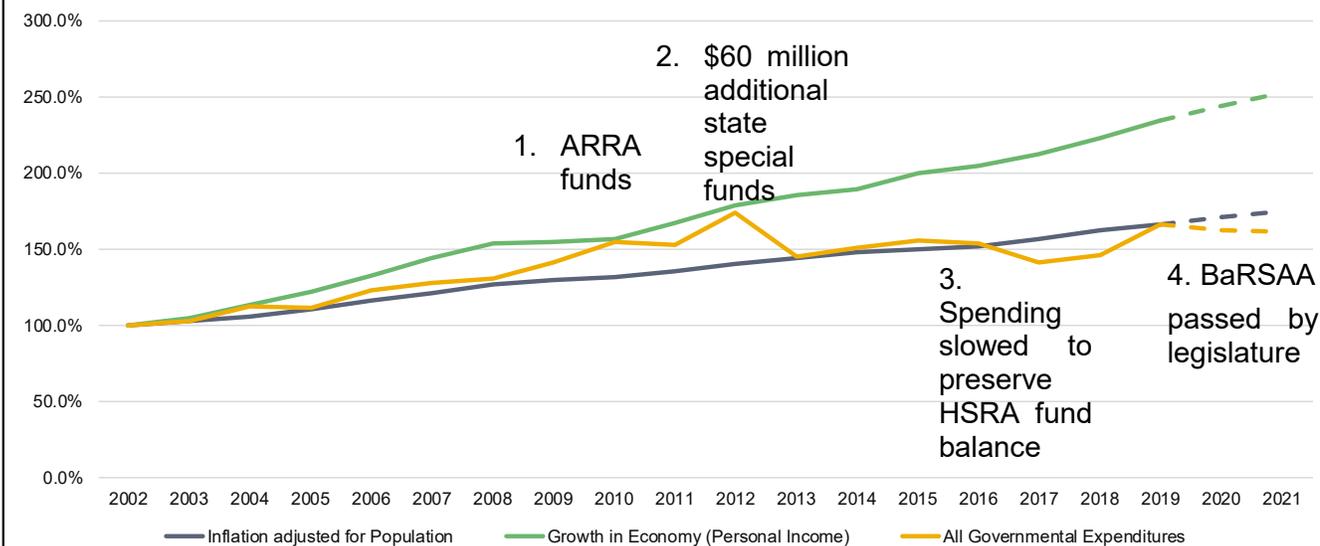


54010-Department of Transportation

This chart shows the **all funds growth** in total expenditures compared to **growth in inflation** and to the **growth in the economy** since fiscal year 2002.



This report includes a series of charts that compare expenditure growth to the growth in the economy and growth in inflation adjusted for population. Montana statute, 17-8-106, MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy. Comparing growth allows financial planners to consider past and future demands in services or changes in revenues.

The Montana Department of Transportation's (MDT) budget generally consists of 60% federal special funds and 40% state special revenue funds which mostly come from fuel taxes. In general, growth of all funds expenditures for the Montana Department of Transportation (MDT) parallels the growth in population and inflation with occasional adjustments related to availability of state and federal funds as described below.

State funds are used to match federal funds as well as support the 100% state funded construction program as well as highway maintenance.

The following list discusses in more detail the inflection points related to governmental expenditures:

1. During FY 2009-2011 the department had an influx of \$200 million in federal funds from the American Recovery and Reinvestment Act (ARRA.) The program funded shovel-ready projects 100% with federal dollars and required no state match. These funds were available for a limited time and therefore prioritized to be spent, resulting in less spending from MDT's Highway State Special Revenue Account (HSRA) and a corresponding increase in the HSRA fund balance.
2. In FY 2011 the legislature authorized an additional \$60 million for state funded construction projects to be completed during the 2013 biennium, decreasing the balance of the HSRA.
3. From FY 2011-2017 HSRA expenditures exceeded revenues, chipping away at the fund balance amassed from the ARRA savings. HSRA fund balance at the end of FY 2011 was nearly \$100

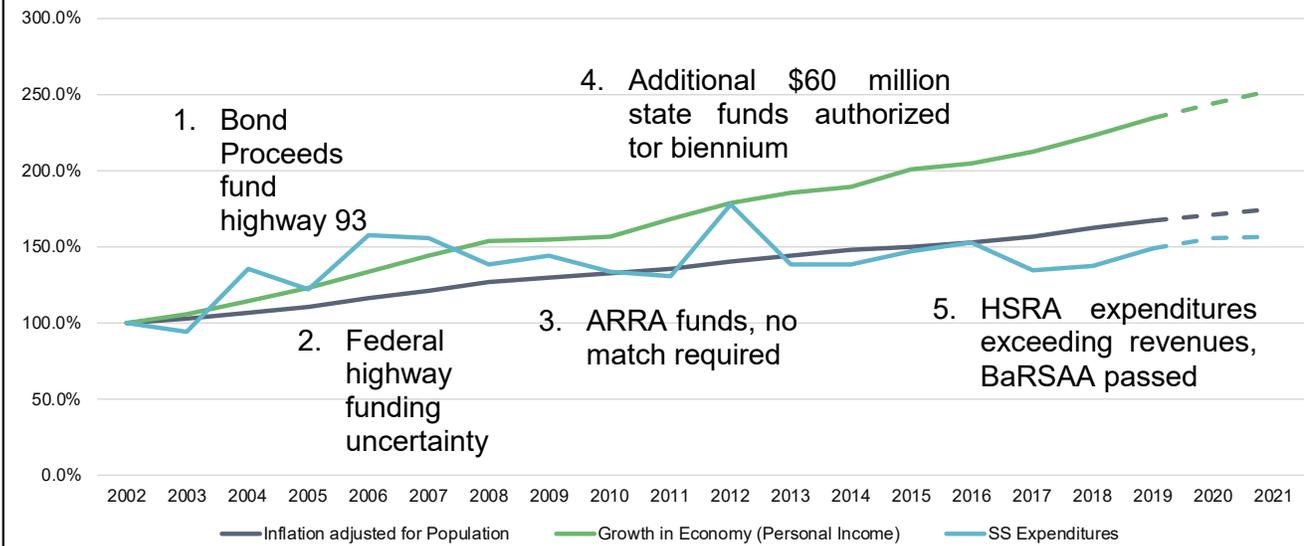
million, but had been reduced to \$36 million by the end of 2016. Federal funds are paid to the state on a reimbursement basis, requiring MDT to maintain sufficient HSRA fund balance for cash flow purposes. During this time spending was slowed to preserve the HSRA fund balance.

4. In FY 2017 the Bridge and Road Safety and Accountability Act (BaRSAA) was passed, gradually increasing state fuel tax through 2023.

54010-Department of Transportation

SS ONLY

This chart shows the **general fund growth** and **state special revenue growth** in total expenditures compared to **growth in inflation** and to the **growth in the economy** since fiscal year 2002.



General Fund

The MDT has dedicated streams of income and does not use general fund.

State Special Revenue

State special revenue for the MDT is derived primarily from fuel taxes. Fuel is taxed at a set per gallon rate that is not adjusted for inflation, accordingly the rate of growth of state special revenue expenditures has been lower than the growth of population and inflation.

The following list discusses in more detail the inflection points related to state special revenue changes in total expenditures:

1. The budget for FY 2004-2005 included federal GARVEE bond proceeds for Highway 93 which added \$87.6 million to state special revenue for the biennium.
2. From 2004-2007 state special revenue expenditures came close to or exceeded federal special revenue expenditures. At this time the federal highway bill TEA-21 had expired in the first quarter of SFY 2004 and posed great uncertainty in the availability of federal funding. The next federal transportation act was not signed until fall of 2005.
3. From FY 2009-2011 the American Recovery and Reinvestment Act (ARRA), a federal program instituted during the great recession, provided over \$200 million in federal funds that did not require a state match. As a result, state special revenue spending decreased.
4. The 2011 legislature authorized \$60 million additional state funds for construction projects in the 2013 biennium.
5. In 2017 the legislature passes HB 473, the Bridge and Road Safety and Accountability Act (BaRSAA) which gradually increases state gas and diesel taxes.

