

THE DEPARTMENT OF TRANSPORTATION

An Agency Profile Prepared by the
Legislative Fiscal Division

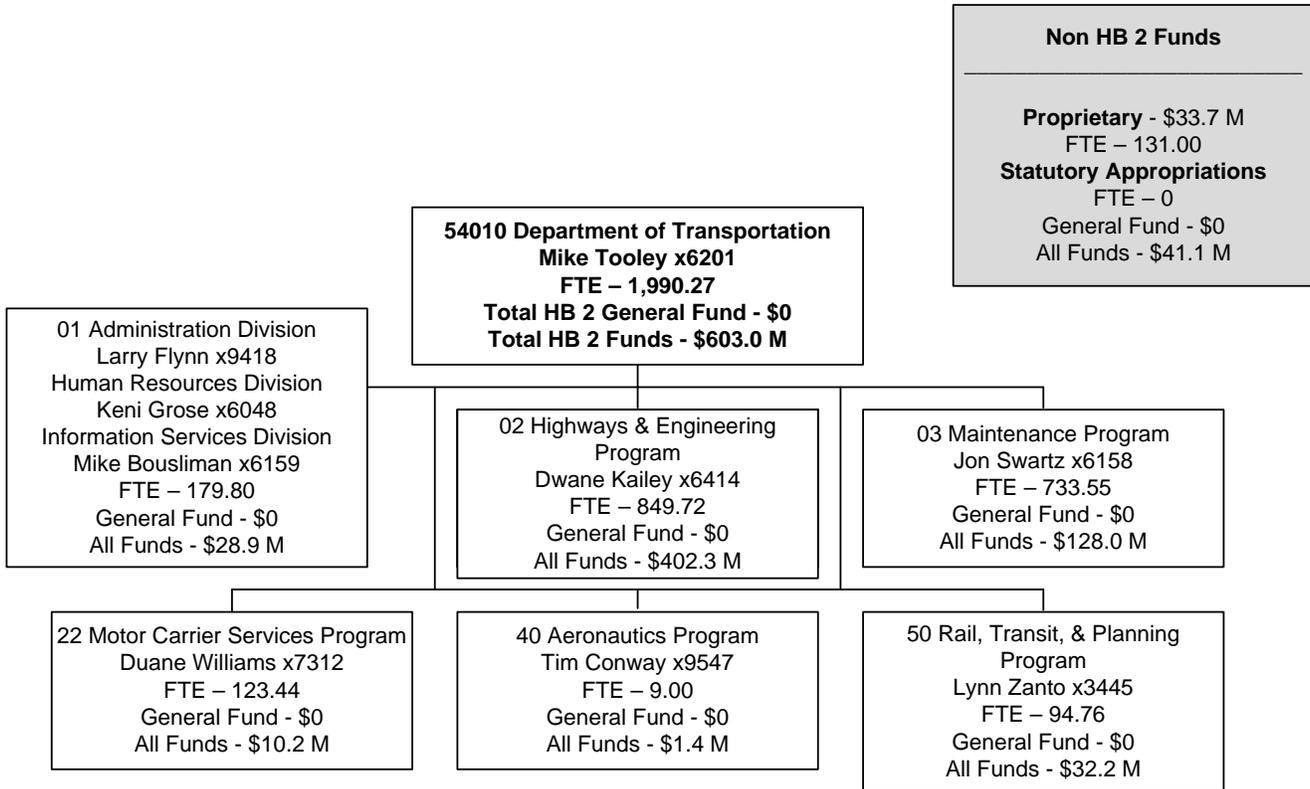
November 2018



INTRODUCTION

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.

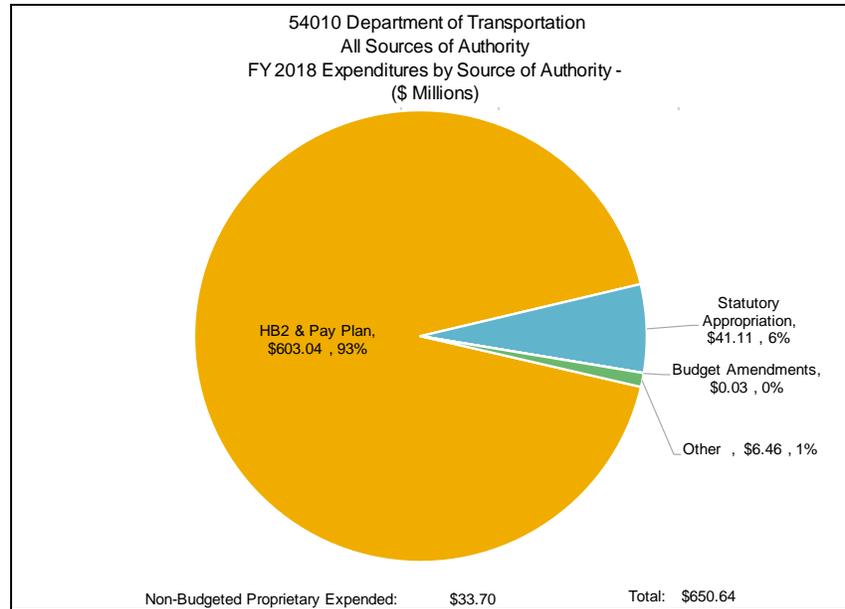
Below is an organizational chart of MDT, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and total expenditures from all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



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 designates highways to be placed on the national highway system and state primary, secondary, and urban highway systems along with those in the state maintenance system.

SOURCES OF SPENDING AUTHORITY



The chart above shows the FY 2018 expenditures by source of authority for the MDT. The total expenditures from the provided authority were \$650.6 million. As illustrated, the primary source of authority for MDT is HB 2 and the pay plan, making up 93.0% of the total expenditures.

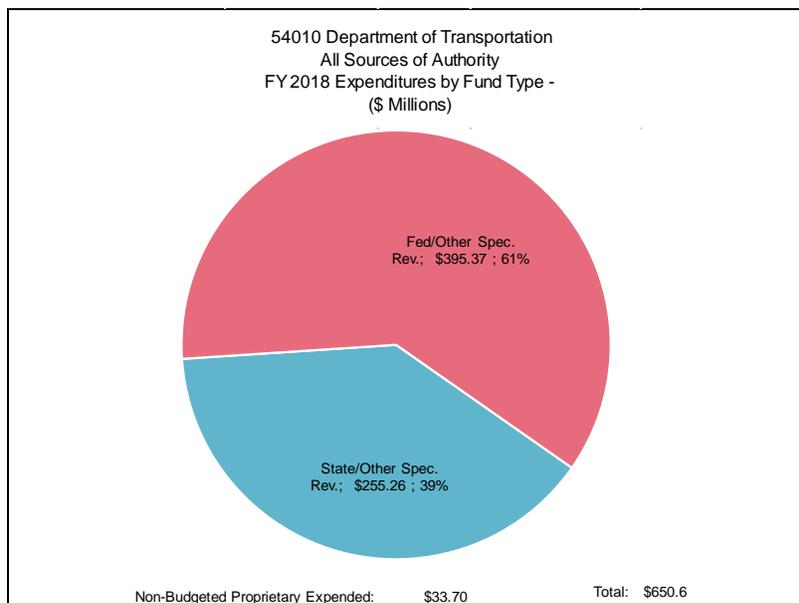
Budget amendments is authority that allows the use of federal funds not anticipated by the 2017 Legislature. While MDT used only \$25,682 of the \$35.6 million of budget amendment authority entered in FY 2018, the remainder is planned for projects over the next two years. The statutory appropriations are primarily distributions of fuel taxes to local and tribal governments. In FY 2018, statutory appropriations included \$3.6 million of new local government distributions from HB 473 (fuel tax legislation), passed in the 2017 Session. Expenditures in the other category includes:

- \$5.0 million of carryforward authority
- \$1.3 million – Long-Range (HB 5 & HB 10)
- \$0.1 million – Budget amendment authority continued from previous years

Not included in the pie chart are the expenditures made within the three MDT proprietary programs: 1) the state motor pool; 2) the MDT equipment program; and 3) the West Yellowstone Airport. While proprietary program expenditures do make up the total amount expended by the agency, they are not included in the figure above to reduce the potential of double counting expenditures. For example, the equipment program leases equipment only to MDT and the rental costs are contained in the various MDT user programs.

FUNDING

MDT is funded primarily with state (39.2% of total funding) and federal (60.8%) special revenue funds and the agency uses no general funds in their operations. Most of this funding is derived from state and federal fuel taxes. Not included in the chart below is \$33.7 million of proprietary funds.



FY 2018, 85.7% of the agency's state special revenue funding (SSR) is from the restricted highway state special revenue account (HSSRA), which receives revenues from gas and diesel taxes and federal indirect cost reimbursements. Use of HSSRA has changed in the 2019 biennium, with local and tribal government expenditures now funded in separate state special revenue accounts (\$22.1 million or 8.7% of SSR expenditures). In FY 2018, \$6.5 million, 2.6%, of funding was provided through the new Bridge and Road Safety and Accountability Act (BaRSAA) accounts for state (\$2.96 million) and local (\$3.55 million) road and highway projects. This is the funding increase associated with HB 473 passed by the 2017 Legislature. The expenditures from these accounts will grow in future years.

Federal special revenue funding (FSR) is significantly composed of distributions from the federal highway trust with \$378.4 million of expenditures and making up 95.7% of the total FSR expended. Another significant source for expenditures in FY 2018 was Federal Transit Authority grant funding, with \$11.1 million of expenditures.

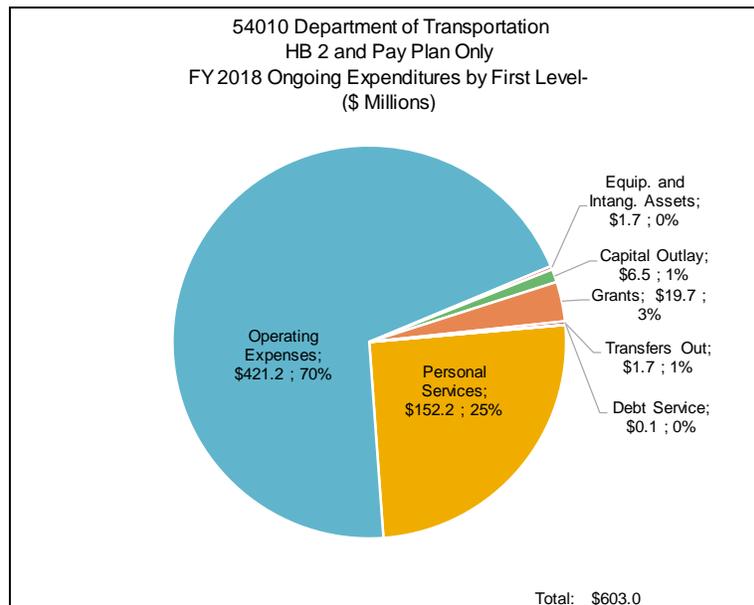
Two programs in MDT are funded through internal service funds, the state motor pool (\$2.9 million of expenditures) and the MDT equipment program (\$30.3 million of expenditures). Revenues in the motor pool program are primarily collected through the rentals and leases of vehicles by state government 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 HSSRA. Enterprise funding results from rentals at the West Yellowstone airport (\$0.5 million of expenditures), which includes landing fees and facility rentals.

HB 2 expenditures are funded with SSR and FSR sources that primarily consist of state and federal fuel taxes. Of the total HB 2 funding, 37.2% is funded with SSR revenues. Of the total SSR funds, 35.5% is provided through HSSRA, 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
- Note: the new BaRSAA accounts are also constitutionally restricted

EXPENDITURES

The next chart explains how the HB 2 authority is spent. MDT has one of the largest state agency budgets and most of the budget is directed to the construction and maintenance of the state's roadways. In FY 2018, the agency estimates that \$407.7 million, or 67.6% of the total HB 2 expenditures were dedicated to road and highway construction (all phases: preliminary engineering through construction). Most of these expenditures are captured in the operating expenses category in the chart below.



- The personal services expenditures supported the MDT workforce of 1990.27 FTE, where more than 25% of the workforce are blue collar workers in the maintenance program
- Of the \$421.2 million (72.4% federal funds) in operating expenses, \$400.3 million (95.0%) were expended through the Construction and Maintenance Programs. These expenditures supported highway contractor payments and highway construction and maintenance costs
- \$10.9 million of the grants, 55.0% of total grants expenditures, were federally funded grants for local government transit projects
- \$1.5 million of the transfers-out expenditure category were pass-thru grants funded by the National Highway Traffic Safety Administration for traffic safety programs

HOW THE 2019 LEGISLATURE CAN EFFECT CHANGE

If the legislature decides to change MDT expenditures, it must focus on the factors that drive those costs. For example, what determines the level of highway maintenance expenditures and 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 costs for the agency. Please note that the list may not be fully inclusive.

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

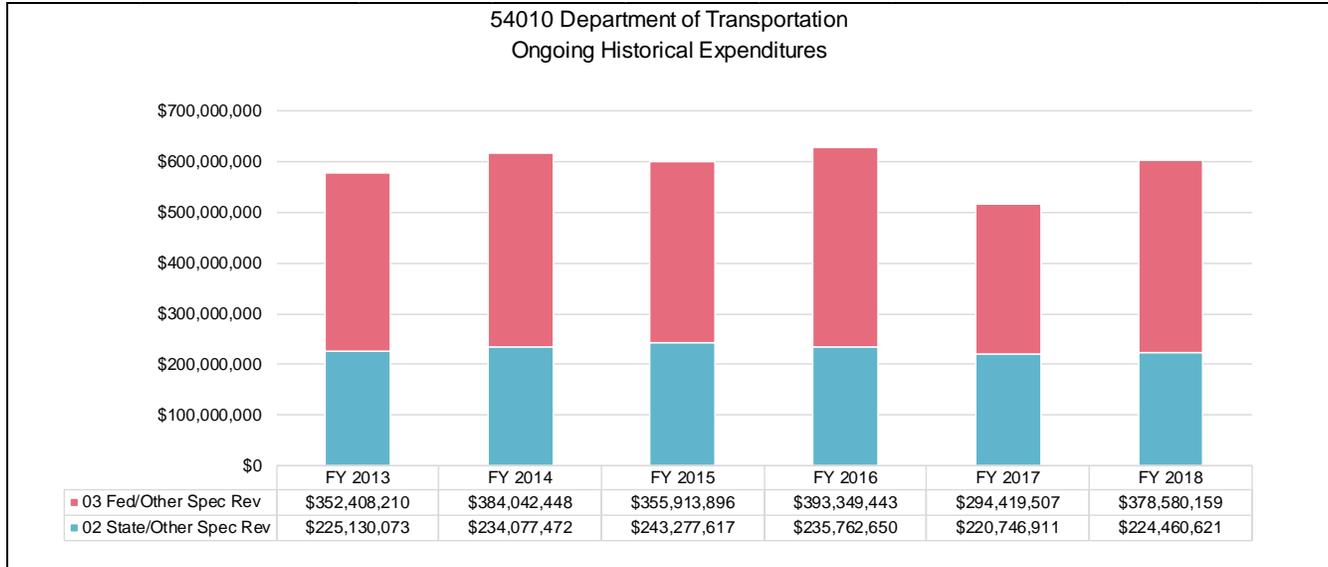
Major Cost Drivers

Driver	2008	2018	Significance of Data
Total lane miles – State Maintained	24,862	25,180	Shows the number of roads supported by state tax base and the ever-increasing span of MDT responsibility.
Pavement area for on-system/state highway routes	378,191	388,642	As the lane miles have increased, so has the amount of paved area on Montana roadways. The increased pavement area still requires regular maintenance (i.e. crack seal, chip seal, plowing, etc.).
Annual Vehicle Miles of Travel – State Maintained	7.9 billion (estimate)	9.1 billion (estimate)	As the number of annual vehicle miles traveled increases, the increased wear & tear on Montana highways results in an increase in the costs of maintaining those highways.
Construction Cost Index	152.45	179.53	Rising costs of constructing Montana highways increases the needs for funding.
Poor Condition bridges on interstate highways (% of deck area)	2010 4.10%	2017 9.4%	Costs for the bridge bureau will decline as bridges are improved and removed from the deficiency rating.
Poor Condition bridges on non-interstate highways (% of deck area)	2010 10.00%	2017 7.4%	Costs for the bridge bureau will decline as fewer bridges are improved and removed from the deficiency rating.

The table above provides some cost drivers that 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 Montana in any given year. The data included in the table shows the changes in the cost drivers over a ten-year period unless otherwise noted.

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

The table below shows historical changes in MDT's base budget authority.



Major reasons for change are:

- Between FY 2013 and FY 2018, MDT SSR expenditures remained relatively flat while FSR expenditures have increased by an annual average of 1.4%
- In FY 2017, MDT reduced spending due to a declining fund balance in the HSSRA fuel taxes account
 - Fuel tax revenues had been flat and account expenditures continued to grow
 - Legislative recognition of the situation led to the approval of HB 473, which increased the fuel taxes (see the Legislative Changes section below)

- The state continues to benefit from high federal highway dollars, where Montana is estimated to receive \$2.20 of federal funding for highways for every \$1.00 of fuel taxes collected in the state and sent to the federal highway trust fund

Major Legislative Changes in the Last Ten Years

Legislative changes that impacted the MDT budget include:

- HB 473 - the Bridge and Road Safety and Accountability Act (BaRSAA) increases Montana's fuel tax rate to \$0.315/gallon for gasoline and \$0.2925/gallon for diesel or special fuels. The rates are increased in steps until FY 2023 when they reach the amount of \$0.33/gallon for gasoline and \$0.2975/gallon for diesel or special fuels. From the tax increase MDT will receive 35% and local governments will be allocated 65% after other non-highway/road distributions. The MDT distributions are restricted in use as matching funds for the federal-aid highway program. Local governments must request their portion of the funds for a specific project or maintenance activities and provide a match of \$0.05 for every \$1.00.
- HB 225 - a pilot project for the maintenance and repair of shared use paths, which establishes an opt-in fee of \$5.00 on light vehicles. MDT will be responsible for allocating the available funds for the maintenance, repair, and establishment of shared use paths. The legislation also makes MDT responsible for maintaining the inventory of all shared use paths located in the right of-way of state maintained highways in Montana.

For more information, please visit the agency's website, here: <https://www.mdt.mt.gov/>.