

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 | 770.67 | 770.67 | 742.55 | 742.55 | 770.67 | 742.55 | (28.12) | (3.65)% |
| Personal Services | 48,800,839 | 51,230,182 | 54,887,346 | 54,890,078 | 100,031,021 | 109,777,424 | 9,746,403 | 9.74 % |
| Operating Expenses | 79,028,333 | 79,355,923 | 85,042,792 | 85,227,019 | 158,384,256 | 170,269,811 | 11,885,555 | 7.50 % |
| Equipment & Intangible Assets | 225,208 | 423,744 | 225,208 | 225,208 | 648,952 | 450,416 | (198,536) | (30.59)% |
| Capital Outlay | 0 | 1,500 | 0 | 0 | 1,500 | 0 | (1,500) | (100.00)% |
| Grants | 25,000 | 0 | 25,000 | 25,000 | 25,000 | 50,000 | 25,000 | 100.00 % |
| Benefits & Claims | 0 | 250 | 0 | 0 | 250 | 0 | (250) | (100.00)% |
| Total Costs | \$128,079,380 | \$131,011,599 | \$140,180,346 | \$140,367,305 | \$259,090,979 | \$280,547,651 | \$21,456,672 | 8.28 % |
| State/Other Special Rev. Funds | 119,814,678 | 123,343,301 | 131,962,593 | 132,144,777 | 243,157,979 | 264,107,370 | 20,949,391 | 8.62 % |
| Federal Spec. Rev. Funds | 8,264,702 | 7,668,298 | 8,217,753 | 8,222,528 | 15,933,000 | 16,440,281 | 507,281 | 3.18 % |
| Total Funds | \$128,079,380 | \$131,011,599 | \$140,180,346 | \$140,367,305 | \$259,090,979 | \$280,547,651 | \$21,456,672 | 8.28 % |

Program Description

The Maintenance program is responsible for the repair, maintenance, and preservation of approximately 25,000 lane miles of roadways. Activities include but are not limited to: winter maintenance, reactive and preventive pavement preservation, pavement marking, signing, roadway striping, noxious weed control, traveler information, disaster and emergency services coordination, MDT's long-range building program and state funded construction program, communications program, quality control, and any other necessary roadway and roadside repairs and maintenance. The Maintenance program is authorized by 2-15-2501(1), MCA; Title 60, MCA, and 23 USC 116.

Program Highlights

| Maintenance Program Major Budget Highlights |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Major changes proposed include:</p> <ul style="list-style-type: none"> • Biennial increase of \$4.8 million for road striping due to increased costs of paint • Funding switch of \$2.0 million from federal special to state special for the de-icing function, which reduces the highway state special restricted revenue account • Bakken rental allowance for 20.00 FTE • The addition of 2.00 FTE <ul style="list-style-type: none"> ◦ Maintenance tech for Bozeman area ◦ Havre carpenter for facility maintenance |

Program Discussion -

The Maintenance Program is the largest user of state special funds in MDT. Most of the program activities are related to the repairs and maintenance on Montana's roadways that are not supported by federal funding, as seen in the Construction Program. The Maintenance Program budget request includes a number of present law adjustments, the largest of which is

an increase for the road striping budget, which is primarily funded with federal special revenue. According to the agency, this component of the budget has remained constant since before 2010, while the costs of paint have increased. The increase would allow the program to return to painting at the previous levels. While it does not increase the total overall budget, the executive includes a funding switch of \$2.0 million per year from federal to state funds for the costs of de-icing chemicals, which puts added pressure on the highway restricted revenue fund for a critical function that is no longer funded by the federal government. The program budget request includes a proposal for a housing allowance in the Bakken region in an effort to address retention issues. The proposal would provide an allowance of \$500/month for 20.00 FTE.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

| FY 2015 Appropriation Transactions - Department of Transportation | | | | |
|-------------------------------------------------------------------|---------------------------|-------------------|------------|--------------------------------|
| Program | Legislative Appropriation | Direct Transfer | House Adj | Total Executive Implementation |
| 03 MAINTENANCE PROGRAM | \$131,061,599 | | | \$131,061,599 |
| Transfer to DOA for Repairs | | (\$50,000) | | (50,000) |
| Change in Funding-State Spc. | | | (\$40,089) | (40,089) |
| Change in Funding-Fed. Spc. | | | 40,089 | 40,089 |
| Change in Funding-State Spc. | | | (6,371) | (6,371) |
| Change in Funding-Fed. Spc. | | | 6,371 | 6,371 |
| Program Total | \$131,061,599 | (\$50,000) | - | \$131,011,599 |

The Maintenance Program transferred \$50,000 to the Department of Administration (DOA) for repairs to an elevator. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriation

- Approximately 73% of the FTE are in the “Blue Collar Worker” pay plan
 - 538 blue collar FTE received \$0.92 per hour pay-plan increases in FY 2014, per contract specifications
- 94.8% of FTE time used in FY 2014
- 99.3% of personal services budget used in FY 2014
 - Personal services were paid 100% state special
- 135.62 FTE were given career ladder raises and 10.67 FTE were given strategic pay raises

The Maintenance Program fully utilized its personal services budget in FY 2014. The overtime and differential pay budget of \$2.2 million provided by the 2013 Legislature was fully expended, requiring use of regular pay plan authority to cover some of the overtime costs. The unexpectedly high use of the program’s overtime authority occurred with the heavy snowfall experienced in the winter of 2013/2014.

Funding

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

| Department of Transportation, 03-Maintenance 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 % | |
| 02349 Highway Non-Restricted Account | 13,291,436 | 0 | 0 | 13,291,436 | 5.01 % | |
| 02422 Highways Special Revenue | 250,815,934 | 0 | 1,193,750 | 252,009,684 | 94.99 % | |
| State Special Total | \$264,107,370 | \$0 | \$1,193,750 | \$265,301,120 | 94.16 % | |
| 03313 MDT FEMA Recoveries | 0 | 0 | 0 | 0 | 0.00 % | |
| 03407 Highway Trust - Sp Rev | 16,440,281 | 0 | 0 | 16,440,281 | 100.00 % | |
| Federal Special Total | \$16,440,281 | \$0 | \$0 | \$16,440,281 | 5.84 % | |
| Proprietary Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Total All Funds | \$280,547,651 | \$0 | \$1,193,750 | \$281,741,401 | | |

The state special revenue funding of the Maintenance Program is derived from highways state special revenue funds. The funding proposal includes state special support from both the non-restricted account (02349) and the constitutionally restricted account (02422), which primarily receives revenues from fuel taxes. Federal special revenue also funds qualifying highway maintenance activities determined by the Federal Highway Administration to extend the life of the highway system.

The Maintenance Program is also responsible for \$1.2 million of statutory appropriation authority for debt service payments related to the Long Range Building Program bonds.

Budget Summary by Category

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

| 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 % | 131,061,599 | 131,061,599 | 262,123,198 | 0.00 % |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | 9,118,747 | 9,305,706 | 18,424,453 | 0.00 % |
| New Proposals | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % |
| Total Budget | \$0 | \$0 | \$0 | | \$140,180,346 | \$140,367,305 | \$280,547,651 | |

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

| Present Law Adjustments | | | | | | | | | | |
|------------------------------------------------|--------------|--------------------|------------------|--------------------|-----------------------|--------------|--------------------|------------------|--------------------|--|
| -----Fiscal 2016----- | | | | | -----Fiscal 2017----- | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| DP 98 - LEG. Personal Services Present Law | | | | | | | | | | |
| 0.00 | 0 | 3,436,800 | 220,364 | 3,657,164 | 0.00 | 0 | 3,441,920 | 217,976 | 3,659,896 | |
| DP 99 - LEG. Present Law | | | | | | | | | | |
| 0.00 | 0 | 5,132,492 | 329,091 | 5,461,583 | 0.00 | 0 | 5,309,556 | 336,254 | 5,645,810 | |
| Grand Total All Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$8,569,292 | \$549,455 | \$9,118,747 | 0.00 | \$0 | \$8,751,476 | \$554,230 | \$9,305,706 | |

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

| Personal Services Present Law Adjustments | | | | |
|------------------------------------------------|-------------|----------------|-----------------|----------------|
| FY 2016 | | | | |
| CP 98 PSPL Item | FTE | State Special | Federal Special | Total Funds |
| State Share Health Insurance | 740.55 | \$359,907 | \$0 | \$359,907 |
| Executive Implementation of 2015 Pay Increase | 0.00 | 867,768 | - | 867,768 |
| Fully Fund 2015 Legislatively Authorized FTE | 0.00 | 954,714 | - | 954,714 |
| Other | | | | |
| DP 306 - Bozeman Maintenance Sec. - Add. Miles | 1.00 | 58,441 | - | 58,441 |
| DP 308 - FTE for Havre Maintenance Carpenter | 1.00 | 67,568 | - | 67,568 |
| DP 03111 - Overtime and Differential Pay Adj. | 0.00 | 875,180 | - | 875,180 |
| Remainder of Other | <u>0.00</u> | <u>253,222</u> | <u>220,364</u> | <u>473,586</u> |
| Total Other | 2.00 | \$1,254,411 | 220,364 | 1,474,775 |
| Personal Services Present Law Adjustments | 742.55 | \$3,436,800 | \$220,364 | \$3,657,164 |
| FY 2017 | | | | |
| CP 98 PSPL Item | FTE | State Special | Federal Special | Total Funds |
| State Share Health Insurance | 740.55 | \$359,907 | \$0 | \$359,907 |
| Executive Implementation of 2015 Pay Increase | 0.00 | 867,768 | - | 867,768 |
| Fully Fund 2015 Legislatively Authorized FTE | 0.00 | 954,714 | - | 954,714 |
| Other | | | | |
| DP 306 - Bozeman Maintenance Sec. - Add. Miles | 1.00 | 58,297 | - | 58,297 |
| DP 308 - FTE for Havre Maintenance Carpenter | 1.00 | 67,396 | - | 67,396 |
| DP 03111 - Overtime and Differential Pay Adj. | 0.00 | 875,180 | - | 875,180 |
| Remainder of Other | <u>0.00</u> | <u>258,658</u> | <u>217,976</u> | <u>476,634</u> |
| Total Other | 2.00 | 1,259,531 | 217,976 | 1,477,507 |
| Personal Services Present Law Adjustments | 742.55 | \$3,441,920 | \$217,976 | \$3,659,896 |

The personal services budget would increase by \$3.7 million per year under legislative present law adjustments. As seen in the figure above, the impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings create average PSPL adjustments of \$2.2 million/year, or 59.6% of the total personal service adjustments.

Other decision points for legislative discussion include:

- DP 306 - Bozeman Maintenance Section-Additional Miles – 1.00 FTE (maintenance tech) is requested for the additional maintenance needs in the Bozeman area. Construction and maintenance activities and increased traffic impacts in the area have resulted in workload increase
- DP 308 - Additional FTE for Havre Maintenance Carpenter - 1.00 FTE (carpenter) is requested for a maintenance carpenter in the Havre division. Currently, facility maintenance is provided with road maintenance staff. This request would provide a dedicated employee to maintain and repair facilities
- DP 03111 – This request is an increase in overtime and differential pay for the program. In FY 2014 with high road maintenance needs due heavy snowfalls in the winter, the overtime budget was not sufficient to cover the costs of the increased hours. The program used normal personal services budget to cover the shortfall. The program is expecting this need could arise again in the 2017 biennium. With this increase, the total amount of overtime and differential pay included in the budget is \$3.1 million per year

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| LFD COMMENT | The heavy snowfall during the winter of 2013 (FY 2014) caused significant pressures on the budget of the Maintenance Program. Personal service costs were heavily impacted by the use of staff working on overtime pay. Additionally, the equipment budget was heavily used as the need for additional hours of usage for snow removal equipment occurred. |
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The “remainder of other” row in the figure above averages 0.9% of the total personal services budget and consists of various adjustments such as career ladder pay raises and longevity pay increases.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

| Legislative Present Law Adjustments | | | |
|------------------------------------------------|--------------------|--------------------|--------------------|
| LGPL Item | FY 2016 | | |
| | State Special | Federal Special | Total Funds |
| Other Decision Points: | | | |
| DP 306 - Bozeman Maintenance Sec. - Add. Miles | \$16,452 | \$0 | \$16,452 |
| DP 308 - FTE for Havre Maintenance Carpenter | 3,600 | - | 3,600 |
| DP 301 - Secondary Roads | 133,120 | - | 133,120 |
| DP 303 - Rest Area Maintenance | 190,403 | - | 190,403 |
| DP 304 - Increased Budget for Epoxy Program | 168,584 | 2,239,762 | 2,408,346 |
| DP 03133 - Bakken Housing Allowance | 120,000 | - | 120,000 |
| DP 03122 - Equipment Rental | 1,530,876 | - | 1,530,876 |
| DP 307 - Maintenance Contracts | 21,652 | - | 21,652 |
| DP 309 - Funding Switch for De-icer | 2,000,000 | (2,000,000) | - |
| Miscellaneous Other | 947,805 | 89,329 | 1,037,134 |
| Total LGPL | \$5,132,492 | \$329,091 | \$5,461,583 |
| FY 2017 | | | |
| DP 306 - Bozeman Maintenance Sec. - Add. Miles | \$16,452 | \$0 | \$16,452 |
| DP 308 - FTE for Havre Maintenance Carpenter | 500 | - | 500 |
| DP 301 - Secondary Roads | 349,440 | - | 349,440 |
| DP 303 - Rest Area Maintenance | 201,074 | - | 201,074 |
| DP 304 - Increased Budget for Epoxy Program | 168,584 | 2,239,762 | 2,408,346 |
| DP 03133 - Bakken Housing Allowance | 120,000 | - | 120,000 |
| DP 03122 - Equipment Rental | 1,453,550 | - | 1,453,550 |
| DP 307 - Maintenance Contracts | 21,652 | - | 21,652 |
| DP 309 - Funding Switch for De-icer | 2,000,000 | (2,000,000) | - |
| Miscellaneous Other | 978,304 | 96,492 | 1,074,796 |
| Total LGPL | \$5,309,556 | \$336,254 | \$5,645,810 |

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfer, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision. Other decision points include:

- DP 306, 308 are the operating expenses associated with the present law personal service requests discussed above
- DP 301 - Secondary Roads – This request would fund the maintenance of additional secondary road lane miles in the 2017 biennium. The department currently maintains 2,378 centerline miles. Each year counties nominate secondary roads for improvement. Many of the capital construction projects result in gravel roads becoming paved. The capital construction program indicates which additional miles will become eligible.
- DP 303 - Rest Area Maintenance – This request provides an increase in operating expense appropriation for the cost increases of rest area maintenance. This request would provide an average increase of 15.5%. The Bearmouth (east and west bound), Divide, Flowing Wells, and Reynolds Pass rest areas are all in the process of being rebuilt and should be completed by FY 2016. The size of the buildings will increase, and the facilities will be open year-round, which will increase maintenance and caretaker costs. Additionally some of the caretaker contracts for rest areas and truck parking areas throughout the state are nearing term and the request assumes new contract costs will increase by 20%
- DP 304 - Increased Budget for Epoxy Program – This request would provide an increase in operating expense appropriation for the epoxy program. This request would provide an increase of 57.4% from the base expenditures. The executive cites two reasons for the request: cold weather in the spring reduced the striping accomplished in the base year and the increased cost of paint has resulted in fewer miles striped. The increase is expected to allow striping activities to resume at levels prior to 2010

- DP 03133 - Bakken Housing - Program – This request would provide an increase to operating expenses for a new allowance to provide staff housing assistance in the Glendive District (Sidney, Glendive, Baker, Wolf Point, Culbertson, etc.), which has been impacted by the oil and gas development of the Bakken region. The allowance is requested to improve employee retention in the competitive labor market of the Bakken. This appropriation would provide an allowance of \$500/month/qualified employee or \$6,000/year. The appropriation would provide an allowance for 20.00 FTE in each year of the biennium

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| LFD COMMENT | The \$240,000 biennial cost of Bakken Housing Allowance proposal would become a continuing base expenditure if passed as requested. The legislature may want to consider restricting the appropriation for the stated use, ensuring more efficient tracking, and/or asking the program to report back on whether the allowance helped to resolve issues of employee retention. |
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- DP 03122 - Equipment Rental - Program – This request would fund an increase to operating expenses for the cost increases of equipment rentals through the MDT equipment program. This request represents the increase costs of the Equipment Program allocated based on the anticipated equipment needs of the program. The Maintenance Program rents this equipment to perform various maintenance activities, including snow removal during winter maintenance and repair and maintenance in the summer
- DP 307 - Maintenance Contracts – This request would provide an increase in operating expenses related to increased maintenance contracts including:
 - 2.5% increase for Missoula maintenance contract (for routes within the city)
 - Annual increase for maintenance of state route Big Mountain Road (Kalispell division)
- DP 309 - Fund Switch for De-icer – This request would provide a transfer of authority from fund 03407, (federal highway trust special revenue) to fund 02422, (highway state special revenue), for the de-icer program. Due to a change in federal guidelines, de-icer is no longer eligible for federal reimbursement. Note, this cost will now be funded through the highway state special revenue restricted account, adding another pressure on the fund balance

The “miscellaneous other” row in the figure above averages to about 1.2% of the non-personal services budget and provides a general increase from the FY 2015 budget.