

Transitioning to a Performance-Based Federal Surface Transportation Policy

Rockefeller Conference Center
Bellagio, Italy

March 16 – 20, 2010

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Workshop Overview

The Bipartisan Policy Center's (BPC) National Transportation Policy Project (NTPP) held an international workshop titled *Transitioning to a Performance-Based Federal Surface Transportation Policy* at The Rockefeller Foundation's Bellagio Conference Center from March 16 to 20, 2010. The conference convened twenty-five leaders in the transportation field. Representing diverse perspectives and constituencies, participants included current and former Congressional staff, state department of transportation (DOT) CEOs, public transit authority General Managers, a Metropolitan Planning Organization (MPO) Director, advocacy associations, academic thought leaders, and transportation officials from Australia, Sweden, and the United Kingdom. A complete list of conference participants is included at the end of this summary document.

The purpose of the workshop was to determine how the U.S. can effectively move federal surface transportation policy towards a more performance-driven framework.

Specific goals of the conference included:

- Identify and discuss **lessons learned** from performance-based programs in other countries and other relevant U.S. policy program areas
- Discuss differences and commonalities of participant perspectives on the **purposes and core elements** of performance-based transportation policies and programs
- Identify and explore **challenges for transitioning** to performance-based surface transportation policies and programs
- Chart **critical elements for beginning** a reliable and effective transition to performance-based surface transportation policies and programs

The workshop was organized to identify areas of agreement where they existed, and to narrow and clarify disagreements where there were opposing views.

The BPC hired a professional facilitator to lead the proceedings. During the conference there were formal presentations, particularly of specific relevant research, but the vast majority of time was devoted to discussion in both plenary sessions and smaller discussion groups. At times participants were asked to bring their expertise to bear on a particular topic, but most of the discussion was free-flowing and directed towards the goal of finding areas of agreement.

The first day of the conference focused primarily on the NTPP report, *Performance Driven: A New Vision for U.S. Transportation Policy*, as a straw man for a performance-based program, as well as on whether national goals and federal performance measures were necessary in transportation policy. Discussion during the second day was focused on how performance measures could be used to effectively influence the outcome of investments. The final day of the conference was devoted to specific next steps that could be undertaken to begin the transition to a performance-based system.

Findings of the conference conversations are described on the following pages.

Findings

As a result of the discussions and debate that took place at this conference, participants were able to agree to several specific steps that should be taken to build the necessary foundation and capacity to successfully begin transitioning to a performance-based federal transportation program.

The following actions participants agreed could be taken immediately, during an extension of current surface transportation law, in any further extensions or appropriations, or as part of a future multi-year authorization bill:

Action 1: Baseline Inventory and Assessment

Participants agreed that a critical first action is to **conduct a baseline inventory and assessment** of where we are as a nation in terms of having the institutional capacity and data collection techniques to begin the necessary transition to a performance-based system. It is clear that the entities that would likely be responsible for these activities, such as states and MPOs, have wide ranging skills and expertise. Some states and MPOs are more advanced in data gathering efforts, and have made varying levels of progress working toward integrating outcome measurement into decision making processes.

Developing a clear baseline would serve as a critical first step toward gauging available resources and necessary capacity. An inventory and assessment would help identify the essential building blocks necessary for transitioning to a performance-driven transportation program.

The components of such an assessment program could include:

- Directly supporting state and local entities in developing baseline information on their existing performance management practices

- Conducting an assessment at the federal level of practices and capacity to administer a performance-based program
- Identifying and evaluating various strategies to support and incentivize outcome-oriented investment by state and local recipients of federal dollars to advance clear national goals and performance measures

Together these inventory and evaluation baseline studies will help inform an understanding of the likely timeline, resources, and strategies necessary for full-scale development of a truly performance-driven transportation system.

Action 2: Research and Development of Performance Measures

Concurrent action is needed to **dedicate federal funds to the research and development of tools for establishing metrics and collecting data**. The development of these resources would assist policy and decision makers at all levels of government to better understand and refine a performance-driven framework, as well as help build institutional capacity. Some research and development can be done at the federal level, but there is also a **need for pilot programs through which willing states and MPOs could begin more rigorous testing of national goals and performance measures**. If measures are to begin to capture, for instance, the linkages between transportation investments and larger national goals such as economic growth, then ongoing development, testing, and refinement of data and methodologies are necessary.

Participants agreed that taking the time and investing the resources to support development of meaningful and reliable data, analytical tools, and to build institu-

tional capacity is necessary for an effective transition to a performance-based program.

A presentation on performance-based accountability systems (PBAS) during the conference raised similar sentiments around the ideal timing for implementing an incentive-based approach to awarding performance. This presentation highlighted details of a forthcoming study¹ on areas of domestic policy that have tried to move toward performance-based accountability. The study found, among other things, that PBASs that have implemented performance-driven policies in stages—including pilot testing, partial implementation, and ongoing adjustment—had far more success than those that attempted to put in place a performance-based framework in one fell swoop.

Action 3: Apply Federal Performance Measures in Safety and System-Wide Asset Management

Transitioning to a performance-driven framework could begin with **broad programmatic application of performance measures in the areas of safety and system-wide asset management**. Asset management, preserving and improving the existing physical components of the transportation system in order to maintain operations and a state of good repair, is an area, along with safety, that states have existing data and vetted collection methods. Many states and MPOs already use data in these areas to inform investment decisions and demonstrate performance.

In order to further advance this action, a future transportation authorization bill could refine and strengthen the

existing Highway Safety Improvement Program (HSIP) by including a performance bonus program that more effectively rewards measureable safety improvements. A future bill could also include a new performance-based asset management program with incentives for the development, refinement, and reporting on core national performance metrics.

Action 4: Consider Competitive Discretionary Programs as a Place to Begin Applying Performance Measurements

Application of broad national goals and performance measures to competitive transportation programs presents a timely and valuable opportunity for further testing the application and refinement of outcome-based performance metrics. Many participants agreed that applying outcome-oriented performance measures to new or existing discretionary programs is a reasonable way to both improve the consistency and rigor of discretionary fund distribution. Such application would also provide a laboratory for thoroughly vetting performance measures. The programs to which national performance measures could be applied include a potential competitive metropolitan program, a renewed freight or Projects of National and Regional Significance (PNRS) program, or another similarly structured discretionary funding program.

¹ Brian Stecher, Frank Camm, Cheryl Damberg, Laura Hamilton, Kathleen Mullen, Christopher Nelson, Paul Sorenson, Martin Wachs, Allison Yoh, Gail Zellman, “Towards a Culture of Consequences: Performance-based Accountability in Public Services,” RAND Corporation, Santa Monica, CA, 2010



Areas of Agreement

The findings discussed in the previous section were accepted as specific actions steps emerging from the conference. In addition to these actions there were topics where, although no determination of next steps for action was made, informative discussion and debate took place. These are cited as areas of agreement among conference participants.

Federal performance measures are needed

Conference participants generally agreed federal transportation policy should be framed around a performance-driven policy that articulates achievement of national goals and performance measures. In order to establish such a framework, a robust process of development, application, and refinement of metrics is needed to determine which are most suitable for measuring and monitoring performance. This process should also seek to determine where metrics should be used and how performance should eventually be linked to incentives, such as funding.

One of the central reasons for orienting federal transportation policy around a performance-driven framework is not only to strengthen decision making processes for transportation investments, but also **to equip decision makers with relevant data and information for effective communication with the public.** The latter is a major benefit of restructuring federal transportation policies and investments in ways that are performance-driven. All levels of government can operate more efficiently, effectively, and transparently when there is agreement about the desired outcomes. **Clear and demonstrative data and information also informs a more strategic and programmatic approach to resource allocation.**

Participants discussed framing the surface transportation program around a limited number of clearly defined

national goals. Many participants acknowledged that national goals of economic growth, energy security, environmental sustainability and safety have been at least generally noted, if not suggested by other groups and organizations engaged in this policy debate. Economic growth resulting from transportation investments was highlighted as one of the more challenging national goals to measure. It was agreed that critical work would be necessary to reach public and political consensus on the best methods for measuring and advancing performance in this area. Continually developing, applying, and refining possible economic growth metrics is necessary to be able to demonstrate performance of an investment.

A similar process is needed to garner consensus on how to measure and assess transportation investment programs advancing specific national interests in the areas of environmental protection and energy security. There was less disagreement among participants regarding the specific metrics likely to work in these areas; however, some participants specifically cautioned against the use of certain indicators related to climate change, quality of life, and related metrics that may be difficult to quantify or estimate, or that are challenging to link to a specific investment program or locality.

As discussed previously, under action items, most participants agreed that the federal interest in both safety and system-wide asset management presents the most immediate opportunity for designing a performance framework for the federal transportation program. These are two areas in which states already collect data and in many cases measure performance. A federal call for performance measurement in these areas would complement the ever-increasing public recognition of the importance of maintaining the safety and condition of the nation's critical infrastructure.

Consideration was given to other possible national goals such as metropolitan accessibility. A few conference participants felt it was intrusive for the federal government to be involved in monitoring performance toward this type of goal. Other participants, seeing metropolitan regions as the economic engines of the country, however, saw it as central to national competitiveness and thought that the federal government has a role in working with MPOs and other local/regional entities to support measuring performance impacts of alternative investment strategies and approaches in this area.

Rigorous testing, application and refinement of metrics is important in all areas—economic growth, environmental protection and energy security, safety and asset management—because **performance can only be effectively determined when the metrics are simple, easy to measure, clear and compelling to the public.**

While perhaps more challenging, many conference participants agreed that performance could be demonstrated more explicitly if metrics were devised as outcome oriented rather than as a system that monitors outputs. For example when demonstrating performance toward a goal such as economic growth, it could be more beneficial to measure and work toward an outcome-based metric such as increased accessibility to jobs and labor, rather than simply quantifying an output, such as number of trips. Demonstrating performance toward the former is also likely to be a stronger indicator of investments which further economic growth.

A number of conference participants cautioned that there could be real difficulty making outcome-based national goals such as economic growth measurable. These participants felt that, at least in the immediate term, metrics should be selected based on ease of ability to quantify and measure. Meaning that in some

cases an *output* based measure will be needed rather an *outcome* based measure.

Performance should be incentivized, but not yet through direct financial incentives

A lengthy and careful discussion of the steps that might be taken in any further extension of the current surface transportation law or included in a future authorization bill to implement performance-based decision making and to demonstrate performance management through federal incentives or other funding mechanisms took place during the conference. Participants felt that **incentivizing performance would represent a major shift in the way transportation funding is allocated.** The process of rewarding performance with direct financial consequence must be carefully considered, and incrementally phased in over a number of years.

Some workshop participants raised concerns about tying funding to performance for a number of reasons, one of which was the severe data limitations and increased organizational capacity needs that must be overcome in order to effectively and accurately demonstrate performance. Some participants felt that tying federal dollars to performance should not be mandated in the near term or it will run the risk of producing poor results and therefore being rejected as an overly burdensome, ineffective approach. Other conference participants felt that we are ready to transition to a system that ties funding to performance, and that despite the concerns, incremental steps necessary to transition to such a system need to begin to be put in place immediately. Another concern that participants felt important to acknowledge is that existing formulas for distributing federal funds are inherently political and that there will be substantial challenges faced attempting to insert performance measurements in the distribution.

Participants noted that even without tying performance to funding, **requiring clear, explicit information and transparency would induce competitiveness among recipients of federal funds and draw attention to lagging states and regions in a way that incentivizes performance.** For instance, explicit nationwide data requirements would encourage and compel more action in states and regions. However, as was discussed previously, many states, MPOs, and other relevant agencies currently lack the capacity to begin operating within a performance-driven framework in the immediate term. It is therefore necessary that **resources be dedicated in the immediate term to build the capacity and technical competencies of agencies responsible for measuring and demonstrating performance.**

Moving toward a performance-driven framework requires collaboration

A number of conference participants highlighted the fact that there are several state and local agencies across the country already collecting data and measuring performance. These **entities have expertise which should be leveraged to help establish a federal performance-driven transportation program.** Participants recommended that moving toward a performance-driven framework **must be a dynamic process with extensive collaboration between local, state and federal officials, as well as with stakeholders of the transportation system,** whose needs should help determine what the desired performance should be.

Interim steps discussed by conference participants that may offer the opportunity to begin moving toward a more collaborative approach to performance-driven transportation policies include putting in place a performance bonus program. Such a program would allow for supplemental funds to be awarded based on demonstrating achievement of certain objectives including col-

laboration. A number of participants noted the value of rewarding agencies for putting in place a more collaborative approach, for going through a process of setting up methods for improved data collection, as well as for attempting to measure performance toward agreed upon national goals.

Another interim step that might encourage the establishment of performance-driven transportation policies would be putting in place non-financial incentives for demonstrated performance. For example, prior to tying performance to funding, Congress could tie performance to increased flexibility. This could mean increased flexibility in spending and/or less federal oversight as a result of successfully demonstrating performance. The reverse could also be used to incentivize performance—less flexibility and/or increased government oversight imposed as a result of a lack of demonstrated data collection and performance. Some participants cautioned strongly that a punitive approach, such as increased oversight or withholding funds for noncompliance toward established metrics, would not be effective due to concerns discussed below under “scope of control”. Some participants expressed concern about the possibility of being held accountable, or in this case punished, for a lack of performance in areas that are beyond their control.

Key Discussion Topics

A number of topic areas were explored during the conference where little consensus was reached, but where there was insightful commentary relevant to the ongoing debate about transitioning to a performance-driven transportation system. These areas are cited as key discussion topics.

Importance of a Well Defined National System

Defining the national transportation system and the federal government's role in governing, investing and monitoring the system was a topic of great interest and debate during the conference. There was discussion as to whether the national transportation system needs to be more clearly defined, as well as debate about, if appropriate, how to proceed in defining the system. Issues defining the system could include which modes should be part of the national system, whether and if so how certain assets should be prioritized for federal investment, and the criteria for determining the appropriate roles and levels of federal investment in the system. There was general consensus among participants about the federal role and responsibility ensuring that core assets making up the system are maintained to ensure national competitiveness.

A related issue raised by conference participants was the irony of the United States having a federal transportation program, but lacking a prioritized federal network. Instead the national (and international) network is owned and/or operated by a number of different state and local entities, as well as the private sector (as is also the case, for example, with freight railroads and many port terminals). The U.S. transportation system is different in this way from other nations in that the federal government provides funding and regulatory guidance, but owns almost none of the actual assets. This makes defining the priorities and role of the federal government in the national transportation system both challenging and necessary.

Importance of Metropolitan Regions

Structuring specific national transportation policies and investments giving recognition and priority to metropolitan regions, as the economic engines of the economy, is an area that sparked substantial discussion during the conference. International representatives, including delegates from Australia, Sweden, and the United Kingdom articulated that their national governments have realized the value of structuring policies and funding in a way that ensures the national interest in the health of metropolitan regions is recognized and prioritized. There have been many conversations in the U.S., at the theoretical level, and research about which metropolitan regions are most critical to the national interest. However, there have not been specific conversations about the need for targeting resources within these areas to advance the future economic growth of the country. At the federal level, the trend has been to spread highway and transit resources across the nation to all - urban, suburban, and rural areas—rather than strategically targeting investments.

With resources scarce at every level of government, as previously mentioned, a number of participants felt it essential to move toward a system where federal investments are strategically targeted toward advancing the achievement of outcomes that are in the national interest. There is an increasing need to recognize where investments are most critical to ensuring national competitiveness and for determining what kind of strategic federal investments should be made to support places that bring the most overall benefit to the nation.

Importance of Working Across Sectors

Numerous complex global challenges face our nation, such as global competitiveness and energy security, that require solutions to which transportation investments are integral. Conference participants highlighted the fact that these issues can most effectively be addressed by breaking down silos and working across sectors.

An international example of this type of approach is that of *Infrastructure Australia*. This agency was set up to alter Australia's approach to transportation planning, funding and implementation by bringing multiple stakeholder interests to the decision making table. The idea was for diverse interests, particularly those of the private sector, to prioritize transportation, energy, broadband, and water investments aligned with identified national interests in economic competitiveness and growth. Conference participants appreciated the value in this type of approach, although noting that a similar approach, if implemented in the U.S., would have to work within the federal system of U.S. governance and have strong authorities delegated to states and local governments.

Concerns with Scope of Control

Determining the appropriate scope of control for federal grant recipients was an area of ongoing debate among conference participants. There was general consensus that states, MPOs, and other entities do not want to be held accountable for indicators over which they currently have little control or management responsibility. A federally driven performance framework would likely require states and local agencies to quantify data and demonstrate results in areas in which they have not previously been responsible. On the other hand, some participants argued that the fact that these indicators were beyond the usual scope of control was exactly the point—only within a system truly focused on performance would state legislatures and Governors make the decisions necessary for investments focused on advancing broad outcomes.

This issue was particularly pronounced when considering the methodology for measuring and demonstrating performance toward goals such as economic growth, environmental protection and energy security. As noted previously, there was less resistance toward demonstrating results in the areas of safety and asset management. This is likely a result of agency familiarity with collect-

ing data in these areas, the direct control agencies have over these areas; and a function of agencies' being able to impact results in these areas. It is therefore critical to devise metrics and data collection methods in the areas of economic growth, environmental protection and energy security that are comprehensible and not overly burdensome. It is likely that, as agencies become accustomed to measuring and reporting on metrics resistance to being held accountable will diminish.

Need to Recognize Time Lag in Achieving Outcomes

A significant issue focusing a new national transportation program around national performance metrics is the lag in time for transportation investments between action taken and measurable performance. Although most conference participants agreed that measuring and evaluating performance is important, there was widespread concern that it often takes years or even decades for transportation investments and/or policies to demonstrate results. For example, while land use changes may be an essential element for improving the sustainability of the transportation network—it is clear that these changes take considerable time to impact development patterns. Similarly, a new transportation investment may take a decade or more to construct and become operational, much less demonstrate performance results.

Due to the challenges of demonstrating performance with this time lag some conference participants suggested that, in some cases, modeling and projections may be able to substitute for actual performance. However, others cautioned that this may open the door for gaming of the system and expressed a lack of confidence in transportation modeling capabilities.

These concerns surrounding time lag reinforce the need to proceed with caution, particularly with respect to economic and environmental metrics that often take a long time to demonstrate results.

Going Forward

Conference participants felt strongly that the end of the conference should not be the end of the efforts of this group to contribute to and move forward performance-based transportation policies. Although there were many significant challenges identified in the push toward a performance-driven system, there are some preparatory and development steps that should be a cornerstone of any extension of current surface transportation law, as well as put forth in a future multi-year authorization bill. As a result of this workshop, participants plan to help inform the public discourse on legislative and executive strategies for moving toward performance-based transportation policies.

There are clear legislative actions that can be taken within any extension of the current transportation law prior to a future multi-year transportation bill being authorized. For example, pilot programs can be called for, including support for states and MPOs that wish to begin rigorous testing of national performance measures. This could at first be accomplished administratively by U.S. DOT, but would eventually benefit from Congressional direction and support through legislative action.

Action can be taken to begin the needed research, development, and refinement of performance measures and tools for data collection. Some actions could be taken by U.S. DOT immediately, using unallocated research money to work with states and MPOs to begin performance measurement and reporting. Baseline assessments in particular could begin right away and could prove valuable prior to the finalization of a future authorization bill.

In addition to these clear opportunities to move forward during any extension period, there are some action items that are best suited for implementation within a future authorization bill. For example, the development of an improved safety program or a performance-based asset

management program is probably best accomplished through new multi-year legislation. Similarly new legislation would be needed to begin applying performance measures to any competitive discretionary programs.

Conference participants agreed to work together to promote the findings of the workshop wherever possible. This includes briefing officials at U.S. DOT, in Congress, and in the White House. Collectively the power of this group is large and members felt it should be wielded effectively. It was recognized that moving toward a performance-driven transportation program would be a long process with a need for deliberate and careful steps. However, participants felt that the end goal of a performance-based federal transportation system, and ultimately a more competitive and prosperous nation is so critical that no time should be lost laying an evidence-based foundation for moving forward.

Conference Participants

Susan Binder

Senior Associate
Cambridge Systematics, Inc.

Martin Capstick

Director Strategic Roads and
National Networks
UK Department for Transport

Michael Deegan

Infrastructure Coordinator
Infrastructure Australia

Pat Field

Managing Director
Consensus Building Institute

Emil Frankel

Director Transportation Policy
Bipartisan Policy Center

JayEtta Hecker

Director Transportation Advocacy
Bipartisan Policy Center

Steve Heminger

Executive Director
Metropolitan Transportation
Commission

John Horsley

Executive Director
American Association of State
Highway Transportation Officials
(AASHTO)

John English

General Manager/CEO
Utah Transit Authority

Janet Kavinoky

Director
Transportation Infrastructure
U.S. Chamber of Commerce

Doug MacDonald

Former Secretary
Washington State Department of
Transportation

Deb Miller

Secretary
Kansas State Department of
Transportation

Richard Mudge

Vice President
Delcan Corporation

Marianne Nyberg

Director Head of Office
Swedish Roads Administration

James O’Keeffe

Senior Economist
U.S. Senate Committee Environment
& Public Works

Colin Peppard

Deputy Director
Federal Transportation Policy
Natural Resources Defense Council

Rob Puentes

Senior Fellow
Brookings Institution

Pete Rahn

Director
Missouri State Department of
Transportation

Kathy Ruffalo

President
Ruffalo and Associates

Maria Saldaña

Metropolitan Planning Council
Illinois State Toll Highway Authority

Joshua Schank

Director Transportation Research
Bipartisan Policy Center

Beverly Scott

General Manager/CEO
Metropolitan Atlanta Rapid Transit
Authority

Nikki Thorpe

Senior Policy Analyst
Bipartisan Policy Center

Nicholas Turner

Managing Director
The Rockefeller Foundation

Susan Urahn

Managing Director
The Pew Charitable Trusts

Marty Wachs

Director Transportation, Space &
Technology
RAND Corporation

