

# Department of Planning and Budget

## 2009 Fiscal Impact Statement

**1. Bill Number** HB 1848

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**    Lingamfelter

**3. Committee** Appropriations

**4. Title**    **Performance audit of transportation**

**5. Summary/Purpose:**

The proposed legislation would require the Auditor of Public Accounts to administer operational and programmatic performance audits focusing on the agencies within the Transportation Secretariat, with primary emphasis on the Virginia Department of Transportation and the Department of Rail and Public Transportation. The audit would be conducted by a private management consulting firm.

The bill would direct that the final report of the audit consist of detailed findings and recommendations on at least the following subject areas:

- Improvements that may result in both increased efficiency and cost savings in programs and services;
- Identification and recognition of best practices;
- Funding of programs and services that may be eliminated or reduced;
- Current asset management activities that are less financially advantageous than maintenance of effort approaches;
- Programs and services that may be enhanced, consolidated, reduced, eliminated, or transferred to the private sector;
- Gaps and overlaps in programs and services;
- Definitions of activities undertaken by the agencies, particularly with respect to the definition of maintenance of transportation infrastructure;
- Verification of the reliability and validity of performance data, self-assessments, and performance-measurement systems used by the agencies; and
- Statutes, regulations, rules, and policy directives that need amending or repealing.

The bill stipulates that any savings resulting from the implementation of the audit's recommendations shall be applied to the Highway Maintenance and Operating Fund.

**6. Fiscal Impact:** Preliminary. See Items 7 and 8.

**7. Budget amendment necessary:** No, the second enactment clause provides for funding the audit by redeploying funds from existing appropriations to transportation agencies, not to exceed \$4 million.

## **8. Fiscal implications:**

Staff at the APA reports that the cost of the audit will not be known until the exact specifications of the audit required by the proposed legislation are developed and negotiated with contractors. However, the recent experience of the state of Washington may serve as a guide.

The Washington state auditor contracted in 2007 for a performance audit of the Washington Department of Transportation (WSDOT). There were audits of four aspects of the department's operations. The total cost of all the audits was a little over \$4 million. The cost of the audits that focused on the department's Administration and Overhead and on Highway Maintenance and Construction Management was \$1.3 million.

The total of the estimated cost savings of the audits' recommendations was \$110 million over five years, which is less than one percent of the agency's total estimated budget. (The 2007-2009 WSDOT budget is \$5.9 billion times factor of 2.5 to equal 5 years = \$14.75 billion.) In addition, half the estimated savings comes from the Puget Sound ferry system. Virginia's ferry system does not compare in magnitude. The final audit report for WSDOT is found at <http://www.sao.wa.gov/Reports/AuditReports/AuditReportFiles/ar1000010.pdf>

## **9. Specific agency or political subdivisions affected:**

Department of Transportation  
Department of Rail and Public Transportation  
Auditor of Public Accounts

## **10. Technical amendment necessary:** None.

## **11. Other comments:** None

**Date:** 1/30/2009

**Document:** G:\09 Legislation R\Hb1848.Doc