

The Legislative Fiscal Division Presents an Agency Profile of:

# The Department of Transportation

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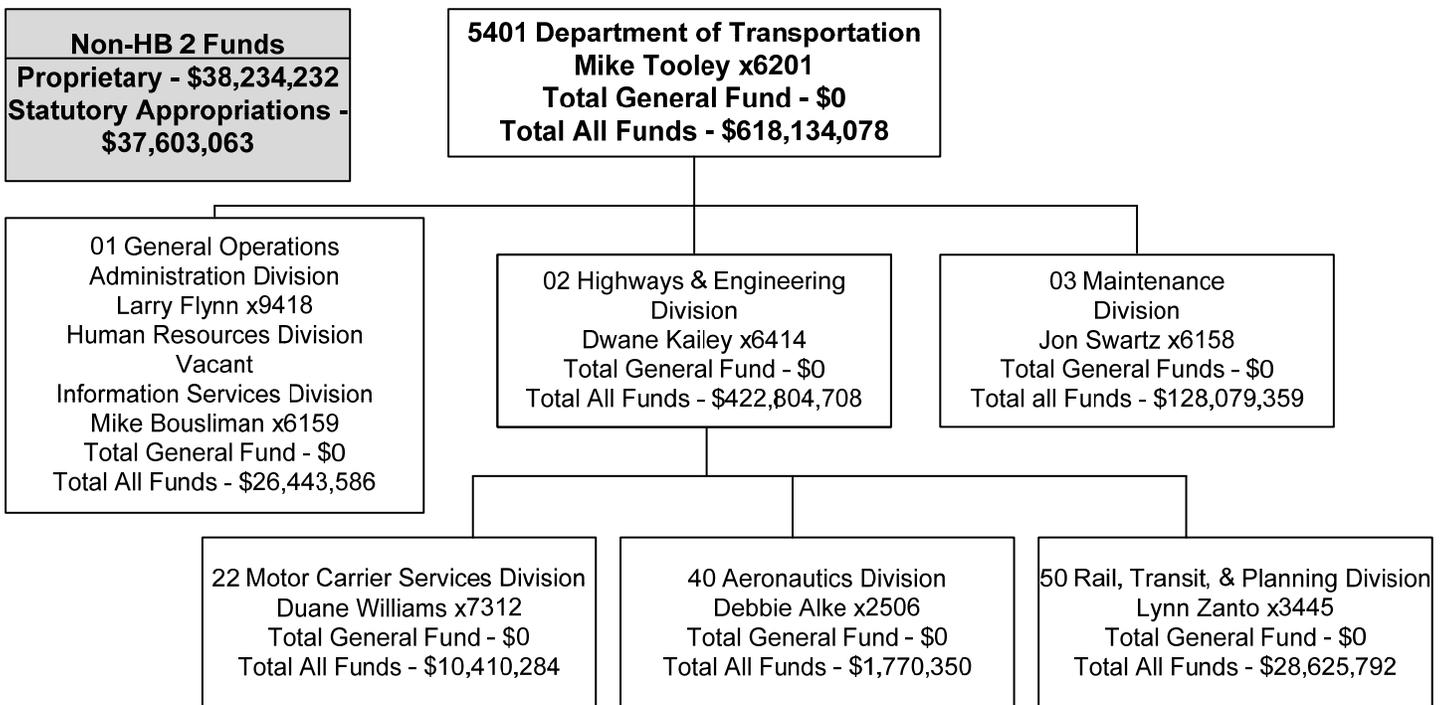
Updated August 2014

## Agency Description

## Definition of Terms

The Montana Department of Transportation (MDT) mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment.

The primary statutory references include - Article VIII, Section 6, Montana Constitution, 2-15-2505, 15-70, Titles 60, 61, and 67, MCA.

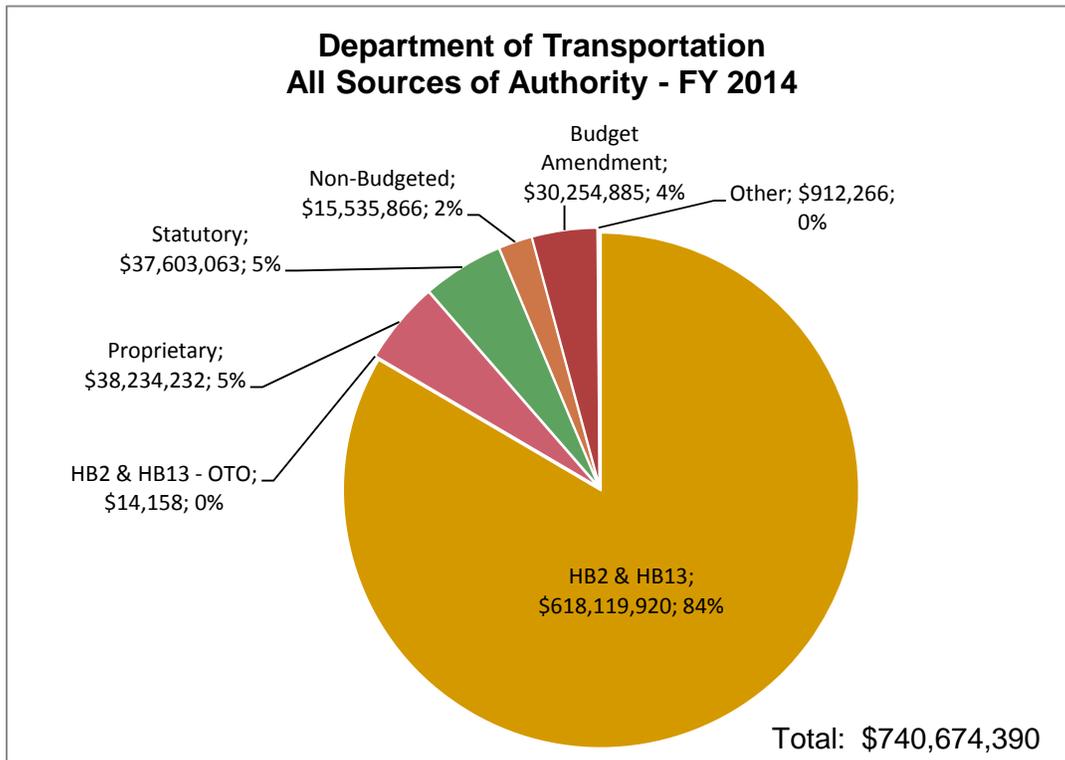


Note: The chart above provides HB 2 and 13 expenditures, including one-time-only (OTO) expenditures, by agency and program for FY 2014. With the inclusion of the OTO's, the amounts shown in this table will not fully match FY 2014 expenditures as shown in the LFD budget analysis.

## How Services are Provided

The director acts as liaison between the Transportation Commission (commission) and the department. The commission is comprised of five members appointed by the Governor and confirmed by the Senate for four-year terms. The commission determines construction priorities, selects construction projects, awards construction contracts, and allocates funding to state, local, and national highway system projects. The commission also classifies highways as federal aid, primary, and off-system in the state maintenance system.

## Sources of Spending Authority

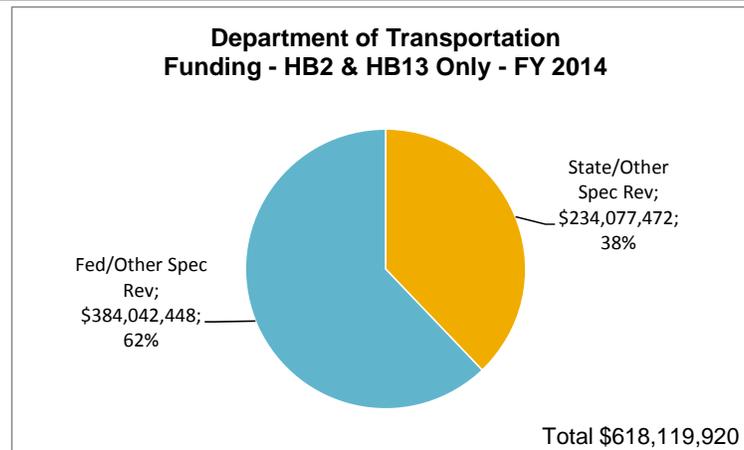
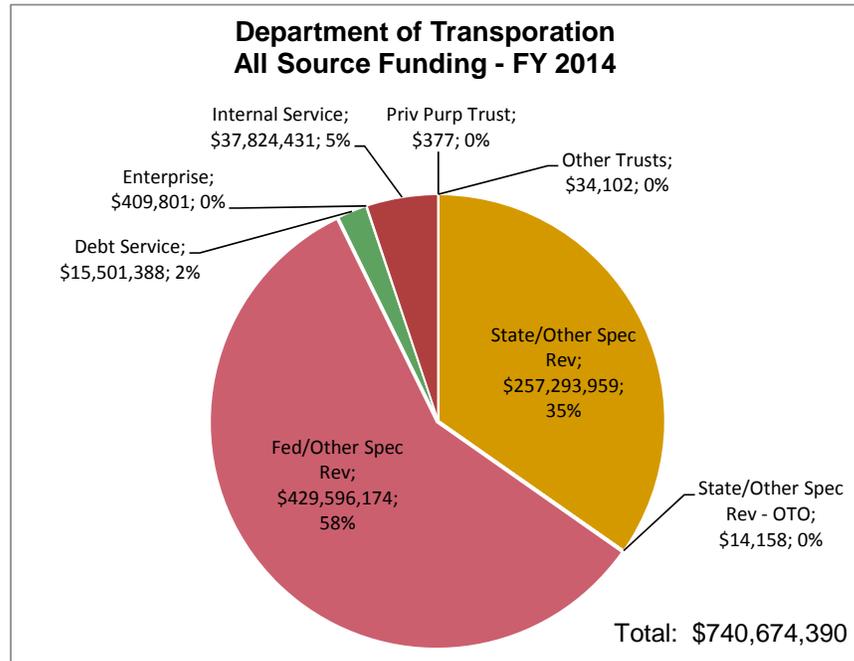


The above chart shows the sources of authority for the Montana Department of Transportation. As illustrated, the primary source of authority for MDT is HB 2 and 13. HB 2 and 13 OTO authority relates to expenditures from one-time-only authority provided by the legislature in the 2013 legislative session. The budget amendments shown in the figure is authority allowing the use of federal funds not anticipated by the 2013 Legislature. The statutory appropriations are primarily distributions of fuel taxes to local and tribal governments and the proprietary authority is the spending authority for the three MDT proprietary programs: 1) the state motor pool; 2) the MDT equipment program; and 3) the West Yellowstone Airport. Non-budgeted authority is primarily related to the debt service on the U.S. Highway 93 project totaling 15.5 million, which is reimbursed by the federal highway trust fund, and other authority is primarily a combination of appropriations from other legislation and carry forward authority.

For a detailed description of accounting terminology, please refer to the definition of terms.

## Funding

The following charts show the agency's all authority sources and HB 2 authority funding by fund type.



The total agency funding of expenditures is derived primarily from state and federal fuel taxes. In FY 2014, 93% of the agency state special revenue funding is from the highway state special revenue account (HSRA), which receives revenues from gas and diesel taxes and federal indirect cost reimbursements. Federal funding is significantly composed of, 94%, revenue distributions through the federal highway trust. Two programs in MDT are funded through internal service funds, the state motor pool and the MDT equipment program. Revenues in the motor pool program are primarily collected in the rentals and leases of vehicles by state government agencies. Internal service fund revenue for the MDT equipment program is the agency cost of equipment rental imposed on itself and is paid primarily from the HSRA. Enterprise funding results from rentals at the West Yellowstone airport, which includes landing fees and facility rentals.

HB 2 expenditure funding includes only state and federal special revenue sources. As mentioned above, the primary sources of revenue supporting the operations of MDT are the federal and state highway fuel taxes. 94% of the HB 2

state special revenue funding is from the highway state special restricted account, which is restricted by the Montana Constitution for the following uses:

- Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges
- Payment of county, city, and town obligations on streets, roads, and bridges
- Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

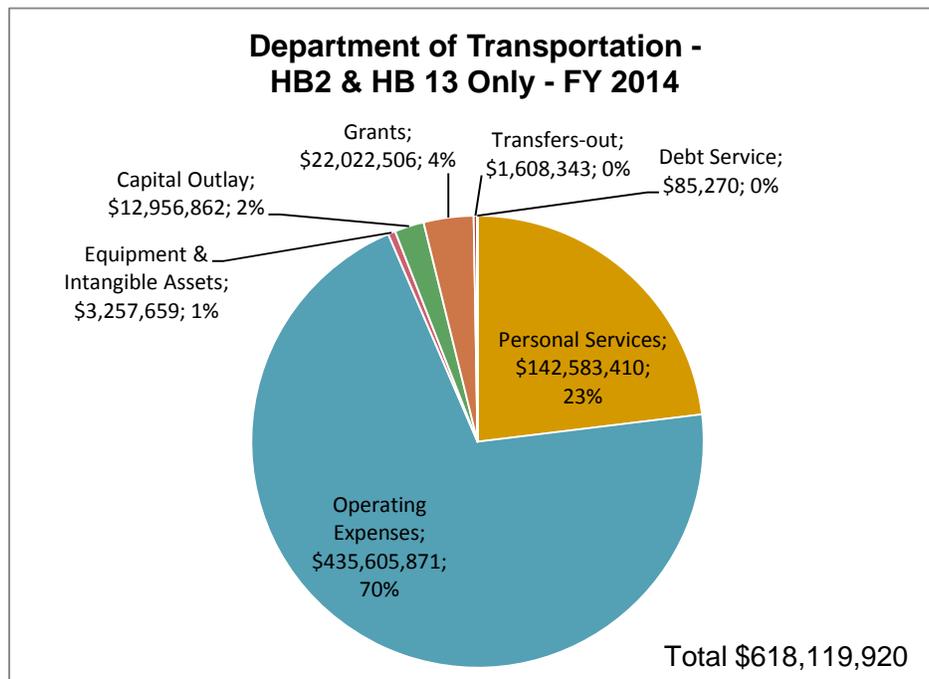
The revenue from this fund may be appropriated for other purposes by a three-fifths vote of the members of each house of the legislature.

## Expenditures

The next chart explains how the HB 2 authority is spent.

- Personal services funds the MDT workforce, over 2,000 FTE of which includes more than 560 FTE in the blue collar workforce within the maintenance program
- Within the operating expenses, \$337.4 million (81.2% federal funds) are highway construction and maintenance contractor payments
  - The contractor payments alone are estimated to have provided 9,380 jobs in FY 2014, given the federal highway administration’s estimates of 27.8 jobs per \$1 million of highway construction
- \$22.0 million of grant funds were distributed to local governments
- \$1.7 million of transfers-out are primarily pass-thru grants funded by the National Highway Traffic Safety Administration for innovative traffic safety programs.

This chart matches the agency FY 2014 expenditures found in the 2017 Budget Analysis with the exception of a slight difference caused by clearing account adjustments and rounding errors.



## How the 2015 Legislature Can Effect Change

If the legislature is to change the cost of the elements that drive costs, it must address the factors that influence the level of the cost drivers. For example, what determines the level of highway maintenance expenditures? As a consequence, what range of policy choices does the legislature have if it wishes to change the level of highway maintenance expenditures? The following lists the primary factors influencing the drivers of costs for the agency. Please note that the list is not exhaustive.

- Miles of state and federal highways in the system
- Condition of highway and road surfaces
- Number of roads and other transportation facilities maintained by the state
- Acceptable level of snow/ice cover
- Distance between and service condition of rest areas
- Traffic congestion/flow
- Transportation system safety expectations
- Highway user services

## Major Cost Drivers

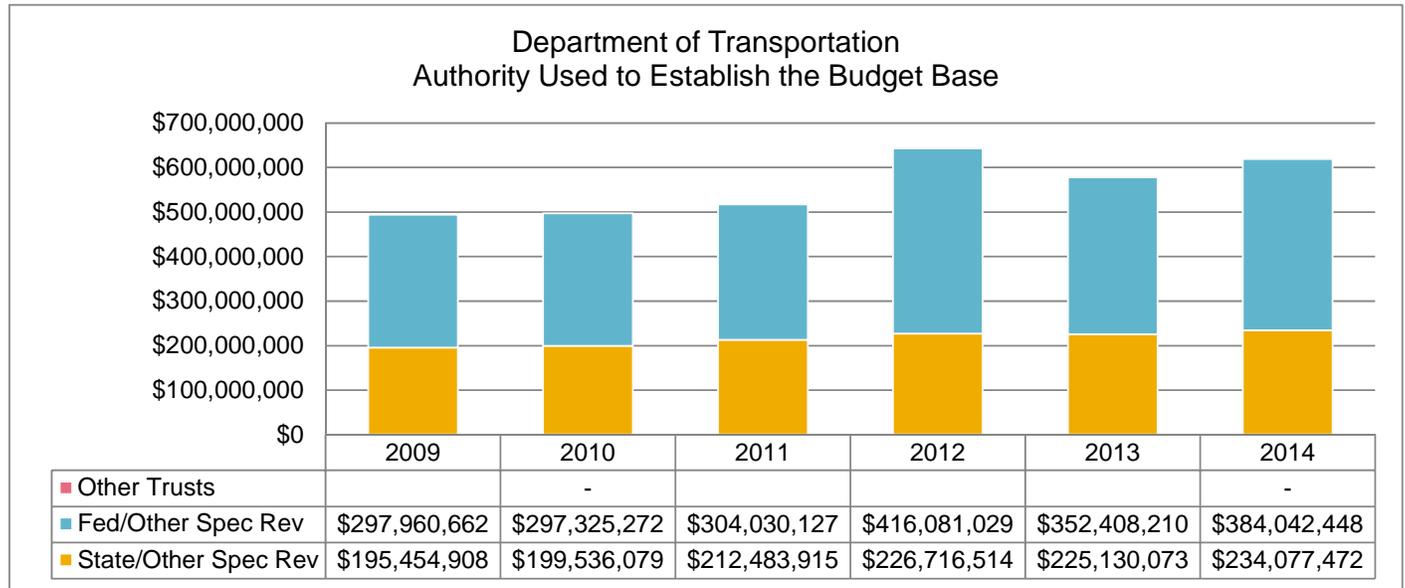
<i>Driver</i>	<i>2004</i>	<i>2014</i>	<i>Significance of Data</i>
Total lane-miles - Montana	127,267	138,575	Shows amount of roads supported by state tax base. Note that Montana's lane miles have grown at a rate twice the national miles over the 10 yr. period
Total lane-miles – U.S.	8,338,821	8,606,003	Shows national road system to compare with state system
Population per lane-mile - Montana	7.3	7.3	Shows how few people are available to fund highway costs in Montana. Note that this statistic has remained constant, showing that the number of lane miles has increased at the same rate as the state population
Population per lane mile – U.S. average	35.2	36.5	Shows there are five times as many people available to fund highway costs on average in the U.S.

The table above provides some cost drivers that can indirectly impact the operating costs of MDT. Other factors include the amount of federal funding available for highway work and the amount of fuel taxes collected in any given year.

## Funding/Expenditure History, Authority Used to Establish the Budget Base

The table below shows historical changes in the agency's base budget authority. Major reasons for change are:

- 2009 through 2014 total expenditures have increased at an annual rate of 4.6%, primarily driven by the increases in federal funding
- State funded expenditures have increased on average by 3.7% and federal by 5.2%
- The 36% increase of federal funding seen in FY 2012 is primarily related to the closeout of ARRA projects



## Major Legislative Changes

- 2007-Transferred the functions of the Motor Carrier Safety Assistance Program from the Department of Justice to MDT
- 1999-Revised laws concerning the maintenance of paved secondary roads. The change made MDT responsible for the maintenance of eligible paved secondary roads as of January 1, 2001

For further information, you may wish to contact the agency at:

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