

EXHIBIT I
 DATE 02/13/2013
 Joint Approps Sub Natural Resources and Transportation

Program Discussion

The main table shows that total budget of the Rail, Transit, and Planning Division would increase by nearly 13.9%, from the 2013 biennium, primarily because of increased activities required by the newly passed federal surface transportation legislation (MAP 21) and pollution abatement. The personal service increase of 5.7% is partially related to the request for an additional 2.00 FTE, at a personal service cost of \$275,762. Furthermore, personal services were increased from the 2013 biennium with a program transfer in FY 2012 that moved 1.00 FTE and the personal service budget from the Construction Program to the Rail, Transit, and Planning Division, which increased costs in the 2013 biennium by \$123,551.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

| Funds | HB 2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
|--------------------------------------|--------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| State Special Total | \$13,905,848 | \$0 | \$0 | \$13,905,848 | 21.7% | | |
| 02282 Fta Local Match | \$1,219,112 | \$0 | \$0 | \$1,219,112 | 1.9% | | |
| 02349 Highway Non-restricted Account | \$2,215,518 | \$0 | \$0 | \$2,215,518 | 3.5% | | |
| 02422 Highways Special Revenue | \$8,915,350 | \$0 | \$0 | \$8,915,350 | 13.9% | | |
| 02436 County Dui Prevention Programs | \$989,870 | \$0 | \$0 | \$989,870 | 1.5% | | |
| 02795 Trans Aid Special Revenue | \$565,998 | \$0 | \$0 | \$565,998 | 0.9% | | |
| Federal Special Total | \$50,266,016 | \$0 | \$0 | \$50,266,016 | 78.3% | | |
| 03147 Fta Grants | \$21,307,034 | \$0 | \$0 | \$21,307,034 | 33.2% | | |
| 03407 Highway Trust - Sp Rev | \$17,287,509 | \$0 | \$0 | \$17,287,509 | 26.9% | | |
| 03828 Traffic Safety | \$11,671,473 | \$0 | \$0 | \$11,671,473 | 18.2% | | |
| Total All Funds | \$64,171,864 | \$0 | \$0 | \$64,171,864 | 100.0% | | |
| Percent - Total All Sources | 100.0% | 0.0% | 0.0% | | | | |

The Rail, Transit, and Planning Division is funded with a combination of state and federal special revenue funds. Transit grants provided through the program are based on a sliding scale. The state match is provided by the local entity receiving services or on a rare occasion with the constitutionally restricted highways state special revenue funds. The remaining division activities after deducting federal transit grants and local matching funds are funded with federal planning and research funds and state special revenue funds. State special revenue funds include \$1.2 million in local match pass-through authority, \$0.6 million transportation aid funds, and \$8.9 million highway restricted account funds for the 2015 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|---------------------|-----------------------|-------------------|
| | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget | 0 | 0 | 0 | 0.00% | 25,936,817 | 25,936,817 | 51,873,634 | 80.84% |
| Statewide PL Adjustments | 0 | 0 | 0 | 0.00% | 415,508 | 424,635 | 840,143 | 1.31% |
| Other PL Adjustments | 0 | 0 | 0 | 0.00% | 6,049,029 | 5,409,058 | 11,458,087 | 17.86% |
| New Proposals | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.1% |
| Total Budget | \$0 | \$0 | \$0 | | \$32,401,354 | \$31,770,510 | \$64,171,864 | |

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| | Fiscal 2014 | | | | Fiscal 2015 | | | | | |
|--|-------------|--------------|--------------------|--------------------|--------------------|-------------|--------------|--------------------|--------------------|--------------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 728,297 | | | | | 737,496 |
| Vacancy Savings | | | | | (312,459) | | | | | (312,835) |
| Inflation/Deflation | | | | | (543) | | | | | (239) |
| Fixed Costs | | | | | 213 | | | | | 213 |
| Total Statewide Present Law Adjustments | | \$0 | \$670,601 | (\$255,093) | \$415,508 | | \$0 | \$674,321 | (\$249,686) | \$424,635 |
| DP 5003 - Overtime/Differential | 0.00 | 0 | 30,295 | 0 | 30,295 | 0.00 | 0 | 30,295 | 0 | 30,295 |
| DP 5004 - Equipment Rental | 0.00 | 0 | (5,040) | 0 | (5,040) | 0.00 | 0 | (3,255) | 0 | (3,255) |
| DP 5006 - MAP 21 Adjustment to Grant Programs | 0.00 | 0 | 470,000 | 4,668,900 | 5,138,900 | 0.00 | 0 | 470,000 | 4,033,100 | 4,503,100 |
| DP 5008 - MAP21 Performance Based Planning | 2.00 | 0 | 103,347 | 413,387 | 516,734 | 2.00 | 0 | 102,164 | 408,614 | 510,778 |
| DP 5009 - City Park Rest Areas | 0.00 | 0 | 17,507 | 0 | 17,507 | 0.00 | 0 | 17,507 | 0 | 17,507 |
| DP 5010 - Pollution Prevention & Abatement | 0.00 | 0 | 320,000 | 0 | 320,000 | 0.00 | 0 | 320,000 | 0 | 320,000 |
| DP 5011 - EMS Grant Local Match | 0.00 | 0 | 30,633 | 0 | 30,633 | 0.00 | 0 | 30,633 | 0 | 30,633 |
| Total Other Present Law Adjustments | 2.00 | \$0 | \$966,742 | \$5,082,287 | \$6,049,029 | 2.00 | \$0 | \$967,344 | \$4,441,714 | \$5,409,058 |
| Grand Total All Present Law Adjustments | 2.00 | \$0 | \$1,637,343 | \$4,827,194 | \$6,464,537 | 2.00 | \$0 | \$1,641,665 | \$4,192,028 | \$5,833,693 |

DP 5003 - Overtime/Differential - The executive requests an increase in personal services to reestablish base year overtime and differential pay with associated benefits. This request would be funded HSRA-R state special revenues. Any expenditures in FY 2012 for this purpose are removed from the base and must be requested in full for the 2015 biennium in a DP.

DP 5004 - Equipment Rental - The executive requests a reduction of operational expenses for equipment usage and associated rate changes from MDT's Equipment Program. For more information, refer to the LFD Comments in the Agency Summary, Agency-Wide Decision Packages section of this report.

DP 5006 - MAP 21 Adjustment to Grant Programs - The executive requests base restoration and additional spending authority of combined state special and federal special revenue for the biennium to fund transit operating costs and transit grants, and highway safety operating costs and safety grants due to newly passed surface transportation legislation (MAP 21).

DP 5008 - MAP21 Performance Based Planning - The executive requests an adjustment to combined state special and federal special revenue in the biennium to fund personal services and operating costs for 2.00 FTE, contracted services, and equipment due to more extensive statutory requirements for transportation planning and programming under MAP 21.

DP 5009 - City Park Rest Areas - The executive requests an adjustment in appropriation authority for funding assistance local governments for routine maintenance and minor improvements of City Park Rest Areas.

for retirement, but have made no extraordinary provisions for retirement payouts. In past years, retirement payouts have averaged \$1.5 million/year and have not been a financing issue.

Agency Wide Decision Packages

The following proposals have common decision packages in several programs across the agency.

Overtime and Differential Pay

The decision packages in this group that fund overtime and differential pay are zero based expenditures. This means that any such expenditures are removed from the base year and all anticipated expenditures in the next biennium must be requested in decision packages.

| Agency-Wide Request - Overtime and Differential Pay (corrected) | | | | | | | | |
|---|------------------|------------------------|--------------------|-----------------|-------------|--------------------|-----------------|-------------|
| Program | Decision Package | 2012 Base Expenditures | FY 2014 Adjustment | | | FY 2015 Adjustment | | |
| | | | State Special | Federal Special | Total Funds | State Special | Federal Special | Total Funds |
| General Operations | PL 0101 | \$31,416 | \$36,129 | | \$36,129 | \$36,129 | | \$36,129 |
| Construction | PL 0205 | 2,861,052 | 1,753,429 | 1,543,730 | 3,297,159 | 1,753,429 | 1,543,730 | \$3,297,159 |
| Maintenance | PL 0306 | 1,848,712 | 2,248,653 | | 2,248,653 | 2,248,653 | | \$2,248,653 |
| Motor Carrier Services | PL 2205 | 139,664 | 143,306 | 41,774 | 185,080 | 143,306 | 41,774 | \$185,080 |
| Aeronautics | None | 48 | 0 | | 0.00 | 0.00 | | 0.00 |
| Rail, Transit, & Planning | PL 5003 | 26,343 | 30,295 | | 30,295 | 30,295 | | \$30,295 |
| Total | | | \$4,211,812 | \$1,585,504 | \$5,797,316 | \$4,211,812 | \$1,585,504 | \$5,797,316 |

Equipment Rental

The decision packages in this group reduce funding for user programs making payments to the Equipment Program, a non-budgeted proprietary funded program that acquires, maintains, and disposes of equipment items rented to various programs of the agency. For more information on the factors that impact the rates to the Equipment Program, refer to the "Proprietary Rates" section of that program. These changes are due primarily to plans for reduced equipment purchases and lower anticipated fuel costs.

| Agency-Wide Request - Equipment Rental | | | | | | | | | | |
|--|------------------|--------------|--------------------|-----------------|-------------|--------------------|-----------------|-------------|--------------------|--------------|
| Program | Decision Package | Base | FY 2014 Adjustment | | | FY 2015 Adjustment | | | Total Funds Budget | |
| | | | State Special | Federal Special | Total Funds | State Special | Federal Special | Total Funds | FY 2014 | FY 2015 |
| General Operations | PL 0102 | \$19,870 | (\$460) | | (\$460) | (\$297) | | (\$297) | \$19,410 | \$19,573 |
| Construction | PL 0204 | 3,984,564 | (48,986) | (40,764) | (89,750) | (31,636) | (26,326) | (57,962) | 3,894,814 | 3,926,602 |
| Maintenance | PL 0305 | 23,854,487 | (551,125) | | (551,125) | (355,924) | | (355,924) | 23,303,362 | 23,498,563 |
| Motor Carrier Services | PL 2204 | 434,942 | (6,441) | (3,625) | (10,066) | (4,160) | (2,341) | (6,501) | 424,876 | 428,441 |
| Rail, Transit, & Planning | PL 5004 | 217,768 | (5,040) | | (5,040) | (3,255) | | (3,255) | 212,728 | 214,513 |
| Total | | \$28,511,631 | (\$612,052) | (\$44,389) | (\$656,441) | (\$395,272) | (\$28,667) | (\$423,939) | \$27,855,190 | \$28,087,692 |

LFD COMMENT

A discussion of the equipment rental rates is contained in the proprietary discussion for the Equipment Program. The agency will again request that the rates be structured based on a 60 day working capital balance. The legislature may want to act on this request for the Equipment Program before taking action on the various division budgets, as the adjustments correspond to the rates requested and any change in the Equipment Program rates would impact adjustments.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix. The state special funds expended by MDT are exempt from the requirements of the 5% plan, but the agency did provide a plan, which proposes reductions of \$627,217 from the State Funded Construction Program.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget | | | | | |
|---|------------------------|-----------------------------|----------------------------|------------------------|----------------------|
| Funds | HB 2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
| General Fund | \$0 | \$0 | \$0 | \$0 | 0.0% |
| State Special Total | 485,406,082 | - | 42,965,452 | 528,371,534 | 35.6% |
| Federal Special Total | 855,918,764 | - | 31,001,851 | 886,920,615 | 59.8% |
| Proprietary Total | - | 68,176,949 | - | 68,176,949 | 4.6% |
| Current Unrestricted | - | - | - | - | 0.0% |
| Other Total | - | - | - | - | 0.0% |
| Total All Funds | \$1,341,324,846 | \$68,176,949 | \$73,967,303 | \$1,483,469,098 | |
| Percent - Total All Sources | 90.4% | 4.6% | 5.0% | | |

The department is funded from a combination of state special revenue and federal special revenue. State special revenue can be grouped into two general categories: 1) those that are protected by the state constitution; and 2) those that are not. In the base and for the 2015 biennium all highway construction expenditures from state funds are accounted for in the highways state special revenue restricted account, which is used as the match for federal funding of the department.