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December 28, 1966

Honorable Ronald Reagan
Governor-Elect, State of California

Honorable Hugh M. Burns
President Pro Tempore of Senate

Honorable Jesse M. Unruh
Speaker of Assembly

Gentlemen:

The cost of California's system of state freeways, highways, and select city streets is approaching one billion dollars per year. The immensity of such an annual expenditure, together with genuine concern as to whether the state government is making plans to meet the transportation as well as the highway needs of the future, has led this Commission to call for an objective review of the duties and responsibilities of the State Highway Commission and its functional and organizational relationship to the State Transportation Agency, the Department of Public Works, and the Division of Highways.

Accordingly, a study committee consisting of Commissioners F. D. Tellwright and Assemblyman Milton Marks directed an overall analysis of the state highway organization. Appropriate statutes and other background material were reviewed and separate discussions were held with each member of the Highway Commission and with agency, departmental and Highway Division officials as well as with persons outside the state government having a specific interest in the state highway program.

The Commission has concluded unanimously, based on the study committee's report and subsequent hearings held by the Commission, that although the state organization has been adequate to cope with highway problems in the past--the state highway system is unexcelled from an engineering and construction standpoint--certain organizational changes should be considered

now if we are to be assured that the state government will continue to meet the highway and transportation needs of the future. The Commission believes that an organization should be provided that is more responsive to the highway needs of all the people and which gives better-balanced consideration to other phases of the State's transportation problems. In addition, certain organizational and procedural deficiencies were detected, as discussed briefly below, which, if left unremedied, will certainly delay solution to California's long-range transportation problems.

COMMISSION FINDINGS AND RECOMMENDATIONS

The State Highway Commission is the policy-determining body for the state highway system. It consists of six lay members appointed by the Governor for four-year, overlapping terms and the Administrator of Transportation who serves as ex-officio member and chairman. The two most important policy and decision-making responsibilities of the Commission relate to its preparation of the budget for the state highway fund and its responsibility to determine route locations.

The Commission is of the opinion that the statutory provision naming the Administrator of the Transportation Agency ex-officio chairman and member of the State Highway Commission places the Administrator in the difficult position of serving both as executive head of the Transportation Agency, which is responsible for highway administration, and as chairman of the commission which is responsible for the establishment of highway policy. We recommend that this provision be rescinded. The arrangement, it seems to us, has complicated the functioning and independence of the Highway Commission in the performance of its policy functions and, at the same time, has also deterred the Agency Administrator from serving the Governor and the departments within the Agency in a way which would contribute to their successful operation in the resolution of the State's transportation problems. It is our belief that the removal of this requirement will permit the Administrator of Transportation to direct more of his time and talents to the overall transportation problems of the State.

Testimony has been received to the effect that the Agency Administrator, or the Director of Public Works, could not be a positive influence on the Highway Commission and that the Commission itself would be handicapped if one or the other of these administrative officials did not also serve as chairman. We do not believe that this need be the case. In fact, we hold to the contrary, since we believe that the Administrator of Transportation (or the Director of Public Works) could participate much more effectively in the work of the Highway Commission and be of greater influence in his capacity as executive head of the organizational unit providing administrative and technical services to the Commission than is true when he is also a member called upon to cast a single "vote".

The removal of the Administrator of Transportation, from membership on the Commission, will require a new method of selecting the chairman as well as the appointment of an additional lay member by the Governor, thus retaining

the desirable feature of seven members serving four-year overlapping terms. For the reason stated above, we reject the suggestion that the Director of Public Works serve ex officio as chairman. We proposed instead that the chairman and vice-chairman be designated by the Governor, from among the Commission membership.

In the performance of its duties, the Highway Commission must take final action to adopt route locations, approve the budget, and make other policy decisions and determinations based on recommendations of the State Highway Engineer and the Director of Public Works. These decisions result in the expenditure of vast sums of public money and, even more importantly, affect an area's growth and economic development. In some instances, as has occurred in the past, the Highway Commission or members of that Commission may desire or feel the need for additional staff assistance independent of that provided by the state highway organization. Although the Director of Public Works could and does provide the Highway Commission with such additional professional staff or special consulting services upon request, we suggest that the Highway Commission itself be authorized by statute to have separately budgeted funds at its disposal for the employment of independent professional consultants to assist it, at its discretion, in the review of departmental proposals and recommendations. The members of this Commission believe that the cost of such additional technical service would be infinitesimal as related to the cost and significance of the highway program and may prove of inestimable value to Highway Commission members in fulfilling their broad duties and responsibilities. We also recommend that the requirement of Commission approval of many procedural, quasi-administrative or non-policy transactions be abolished so that members can devote their time, talent and energy to the important policy considerations.

The effectiveness of such reassignments, together with other modifications suggested herein would, no doubt, be facilitated by the well-proven management practice of publishing a policy and administrative manual setting forth the duties and responsibilities of the Commission in relation to the several component units of the highway and transportation organization.

The Department of Public Works is composed of the Highway Commission, Division of Highways, Division of Aeronautics, Division of Bay Toll Crossings, and the Division of Contracts and Rights of Way. The department, however, does not provide its own administrative and staff services, but instead utilizes the administrative services of the Division of Highways which has over 17,000 of the department's 18,000 employees. As a consequence of this illogical organizational arrangement, the department does not always exercise the administrative leadership and executive control over its component units that it should. In order to strengthen the department and to make it more effective organizationally, we suggest that all staff functions serving organizational units of the department be placed under the Director of Public Works. This would involve direct departmental responsibility for the planning; personnel and training; management analysis; budgeting and fiscal operation; EDP services; and other staff services which are presently, in large part,

within the Division of Highways. Detailed study may indicate that such an internal reorganization should involve the establishment of a Division of Administrative Services rather than having separate staff units reporting directly to the Director. In any event, such organizational changes could be accomplished without additional statutory authorization and would provide more precise responsibility and greater responsiveness to all aspects of the highway transportation program. The other organizational units of the department would, of course, continue as separate operating divisions of the department.

Under this proposed organizational arrangement, we also urge that the State Highway Engineer be directly responsible to the Director of Public Works for all Division of Highways responsibilities. Currently, the State Highway Engineer makes certain recommendations directly to the Highway Commission, thus circumventing the Director of Public Works who is his statutory administrative and hierarchical superior. We propose, instead, that the statutes be changed so that he makes his freeway routing recommendations and other engineering proposals to the Director of Public Works for further consideration and subsequent transmission to the Highway Commission. The Director of Public Works should then be responsible by statute, if necessary, for receiving recommendations from the State Office of Planning and from other affected state departments for analysis of socio-economic factors and other considerations in addition to the highway engineering principles in making his recommendations for precise freeway route designation to the Highway Commission. Such a requirement, we believe, will correct the present deficiency in which the State Office of Planning, as well as other departments concerned with the growth or preservation of the State's resources, have no clear-cut responsibility for making recommendations or for participating in the planning phases of the state highway system.

Although the Director of Public Works rather than the State Highway Engineer, under this proposed arrangement, would have responsibility for making the official route designation recommendation to the Commission, the State Highway Engineer's recommendations, as well as those of the State Planning Officer and other affected departments, should be made available to the Commission for its consideration in their original form if it so desires when considering precise route adoptions.

In order to insure that the State's gasoline tax revenue would be devoted primarily to the actual construction of state highways, the Legislature provided in 1929 that no more than one cent, of the three-cent gasoline tax revenues, could be expended for the administration and maintenance of the state highway system. In 1966 this limitation is still one cent, although the gasoline tax has been increased to seven cents. We stated in a report released on April 7, 1965, that this one-cent limitation, which was originally one-third of total gasoline tax, is not the most effective way of providing legislative control, nor does it provide a realistic ceiling on essential administrative and maintenance expenditures. It is suggested instead that the State Legislature remove this artificial limitation on administrative and maintenance services and require that the budget for

such services follow the normal state budgetary process involving inclusion in the Governor's Budget by the Department of Finance and requiring final legislative approval. This, we believe, will provide effective administrative responsibility as well as realistic legislative control.

Finally, we believe that a solution to the State's transportation and traffic problems cannot be achieved merely by constructing additional free-ways and adding to our highway and city street systems. Obviously, factors in addition to the construction of highways, freeways, and major city streets must be taken into consideration. We suggest, therefore, that consideration be given to the establishment of a statutory Transportation Commission. Such a commission would be given responsibility for advising and assisting the Governor, the Administrator of Transportation, and the State Legislature in their consideration of the financing and solution of all phases of the State's short and long-range transportation and traffic problems. The potential contributions of such an advisory body are great. We urge great care, therefore, in spelling out its precise role, its duties and its continuing responsibilities.

CONCLUDING STATEMENT

We recognize the broad ramification of the above proposals and suggestions. They will have a constructive impact, we believe, on California's future highway and transportation program which in turn exercises a vital influence on the economy and growth of the State. We have held several public meetings and deliberated many hours on this subject since the study committee's report was first received by the whole Commission on July 19, 1966. Many comments and suggestions as well as written statements have been received. Some of this testimony is in variance with our final conclusions. These opinions are not without merit, but all were considered by us in our analysis and final judgments. These as well as other views and considerations should also be considered by the administration and appropriate subject-matter committees of the Legislature when evaluating the far-reaching recommendations contained in this communication. The Commission and its staff will, of course, be pleased to assist in any way possible in furthering understanding of its conclusions and in the conduct of such analysis as is required in the evaluation of these proposals.

Respectfully submitted,



Harold Furst, Chairman
Assemblyman Milton Marks, Vice-Chairman *
Assemblyman George E. Danielson
Don B. Leiffer
State Senator George Miller, Jr.
Manning J. Post
Richard E. Sherwood
Roy Sorenson **
Dair Tandy
Frank D. Tellwright
State Senator Howard Way

* Vice-Chairman and member until October 25, 1966, at which time Mr. Marks resigned from the Assembly to accept appointment as Municipal Judge in San Francisco.

** Deceased December 12, 1966