

**Program Budget Comparison**

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

Program Budget Comparison	Base	Approp.	Budget	Budget	Biennium	Biennium	Biennium	Biennium
Budget Item	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 12-13	Fiscal 14-15	Change	% Change
FTE	923.72	923.72	923.72	923.72	923.72	923.72	0.00	0.00%
Personal Services	63,336,896	68,400,681	66,827,805	66,919,871	131,737,577	133,747,676	2,010,099	1.53%
Operating Expenses	366,040,300	394,653,099	366,066,739	366,162,770	760,693,399	732,229,509	(28,463,890)	(3.74%)
Equipment & Intangible Assets	4,678,597	2,233,088	4,678,597	4,678,597	6,911,685	9,357,194	2,445,509	35.38%
Capital Outlay	8,467,785	30,450,603	19,753,263	19,654,263	38,918,388	39,407,526	489,138	1.26%
Grants	13,058,612	6,909,952	13,058,612	13,058,612	19,968,564	26,117,224	6,148,660	30.79%
Benefits & Claims	500	0	500	500	500	1,000	500	100.00%
<b>Total Costs</b>	<b>\$455,582,690</b>	<b>\$502,647,423</b>	<b>\$470,385,516</b>	<b>\$470,474,613</b>	<b>\$958,230,113</b>	<b>\$940,860,129</b>	<b>(\$17,369,984)</b>	<b>(1.81%)</b>
State Special	75,004,645	83,568,478	79,700,873	79,820,096	158,573,123	159,520,969	947,846	0.60%
Federal Special	380,578,045	419,078,945	390,684,643	390,654,517	799,656,990	781,339,160	(18,317,830)	(2.29%)
<b>Total Funds</b>	<b>\$455,582,690</b>	<b>\$502,647,423</b>	<b>\$470,385,516</b>	<b>\$470,474,613</b>	<b>\$958,230,113</b>	<b>\$940,860,129</b>	<b>(\$17,369,984)</b>	<b>(1.81%)</b>

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

**Program Highlights**

<b>Construction Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget request for this program in the 2015 biennium would reduce total appropriations by 1.8% from the 2013 biennium</li> <li>◆ Total reductions from operating expenses are primarily related to completion of ARRA and 2013 biennium state funded program work</li> <li>◆ Although the budget would be reduced from the appropriations of the 2013 biennium, it provides a 3.2% growth from the base</li> <li>◆ The budget request includes a present law, combined state and federal special revenue funded adjustment of \$22.5 million for right-of-way land acquisition</li> </ul>

**Program Discussion**

The executive budget request for the Construction Program would reduce the program by \$17.4 million, or 1.8%. Lower planned operation expenditures result from reduced contractor payments as MDT winds down the work resulting from the federal government’s 2009 American Relief and Recovery Act (ARRA) and the enhanced state funded construction program provided by the 2011 Legislature. While the budget request is reduced from the 2013 biennium, the request is an increase from the base expenditures of approximately 3.2% in both years of the biennium. Further adjustments are based on planned construction activities approved in the 2011 tentative construction plan (TCP), and include \$22.5 million in appropriations for right-of-way acquisition.

The department uses several management systems to estimate resource usage and payout schedules on highway construction projects. Each year after receiving updated federal-aid highway construction apportionment levels from the Federal Highways Administration, the department updates and balances the projects and funding in the TCP. The TCP indicates when the various highway construction projects will be let and the type of work to be completed. This construction contract information is used in the Project Cost Scheduling (PCS) system, one of many computerized management systems of the department, to estimate when and at what amounts actual contractor payments will be made. The estimates from these management systems form the basis for the contractor payments budget requests in both the federal-aid and 100% state funded construction programs. The management system estimates also form the basis for determining staff resources needed to support the planned construction contracts and activities for the biennium.

The last updated and balanced TCP was prepared at the end of 2011 and was used to develop the budget requests of the executive. At the time of this writing, the department was in the process, but had not completed, the 2012 update to the TCP for updated federal FY 2011 apportionment estimates.

<b>LFD COMMENT</b>	The Highway Construction budget request for the Construction Program was based on the 2011 TCP update. In keeping with past practice, the budget request could be revised and resubmitted by the executive prior to being heard by the Natural Resources and Transportation Joint Appropriation Subcommittee of the 2013 Legislature. The revised request will be based on the 2012 TCP update.
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**Funding**

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

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - Construction Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$159,520,969	\$0	\$200,000	\$159,720,969	16.4%		
02422 Highways Special Revenue	\$159,520,969	\$0	\$200,000	\$159,720,969	16.4%	15-70-101	Pass Thru
Federal Special Total	\$781,339,160	\$0	\$31,001,851	\$812,341,011	83.6%	17-7-502	Direct
03407 Highway Trust - Sp Rev	\$781,339,160	\$0	\$31,001,851	\$812,341,011	83.6%		
Total All Funds	\$940,860,129	\$0	\$31,201,851	\$972,061,980	100.0%		
<b>Percent - Total All Sources</b>	<b>96.8%</b>	<b>0.0%</b>	<b>3.2%</b>				

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 86.6% federal with a 13.4% state match for most direct construction related costs. The program also provides a maintenance-of-effort highway construction program funded entirely with highways state special revenue. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees.

The Construction Program is also responsible for \$31.2 million of statutory appropriations. The figure above includes the statutory reference for each of the appropriations. \$200,000 from HSRA-R will be distributed for the purposes and functions of the Montana local technical assistance transportation program in Bozeman. Another \$31.0 million will be distributed for the debt service associated with the work on Hwy 93 from the federal Highway Trust special revenue fund.

**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%	455,582,690	455,582,690	911,165,380	96.84%
Statewide PL Adjustments	0	0	0	0.00%	170,093	268,402	438,495	0.05%
Other PL Adjustments	0	0	0	0.00%	14,632,733	14,623,521	29,256,254	3.11%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$470,385,516</b>	<b>\$470,474,613</b>	<b>\$940,860,129</b>	

**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.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,840,877					2,936,776
Vacancy Savings					(2,647,127)					(2,650,960)
Inflation/Deflation					(9,454)					(4,060)
Fixed Costs					(14,203)					(13,354)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$1,539,438</b>	<b>(\$1,369,345)</b>	<b>\$170,093</b>		<b>\$0</b>	<b>\$1,594,825</b>	<b>(\$1,326,423)</b>	<b>\$268,402</b>
DP 204 - Equipment Rental	0.00	0	(48,986)	(40,764)	(89,750)	0.00	0	(31,636)	(26,326)	(57,962)
DP 205 - OT/Differential	0.00	0	1,753,429	1,543,730	3,297,159	0.00	0	1,753,429	1,543,730	3,297,159
DP 206 - Licensing Fees	0.00	0	139,846	0	139,846	0.00	0	197,846	0	197,846
DP 208 - Right of Way Land Acquisition	0.00	0	1,312,501	9,972,977	11,285,478	0.00	0	1,300,987	9,885,491	11,186,478
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$3,156,790</b>	<b>\$11,475,943</b>	<b>\$14,632,733</b>	<b>0.00</b>	<b>\$0</b>	<b>\$3,220,626</b>	<b>\$11,402,895</b>	<b>\$14,623,521</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$4,696,228</b>	<b>\$10,106,598</b>	<b>\$14,802,826</b>	<b>0.00</b>	<b>\$0</b>	<b>\$4,815,451</b>	<b>\$10,076,472</b>	<b>\$14,891,923</b>

DP 204 - 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. This request would impact a combination of state special and federal special revenues.

DP 205 - OT/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 with a combination of state special and federal special revenues. These costs are removed from the base and must be requested in full in a decision package.

DP 206 - Licensing Fees – The executive requests an increase in state and federal special revenue authority for the increased costs of third party software licensing fees.

DP 208 - Right of Way Land Acquisition – The executive requests restoration of the core federal aid program. The adjustment is requested to provide sufficient funding for right of way acquisitions expected for the 2015 biennium project schedule.