

### Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	2,129.26	2,129.26	2,055.32	2,055.32	2,129.26	2,055.32	(73.94)
Personal Services	142,583,428	154,138,060	159,011,107	159,014,197	296,721,488	318,025,304	21,303,816
Operating Expenses	435,605,937	467,407,429	469,830,445	470,960,092	903,013,366	940,790,537	37,777,171
Equipment & Intangible Assets	3,257,659	5,276,589	3,257,659	3,257,658	8,534,248	6,515,317	(2,018,931)
Capital Outlay	12,956,865	19,655,763	12,956,865	12,956,865	32,612,628	25,913,730	(6,698,898)
Grants	22,022,506	30,666,771	24,284,954	24,284,954	52,689,277	48,569,908	(4,119,369)
Benefits & Claims	0	750	500	500	750	1,000	250
Transfers	1,608,343	1,985,952	1,608,343	1,608,343	3,594,295	3,216,686	(377,609)
Debt Service	85,270	151,412	85,270	85,270	236,682	170,540	(66,142)
<b>Total Costs</b>	<b>\$618,120,008</b>	<b>\$679,282,726</b>	<b>\$671,035,143</b>	<b>\$672,167,879</b>	<b>\$1,297,402,734</b>	<b>\$1,343,203,022</b>	<b>\$45,800,288</b>
State/Other Special Rev. Funds	234,077,560	248,697,540	254,424,106	255,735,408	482,775,100	510,159,515	27,384,415
Federal Spec. Rev. Funds	384,042,448	430,585,186	416,611,037	416,432,471	814,627,634	833,043,507	18,415,873
<b>Total Funds</b>	<b>\$618,120,008</b>	<b>\$679,282,726</b>	<b>\$671,035,143</b>	<b>\$672,167,879</b>	<b>\$1,297,402,734</b>	<b>\$1,343,203,022</b>	<b>\$45,800,288</b>

### Agency Description

**Agency Mission:** 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 Department of Transportation is the agency responsible for administering the multimodal transportation network in Montana. The department plans, designs, builds, and maintains the statewide network of highways. It is responsible for collecting and distributing highway user fees and fuel taxes. The department enforces state and federal laws for commercial motor carriers and registers interstate fleet vehicles. The department also facilitates the operation and infrastructure of airports and airways in Montana, registers aircraft and pilots, and maintains several state-owned airports. The department represents Montana interests in railroad planning issues and supports local entities in overall transportation planning and transit assistance.

The department also provides for the other aspects of a statewide multimodal transportation system through:

- o Aeronautics safety protection and promotion
- o General aviation airport planning, promotion, and maintenance facilitation
- o Rail infrastructure coordination, monitoring, and planning
- o Highway traffic safety promotion, planning, and administration
- o Vehicle weight and dimension permitting and law enforcement

**Agency Highlights**

<b>Department of Transportation Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriations were a reduction of 1.1% or approximately \$15.2 from the 2015 legislative appropriations. <ul style="list-style-type: none"> <li>◦ In large part, the reduction corresponds with moderated expectations for highway funding through the federal government</li> </ul> </li> <li>• While the figure above shows a net reduction in total FTE, the legislature did adopt the addition of 5.05 FTE in targeted areas <ul style="list-style-type: none"> <li>◦ 1.80 FTE that will make two 0.10 FTE positions full time in the Civil Rights Division</li> <li>◦ 2.25 FTE to conduct additional motor fuel audits, insuring compliance with laws and rules resulting from increased truck traffic</li> <li>◦ 1.00 FTE for administration of the interoperability radio operations (AKA public safety radio)</li> </ul> </li> <li>• The legislature adopted the agency request presented in the second budget submission <ul style="list-style-type: none"> <li>◦ The second submission increases appropriations for contractor payments</li> <li>◦ This was a \$5.7 million increase in state special revenue and \$36.8 million in federal special revenue in the 2017 biennium</li> </ul> </li> <li>• The legislature adopted housing allowances for workers in the Bakken region of Eastern Montana to address retention issues</li> <li>• The legislature approved a \$6.4 million project in FY 2016 for improvements to the taxiway at the West Yellowstone airport</li> <li>• The legislature provided a language appropriation of up to \$1.4 million per year for transit grants, triggered by the receipt of federal funds in an amount greater than the level of appropriation contained in the 2015 base</li> </ul>

**Summary of Legislative Action**

Legislative actions include:

- Generally lower federal funding anticipated by the agency for highway construction work
- Adoption of a housing allowance of \$500/month for workers in the Bakken region of Eastern Montana
- Adoption of the request for \$6.4 million per FY for overtime and differential pay
- Provision of 5.05 FTE in the General Operations Program
- Up to \$1.4 million per year for federal transit grants in the Rail, Transit, and Planning Program provided in a language appropriation

**Agency Discussion**

The Department of Transportation (MDT) provides services through the following programs:

- General Operations Program
- Construction Program
- Maintenance Program
- State Motor Pool (entirely funded with non-budgeted proprietary funds)

- Equipment Program (entirely funded with non-budgeted proprietary funds)
- Motor Carrier Services Division
- Aeronautics Program (a portion of this program is funded with non-budgeted proprietary funds)
- Rail, Transit, and Planning Division

Two administrative boards appointed by the Governor are responsible for prioritization of road and airport projects in Montana, within established budget priorities. The five-member transportation commission establishes department priorities and apportions funding among five state financial districts according to statutory guidelines, considers department recommendations, and facilitates community input. The nine-member Board of Aeronautics establishes priorities for department aeronautics activities.

In comparison to the 2015 biennium legislative base, the budget includes a reduction of \$7.6 million each year, or 1.1%. Budgetary reductions are seen in several programs, but none are greater than in the Construction Program, where the budgetary items net to a total reduction of \$44.0 million over the biennium. In that reduction, over 80% is attributed to federal funds. The agency and in large part the Construction Program have been operating under the provisions of the most recent surface transportation legislation, Moving Ahead for Progress in the 21st Century Act (MAP 21) for the past two years, and are anticipating federal funding at a similar level during the 2017 biennium. The level of funding in the budget includes sufficient authority to match the expected federal funding.

## Funding

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

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
State Special Total	510,159,515	0	44,325,750	554,485,265	37.03 %
Federal Special Total	833,043,507	0	31,200,000	864,243,507	57.71 %
Proprietary Total	0	78,752,188	0	78,752,188	5.26 %
Other Total	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$1,343,203,022</b>	<b>\$78,752,188</b>	<b>\$75,525,750</b>	<b>\$1,497,480,960</b>	
<b>Percent - Total All Sources</b>	<b>89.70 %</b>	<b>5.26 %</b>	<b>5.04 %</b>		

The department is funded from a combination of state special revenue and federal special revenue. In the HB 2 budget, the split is 38% state special revenue and 62% federal special revenue. As shown in the figure above, MDT has \$78.7 million of non-budgeted funding, not included in the HB 2 figures, that support the three proprietary programs. The proprietary funding is distributed as follows: the Motor Pool Program receives \$13.3 million, the Equipment Program receives \$64.2 million, and the West Yellowstone Airport Program receives \$1.2 million. MDT is also responsible for statutory appropriations of \$75.5 million that include distributions of fuel taxes to local and tribal governments and the payment of debt service on large highway construction projects.

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 2017 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. In the 2017 biennium, 94.7% of all state special revenue planned expenditures are made from the restricted account.

Restricted revenues are from:

- Gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways

These revenues can only be used for:

- Paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

A diversion of these funds for other purposes can only be done through a 3/5ths vote of the members of each chamber of the legislature.

Non-restricted revenues are derived from:

- Special use permits and motor fuel penalties and interest payments

These revenues can be used for:

- Any purpose for which the legislature sees fit

The legislature paid particular attention to the appropriations from the highway state special revenue restricted account (HSRA), given the available revenues. Through the legislative actions, the issues with the negative fund balance were significantly corrected. At the end of the 2017 biennium the HSRA account is projected to have a positive ending fund balance of \$3.0 million.

In evaluating the HSRA, the legislature chose to use a fund balance analysis, rather than the usual practice of balancing to a working-capital balance. The fund balance provides a higher available balance than the working capital balance. The appropriation details show that:

- The greatest level of appropriations, 87.3% in the 2017 biennium, are made in the MDT budget (from all sources of authority)
- The cost of the Department of Justice (DOJ) accounts for approximately 12.3% of total appropriations
- HB 5 and HB 10 appropriations benefit MDT (\$10.5 million) and Fish, Wildlife, and Parks (\$2.0 million), and appropriations were increased by \$3.0 million due to a funding mistake as introduced in HB 10

While the restricted fund is estimated to have a balance of \$3.0 million, the management of the appropriations from the restricted and non-restricted funds are interwoven. With the appropriations provided, the non-restricted fund has a positive estimated balance of \$1.8 million, providing a combined balance of \$4.8 million. While this calculation provides a positive balance, the amounts contained in this analysis do not include the pay plan, provided in HB 2 as an appropriation to the Governor's Office, which will be allocated across the executive agencies. The Legislative Fiscal Division will continue to

Estimated Fund Balance				
Highways Special Revenue Accounts (02422 and 02349)				
FY2014				
	Actuals	FY 2015	FY 2016	FY 2017
<b>Combined Account (\$ in Millions)</b>				
Beginning Balance	\$82.9	\$71.3	\$45.8	\$17.3
Revenues	287.9	292.0	294.8	299.8
Expenditures	299.6	363.2	323.4	312.2
Revenues less Expenditures	(11.7)	(71.2)	(28.6)	(12.4)
Adjustments for Estimated Reverted Authority	0.0	45.7	0.0	0.0
Ending Balance	\$71.2	\$45.8	\$17.3	\$4.8
<b>Restricted Account - 02422 (\$ in Millions)</b>				
Beginning Fund Balance	\$79.9	\$70.4	\$45.3	\$16.2
Gasoline Tax	133.6	136.7	135.3	137.0
Diesel Tax	72.6	73.5	73.8	75.0
Gross Vehicle Weight Fees (GWW)	26.2	26.6	27.0	27.4
Federal Indirect Cost Recovery <sup>2</sup>	37.2	38.0	41.1	42.4
Other Revenues	8.2	7.0	7.2	7.4
Total Projected Revenues	277.8	281.7	284.4	289.2
<b>Expenditures</b>				
Montana Department of Transportation (MDT)				
Department of Transportation (MDT) SA	22.1	22.1	22.2	22.2
MDT HB 2	228.0	282.6	240.9	242.2
Other Highway Special Revenue Appropriations				
Department of Justice (DOJ) HB 2	35.7	36.4	38.0	38.0
MDT (HB 10)	0.0	2.0	3.7	0.0
FWP (HB 5)	0.7	2.6	2.0	0.0
MDT (HB 5)	0.9	6.9	6.8	0.0
Total Expenditures	287.4	352.5	313.5	302.4
Revenues Less Expenditures	(9.6)	(70.8)	(29.2)	(13.2)
Calculated Ending Fund Balance	70.4	(0.4)	16.2	3.0
Adjustments to Balance*	0.0	45.7	0.0	0.0
Calculated Ending Fund Balance	\$70.4	\$45.3	\$16.2	\$3.0
<b>Nonrestricted Account - 02349 (\$ in Millions)</b>				
Beginning Fund Balance	\$3.0	\$0.9	\$0.5	\$1.1
GWW (HJ 2)	9.7	9.9	10.0	10.2
Other	0.4	0.4	0.4	0.4
Total Projected Revenues	10.1	10.3	10.4	10.6
<b>Expenditures</b>				
Total Transfer Out (Noxious Weed SSR)	0.3	0.1	0.1	0.1
MDT HB 2	11.5	10.0	9.2	9.2
DOJ HB 2	0.5	0.5	0.5	0.5
FWP Long-Range Building Projects (HB 5)	0.0	0.1	0.0	0.0
Total Expenditures	\$12.2	\$10.7	\$9.8	\$9.9
Revenues Less Expenditures	(2.1)	(0.4)	0.6	0.7
Calculated Ending Fund Balance	\$0.9	\$0.5	\$1.1	\$1.8

monitor the HSRA through the interim and will keep the interim Legislative Finance Committee apprised of issues that may arise in the account.

Federal funds provide 62% of the total funding for the agency. Federal funding is typically provided through federal highway trust distributions, making up 94.7% of the planned expenditures. The level of federal appropriation provided is to some degree based on funding in the previous biennium. At the time of this writing, Congress has not passed transportation funding legislation. Until Congress acts, there is uncertainty related to the amount of federal funding that will be realized. The appropriations reflect funding that approximates the level provided in MAP 21, the most recent surface transportation legislation.

**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 %	679,480,018	679,480,018	1,358,960,036	101.17 %
PL Adjustments	0	0	0	0.00 %	(15,292,711)	(7,387,139)	(22,679,850)	(1.69)%
New Proposals	0	0	0	0.00 %	6,847,836	75,000	6,922,836	0.52 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$671,035,143</b>	<b>\$672,167,879</b>	<b>\$1,343,203,022</b>	

**Other Legislation**

MDT received additional authority for the following:

**HB 132** – This legislation allocates any non-distributed state special revenue from license reinstatement fees equally among counties that have established drinking and driving prevention programs. The cost is expected to be \$50,000 in each year of the biennium.

**SB 180** – This legislation increases grant payments to local transit services for senior citizens and persons with disabilities services (TransADE). The legislation also expands eligible TransADE recipients by including providers in Great Falls, Billings, Missoula, and Tribal governments. To fund the increases in grants, the legislation eliminates a general fund transfer of 0.3% of the motor vehicle revenue deposited in the state general fund and replaces it with 25% of the revenue collected on the base rental charge for rental vehicles. As a result, TransADE grants are expected to increase by \$300,000 in FY 2016 and \$700,000 in FY 2017.

MDT will absorb the increased costs with existing authority for the following:

**HB 604** – This legislation requires MDT to compile an inventory of all multiuse trails or other paths within state-maintained federal-aid highway right-of-way, to develop a plan for maintaining and repairing the trails and paths. The Maintenance Program is expected to experience budgetary impacts given the responsibility for mapping the trails and paths, developing a maintenance plan, and defining responsibilities. The fiscal note for this legislation shows costs of \$16,417 in the 2017 biennium.

**SB 117** – This legislation increases the number of members of the Rail Service Competition Council from seven to eight. The fiscal note for this legislation shows costs of \$7,644 in the 2017 biennium.

**SB 332** – This legislation designates Interstate 15 between Great Falls and Ulm as the Joseph J. Dunn memorial highway. The legislation directs the agency to install signs at the location and to include the location in the next publication of the state highway map. The fiscal note for this legislation shows costs of \$1,088 in FY 2016.

**SB 375** – This legislation increases the maximum speed limit on federal-aid interstate highways outside an urbanized area of 50,000 population or more from 75 MPH to 80 MPH and increases the penalties assessed for violation of speed limits. The agency will be required to replace 500 speed limit signs to accommodate the change. Additionally, the agency will be required to recalibrate safe speeds for curves and post new signs as needed. The fiscal note for this legislation shows costs of \$329,403 in the 2017 biennium.

MDT will collect additional revenue for the following:

**SB 338** – This legislation makes certain vehicles traveling on Montana highway 16, between the U.S./Canadian border to 20 miles south of the border, subject to the specific maximum allowable gross weight limit provided in rules adopted by the department but excludes them from maximum gross weight limits determined by a statutory formula. The legislation is expected to increase revenues that the Motor Carrier Services (MCS) division collects in permits and Gross Vehicle Weight (GVW) fees. The increase of fees is expected to generate \$43,092 per year beginning in FY 2016.

### Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	2,129.26	2,062.32	2,055.32	(7.00)	2,062.32	2,055.32	(7.00)	(7.00)
Personal Services	142,583,428	162,203,994	159,011,107	(3,192,887)	162,205,507	159,014,197	(3,191,310)	(6,384,197)
Operating Expenses	435,605,937	451,827,384	469,830,445	18,003,061	445,254,921	470,960,092	25,705,171	43,708,232
Equipment & Intangible Assets	3,257,659	3,271,659	3,257,659	(14,000)	3,271,659	3,257,658	(14,001)	(28,001)
Capital Outlay	12,956,865	12,956,865	12,956,865	0	12,956,865	12,956,865	0	0
Grants	22,022,506	25,685,454	24,284,954	(1,400,500)	25,685,454	24,284,954	(1,400,500)	(2,801,000)
Benefits & Claims	0	0	500	500	0	500	500	1,000
Transfers	1,608,343	1,608,343	1,608,343	0	1,608,343	1,608,343	0	0
Debt Service	85,270	85,270	85,270	0	85,270	85,270	0	0
<b>Total Costs</b>	<b>\$618,120,008</b>	<b>\$657,638,969</b>	<b>\$671,035,143</b>	<b>\$13,396,174</b>	<b>\$651,068,019</b>	<b>\$672,167,879</b>	<b>\$21,099,860</b>	<b>\$34,496,034</b>
State/other Special Rev. Funds	234,077,560	254,620,236	254,424,106	(196,130)	254,917,078	255,735,408	818,330	622,201
Federal Spec. Rev. Funds	384,042,448	403,018,733	416,611,037	13,592,304	396,150,941	416,432,471	20,281,530	33,873,833
<b>Total Funds</b>	<b>\$618,120,008</b>	<b>\$657,638,969</b>	<b>\$671,035,143</b>	<b>\$13,396,174</b>	<b>\$651,068,019</b>	<b>\$672,167,879</b>	<b>\$21,099,860</b>	<b>\$34,496,034</b>

The subcommittee adopted a budget that is a net increase of \$13.4 million from the executive proposal in FY 2016 and \$21.1 million in FY 2017. However, the change from the executive does not include the second budget submission, which increased the executive biennial budget request by \$42.5 million. The legislature adopted the decision package for the second budget submission, which was recommended by the agency and the executive. The second budget submission is not included in the executive budget shown in the table above, and with consideration of this the legislative budget is \$8.0 million lower than the executive request, or a reduction of 0.6%. Changes from the executive request include:

- The legislature did not adopt the addition of 8.00 FTE, saving total costs of \$676,759 in FY 2016 and \$672,084 in FY 2017
- The addition of 1.00 FTE to administer the interoperability radio project in MDT
- The second budget submission, as discussed above
- The provision of up to \$1.4 million per year for federal transit grants through a language appropriation

### Language and Statutory Authority

The following language was included in HB 2:

The department may adjust appropriations between state special revenue and federal special revenue funds if the total state special revenue authority by program is not increased by more than 10% of the total appropriations established by the legislature.

All appropriations in the department are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions for the 2015 biennium, are authorized to continue and are appropriated in FY 2016 and FY 2017.

If the department of transportation receives funding of more than \$11,187,000 in each year of the 2017 biennium from the federal transit authority for the purposes of transit grants to local governments, then the federal fund appropriations for the rail, transit, and planning program of \$25,359,203 in FY 2016 and \$25,364,282 in FY 2017 may be increased by a like amount of up to \$1.4 million in each year. If the federal funds appropriation in FY 2016 and FY 2017 is increased, the department shall report the amount of the increase to the legislative finance committee.

It is the intent of the legislature that the interoperability radio operations be administered by the department of transportation.