



# HB 20 – Preliminary Report

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Legislative Report – March 31, 2016

## Table of Contents

▪ Introduction	3
▪ HB 20 Overview	3
▪ Item 1: Alternative Methods of Financing	4
▪ Item 2: Performance Metrics and Measurement Tools	14
▪ Item 3: Department Collaboration	20
▪ Item 4: Rules, Policies, Programs, and Plans	25
▪ Item 5: Zero-Based Budgeting Principles	27
▪ Conclusion	29
▪ Next Steps	30

## Figures

▪ Figure 1: State Motor Fuels Tax – Purchasing Power	5
▪ Figure 2: Leveraging Funds through Alternative Project Delivery	7
▪ Figure 3: Regional Toll Revenue as of January 31, 2016	7
▪ Figure 4: Total Bond Capacity	9
▪ Figure 5: Bond Capacity Used	10
▪ Figure 6: Bonds Outstanding	10
▪ Figure 7: TIFIA Assistance Secured in Texas by Project Sponsor (Active & Retired)	11
▪ Figure 8: State Infrastructure Bank Financial Summary (as of December 31, 2015)	12
▪ Figure 9: Examples of Major Projects and Financing Methods	14
▪ Figure 10: Current UTP Project Scoring Methodology	17
▪ Figure 11: Portfolio and Key Portfolio Management Elements	20
▪ Figure 12: Performance-Based Process – 10-Year Plan Perspective	26

## Introduction

The Texas Department of Transportation (TxDOT) has been privileged to work with the House and Senate Select Committees on Transportation Planning, other members of the Texas Legislature, their staff, planning organization representatives, numerous transportation stakeholders, and other interested parties and customers during the last nine months in an effort to develop the groundwork for a performance-based transportation planning and programming process as called for in House Bill (HB) 20.

Since delivery of the [HB 20 – Initial Report](#) (Initial Report) in September 2015, a number of key initiatives have moved forward. Thanks to the support of Governor Abbott and the Legislature, the voters of Texas overwhelmingly passed Proposition (Prop.) 7 in November. In February, the Texas Transportation Commission (Commission) approved an initial \$1.3 billion of new funding to the state’s five major metropolitan areas to address local congestion priorities, \$400 million for connectivity and safety projects, and \$60 million for border infrastructure projects. As a result of the work of a Core Strategy Team (CST) of department staff, Commission also adopted updates to TxDOT’s values, vision, mission, goals, and objectives.

### **TxDOT Mission**

*Through collaboration and leadership, we deliver a safe, reliable and integrated transportation system that enables the movement of people and goods.*

## HB 20 Overview

House Bill (HB) 20, as passed by the 84<sup>th</sup> Legislature, requires changes be made to several of the planning and programming processes that the Commission, TxDOT, and “planning organizations” use to prioritize and finance transportation projects. HB 20 also calls for TxDOT to provide information to the legislature on a number of factors. The HB 20 – Preliminary Report (Preliminary Report) includes information on the following five items:

- *“The use and utilization of alternative methods of financing that have been authorized by the legislature for projects;”*
- *“Performance metrics and measurement tools used by the department to evaluate the performance of a department project or program;”*
- *“The department’s collaboration with state elected officials, local governments, government trade associations, metropolitan planning organizations, regional mobility authorities, and other entities when adopting rules or formulating policies;”*
- *“Any proposed rule, policy, program, or plan of the commission or department of statewide significance;” and*
- *“Any possible benefits of utilizing zero-based budgeting principles.”*

This, the Preliminary Report, has been prepared by TxDOT in consultation with the HB 20 Planning Organization Stakeholder Committee (POSC). The POSC is comprised of representatives from the state's metropolitan planning organizations (MPOs) and TxDOT. The committee also assisted with the development and preparation of the Initial Report.

The Initial Report, which was provided to the legislature on September 1, 2015, included information on the following three factors:

- *“Department projections regarding the revenue needed by the department to maintain current maintenance, congestion, and connectivity conditions;”*
- *“The development of funding categories, the allocation of funding to such categories by formula, project selection authority for each funding category, and development of project selection criteria for commission, department, and district-selected projects;” and*
- *“Department rules and policies regarding the development and implementation of performance-based scoring and decision making for project prioritization and selection of commission, department, and district-selected projects.”*

Along with the items discussed in this and the Initial report, a number of other key planning and programming provisions were enacted with the passage of HB 20. These include:

- Development and implementation of performance metrics and measures as part of the department's planning processes;
- Development of ten-year funding use plans by MPOs and TxDOT districts;
- Adoption of rules by the Commission for project prioritization and performance-based funding processes; and
- Design-build contract award stipulations.

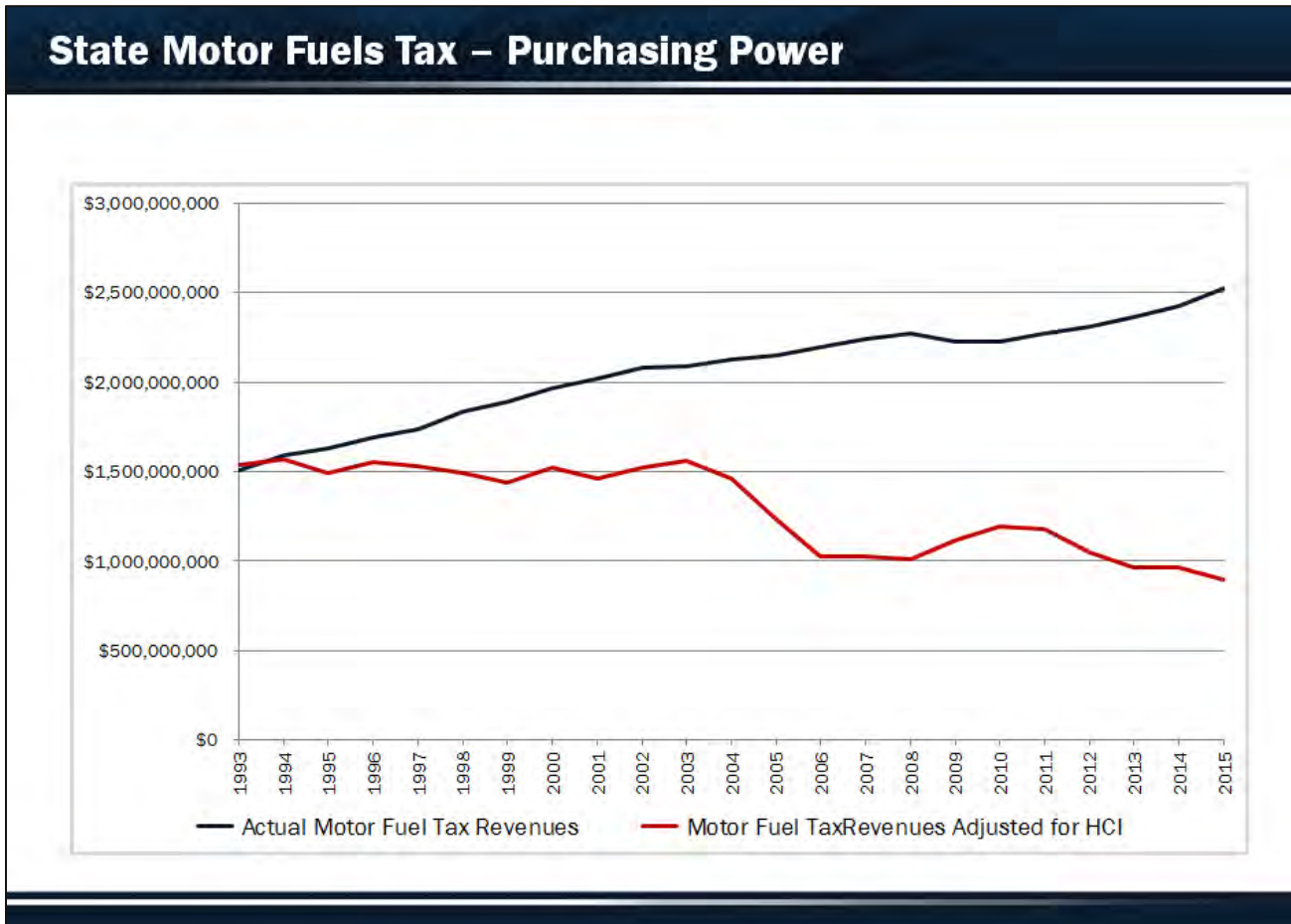
### **Item 1: Alternative Methods of Financing**

In accordance with HB 20, this section of the report provides information on *“... the use and utilization of alternative methods of financing that have been authorized by the legislature for projects.”*

Since the early 2000's, Texas has faced a number of challenges relating to the funding of transportation infrastructure. Among the challenges were the uncertainty of federal funding, historically increasing costs, the aging of the state highway system, increasing population, the revenue effects of increasing fuel economy, the declining purchasing power of state highway funds, and other competing priorities of state budget writers.

The following graphic illustrates the impact of these challenges. The blue line shows actual state Motor Fuel Tax (MFT) revenues since the rates were last adjusted, while the red line adjusts the revenue for inflation in construction costs. As is shown, MFT revenues alone have not been able to keep up and sustain the state’s infrastructure needs.

Figure 1: State Motor Fuels Tax – Purchasing Power



In response to these challenges, beginning in 2003, the Texas Legislature has provided several alternative methods of funding that have allowed TxDOT and its partners to accelerate the delivery of transportation projects. As will be further discussed in this section, these alternatives have helped get highway projects to construction more quickly than what would have otherwise been possible.

For the purposes of this report, “alternative methods of financing” is understood to mean state funding opportunities other than certain revenues to the State Highway Fund (SHF) such as motor fuels taxes, vehicle registration fees, Prop. 1 and Prop. 7 funding.

## *Comprehensive Development Agreements*

[Comprehensive Development Agreements](#) (CDAs) are a method of alternative financing that enable the state to leverage private investment and share the risks and responsibilities associated with the design, construction, and in some cases financing and maintenance of transportation projects.

State law governing CDAs provides a competitive process for selecting private-sector developers of regional projects or other large undertakings that allow TxDOT to select the proposal that provides the best value to the state. In addition, because multiple tasks can occur simultaneously, using CDAs can significantly reduce the overall time needed to deliver large transportation projects. State law also limits the number of CDA projects TxDOT may undertake.

TxDOT uses different types of CDAs, including design-build contracts and concession agreements. Design-build contracts provide a mechanism for property acquisition, design, and construction to occur simultaneously under a single contract, but do not include private-sector financial participation. Concession agreements require that a private-sector developer be responsible for performing some or all of the development, financing, operation, and maintenance of a facility for a specific time period up to 52 years. In exchange, the developer receives a share of revenue from tolls collected from facility users. Such projects may require a developer to share revenue with TxDOT over the life of the contract. In some cases where the projected revenues are significant, such as SH 130 from Seguin to Mustang Ridge, a CDA may also require the developer to make an upfront concession fee payment to the state. A concession agreement places all revenue risk (or the risk of the projected revenues being adequate to cover project costs and debt service) on the developer.

Without CDAs and other financing options, TxDOT would not have been able to initiate and complete several significant projects for many years (*Figure 2*). CDAs have enabled TxDOT and its partners to improve mobility, reduce air emissions, and improve safety by completing these vital projects years ahead of schedule.

Figure 2: Leveraging Funds through Alternative Project Delivery

Project	Year	Total Capital Costs	Public Funding	Portion of Project Leveraged
Central Texas Turnpike System	2002	\$3,140,000,000	\$880,000,000	72%
SH 130 (Segments 5 & 6)	2006	\$1,367,000,000	\$0	100%
LBJ Managed Lanes	2009	\$2,980,000,000	\$762,000,000	74%
North Tarrant Express (Segments 1 & 2W)	2009	\$2,110,000,000	\$594,000,000	72%
SH 99 - Grand Parkway (Segments F1, F2 & G)	2013	\$2,930,000,000	\$0	100%
IH 35E Managed Lanes	2013	\$1,360,000,000	\$1,070,000,000	21%
North Tarrant Express (Segment 3E)	2013	\$1,510,000,000	\$211,000,000	86%
SH 183 Managed Lanes	2014	\$1,010,000,000	\$692,000,000	31%
SH 71 Express	2014	\$139,000,000	\$90,000,000	35%
SH 288 Harris County	2015	\$815,000,000	\$17,000,000	98%
<b>Total</b>		<b>\$17,361,000,000</b>	<b>\$4,316,000,000</b>	<b>75%</b>

Note: Above figures do not include long-term maintenance.

### SH 121 and SH 161 Funds

Similar to a concession fee, TxDOT received up-front payments from the North Texas Tollway Authority in exchange for the right to build SH 121 and SH 161. These payments were deposited in a separate account in the SHF and used to pay for transportation projects selected by the North Central Texas Council of Governments (NCTCOG). These projects are located in Collin, Dallas, Denton, Ellis, Kaufman, Rockwall, and Tarrant Counties.

Figure 3: Regional Toll Revenue as of January 31, 2016

Project	SH 121	SH 161
Total Deposits	\$3,665,899,489	\$206,339,978
Expenditures	\$2,628,861,633	\$139,948,651
Available Cash	\$1,037,037,856	\$66,391,327

### Toll Revenue Bonds

The Texas Transportation Commission is authorized to issue Project Revenue Bonds (or Toll Revenue Bonds). These bonds are secured by the toll revenue collected. The Commission has issued Toll Revenue Bonds for the Central Texas Turnpike System in Austin (\$2.2 billion) and the Grand Parkway (SH 99) in the Houston region (\$2.9 billion to date). These bonds do not constitute an obligation of the state, the Commission, TxDOT, or any other agency or political subdivision of the state.

## *Texas Mobility Fund*

The [Texas Mobility Fund](#) (TMF) was authorized by voters in 2001, and the Texas Legislature identified revenues to be dedicated to the fund in 2003 to advance transportation projects. In 2015, the Legislature enacted legislation that prevents the issuance of new debt except to refund existing bonds for debt service savings and to renew or replace existing credit agreements.

TMF debt service payments are secured by the Fund's revenues and are further backed by the full faith and credit of the state. In any year, projected revenues must be forecast by the Comptroller of Public Accounts to be at least 110 percent of the debt service. The maximum maturity for TMF debt is 30 years.

Ninety-eight percent of the revenue deposited to the TMF comes from motor vehicle inspection fees, driver's license fees, driver's license information fees, and certificate of title fees. By law, the Commission may use the bond proceeds for state highways, publicly owned toll roads, and public transportation projects. The fee revenue may be used for the same purposes as bond proceeds excluding toll roads. Current credit ratings for the TMF are AAA by Fitch, Aaa by Moody's, and AAA by Standard and Poor's (S&P).

## *State Highway Fund Revenue Bonds (Prop. 14)*

The Commission is also authorized to issue [State Highway Fund Revenue Bonds \(Prop 14\)](#) for highway improvement projects. The Texas Legislature and voters approved the issuance of Prop. 14 bonds in 2003, in part as a way to build projects sooner and avoid the effects of inflation on project costs.

The Commission may issue a total of \$6 billion in Prop. 14 bonds. An issuance cannot exceed \$1.5 billion in any one year, with a maximum maturity of 20 years. Debt service payments may be secured by any SHF revenue. Projected debt service may not exceed 10 percent of the prior year's deposits to the fund. All \$6 billion of Prop. 14 bond authority has been allocated to projects. Current credit ratings for SHF Revenue Bonds are Aaa by Moody's and AAA by Standard and Poor's.

The first issuance of Prop. 14 bonds occurred in 2006 when inflation increased construction costs by 22.9 percent over the previous year. Between 2003 and 2015, the Highway Cost Index (HCI), a measure of actual construction costs, saw an average year-over-year increase of 6.8 percent in Texas. This average increase includes the years following the recession in which costs actually decreased. Meanwhile, the weighted average cost (WAC) of borrowing funds for the Prop. 14 program, as shown in *Figure 5*, is only 3.37 percent over the life of the bonds.



## Highway Improvement General Obligation Bonds (Prop. 12)

In 2007 Texas voters approved a constitutional amendment to allow the Legislature to authorize the Commission to issue up to \$5 billion in general obligation debt. These bonds are referred to as [Highway Improvement General Obligation](#) (HIGO), or Prop. 12 Bonds. These bonds, which are payable from the general revenues of the state, are subject to appropriation and can currently be issued up to an aggregate amount of \$5 billion. They may be used by the Commission to pay all or part of the costs of highway improvement projects.

The legislature authorized \$2 billion in Prop. 12 bonds in 2009. The remaining \$3 billion in bonds were authorized in 2011 pursuant to Rider 42 of the department's appropriation as follows:

- \$1.4 billion to TxDOT's 25 districts;
- \$600 million to the state's 25 MPOs under existing formulas;
- \$200 million for statewide highway connectivity improvements;
- \$500 million for bridges; and
- \$300 million to plan for congestion relief in the five most congested metropolitan areas of the state (Austin, Dallas, Fort Worth, Houston, and San Antonio).

Current credit ratings for Prop. 12 bonds are AAA by Fitch, Aaa by Moody's, and AAA by S&P.

## Bond Program Summary

The following three tables provide a summary of TxDOT's overall bond program as of November 1, 2015. These figures reflect net debt service for Build America Bonds and assume future subsidy. Both TMF and Prop. 12 bonds are limited to a maximum maturity of 30 years, while Prop. 14 bonds are limited to 20 years. Finally, future debt issuances have assumed interest rates and actual results will vary.

Figure 4: Total Bond Capacity

	TMF*	Prop. 14	Prop. 12	Total
<b>Par + Premium</b>	\$7,390,629,619	\$6,000,000,000	\$5,000,000,000	\$18,390,629,619
<b>Total Repayments<sup>1</sup></b>	\$13,990,000,000	\$8,940,000,000	\$7,800,000,000	\$30,730,000,000
<b>Projected MADS<sup>2</sup></b>	\$545,000,000	\$400,000,000	\$330,000,000	
<b>Repayment Fund</b>	Texas Mobility	State Highway	General Revenue <sup>3</sup>	

<sup>1</sup> Total repayments reflect past and estimated future debt service payments.

<sup>2</sup> MADS = maximum annual debt service.

<sup>3</sup> Repayments may also be made from Prop. 7 deposits to the SHF.

\* The Texas Legislature designed the TMF to serve as a perpetual fund by dedicating specific transportation-related revenues for the payment of debt service. The timing and amount of bonds that may be issued are determined based on the Comptroller of Public Accounts forecast of those dedicated revenues and market interest rates. As of June 10, 2015 TMF bonds can only be issued to refund existing bonds for debt service savings, refund variable rate bonds, and renew or replace credit agreements.

Figure 5: Bond Capacity Used

	TMF	Prop. 14	Prop. 12	Total
Par + Premium	\$7,390,629,619	\$5,299,851,213	\$3,557,991,860	\$16,248,472,692
Total Repayments <sup>1</sup>	\$13,990,000,000	\$7,940,000,000	\$5,440,000,000	\$27,370,000,000
WAC <sup>2</sup>	3.85%	3.37%	3.15%	

<sup>1</sup> Total repayments reflect past and estimated future debt service payments.

<sup>2</sup> WAC = weighted average cost of borrowing; not reflective of decreased Build America Bond subsidy payments.

Figure 6: Bonds Outstanding

	TMF	Prop. 14	Prop. 12	Total
Principal Outstanding	\$6,317,715,000	\$4,111,105,000	\$2,991,410,000	\$13,420,230,000
Remaining Repayments	\$11,200,000,000	\$5,810,000,000	\$5,010,000,000	\$22,020,000,000

### Pass-Through Financing

The [Pass-Through Financing](#) program allows local communities to fund the upfront costs of constructing a highway project. The state then reimburses project costs to the community over time by paying a fee for each vehicle that drives on the new highway. Projects must be on the state highway system to be eligible to be developed under this program.

Under this program, TxDOT facilitated the development of state highway improvement projects valued at approximately \$1.7 billion. The last program call for pass-through projects occurred in 2011. No additional calls for projects are anticipated at this time.

### Transportation Infrastructure Finance and Innovation Act

The [Transportation Infrastructure Finance and Innovation Act](#) (TIFIA) is a federal program that provides credit assistance for surface transportation projects. TIFIA is a critical component in the delivery of large-scale projects. Since TIFIA's inception in 1998 as part of the Transportation Equity Act for the 21st Century, Texas has been a frequent user of the program. Within the last 10 years, the Texas Legislature has enacted several innovative financing initiatives that may be used in conjunction with TIFIA to help TxDOT deliver projects sooner and more efficiently. Examples include:

- Comprehensive Development Agreements (CDAs): Texas' version of public-private partnerships allows the state to partner with the private sector to finance and develop new, state-owned mobility projects.
- Toll Revenue Bonds: TxDOT has the ability to issue bonds for specific tolled projects and use toll revenue to repay the bonds.
- Private Activity Bonds (PABs): The Legislature passed legislation in 2005 to allow the state to issue PABs in order to keep a private developer's borrowing costs as low as possible.

To date, TxDOT has received \$4.2 billion in TIFIA assistance which, combined with state, local, and private investment, has yielded over \$13.8 billion in total project funding. These projects have been critical to relieving congestion and contributing to the efficient movement of people and goods in heavily populated areas of the state. The following table provides information on both TxDOT and other TIFIA projects in Texas.

Figure 7: TIFIA Assistance Secured in Texas by Project Sponsor (Active & Retired)

Project Name	Borrower	Project Sponsor	Project Cost	TIFIA Assistance	Loan Status	FFY Closed
Central Texas Turnpike System	TxDOT	TxDOT	\$3,250 M	\$900 M	Retired	2002
Grand Parkway (Segments D–G)	GPTC	TxDOT (GPTC)	\$2,941 M	\$841 M	Open	2014
North Tarrant Express (Segments 3A and 3B)	Developer	TxDOT	\$1,638 M	\$531 M	Open	2014
North Tarrant Express (Segments 1 and 2A)	Developer	TxDOT	\$2,047 M	\$650 M	Open	2009
IH 635 Managed Lanes	Developer	TxDOT	\$2,615 M	\$850 M	Open	2008
SH 130 (Segments 5 and 6)	Developer	TxDOT	\$1,328 M	\$430 M	Open	2007
Subtotal TxDOT Sponsored Projects			\$13,819 M	\$4,202 M		
Dallas Area Rapid Transit Project Orange Line Extension (I-3)	DART	DART	\$397 M	\$120 M	Open	2013
President George Bush Turnpike Western Extension	NTTA	NTTA	\$1,268 M	\$418 M	Open	2011
183-A Turnpike	CTRMA	CTRMA	\$305 M	\$66 M	Retired	2005
183 South	CTRMA	CTRMA	\$742 M	\$282 M	Open	2016
Subtotal Other Texas Projects			\$2,712 M	\$886 M		
<b>TOTAL TIFIA ASSISTANCE SECURED IN TEXAS</b>			<b>\$16,531 M</b>	<b>\$5,088 M</b>		

### Private Activity Bonds

Private Activity Bonds (PABs) are debt instruments issued by state or local governments for which the proceeds are used to construct projects with significant private involvement. PABs have long provided a low-cost financing option for various types of public-benefit infrastructure projects, such as ports, water, and sewer projects. Highway projects were not eligible for PAB financing until the passage of the federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) transportation reauthorization act in 2005.

SAFETEA-LU added highway and freight transfer facilities to the types of privately developed and operated projects for which PABs may be issued. This change allows private activity on these types of projects while maintaining the tax-exempt status of the bonds. Projects that receive TIFIA credit assistance are eligible to receive this tax-exempt bonding authority. The law limits the total amount of bond issuance to \$15 billion and directs the Secretary of Transportation to allocate this amount among qualified facilities.

Together TIFIA and PABs provide substantial incentives for private equity investment in highway and freight projects. PABs have been issued for the following Texas highway projects:

- North Tarrant Express - Fort Worth \$400,000
- IH 635 Managed Lanes (LBJ Freeway) - Dallas \$615,000
- North Tarrant Express (Segments 3A & 3B) - Fort Worth \$274,030

Additionally, the SH 288 project in the Houston area has received an allocation but the bonds have yet to be issued. To date, just over \$10 billion of the \$15 billion authorized by Congress have been allocated nationwide.

### State Infrastructure Bank

[State Infrastructure Banks](#) (SIBs) were authorized at the federal level in 1995 as part of the National Highway Designation Act to allow public and private entities to borrow from states at favorable terms to help accelerate needed highway and transit projects. The Texas SIB, which was authorized in 1997 by the State Legislature, is an account within the SHF. The SIB has both highway and transit subaccounts, but only the highway subaccount has been funded.

The SIB is administered by the Commission. As a revolving loan fund, the account balance grows through monthly interest earned on balances on hand, repaid principal, and interest payments. SIB financial assistance can be granted to any public or private entity authorized to construct, maintain, or finance an eligible transportation project. Projects must be eligible for funding under existing federal highway and transit programs and must be consistent with the Statewide Transportation Improvement Plan (STIP). The following table provides a status report of the SIB.

Figure 8: State Infrastructure Bank Financial Summary (as of December 31, 2015)

<b>Deposits</b>	
Federal Funds Deposited (1997 to 2004)	\$171,288,804
State Matching Funds Deposited (1997 to 2004)	42,822,201
State Funds (2011)	60,000,000
Interest Earned on SIB Deposits	58,220,459
SIB Loan Interest Repaid	140,474,093
<b>Total Deposits to Date</b>	<b>\$472,805,557</b>
SIB Cash Balance	\$332,635,198
Outstanding Loans	140,170,359
<b>Total (Cash and Outstanding Loans)</b>	<b>\$472,805,557</b>

To date, the Commission has approved 105 SIB loans totaling more than \$500 million with 68 of these loans repaid in full. Of the 68 loans repaid, 19 were repaid early.

## *Transportation Reinvestment Zones*

[Transportation Reinvestment Zones](#) (TRZs) are a tool created by the Texas Legislature to help local entities fund transportation projects. Cities, counties, and port authorities have the authority to set up a TRZ. The local governing body designates a zone in which it will promote a transportation project. The governing body must make the following determinations in order to set up a zone:

- The proposed zone must be deemed underdeveloped.
- The area of the TRZ will:
  - Promote public safety;
  - Facilitate the improvement, development, or redevelopment of property;
  - Facilitate the movement of traffic; and
  - Enhance the local entity's ability to sponsor transportation projects.

Once the zone is created, a base year is established and the incremental increase in property tax revenue collected inside the zone is used to finance a project in the zone. TRZ highway projects may be on or off the State Highway System.

TxDOT is not involved in the creation of the zone but is a partner with respect to development of state highway projects, and is available to assist with financial feasibility studies. Additionally, the revenue may be used as part of a pledge to pay back a SIB loan. It should be noted, revenue generated in a TRZ cannot not be the result of an increased tax rate.

## *Summary*

The alternative methods of financing discussed in this report have been critical in the delivery of billions of dollars' worth of transportation infrastructure throughout the state. Through these methods, TxDOT and its partners have been able to deliver benefits to the state such as improved safety, reduced congestion, and greater connectivity much earlier than if these options had not existed. They have allowed TxDOT to leverage state funding through partnerships with public and private entities, and financing programs. It should be noted that most projects draw from multiple funding sources using both traditional and alternative funding methods.

The following table provides a sampling of major projects, both tolled and non-tolled, that utilized multiple funding methods to deliver the project sooner than would have been possible using traditional state highway funds alone.

Figure 9: Examples of Major Projects and Financing Methods

Project	Type	Traditional State/Fed	Traditional MPO	Bonds	Toll Debt	Developer	Local Debt & Funding
Central Texas Turnpike	Toll	✓			✓		✓
Dallas Horseshoe Project	Non-Toll	✓	✓	✓			✓
LBJ Freeway	Managed Lanes	✓				✓	
North Tarrant Express	Managed Lanes	✓				✓	
SH 130 (Segments 5 & 6)	Toll					✓	
US 181 Harbor Bridge	Non-Toll	✓	✓				✓
US 183 Bergstrom (CTRMA)	Toll	✓	✓		✓		

### Looking Ahead

TxDOT staff looks forward to working with the Select Committees on identifying any additional opportunities to create “alternative methods of financing.” In the meantime, the department welcomes input from the committees on ways to improve its current use of these important financing tools.

## Item 2: Performance Metrics and Measurement Tools

This section of the report provides information on “... *performance metrics and measurement tools used by the department (TxDOT) to evaluate the performance of a department project or program.*”

While the subject of performance based planning and programming is somewhat new for many; over the years, TxDOT has employed performance metrics and measurement tools to assist with its assessment of a number of programs and processes. Since 1997, roadway pavements have been rated on an annual basis to provide a “Pavement Condition Score.” These scores provide valuable information to help determine not only where future funding is needed, but how current pavement programs are working. Vehicle crash and fatality data help to not only determine the safety of a roadway, but what types of public awareness and safety campaigns may be needed to save lives.

Following is more detailed information on what the department is currently doing to evaluate the performance of its projects and programs; as well as efforts being undertaken in coordination with the state’s MPOs and others.

### TxDOT Program Performance Metrics and Measurement Tools

TxDOT uses a number of assessment tools to evaluate its major programs for efficiency and effectiveness. Key examples include the District 4-Year Maintenance Plans which provide pavement condition scores and the department’s Fleet Forward program.

### **Example: District 4-Year Maintenance Plans**

Since FY 2008, TxDOT has required each district to produce an annual Four-Year Pavement Management Plan that includes all aspects of pavement-related work. These are project-specific and financially constrained plans which map-out pavement work needed, along with expected changes in pavement condition. Use of these performance based plans has had the immediate benefit of giving districts a tool that allows them to plan for, rather than being reactive to, pavement preservation and maintenance needs. Further, these management efforts have allowed TxDOT to treat additional lane miles with the same available funding, keep the pavement network in an overall “good” condition, and more importantly reduce the long-term cost of maintaining pavements.

Rider 14(j) of TxDOT’s appropriations bill requires that prior to the beginning of each fiscal year, the department provide the Governor and the Legislative Budget Board (LBB) with a detailed plan for the use of maintenance funds which includes, but is not limited to, a district-by-district analysis of pavement score targets and how proposed maintenance spending will impact pavement scores in each district.

### **Example: Fleet Forward**

TxDOT’s Fleet Forward program focuses on more than just the department’s fleet size and mix. This initiative works to improve maintenance capabilities, streamline equipment purchasing processes, and provide user-friendly tools for tracking improvement.

Through the use of fleet performance-related data, TxDOT developed Fleet Forward – that to-date has saved the department nearly \$13 million through the sale of low-quality, under-performing assets, and improved utilization of the remaining fleet by 12 percent. It is estimated that this tool will reduce TxDOT’s total cost of ownership by an estimated \$250 million over the next 10 years.

Along with asset management improvements, this program provides valuable data to assess the performance of shop operations and operating procedures.

### *Statutory Reports with Performance Metrics and Measurements*

TxDOT compiles data and submits reports to the Legislature on a number of topics. Many of these reports include performance metric and measurement data used to assess departmental programs and efforts. These reports include:

- [100 Most Congested Road Sections](#)
- [Analysis of Progress Made Toward Goals in the Statewide Long-Range Transportation Plan](#)
- [Annual Report on the Economically Disadvantaged Counties Program](#)
- [Annual Report on Non-Financial Data](#) (Includes aircraft usage, purchase of recycled products, vehicle purchases, and land inventory)

- Energy Conservation Plan
- [Equal Employment Opportunity Report](#)
- [Gulf Intracoastal Waterway Plan](#)
- Historically Underutilized Businesses/Disadvantaged Business Enterprises Program Contracting Plan (found in [Strategic Plan](#) – p. 26)
- [Report on Customer Service](#)
- [Report on Efforts to Refinance, Restructure, Defease or Refund Outstanding Bond Indebtedness](#)
- [Summary Report on Environmental Reviews](#)
- [Texas Motor Vehicle Crash Statistics](#)
- [Texas Transit Performance Statistics](#) (Includes ridership, mileage, revenue, and service effectiveness)
- [Trade Transportation Activities in Texas Border Districts](#)
- Veterans' Hiring Preference Report

### *Performance-Based Budgeting and Agency Performance Measures*

For the past twenty years, TxDOT has developed a strategic plan, Legislative Appropriations Request (LAR), and budget structure (including agency performance measures) as part of the state's performance-based strategic planning and budgeting process. In the next months, TxDOT will submit its FY 2018-2019 request for budget structure changes to the Governor's Office and the LBB, including modifications to budget strategies to provide greater flexibility for effective performance-based transportation planning and development, and updates to performance measures and their definitions to enhance the agency's ability to demonstrate performance results.

TxDOT currently reports quarterly and annual output measure results in the LBB's Automated Budget Estimate System of Texas which compares performance of key measures to targets established in the General Appropriations Act. The measures are directly related to one or more budget strategies for the department. Performance results indicate, to a degree, the extent to which the department's budgeted funding affects agency program outputs and outcomes.

The department's current 2015-2019 Strategic Plan is located at <http://www.txdot.gov/inside-txdot/office/state-affairs/strategic-plan.html>, and the FY 2015 performance results summary report is located at <http://www.txdot.gov/inside-txdot/office/state-affairs/performance-results.html>.

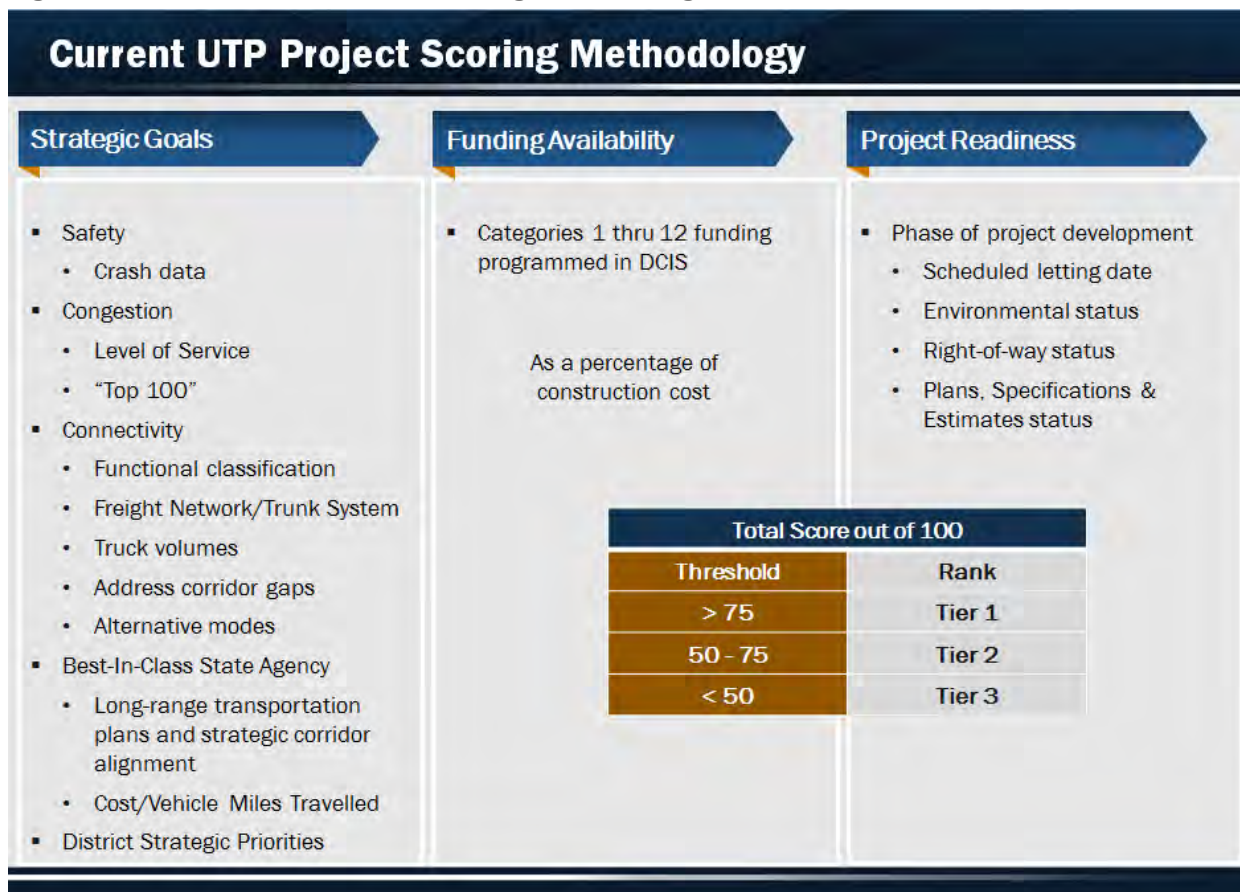


## Project Evaluation through Performance-Based Decision Making

As described in the Initial Report, TxDOT in coordination with MPOs prioritizes and selects projects for funding using performance-based scoring as well as traditional funding formulas. As part of the annual [Unified Transportation Program](#) (UTP) development and project selection process, TxDOT collects data from local stakeholders, including MPOs, on information relating to project scoring to aid in evaluation projects for selection. This coupled with data from TxDOT’s Design and Construction Information System (DCIS), geospatial data sets, and other input such as crash and speed data are used to score projects on three criteria. These criteria are: alignment with strategic goals, funding availability, and project readiness.

Each project in the UTP is assessed in terms of meeting TxDOT’s strategic goals. With the recent adoption of new goals by the Commission, this element of the UTP project selection process will be updated. Funding availability is calculated based on DCIS data and district, division, and MPO input. Funding availability is a function of the funding secured for a project (i.e., authorized amount) and the current project cost estimate. Project readiness assesses a project’s progress through the project development and planning process. Each project in the UTP is scored using data contained in the DCIS and information collected from TxDOT staff.

Figure 10: Current UTP Project Scoring Methodology



TxDOT is working with MPOs and others to determine how best to incorporate the project recommendation criteria called for in HB 20 into its project selection criteria. These criteria are:

- Projected improvements to congestion and safety;
- Projected effects on economic development opportunities for residents of the region;
- Available funding;
- Effects on the environment, including air quality; and
- Socioeconomic effects, including disproportionately high and adverse health or environmental effects on minority or low-income neighborhoods.

Through the work of the POSC, TxDOT and MPO representatives have been reviewing what data is available to effectively evaluate these criteria, as well as how best to incorporate them into performance-based planning for project and program development.

In the development of the 2040 Long-Range Transportation Plan (Texas Transportation Plan 2040), TxDOT initiated the incorporation of performance measures and indicators of potential performance results for various funding scenarios. The department is continuing to develop new tools and methods for improving its use of performance measures in both short- and long-range planning processes.

A number of MPOs have also begun using performance-based decision making in their project evaluation, selection, and prioritization. In development of their long-range plan (Mobility 2040), NCTCOG used a technical, data-driven process to identify and recommend major roadway projects. Candidate roadway projects on existing corridors were scored and ranked based on the seven national performance goals identified in the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21). The methodology for Mobility 2040 also incorporated input from the Regional Transportation Council, the transportation policy board of the metropolitan planning organization. A poll of the RTC provided guidance on the use of performance measures based on MAP-21 and the relative importance of the goals. Performance measure criteria and associated units of measure were then applied to each of the seven MAP-21 goals. The measures included: traffic volume and roadway capacity for congestion reduction; speed to indicate system reliability; crash rates for safety; and pavement conditions as indicators of infrastructure condition. The process, which also included weighting of the performance measures, scoring of criteria, and ranking of projects within categories, resulted in the development of a recommended list of major projects for funding.

## *Federal Transportation Performance Management Process*

As described in the Initial Report, TxDOT and the state's MPOs continue to collaborate on the state's response to the series of proposed rulemakings by the U.S. Department of Transportation (USDOT) to establish a transportation performance management process. As of this writing, the USDOT has not yet finalized its rulemaking process, so TxDOT and the state's MPOs remain uncertain as to the final set of required performance metrics, reporting mechanisms, and schedule they will be required to comply with. TxDOT will keep the Legislature, state leaders, and transportation planning partners apprised of developments as they occur and potential implications to performance-based planning in Texas. TxDOT, in partnership with the Texas Association of Metropolitan Planning Organizations (TEMPO) developed the [“Preliminary MAP-21 Texas Transportation System Performance Results”](#) in response to the proposed federal rules. This document provides performance results for the proposed national measures as well as short- and mid-term performance targets at the statewide level.

## *Looking Ahead*

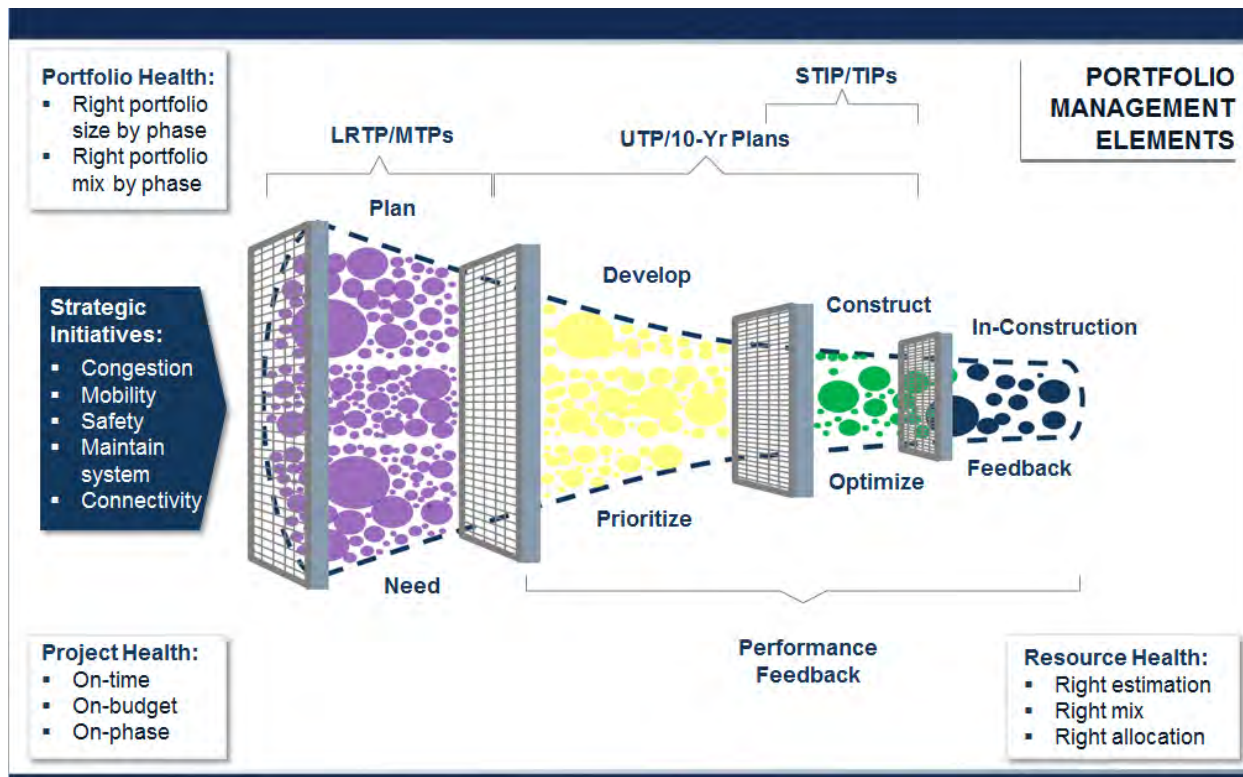
In February, the Commission adopted the department's new strategic values, vision and mission statements, and goals and objectives. These key items which were developed through the work of a CST, led by Commissioner Victor Vandergriff, will serve as the foundation for the department's strategic plan and future efforts, including its work to develop performance-based planning and programming processes, measures, and metrics.

TxDOT is currently working on the development of a set of core activities and business processes that will enable the department to work on the right volume of projects, based on anticipated funding levels; and to prioritize and select projects that offer the most value for the people of Texas. This work, which is divided into segments – portfolio management and coordinated planning – are key to effective planning and delivery of the UTP.

The “portfolio” is the overall set of projects that TxDOT and its partners (MPOs) have identified and programmed for development. The portfolio management process will provide end-to-end visibility of all projects being worked on by TxDOT. This transparency will enable TxDOT to better guide the activities of district and division staff toward the development and construction of the “right” set of projects.

The coordinated planning process is critical to effective portfolio management. Through this process, TxDOT will achieve a number of benefits including improved project programming, strategic alignment of projects, portfolio alignment, appropriate resource allocation, and letting coordination.

Figure 1.1: Portfolio and Key Portfolio Management Elements



The department’s statewide transportation planners are also working with its partners in investigating the effectiveness of using predictive performance tools to help inform decision makers on the potential performance outcomes under various funding and operational scenarios.

All the work discussed above is being done in concert with the work and discussions being had by the HB 20 POSC with an ultimate goal of having the UTP, HB 20 efforts, strategic and coordinated planning, portfolio management, and project selection processes complement one another.

### Item 3: Department Collaboration

This section provides information on “.. the department ’s collaboration with state elected officials, local governments, government trade associations, metropolitan planning organizations, regional mobility authorities, and other entities when adopting rules or formulating policies.”

#### State Elected Officials

TxDOT’s State Legislative Affairs (SLA) acts as the primary resource to the Texas Legislature and state elected officials for the department. SLA proactively participates in outreach efforts, in coordination with Administration, for the purpose of educating legislators and staff on the actions, initiatives, and programs of TxDOT and the Commission. Efforts include legislative briefings at the capitol on various issues, and quarterly meetings with the appropriate budget and legislative leadership offices.

SLA coordinates with TxDOT administration and staff on all legislative correspondence, and reviews all legislative reports. Additionally, SLA provides legislators and their staff with frequent updates on projects, public hearings, public meetings, traffic alerts, and transportation related events.

### **Educational Series**

Prior to each legislative session, TxDOT produces an extensive [Educational Series](#) which provides legislators and their staff with a description of the major functions and programs of the department. This document, which has been produced since 2012, is distributed to legislative offices at the beginning of each session. In addition, TxDOT produces a [Transportation Funding](#) brochure which focuses solely on transportation funding for legislators and their staff.

### **Communicating Impact of Legislation to TxDOT**

During session, TxDOT through SLA responds to legislative information requests; researches and analyses policy issues, monitors relevant legislative hearings and prepares testimony for those hearings. TxDOT also provides briefings to legislative members and staff, prepares transportation materials for legislative visits, tracks legislation, and legislative actions.

### **Legislative Session Summary**

At the conclusion of each legislative session, TxDOT produces a [Legislative Summary Report](#) which not only provides an overview of important transportation legislation that passed during the legislative session, but also an overview of legislation that affects the department's daily operations as a state agency. The report is provided to each member of the Legislature. This document was distributed externally after the 83<sup>rd</sup> and 84<sup>th</sup> legislative sessions.

### **Bill Implementation**

After each legislative session, SLA works with the department's divisions and offices, and the Office of General Council (OGC), to evaluate and identify all bills that need formal action by the department to implement. TxDOT actively monitors the implementation of the legislation and notifies legislative offices during the process as appropriate, and as bills are fully implemented. During the implementation process, as appropriate, TxDOT works with legislative offices to identify and work with external stakeholders who may be impacted by the implementation of any legislation.

### **Commission Meeting Communication**

Each month, SLA staff informs legislators of upcoming or recently approved actions by the commission. Examples include: upcoming commission meetings held in their district; issues or items discussed during a meeting that affect their districts or have statewide impact; or documents discussed such as presentations, reports, minute orders and press releases. SLA communicates information of statewide significance to all legislators in a statewide communications plan, and reaches out individually to legislators on items of local impact.

## *Local Governments, Government Trade Associations, Metropolitan Planning Organizations, and Regional Mobility Authorities*

TxDOT works diligently to ensure local elected officials, government trade associations, transportation stakeholders such as MPOs, Regional Mobility Authorities, and Rural Planning Organizations, and the public are made aware of the department's many efforts; both on the local level and statewide.

The department employs a variety of tools to ensure both early and effective collaboration with its different stakeholder groups. These tools include:

- One-on-one briefings
- Small group meetings
- Public meetings and hearings
- Personal, group, and large e-blasts
- Questionnaires and surveys
- Advisory committees and workgroups
- Press releases and social media
- [TxDOT.gov](http://TxDOT.gov) (website)



One of the most powerful approaches to collaboration, particularly regarding major policy initiatives, is through citizen task forces and advisory committees. Examples include: I-35 and I-69 advisory committees, 2030 Committee, Energy Sector Task Force, Freight Advisory Committee, Prop. 1 Committee, and the HB 20 POSC.

These tools are used on statewide, regional and local levels. Recently, TxDOT's San Antonio District in coordination with the Alamo Area Council of Governments, as the governing body of the Alamo Regional Rural Planning Organization, held multiple workshops with local officials in an effort to develop a plan to guide the future of transportation in their region.

### *Public Involvement*

Meaningful and transparent public involvement is a cornerstone of TxDOT's focus on ensuring quality customer service. In 2012, TxDOT established the Office of Public Involvement (OPI) to assist the department with its public involvement efforts. Since its inception, OPI has played a crucial role in TxDOT's philosophic shift toward greater transparency. Cultural changes include: consistent agency-wide guidance; tying public involvement to decision making; electronic access to information; early outreach; a catalogue of best practices; innovative outreach and meeting techniques; an accessible vault of templates; and agency-wide public involvement training.

Increasingly, agency staff finds meaningful ways to tie comments received from the public to the decisions made by the department. Equally important, as the agency moves toward greater transparency, the public is informed of the impact input has on its decisions.

TxDOT has made significant strides in ensuring the agency's website ([TxDOT.gov](http://TxDOT.gov)) relays timely, organized, and thorough information on projects. Improved accessibility to this critical information leads to enhanced opportunities for public input. In 2010, the [Hearings and Meetings Schedule](#) on the department's website posted a total of 75 meetings. In 2015, that number multiplied to 243 postings.

Outreach in the early stages of rule, policy and project development is crucial. Local governments, government trade associations, metropolitan planning organizations and RMAs are essential partners and stakeholders in the early outreach and throughout the phases of public involvement. Meaningful engagement, where the public can witness its input's influence on decisions helps build transparency, credibility and public trust.

The state's MPOs also engage a variety of public involvement strategies and efforts. Their outreach and communication plans include public meetings to educate and seek public input on plans, programs and projects. In follow-up to recent legislation, MPOs have begun broadcasting their policy board meetings live on their websites and archiving them for later viewing. Technology has become an integral part of communication strategies, as well. NCTCOG has more than 2,300 followers on Facebook, Twitter, YouTube, Instagram and Vimeo. These individuals receive regular transportation updates and can interact directly with the MPO.

### [TxDOT.gov](http://TxDOT.gov)

The department's website is one of the most effective tools for breaking down barriers to accessibility to information, which is fundamental to informed public involvement. The [Hearings and Meetings Schedule](#) posts upcoming meetings throughout the state. Many of the meetings pages include associated project pages for more information.

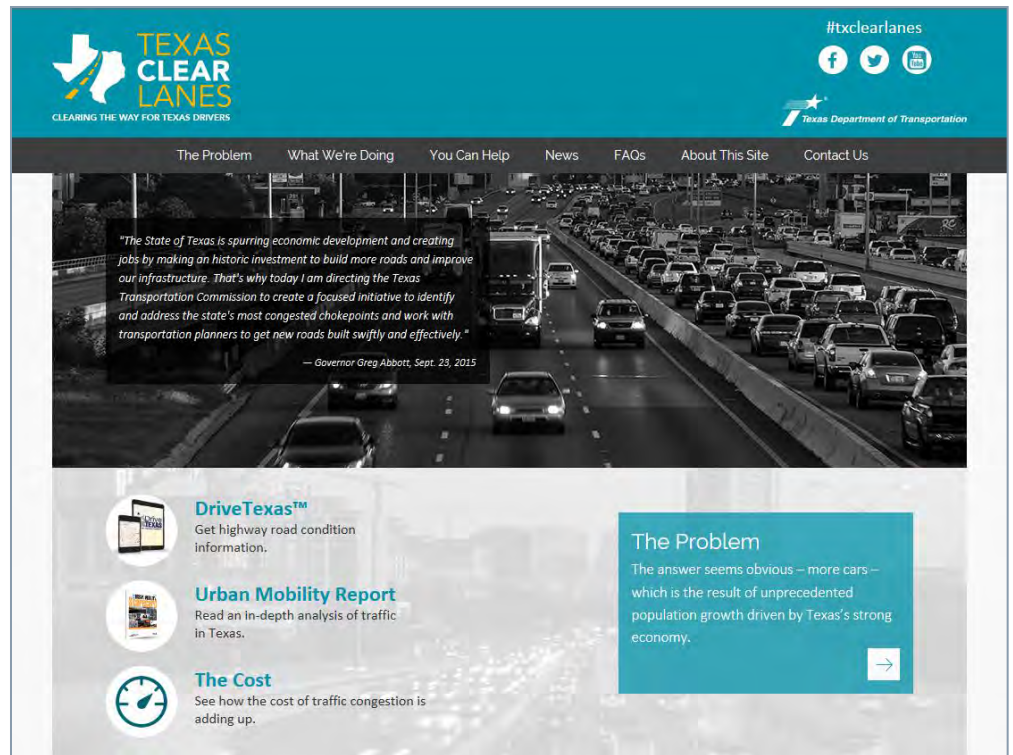
TxDOT's Public Involvement Policy:  
"The Texas Department of Transportation (TxDOT) commits to purposefully involve the public in planning project implementation by providing for early, continuous, transparent and effective access to information and decision-making processes. TxDOT will regularly update public involvement methods to include best practices in public involvement and incorporate a range of strategies to encourage broad participation reflective of the needs of the state's population."

*As adopted by the Texas Transportation Commission on January 27, 2011.*

TxDOT.gov includes a [SLA webpage](#) which provides updated information on key initiatives, projects, reports, funding, and other resources. Notification of this website is provided to elected offices bi-yearly and at the beginning of session.

Major initiatives, such as the congestion initiative, improved project tracker, and the energy sector task force are promoted on the homepage of the agency website, increasing the accessibility of information.

Recently, TxDOT launched [TexasClearLanes.com](#) as a tool to keep Texans informed of the agency's efforts to address traffic congestion. In addition to details about major projects across the state, [TexasClearLanes.com](#) provides visitors with in-depth information on congestion across the state; advice on how they can get involved and do their part to reduce congestion; and examples of what Texas companies and state agencies are doing to improve mobility.



### Legal Requirements

State agencies, such as TxDOT, are required to provide seven days' notice of a meeting of its governing board. TxDOT satisfies this requirement by filing notice and providing the secretary of state the agenda for each commission meeting on the eighth day preceding the day of the meeting (Government Code, Sec. 551.044). The meeting agenda is posted on the secretary of state's website.

For regularly scheduled commission meetings, commission support staff post the agenda, with links to the minute orders, on [TxDOT.gov](#) on the Monday of the week of the meeting. The link for [proposed rules](#), or rules being finally adopted, leads the viewer to the associated minute order, including the preamble and rule.



## *Looking Ahead*

In looking to the future, challenges continue to exist; however, collaboration with elected officials, stakeholders, partners such as the metropolitan planning organizations, and the public has significantly increased since the 2008 Sunset Commission asserted that “TxDOT does not meet the high expectations placed on it to ensure consistent, unbiased and meaningful public involvement.” TxDOT has responded to the recommendations and key findings of the Sunset Commission and Legislature with positive, concrete actions as noted in this section.

## **Item 4: Rules, Policies, Programs, and Plans**

This section of the report provides information on “... *any proposed rule, policy, program, or plan of the commission or department of statewide significance.*”

### *Rules*

Throughout the year, TxDOT works with its OGC to ensure all statutorily required amendments to the Texas Administrative and/or other Codes are properly developed, presented to the public for comment, and promulgated. Rules can vary from a simple amendment to correct non-substantive language, to the complex addition of a new chapter to code in response to legislation. The degree of collaboration and public outreach varies with the importance and complexity of the rules being considered.

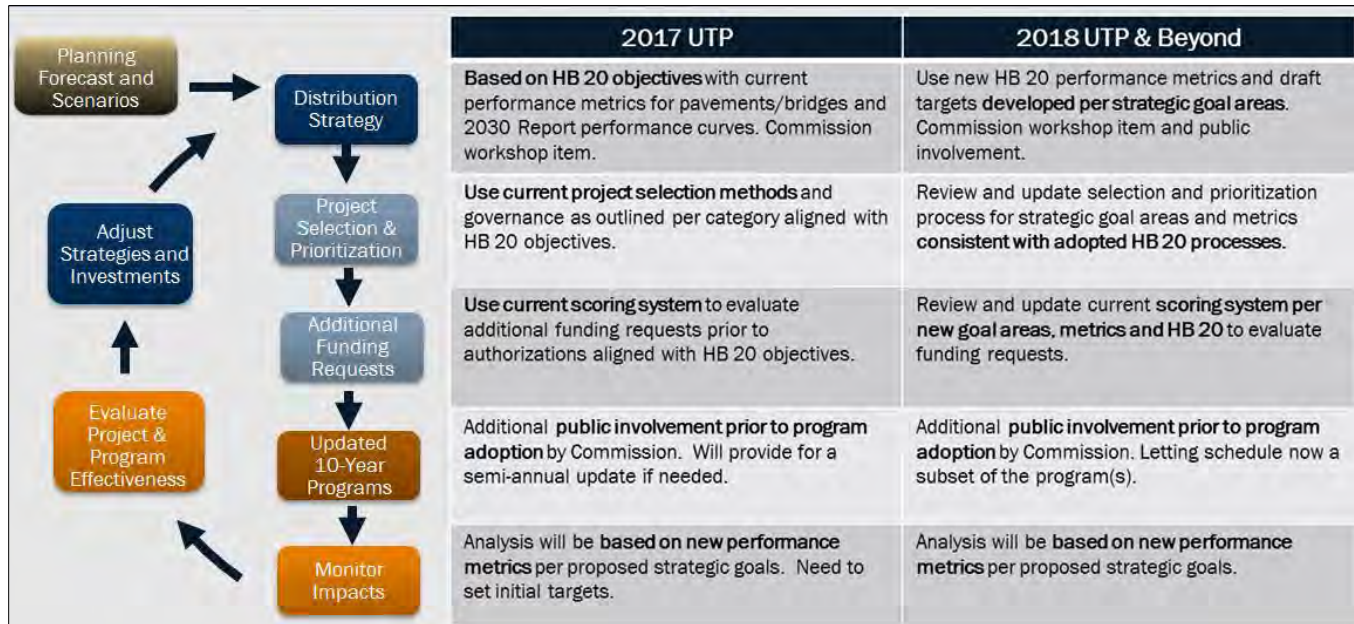
All rules changes, no matter the degree of importance or complexity, must adhere to the Administrative Procedure and Texas Register Act. As such, TxDOT posts all proposed, adopted, withdrawn and emergency rule actions with the *Texas Register*.

### *Policies, Programs, and Plans*

As discussed in the previous section, TxDOT employs a variety of techniques to notify and collaborate with elected officials, transportation stakeholders, planning organizations, and the public regarding its policies, programs, and plans.

One of the best examples of on-going collaboration on an ever-changing plan that incorporates key policies and multiple programs is the UTP. The UTP, which is a 10-year, mid-range planning document, is used by TxDOT to guide the state’s project development. The projects contained in the UTP touch all corners of the state and impact all its citizens, making effective collaboration and public involvement all the more important. In an effort to ensure maximum effectiveness, TxDOT’s planning staff work closely with OPI, the Communication Division’s web, social media, and public information officers, State Legislative and Federal Government Affairs staff, district staff, and partners that include MPOs, RMAs, local governments, and government trade associations throughout the state.

Figure 12: Performance-Based Process – 10-Year Plan Perspective



### Looking Ahead

In the next few months, TxDOT will begin working with the state’s planning organizations to develop and promulgate a number of rules which will move the state toward a more performance-based planning and programming process for project selection. Throughout the rulemaking process, TxDOT will collaborate with both state and local elected officials, and transportation stakeholders to garner their input. In accordance with HB 20, these actions will include rules to provide for:

- “... performance-based planning and programming process dedicated to providing executive and legislative branches of government with indicators that qualify progress toward attaining all department goals and objectives established by the legislature and commission.”
- “... performance metrics as part of:
  - The review of strategic planning in the statewide transportation plan, rural transportation plans, and unified transportation program;
  - The evaluation of decision-making on projects selected for funding in the unified transportation program and statewide transportation improvement program; and
  - The evaluation of project delivery for projects in the department’s letting schedule.”
- “... periodically review performance metrics and measures to:
  - Assess how well the transportation system is performing and operating in accordance with the requirements of 23 U.S.C. Section 134 or 135, as applicable;
  - Provide the department, legislature, stakeholders, and public with information to support decisions in a manner that is accessible and understandable to the public;
  - Assess the effectiveness and efficiency of transportation projects and service;
  - Demonstrate transparency and accountability; and
  - Address other issues the commission considers necessary.”

- “... prioritize and approve projects included in the statewide transportation plan under Section 201.601 in order to provide financial assistance ...”
- “... establish a performance-based process for setting funding levels for the categories of projects in the department’s unified transportation program.”
- “... establish a scoring system for prioritizing projects for which financial assistance is sought from the commission by planning organizations. The criteria used to score projects must take into consideration the departments strategic goals as approved by the commission in accordance with the requirements of 23 U.S.C. Section 134 or 135, as applicable. The system must account for the diverse needs of the state so as to fairly allocate funding to all regions of the state.”

Along with the above listed elements, TxDOT will continue to work with its MPO partners through TEMPO, as well as the Federal Highway Administration to ensure federal performance measures established through the federal rule-making process are taken into consideration, as well.

## **Item 5: Zero-Based Budgeting Principles**

This section of the report provides information on “... *any possible benefits of utilizing zero-based budgeting principles.*”

For the purposes of this report, “zero-based budgeting” is understood to mean a method in which each function of an organization is closely examined during the budget process to determine the amount of expenditures needed in the upcoming fiscal year, without regard to the amount of expenditures in past years.

HB 20 focuses on how projects are evaluated and how they progress through the planning process. A transparent and cooperative planning process ensures that projects which best meet state and local transportation goals, are those for which an appropriation is sought during a biennial budget process.

The vast majority of TxDOT’s budget goes to pay for maintenance and rehabilitation of existing assets, debt service, and projects already underway or planned to be underway well before the first year of the state fiscal biennium.

While TxDOT is continuously looking for ways to reduce costs, savings do not necessarily result in an overall lower amount of funding requested in the department’s LAR because most of the funds are dedicated by the constitution or by statute for the development of state highways. Savings can and do result in more funding for additional projects.

Current budgeting requirements reduce TxDOT's ability to react to legislative, local, and strategic changes, and to adjust resources accordingly. In particular, current rules require TxDOT to request and allocate resources to fixed budget strategies. This process can limit the department's ability to shift funds between different project development activities (i.e. engineering, right of way, utilities) and therefore prevent resources from being fully utilized in a manner that provides for the timely and cost-effective delivery of projects.

A single project may draw from several different appropriation strategies within a biennium. For example, a new construction project that includes the rehabilitation of existing lanes could draw funds from budget strategies related to design, right of way acquisition, construction, and even maintenance. This process requires TxDOT to estimate the timing of each stage of project development, on each state funded project, months in advance to ensure adequate appropriations are requested for each strategy.

A possible solution would be to shift from a set of narrow appropriation strategies related to the various stages of project development, to a single goal for "Total Project Cost." This method is akin to that which was used by the Legislature to determine both need and distribution of Prop. 1 funding. Total Project Cost can be defined as the sum of all costs required to develop and construct an infrastructure project. It should include all costs incurred to conduct preliminary engineering (i.e., schematics, plans, specifications, and estimates, etc.), to clear all project milestones (i.e., environmental, right of way, utility relocation, etc.), and build the asset (i.e., receive bids, construction engineering inspection, change orders, etc.). Total Project Cost includes consultant costs, as well. With this method, other goals and strategies not related to highway projects, such as indirect administration, debt service, and other modes of transportation, could remain in their current budget strategies.

This method would allow projects to progress seamlessly through the development process, while at the same time increasing transparency into how funds are being utilized to address strategic needs. Further, a total project cost approach would allow the budget process to more closely align with the goals of HB 20 and the application of performance-based project selection.

### *Looking Ahead*

Recognizing that certain expenditures of the department are non-discretionary such as debt service on outstanding bonds and progress-payments on existing construction projects, TxDOT's administration is reviewing approaches to zero-based budgeting. While zero-based budgeting could not practically start at zero, there are opportunities to ensure budgetary decisions maximize limited resources to maintain and enhance our state's transportation system. Decisions and efforts can be made to ensure the optimization of our state's transportation system. The department recently implemented organizational changes supporting this objective by increasing the responsibility of local districts staff involved with key project development activities within their areas.

HB 20 provides a template for further supporting this objective by ensuring performance-based project selection and fund allocation decisions are made by the commission and planning organizations throughout the state. These decisions would be aligned with a comprehensive portfolio management effort by the department that would align resources with project priorities. Considering a performance-based portfolio of projects, the department would regularly review and optimize structure, employee staffing levels, outsourcing, and financial needs to ensure that by the time we reach the biennial budget process, the long-term plan for the most efficient delivery of projects and maintenance of its transportation system is presented to the legislature.

Finally, more direct zero-based budgeting applications would involve a prioritization process for discretionary expenditures which would include requirements for justification and alignment to department goals and objectives. Examples of zero-based budgeting considerations may involve areas such as state travel expenses, hours of operation for services, and routine maintenance above the level necessary to maintain safe operations of our highway system.

## Conclusion

During the last seven months since delivery of the Initial Report, TxDOT and state's planning organizations through the POSC, have spent substantial time deliberating on how best to incorporate performance measures and metrics into state and local planning and programming processes. As discussed in the Initial Report and again in this report, underlying the overall discussion is the complexity of transportation funding. While all parties are extremely grateful for the support and efforts of Governor Abbott, the Legislature, and the public in providing additional funding through Prop. 1 and now Prop. 7; the lack of a steady, long-term funding stream makes effective planning for future transportation programs and projects difficult on both the state and local levels.

Through the HB 20 process, TxDOT has begun to take a closer look at how the department employs funding forecasts in planning processes. A critical step in this effort is establishing key assumptions on future forecast levels for the UTP. Recently, the following key assumptions were outlined to the Commission:

- Prop. 1 Funding Levels
  - FY 2017 is based on the [Comptroller's 2016-17 Certification Revenue Estimate](#) which was calculated from projections for oil and gas production tax revenue in FY 2016.
  - FY 2018-FY 2026 will be based on the 10-year historical average of what would have been transferred if Prop. 1 had been in place during the previous 10 years. An average will be used due to the volatility of oil and gas production levels.

- Prop. 7 Funding Levels
  - FY 2018-FY2020 is based on the fiscal note amounts for Senate Joint Resolution 5. FY 2021-FY 2026 continue from the FY 2020 fiscal note level and assume the Motor Vehicle Sales Tax will continue to grow at 3.5% per year.
- Fixing America’s Surface Transportation (FAST) Act funding levels
  - FY 2016-FY2020 total estimated federal obligation authority (OA) was calculated based on the FAST Act, with the difference between what was already in the TxDOT forecast and the total calculated FAST Act OA. The base forecast assumed an extension of MAP-21 funding levels in FY 2016, with a partial extension into FY 2017.
  - FY 2021-FY 2026 scenario funding levels are held flat at the FY 2020 scenario level due to the uncertainty of continuing to transfer ever-increasing amounts of federal general revenue to support the Highway Trust Fund allocations.

Building on these planning assumptions for funding forecasts, TxDOT and the HB 20 POSC members will collaboratively evaluate performance-based category funding distribution strategies. As illustrated in Figure 13, TxDOT and the POSC will also continue to refine the 10-year planning process. This will include the review and update of the current project selection and prioritization process, and scoring system. In accordance with HB 20, these elements will be refined to include performance measures and metrics based on local and state strategic goals to evaluate program effectiveness.

## Next Steps

Future activities associated will include:

- Continued meetings of the POSC;
- Establishment of a customer stakeholder committee;
- Meetings with House and Senate Select Committees on Transportation Planning;
- Development of 10-year plans by TxDOT and planning organizations (MPOs);
- Continued development and implementation of portfolio management and coordinated planning processes;
- Continued review and development of performance measures and metrics, planning and programming processes, project selection criteria, and funding distributions;
- Update of the UTP, and other key planning documents, to include performance-based measures and metrics; and
- Promulgation of rules as called for in the legislation.