

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	123.00	123.00	123.00	123.00	123.00	123.00	0.00	0.00 %
Personal Services	8,156,350	8,312,782	8,915,358	8,916,379	16,469,132	17,831,737	1,362,605	8.27 %
Operating Expenses	15,854,340	13,859,518	15,443,322	15,353,031	29,713,858	30,796,353	1,082,495	3.64 %
Equipment & Intangible Assets	7,115,128	6,400,232	8,420,128	7,115,128	13,515,360	15,535,256	2,019,896	14.95 %
Total Costs	\$31,125,818	\$28,572,532	\$32,778,808	\$31,384,538	\$59,698,350	\$64,163,346	\$4,464,996	7.48 %
Proprietary Funds	31,125,818	28,572,532	32,778,808	31,384,538	59,698,350	64,163,346	4,464,996	7.48 %
Total Funds	\$31,125,818	\$28,572,532	\$32,778,808	\$31,384,538	\$59,698,350	\$64,163,346	\$4,464,996	7.48 %

Program Description

See the Other Issues section of this report.

Program Highlights

See the Other Issues section of this report.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 08-Equipment Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06508 Highway Equipment - Int Svc.	0	64,163,346	0	64,163,346	100.00 %	
Proprietary Total	\$0	\$64,163,346	\$0	\$64,163,346	100.00 %	
Total All Funds	\$0	\$64,163,346	\$0	\$64,163,346		

See the Other Issues section of this report.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	27,939,485	27,939,485	55,878,970	0.00 %	
PL Adjustments	0	0	0	0.00 %	4,839,323	3,445,053	8,284,376	0.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$0	\$0		\$32,778,808	\$31,384,538	\$64,163,346		

Other Issues -

Proprietary Program Description

Equipment Program Description

The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units and other specialized equipment. Exclusively, the various programs within the Montana Department of Transportation (MDT) such as construction, motor carrier services, maintenance, and right-of-way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 123.00 FTE. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment Program is funded under the rules and guidelines of proprietary funded programs, meaning that the legislature determines the maximum rates the program can charge but does not appropriate an operating budget. The program is strictly internal to the Department of Transportation and is not used by any outside entity.

Fund Equity and Reserved Fund Balance, 06508 Equipment Program – Internal Service Fund

The Equipment Program fund is managed with a 60 day working capital as required by state law. In the 2017 biennium, the 60 day working capital would require a balance of \$5.2 million per year. The fund balance continues to grow due to the fact that the Equipment Program owns its vehicles and equipment. Since FY 1999 federal money has been available for the purchase of equipment, which is then donated to the program, contributing to the increase in fund balance. Statute requires that agencies providing enterprise/internal service functions provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation		Program Name: Equipment Program				
	Fund	Fund Name					
	06508	Highway Equipment - Int Svc.					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		28,562,706	27,951,396	29,910,629	30,466,760	31,473,341	31,383,238
Other Operating Revenue		401,220	314,214	1,084,766	-	-	-
Total Operating Revenues		28,963,926	28,265,610	30,995,395	30,466,760	31,473,341	31,383,238
Expenses:							
Personal Services		7,531,765	7,508,180	7,970,743	8,312,782	8,914,891	8,915,080
Other Operating Expenses		20,676,454	21,122,749	22,487,393	22,153,978	22,558,450	22,468,158
Total Operating Expenses		28,208,219	28,630,929	30,458,136	30,466,760	31,473,341	31,383,238
Operating Income (Loss)		755,707	(365,319)	537,259	-	-	-
Nonoperating Revenues:							
Other Revenue A		162,271	116,316	(108,068)	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		162,271	116,316	(108,068)	-	-	-
Income (Loss) Before Contributions and Transfers		917,978	(249,003)	429,191	-	-	-
Capital Contributions							
Change in Net Position		1,847,963	1,821,373	783,065	-	-	-
Beginning Net Position - July 1		67,005,124	69,771,065	71,373,884	72,586,140	72,586,140	72,586,140
Prior Period Adjustments		-	30,449	-	-	-	-
Change in Net Position		2,765,941	1,572,370	1,212,256	-	-	-
Ending Net Position - June 30		69,771,065	71,373,884	72,586,140	72,586,140	72,586,140	72,586,140
Net Position (Fund Balance) Analysis							

Proprietary Revenues and Expenses

The MDT Equipment Program is an internal service function. Vehicles are leased only to the programs of MDT.

Expenditures

Significant FY 2014 costs for the program include:

- Personal service costs for 123.00 FTE are \$8.3 million or 26.2% of total costs
- Operating expenses are \$15.9 million and significant expenses include:
 - Diesel gas, \$6.8 million or 43% of total operating expenses
 - Repairs and maintenance (primarily equipment), \$5.0 million or 31.4% of total operating expenses
- Equipment expense: \$7.1 million

In the 2017 biennium the Equipment Program budget includes:

- Personal services - \$17.8 million, or 28.4%
- Operating costs – \$45.0 million, or 71.6%
- Total expenses – projected to increase by \$1.5 million or 2.5% from the 2015 biennium

Revenues

Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets, and from reimbursements from accidents caused by an outside party. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The rental rates will be set to recover revenue to meet the programs obligations. There are no changes in services and fees in the 2017 biennium, but revenue is expected to increase as a result of higher use anticipated in the 2017 biennium. The change amounts to an increase of 2.3% in the 2017 biennium.

Significant Present Law Adjustments

CP 08111 - OT/Diff - Program – This change package would provide an increase in personal services costs for overtime and differential pay, including the associated benefits. The request would provide \$91,280/FY for overtime, differential, and retirement pay. The request would result in a 0.28% increase in rates for the 2017 biennium.

CP 801 – Additional Equipment – This change package would fund the purchase of new equipment. The additional equipment would be used to support MDT winter maintenance and city maintenance activities. These requests are tied to the Maintenance Division proposal for the addition of lane miles including new interchanges for snow removal as well as being responsible for drainage structures. The request would be funded with a cash transfer from the 02422 highway state special revenue account. Equipment costs cannot be used in calculating the rates. Vehicle purchases under this proposal include:

- 5 Tow Plows
- 2 Vacuum Trucks

Equipment Program Rates

The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate. The usage rate is a mileage rate that is applied according to the actual miles/hours used by a vehicle or piece of equipment. The usage rate is designed to recover "direct costs" that include labor, parts, fuel, lubricants, and tires. The assigned rate is a per hour rate designed to recover "fixed costs" such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. Rates are based on the actual operational costs for each vehicle sub-class during the base rental period. Costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the MDT and the program is held accountable to ensure the rates recover only needed operational monies. Attached are the current FY 2015 rental rates, which will be adjusted yearly to reflect changes in operations.

The Equipment Program rates are calculated to be commensurate with costs each year using data from the equipment vehicle management system (EVMS) to identify indirect and direct costs for each class. The EVMS data is reconciled to SABHRS financial data and inflation factors are applied using Inflation.com information. The rates are also adjusted for any gains or losses from previous years. The Equipment Program financial team reviews the rates monthly to determine if they are commensurate with costs. There are no requirements to reserve a fund balance.

LFD COMMENT

The Equipment Program bases rates on the funds required to cover all administrative and maintenance costs while retaining a 60 day working capital balance. The agency did not include the rates charged in FY 2014 or any of the estimated rate amounts for FY 2015 or the 2017 biennium. In the agency states that the rates future years have not been determined at this time. The changes proposed in the program budgets are related to equipment usage, and the rates that will be charged for the equipment will be based on the amount of revenue needed to retain a 60-day balance in the fund.