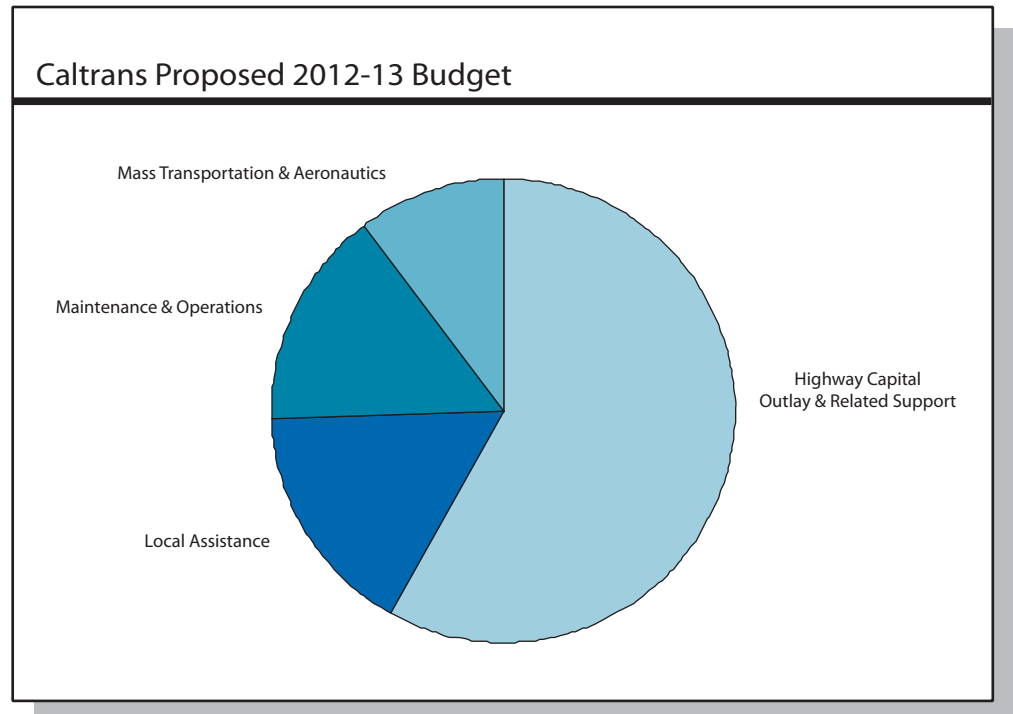
## **Keys to Successful Performance-Based Budgeting**

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- Strong Cooperation and Agreement Between the Administration and the Legislature**
- Focus on Department's Mission, Goals, and Outcomes, Not Inputs and Processes**
- Focus on Performance Measures That Are Relevant and Provide Accurate, Verifiable Results**
- Willingness to Accept a Longer-Term View of Implementation and Results**



## Overview of The Department of Transportation (Caltrans)



- Caltrans is primarily responsible for maintaining and operating state highways, administering federal transportation funds, and developing and overseeing the construction of projects that repair and improve state highways.
- The Governor's budget proposes about \$11 billion and 20,400 positions for Caltrans in 2012-13.



## Potential Performance-Based Measures For Caltrans

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### Condition of Highway System

- Primary goal of Caltrans is to maintain the state's highways.
- Pavement and bridge conditions impact drivers.
- Level of maintenance has future cost implications for the state.



### Throughput on Highways

- Caltrans is responsible for operating the state's highways, including relieving congestion.
- Amount of time spent in traffic is important to drivers.
- Different strategies to increase throughput can be more or less cost-effective than others.



### Project Delivery

- Caltrans has multiple goals to deliver projects in a timely manner.
- Evaluate cost-effectiveness and timeliness of Caltrans' delivery of projects.
- Project delays could increase costs and potentially reduce the amount of money available to support other projects.



## Issues for Legislative Consideration

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- Establish Performance Goals That Reflect Legislative Priorities**
- Carefully Choose Data Sources for Performance Measures**
  - Using data sources that may contain a bias or are not verifiable can result in misleading information or measures that only capture part of a program.
  - Rely on data that can be verified and accurately captures the type of performance being measured.
- Department's Priorities and Organizational Structure May Need to Change Based on Performance Goals**
- Measuring Performance Goals That Involve Multiple State Departments Can Be Challenging.**
  - For example, safety is an important issue, but Caltrans alone is limited in its ability to change highway safety outcomes.
- Performance Measures Will Not Necessarily Give Full Picture of a Department's Operations**
  - Performance measures are not a substitute for in-depth program reviews.
  - Since performance measures will tend to focus on a department's core program areas, they may not accurately reflect the outcomes of the smaller programs administered by a department.