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Will Kempton
Chief Executive Officer

April 18, 2012

Mr. Stuart Drown
Executive Director
Little Hoover Commission
925 L Street
Sacramento, California 95814

Dear Mr. Drown:

Thank you for your request to provide written comments to the Little Hoover Commission regarding the Governor's Reorganization Plan, specifically with respect to the creation of a Secretary of Transportation and the corresponding reorganization of transportation related functions in state government. As you commented in your letter of invitation, my governing board meets on the same day as the hearing, and I need to be in attendance at that board meeting. My response will include my perspective from both my current capacity at the Orange County Transportation Authority (OCTA) as well as from my previous role as Director of Transportation. You have asked for my input on several issues as they apply to the reorganization proposal and I will respond to those specific questions.

1. Does your organization support the portion of the reorganization plan that pertains to it?

Although the OCTA Board of Directors has not formally taken a position on the proposed reorganization, it seems reasonable that transportation functions should be consolidated in a single agency due to the size of these functions and the significance of the transportation program in California. To the extent that this consolidation can also achieve operational efficiencies and an increased focus on the agency's mission, we see this approach in a positive light.

2. What advantages and risks would need to be considered?

Change always entails some risk, but the consolidation of the transportation related functions in state government into a single agency offers some significant advantages. First, given the importance of the program to the State's economy and quality of life, it seems appropriate that transportation should stand alone as a cabinet level function in State government. Second, this consolidation will draw the State's major transportation activities into a single agency with shared goals and objectives and provides an opportunity to

deliver important services to the people of California in a more efficient manner. Further, the consolidation will allow for greater coordination and collaboration among the member departments with a clearer focus on meeting public needs as a crucial element of the state's overall function. One risk that should be addressed in this process is preserving the connection between transportation and housing, particularly in light of many state policies which depend on a close working relationship between these two key functions of state government. Ensuring that this necessary connection continues will pose some challenges in the implementation of the proposed changes, but if the transportation and housing departments can continue to work collaboratively through a new cabinet structure and a continuing relationship can be enhanced through forums like the Strategic Growth Council, the connection can be preserved.

3. Does this reorganization plan position the state to operate more effectively and efficiently? If not, what additional action is needed?

I believe that the reorganization plan does position the state to operate more effectively and efficiently. Consolidating transportation functions in a single agency will improve the management and oversight of these activities, allow for better coordination and direction, and improve the overall efficiency of the agency through a more focused mission. Again, care should be taken to preserve coordination between the state's housing department and the planning and programming activities of the transportation department relative to statutory requirements for land use and transportation planning.

4. Does moving the High Speed Rail Authority and the California Transportation Commission into an agency structure potentially compromise the independence of these organizations?

With respect to the High Speed Rail Authority, there has been considerable discussion regarding the oversight of this program, and I think that moving the Authority under the proposed agency structure is probably a positive step. I think it will be possible for the Authority to maintain its independence under this arrangement, but it is clear that there are concerns among decision-makers regarding the overall management structure for high speed rail. Putting the authority under the umbrella of a new transportation agency will, in my view, strengthen the oversight of the program and increase accountability. A number of reviews and evaluations of the high speed rail program have stressed the need for greater management control, and while moving the authority into the new agency structure is not a panacea, it should help with efforts to improve

program oversight. If I have any concern, it would be the potential for additional bureaucratic limitations on the Authority's ability to meet its staffing and organizational management needs.

In terms of the California Transportation Commission (CTC), this organization has been a highly effective part of state government since its inception. One of the reasons for its success has been the fact that the commission has operated in a very independent manner over the years, and this independence has benefitted the state and served the public well. However, your question centers on the potential compromise of that independence by moving the commission into a new transportation agency. From a de facto perspective, commissioners are appointed by the Governor and the Legislature, and presumably consider input from the appointing authorities on major policy issues just as they would from the general public. The Secretary of Business, Transportation and Housing also interfaces with the commissioners and provides policy input on certain issues as well. In my experience, while the commissioners will listen to input from the Governor, the Legislature or the Secretary, it has not necessarily affected the commission's independence of action. Therefore, from an organizational perspective, I don't believe that placing the commission under the new agency will dilute this level of independence in the conduct of commission business, but this proposal should not place the CTC under the direction or control of the new Secretary.

I hope this information is helpful to you in reviewing the Governor's reorganization plan and I would be pleased to provide additional input if you desire. I appreciate the opportunity to comment on this important proposal and look forward to the report on your findings.

Sincerely,

Will Kempton
Chief Executive Officer

c: Brian Kelly, Acting Secretary, Business, Transportation & Housing Agency