

### Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	321,029,659	340,938,049	19,908,390	6.20 %
Operating Expenses	934,919,006	941,547,232	6,628,226	0.71 %
Equipment & Intangible Assets	6,520,316	7,972,316	1,452,000	22.27 %
Capital Outlay	25,913,930	25,913,730	(200)	0.00 %
Grants	53,812,036	47,710,640	(6,101,396)	(11.34)%
Transfers	4,509,894	3,780,156	(729,738)	(16.18)%
Debt Service	170,540	170,540	0	0.00 %
<b>Total Expenditures</b>	<b>\$1,346,875,381</b>	<b>\$1,368,032,663</b>	<b>\$21,157,282</b>	<b>1.57 %</b>
State/Other Special Rev. Funds	505,174,709	515,093,443	9,918,734	1.96 %
Federal Spec. Rev. Funds	841,700,672	852,939,220	11,238,548	1.34 %
<b>Total Funds</b>	<b>\$1,346,875,381</b>	<b>\$1,368,032,663</b>	<b>\$21,157,282</b>	<b>1.57 %</b>
<b>Total Ongoing</b>	<b>\$1,346,875,381</b>	<b>\$1,367,127,663</b>	<b>\$20,252,282</b>	<b>1.50 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$905,000</b>	<b>\$905,000</b>	<b>100.00 %</b>

### Mission Statement

To serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment.

For additional information about the Department of Transportation (MDT), please refer to the agency profile. The profile may be viewed at: <https://leg.mt.gov/content/Publications/fiscal/BA-2021/Section-C/Agency-Profiles/5401-MDT.pdf>

Agency Highlights

<b>Department of Transportation Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MDT budget request is \$683.6 million in FY 2020 and \$684.4 million in FY 2021, an increase of \$21.2 million or 1.6% from the 2019 biennium budget</li> <li>• \$19.9 million of the total increase is in the personal services costs, or 6.2% increase, which consists of the following:               <ul style="list-style-type: none"> <li>◦ \$19.4 million of the increase results primarily from the annualization of the 2019 biennium pay plan and the reduced vacancy savings rate requested by the executive for the 2021 biennium</li> </ul> </li> <li>• The change represents an average annual increase of 4.1% from the 2019 base</li> <li>• Personal services are also increased by \$553,274 for the biennium in a new proposal that would add 1.00 FTE in FY 2020 and adds another 6.00 FTE in FY 2021 to the Maintenance Program</li> <li>• Present law adjustment requests are \$13.0 million in the biennium or 61.1% of the biennial budget change</li> <li>• The \$12.9 million of present law adjustments are substantially made up of two adjustments that include:               <ul style="list-style-type: none"> <li>◦ The Maintenance Program requests \$4.0 million for restocking materials and restoring overtime for winter maintenance functions</li> <li>◦ The Rail, Transit, and Planning Program requests an increase of \$3.9 million for the purposes of providing buses and bus facilities within the transit function due to increases in federal appropriations</li> <li>◦ 21.6% of the present law adjustments are for new and increasing maintenance costs for IT systems, adding an annual \$1.9 million to future base budgets</li> </ul> </li> <li>• A new proposal request of \$1.6 million in the Maintenance Program would establish a Traffic Management Center, to manage road reporting of all types including notifying emergency personnel of accidents</li> <li>• A new proposal in the Construction Program would reduce federal funding for a previously federally funded grant program and add funding to state special grants providing a net reduction of \$6.0 million</li> </ul>
<b>LFD Issues</b>
<ul style="list-style-type: none"> <li>• New BaRSAA funding is handled as a funding switch in the Construction Program budget</li> <li>• The Section C Subcommittee may want to consider taking the necessary steps to make the appropriation a line item</li> </ul>

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	1,990.27	1,990.27	1,991.27	1,997.27
Personal Services	152,210,150	157,482,539	163,547,120	170,296,777	170,641,272
Operating Expenses	421,201,157	467,655,778	467,263,228	470,484,813	471,062,419
Equipment & Intangible Assets	1,705,715	3,262,658	3,257,658	4,044,658	3,927,658
Capital Outlay	6,493,807	12,957,065	12,956,865	12,956,865	12,956,865
Grants	19,655,328	28,993,112	24,818,924	23,805,320	23,905,320
Transfers	1,710,726	2,679,816	1,830,078	1,890,078	1,890,078
Debt Service	63,953	85,270	85,270	85,270	85,270
<b>Total Expenditures</b>	<b>\$603,040,836</b>	<b>\$673,116,238</b>	<b>\$673,759,143</b>	<b>\$683,563,781</b>	<b>\$684,468,882</b>
State/Other Special Rev. Funds	224,460,662	256,480,955	248,693,754	257,459,183	257,634,260
Federal Spec. Rev. Funds	378,580,174	416,635,283	425,065,389	426,104,598	426,834,622
<b>Total Funds</b>	<b>\$603,040,836</b>	<b>\$673,116,238</b>	<b>\$673,759,143</b>	<b>\$683,563,781</b>	<b>\$684,468,882</b>
<b>Total Ongoing</b>	<b>\$603,040,836</b>	<b>\$673,116,238</b>	<b>\$673,759,143</b>	<b>\$683,103,781</b>	<b>\$684,023,882</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$460,000</b>	<b>\$445,000</b>

### Agency Discussion

MDT 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 also represents Montana interests in railroad planning issues and supports local entities in overall transportation planning and transit assistance.

The department provides the above 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.

<b>LFD COMMENT</b>	MDT has submitted a budget request for the 2021 biennium based on the 2017 tentative construction plan (TCP). The agency is in the process of updating this plan and the associated budget in relation to the most recent TCP, approved in October 2018. Historically, MDT requests a budget change based on the updated TCP during the session.
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*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In FY 2018, MDT expended \$603.0 million from the \$673.1 million of HB 2 authority, or 89.6% of the budget. FY 2018 spending attributes include:

- The Construction Program used 88.4% of their HB 2 operating expenses authority, which was 26.4% greater than FY 2017
- The MDT personal services budget was tight in FY 2018 and the agency used \$3.8 million of carryforward to meet the needs of the personal services budget
- HB 2 contains language that makes MDT a biennial budget, and MDT has continued all unused HB 2 appropriation authority, estimated at \$70.1 million, from FY 2018 into FY 2019

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

The MDT FY 2019 appropriations are \$642,904, or 0.1%, greater than the FY 2018 appropriations. The largest increase is apparent in the personal services budget, which are primarily impacted by the 2019 biennium pay plan. While increases in the personal services budget were \$6.1 million or 3.9%, the overall increase in FY 2019 is offset by all the other expenditure categories, which are \$5.4 million or 1.1% less in FY 2019 base budget than the appropriations in the FY 2018 budget.

*Executive Request*

- The executive budget proposal for MDT contains an overall increase of \$21.2 million or 1.6% from the 2019 biennium budget. The largest increase is in personal services, where the increase is \$19.9 million, or 6.2% greater than the 2019 biennium budget. The increase in personal services reflects the annualization of the 2019 biennium pay plan increases and the change in vacancy savings from 4.75% imposed by the legislature in the 2019 biennium to the 2.0% recommended by the executive for the 2021 biennium. Other significant biennial requests include (bullets):
  - \$2.8 million for IT related costs
  - \$9.8 million annually for contractor payments from the Bridge and Road Safety and Accountability Act/account, handled as a funding switch with appropriation authority in the restricted highway state special revenue account
  - New proposals would net to a negative \$4.4 million in the 2021 biennium and include:
    - A biennial reduction of \$6.4 million in Community Transportation Enhancement Program (CTEP) grants offset by an increase of \$0.4 million in the Congestion Mitigation & Air Quality (CMAQ) program
    - \$1.6 million for a new proposal for a 24/7 rural traffic management center in the Maintenance Program budget
      - The proposal includes an increase of 1.00 FTE in FY 2020 and adds another 6.00 FTE in FY 2021 at a cost of \$0.6 million in the 2021 biennium
      - The proposal would establish a Traffic Management Center (TMC), to manage road reporting including maintenance call outs, reporting incidents, construction reporting, and notifying emergency personnel of incidents on state maintained highways
      - 43.1% of the biennial funding would be designated for communication equipment upgrades with the appropriations requested, in effect, as one-time-only in FY 2020

**2019 Base Budget**

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 base budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Department of Transportation				
	Legislative Action	Executive Modifications Plus Reduction Changes	Base Post Restoration	% Change from Legislative Approp
<b>01 General Operations Program</b>				
61000 Personal Services	\$16,142,132	\$0	\$16,142,132	0.0%
62000 Operating Expenses	15,375,403	0	15,375,403	0.0%
63000 Equipment & Intangible Assets	45,803	0	45,803	0.0%
66000 Grants	75,000	0	75,000	0.0%
69000 Debt Service	85,270	0	85,270	0.0%
<b>Program Total</b>	<b>\$31,723,608</b>	<b>\$0</b>	<b>\$31,723,608</b>	<b>0.0%</b>
<b>02 Highways &amp; Engineering</b>				
61000 Personal Services	\$73,543,690	\$0	\$73,543,690	0.0%
62000 Operating Expenses	361,298,648	0	361,298,648	0.0%
63000 Equipment & Intangible Assets	2,665,262	0	2,665,262	0.0%
64000 Capital Outlay	12,956,865	0	12,956,865	0.0%
66000 Grants	7,130,628	0	7,130,628	0.0%
<b>Program Total</b>	<b>\$457,595,093</b>	<b>\$0</b>	<b>\$457,595,093</b>	<b>0.0%</b>
<b>03 Maintenance Program</b>				
61000 Personal Services	\$55,576,819	\$0	\$55,576,819	0.0%
62000 Operating Expenses	80,484,598	0	80,484,598	0.0%
63000 Equipment & Intangible Assets	225,208	0	225,208	0.0%
66000 Grants	25,000	0	25,000	0.0%
<b>Program Total</b>	<b>\$136,311,625</b>	<b>\$0</b>	<b>\$136,311,625</b>	<b>0.0%</b>
<b>22 Motor Carrier Services</b>				
61000 Personal Services	\$8,922,480	\$0	\$8,922,480	0.0%
62000 Operating Expenses	2,938,012	0	2,938,012	0.0%
63000 Equipment & Intangible Assets	197,716	0	197,716	0.0%
68000 Transfers-out	49,716	0	49,716	0.0%
<b>Program Total</b>	<b>\$12,107,924</b>	<b>\$0</b>	<b>\$12,107,924</b>	<b>0.0%</b>
<b>40 Aeronautics Program</b>				
61000 Personal Services	\$809,006	\$0	\$809,006	0.0%
62000 Operating Expenses	803,838	0	803,838	0.0%
66000 Grants	403,000	0	403,000	0.0%
68000 Transfers-out	6,901	0	6,901	0.0%
<b>Program Total</b>	<b>\$2,022,745</b>	<b>\$0</b>	<b>\$2,022,745</b>	<b>0.0%</b>
<b>50 Rail Transit &amp; Planning</b>				
61000 Personal Services	\$8,552,993	\$0	\$8,552,993	0.0%
62000 Operating Expenses	6,540,464	(177,735)	6,362,729	-2.7%
63000 Equipment & Intangible Assets	123,669	0	123,669	0.0%
66000 Grants	17,185,296	0	17,185,296	0.0%
67000 Benefits & Claims	500	(500)	0	-100.0%
68000 Transfers-out	1,595,226	178,235	1,773,461	11.2%
<b>Program Total</b>	<b>33,998,148</b>	<b>0</b>	<b>33,998,148</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>\$673,759,143</b>	<b>\$0</b>	<b>\$673,759,143</b>	<b>0.0%</b>

In executive modifications, MDT moved authority from the operating expense and benefits & claims expenditure categories into the transfers-out category in the Rail, Transit, and Planning Program. The MDT budget includes no general fund. Consequently, the agency did not have budgetary reductions imposed in the November 2017 Special Session and will not have SB 9 restorations in the base. The base budget also includes a funding switch of \$629,814 out of state special revenues into federal special revenues.

#### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2021 biennium 5% plan submitted for this agency is in the appendix.

Because MDT does not transfer investment earnings or fund balances to the general fund in any of their state special funds, the agency is principally exempt from submission of the 5% reduction plan.

*Agency Wide Decision Packages*

The following proposal has common decision packages in several programs across the agency.

Information Technology Present-Law Adjustments

Information technology (IT) present-law adjustments occur in three of the MDT programs. IT continues to gain importance in MDT, as in state government generally. In the 2019 biennia, MDT started the build on several major IT systems that are expected to be completed during the 2021 biennium. When the systems are fully implemented these systems will result in new agency IT costs. In addition to new systems coming on line, existing software licenses and maintenance costs are subject to annual contract increases. The following table shows the agency 2021 biennium IT requests by fiscal-year.

MDT IT Present Law Decision Packages				
Program	Decision Package	FY 2020	FY 2021	2021 Bien.
General Operations	107-Adobe Software Funding/Replacement	\$100,000	\$75,000	\$175,000
General Operations	108-MCS-Customer Credentialing and Automated Routing Software	0	86,000	86,000
Construction	208-Engineering Software Licensing & Maintenance Contracts	840,717	913,371	1,754,088
Planning	5006-Linear Referencing System Maintenance and Updates	0	80,000	80,000
Planning	5007-Program and Project Management System Maintenance & License	0	700,000	700,000
Grand Total		\$940,717	\$1,854,371	\$2,795,088

The \$2.8 million of IT requests represent 21.6% of the total present-law adjustments. These requests are funded with 67.2% state special revenues and 32.8% of federal special revenues. The requests would add \$1.9 million in ongoing costs to the future base budget. Note: these requests do not increase the State Information Technology Services Division rates but would be contained within the MDT IT operating expenses and would generally make use of private companies for the licensing and maintenance services.

**LFD COMMENT** MDT has requested a new \$7.0 million “Federal Billing System” IT project in the Long-Range Information Technology Program (HB 10). In a recent audit/review, the Federal Highway Administration found the current billing system does not contain all required internal controls and processes to ensure federal funds obligations and expenditures comply with applicable statutory, regulatory and contractual requirements throughout the duration of an obligation and ultimately for project reimbursement. The audit also identified noncompliance with some applicable federal statutes, regulations, and rules.

If the Federal Billing System project is approved in HB 10, it will improve the federal billing processes to be in accordance with applicable federal statutes and regulations. In the HB 10 hearings, MDT will provide future agency cost (future licensing, maintenance, and operations costs) related to the implementation of the project.

**Agency Personal Services**

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into four categories, as follows:

*1. Formula Based*

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers’ compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

## 2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

## 3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included 4.75% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

## 4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 2  
Department of Transportation - Personal Services Present Law  
DP 1 - FY 2020

Program	# FTE	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 GENERAL OPERATIONS	179.80	\$231,564	\$286,603	\$473,908	\$0	\$992,075
02 CONSTRUCTION	849.72	210,510	326,861	2,104,584	0	2,641,955
03 MAINTENANCE PROGRAM	733.55	(109,505)	(109,537)	1,489,484	0	1,270,442
22 MOTOR CARRIER SERVICES	123.44	32,363	130,306	259,394	0	422,063
40 AERONAUTICS PROGRAM	9.00	(2,618)	(18,733)	22,769	0	1,418
50 RAIL, TRANSIT & PLANNING	94.76	91,585	(60,033)	293,709	0	325,261
Agency Total	1,990.27	\$453,899	\$555,467	\$4,643,848	\$0	\$5,653,214

The personal services budget request for MDT is \$170.2 million in FY 2020 and \$170.6 million in FY 2021, a total biennial increase of \$19.9 million or 6.2% and an average annual change of 4.2% from the FY 2019 base. The personal services increase from DP 1 is \$5.7 million in FY 2020 and \$5.6 million in FY 2021. The increases consist primarily of the annualization of the 2019 biennium pay plan (Formula Based) and the difference between the 4.75% vacancy savings rate authorized by the 2017 Legislature and the 2.0% rate requested by the executive in the 2021 biennium (Proposed Reinstatement). MDT uses a career ladder pay scale, and in the 2021 biennium the increases have often been offset as retiring long-term staff were replaced with lower paid individuals (Management Decisions).

Included in the MDT personal services budget is \$5.5 million per year for overtime, an amount that is consistent with the overtime appropriation of the 2019 biennium. A present law proposal in the Maintenance Program would restore \$1.0 million per-year in overtime, explaining 10.1% of the total agency increase in personal services costs for the 2021 biennium.

From the total increase in the personal services budget, \$553,274 is related to a new proposal request in the Maintenance Program. The proposal includes the new costs of 1.00 FTE in FY 2020 and adds another 6.00 FTE in FY 2021. The increase represents 2.8% of the total biennial increase in personal services.

**Funding**

The following table shows proposed agency funding by source of authority.

Total Department of Transportation Funding by Source of Authority 2021 Biennium Budget Request - Department of Transportation							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	514,913,443	180,000	0	80,260,066	595,353,509	38.60 %	
Federal Special Total	852,214,220	725,000	0	19,335,900	872,275,120	56.55 %	
Proprietary Total	0	0	74,785,169	0	74,785,169	4.85 %	
Other Total	0	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$1,367,127,663</b>	<b>\$905,000</b>	<b>\$74,785,169</b>	<b>\$99,595,966</b>	<b>\$1,542,413,798</b>		
<b>Percent - Total All Sources</b>	<b>88.64 %</b>	<b>0.06 %</b>	<b>4.85 %</b>	<b>6.46 %</b>			

The department is funded from a combination of state special revenue and federal special revenue. Included in the figure above is the funding for the three proprietary programs, the State Motor Pool internal service program, the MDT Equipment internal service program, and the Yellowstone Airport enterprise program. Statutory appropriations consist of distributions of gasoline taxes to local and tribal governments (state special funds) and federal debt service payments.

**LFD COMMENT** MDT is primarily financed through three state special revenue accounts. The three major accounts make up 98% of the agency's HB 2 state special revenues. The revenues that fund the accounts can be grouped in two general categories, constitutionally restricted and non-restricted revenues.

1. Restricted revenues are derived 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 funds are deposited into the highway state special restricted account (HSSRA-Restricted) and the bridge and road safety and accountability act/account (BaRSAA)

They 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
- Use of these funds for other purposes can be made through a 3/5th vote of the members of each chamber of the legislature

2. Non-restricted revenues are derived from special use permits and motor fuel penalties and interest payments. The funds are deposited into the highway state special non-restricted account (HSSRA-Non-Restricted). MDT relies on these funds for functions that are not directly related to road and highway construction and maintenance, such as emergency services and transit grants and funding for the Rail Council.

They can be used for:

- Any purpose for which the legislature sees fit

MDT Major State Special Revenue Accounts Working Capital Analysis

The figure below provides the working capital balance for the two-restricted highway state special revenue accounts (HSSRA and BaRSAA) and the highway state special revenue non-restricted account (HSSRA-NR). This analysis differs from a regular fund balance analysis because it includes only those actual expenditures in the year when they occur. It does not include amounts that are encumbered for projects started in the current year but completed in the next. In such a case, the continued project costs would be included in the following year. As such, the analysis provides a more accurate assessment of funding availability.

To some degree, the MDT major accounts are managed in tandem. When revenues are not sufficient in one of the accounts, authority may be moved to another, while considering the constraints of the restricted nature of the two accounts. As such, a combined balance is included for informational purposes. The combined balance of the MDT major accounts is projected to be \$69.0 million at the beginning of the 2021 biennium. If the agencies fully expend appropriations as currently planned in the 2021 budgets and the anticipated revenues are realized as projected, the combined balance would be \$66.3 million at the end of the 2021 biennium. Note: the following analysis includes known changes to appropriations of the major accounts that will be included in the Dec. 15, 2018 final budget submission.

Constitutionally Restricted HSSRA

As shown in the adjacent figure, HSSRA is expected to start the 2021 biennium with a positive working capital balance of nearly \$65.8 million. The revenue estimates included in HJ 2 would provide \$477.6 million in the biennium. The budget requests include \$472.6 million of appropriations. The difference between anticipated revenues and requested appropriations would amount to \$5.0 million, increasing the projected working capital balance to \$70.8 million. This analysis does not consider the 2021 biennium pay plan or the Construction Program second budget submission, which would increase costs in HSSRA. Both requests are expected to be available prior to the end of the 2021 Session.

Constitutionally Restricted BaRSAA

BaRSAA is a new account established in the HB 473 from the 2017 Session (fuel tax legislation). When the legislature increased fuel taxes, 35% of the new revenues were directed to MDT. The new revenue was designated to a separate account and are to be expended only as a match to federal-aid highway funding. BaRSAA is expected to start the 2021 biennium with a balance of \$2.4 million. The revenue estimates included in HJ 2 would provide \$21.3 million in the biennium. Budget requests are \$25.6 million, reducing the balance to negative \$1.9 million by the end of the biennium. While the projected balance is shown as negative for the BaRSAA account, the agency will not expend more revenue than is available. The negative balance means that appropriations exceed the projections for the fund balance and revenues in the 2021 biennium.

2021 Biennium Projected Working Capital Balances MDT Major State Special Revenue Accounts				
Item	HSSRA - Non- Rest.	HSSRA - Restricted	BaRSAA - Restricted	All Major Funds
	Total 2021 Bien.	Total 2021 Bien.	Total 2021 Bien.	Total 2021 Bien.
<b>Beginning Balance</b>	759,033	65,833,189	2,394,760	68,986,983
<b>Revenues<sup>1</sup></b>				
Gasoline Tax	0	199,829,636	0	199,829,636
Diesel Tax	0	127,737,152	0	127,737,152
BaRSAA Fuel Tax		0	21,333,440	21,333,440
Gross Vehicle Weight Fees (GVW)	15,661,950	51,757,079	0	67,419,029
Federal Indirect Cost Recovery	0	87,427,007	0	87,427,007
Other Revenues	380,085	10,858,725	0	11,238,810
<b>Total Revenue</b>	16,042,035	477,609,599	21,333,440	514,985,074
<b>HB 2</b>				
Department of Transportation (MDT)				
General Operations Program	0	63,042,563	0	63,042,563
Construction Program	290,000	121,022,412	25,600,000	146,912,412
Maintenance Program	15,204,326	249,837,575	0	265,041,901
Motor Carrier Services	89,056	16,226,841	0	16,315,897
Rail, Transit, & Planning Program	2,632,317	9,778,638	0	12,410,955
Non-Budgeted Authority	500,000	0	0	500,000
<b>Total MDT HB 2</b>	18,715,699	459,908,029	25,600,000	504,223,728
Total Department of Justice HB 2	782,916	0	0	782,916
<b>Total Expenditures / Appropriations</b>	19,498,615	472,608,029	25,600,000	517,706,644
Revenue less Expenditures/Appropriations	(3,456,580)	5,001,570	(4,266,560)	(2,721,570)
<b>Actual / Projected Ending Balance</b>	(\$2,697,547)	\$70,834,759	(\$1,871,800)	\$66,265,412

<sup>1</sup>Revenues based HJ 2 projections. Other revenues and federal indirect cost recovery are projected by MDT.

Non-restricted HSSRA-NR

HSSRA-NR supports the operations of four programs in MDT and several programs in the Department of Justice. As shown in the figure, the account is expected to start the 2021 biennium with a balance of \$759,033. The balance represents the available funds following the transfer of \$8.0 million that the legislature authorized during the November 2017 Special Session. Total revenue in the biennium is projected to be \$16.0 million and total appropriations requested are \$19.4 million, reducing the fund balance by \$1.9 million over the biennium and providing a projected negative balance of \$2.7 million by

the end of the 2021 biennium. Again, the negative balance means that appropriations exceed the projections for the fund balance and revenues in the 2021 biennium.

The MDT major funds figure provides a high-level view of the working capital balances of the highway state special revenue accounts, a more detailed view of account activities and budgeting is found in the appendix.

**LFD COMMENT** The 2017 Legislature made statutory changes in the way fuel (gas and diesel) taxes are distributed, and these changes are apparent when comparing the working capital analysis for the 2019 biennium to the analysis of the 2021 biennium. A portion of fuel taxes are now deposited into a state special revenue account for the Department of Justice (DOJ) Highway Patrol (4 cents) and new revenues collected from the fuel tax increases are being deposited into two state special revenue accounts for: (1) local government grants and (2) the exclusive use of contractor payments. With the change in distributions, items no longer included in the working capital balances include:

- Distributor payments
- Statutory appropriations (fuel tax distributions to local and tribal governments)
- Highway patrol funding

A visual representation of the new distribution, provided by MDT, is found in the appendix of this report.

*Federal Aid Highway Funding*

Montana continues to receive approximately \$2 of federal gas taxes for every \$1 that Montanans pay. The Fixing America’s Surface Transportation or FAST Act was passed by Congress in 2015 and is at this time directing the allocation of federal funds to MDT. The federal legislation will expire September 30, 2020, and as a result there is a level of uncertainty about the amount of federal funds the state can expect beyond the 2021 biennium.

**Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	673,759,143	673,759,143	1,347,518,286	98.50 %
SWPL Adjustments	0	0	0	0.00 %	6,148,791	5,866,995	12,015,786	0.88 %
PL Adjustments	0	0	0	0.00 %	5,882,404	7,045,913	12,928,317	0.94 %
New Proposals	0	0	0	0.00 %	(2,226,557)	(2,203,169)	(4,429,726)	(0.32)%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$683,563,781</b>	<b>\$684,468,882</b>	<b>\$1,368,032,663</b>	

**Language and Statutory Authority -**

The following language is requested 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."

**Statutory Authority**

In the 2021 biennium, MDT has budgeted approximately \$99.6 million of statutory appropriation authority. Most of the authority is related to distributions of fuel taxes to town and city, county, and tribal governments. MDT also pays debt service on a federally supported highway bond. The 2021 biennium budgeted statutory appropriations include:

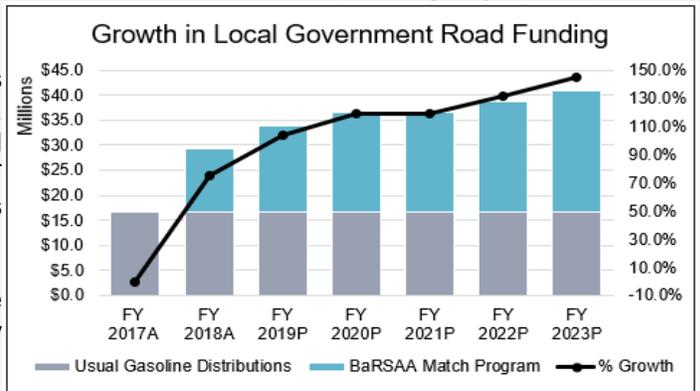
- \$69.1 million – City and county governments fuel tax distributions and grants
- \$10.7 million – Tribal governments gas tax revenue sharing agreements
- \$0.3 million – Local Technical Assistance Program at Montana State University
- \$19.3 million – Bond issue debt service (FY 2023 is final year)
- \$0.1 million – Shared use path construction and maintenance

**LFD COMMENT**

The 2017 Legislature passed HB 473 (BaRSAA) with a new statutory appropriation for local government road funding from the increases in gas and special fuels (diesel) tax rates. In the 2019 biennium, the tax increased from 27 cents to 31.5 cents for gasoline and from 27.75 cents to 29.75 cents for special fuels taxes. The increases will be stepped up, increasing through FY 2023. In the 2021 biennium, starting July 1, 2019, the rate will be 32 cents for gasoline and 29.45 cents for special fuels.

From the new taxes generated by the increase, 65% is statutorily appropriated to deliver construction, reconstruction, maintenance, and repair of rural roads, city or town streets and alleys, and bridge projects. The legislation requires that MDT create a website that provides information on all the projects done with the tax increase revenue.

Local governments must request project funding through the “match program” as established in 15-70-130, MCA. To qualify for the program, local governments must provide a match of \$1 of local government funds to \$20 of BaRSAA/match program funds. Match program awards are provided in March of each year. The first program distributions of \$3.6 million (with total project obligations of \$6.2 million) were provided to the cities and counties in FY 2018 and represented a local government road funding increase of 21.3%. Distributions in FY 2018 were from a four-month period of tax increases, and available funding will increase as the full year change in tax rates is realized and going forward as the tax rates are stepped up.



The figure above shows the growth in local government road funding that resulted from HB 473. The projections suggest that funding for local projects will increase by 119.1% by the end of the FY 2021, on a fiscal year basis. While this chart shows the increase in funding by fiscal year, actual distributions will differ because the match program revenues are distributed on a calendar year basis and local governments’ action is required to obligate their portion of the distribution.

As required in HB 473, a website listing all local government projects funded through BaRSAA is available at the following link:

<https://app.mdt.mt.gov/barsaa/agency/project/list> (deselect MDT from “Submitting Agency” filter to view only local government projects)

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	31,769,194	34,270,913	2,501,719	7.87 %
Operating Expenses	30,929,980	31,915,918	985,938	3.19 %
Equipment & Intangible Assets	96,606	91,606	(5,000)	(5.18)%
Capital Outlay	200	0	(200)	(100.00)%
Grants	150,000	150,000	0	0.00 %
Transfers	16,777	0	(16,777)	(100.00)%
Debt Service	170,540	170,540	0	0.00 %
<b>Total Expenditures</b>	<b>\$63,133,297</b>	<b>\$66,598,977</b>	<b>\$3,465,680</b>	<b>5.49 %</b>
State/Other Special Rev. Funds	60,050,686	63,042,563	2,991,877	4.98 %
Federal Spec. Rev. Funds	3,082,611	3,556,414	473,803	15.37 %
<b>Total Funds</b>	<b>\$63,133,297</b>	<b>\$66,598,977</b>	<b>\$3,465,680</b>	<b>5.49 %</b>
<b>Total Ongoing</b>	<b>\$63,133,297</b>	<b>\$66,598,977</b>	<b>\$3,465,680</b>	<b>5.49 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The General Operations Program provides overall policy direction and management to the agency, administers motor fuel taxes, and provides administrative support services for the department, including general administration and management, accounting and budgeting, ensuring civil rights and equal opportunity, legal services, public affairs, information technology services, human resources activities, compliance review, and goods and services procurement

**Program Highlights**

<b>General Operations Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The General Operations Program budget request is \$3.5 million, or 5.5%, higher than the 2019 biennium</li> <li>• \$2.6 million of the growth results from the statewide present law adjustments:                             <ul style="list-style-type: none"> <li>◦ Personal services cost increases of \$2.5 million result primarily from the annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive</li> <li>◦ \$630,937 of the agency-wide \$677,837 in fixed costs adjustments, or 93.1% of the total, would be funded in this program</li> </ul> </li> <li>• \$261,000, or 50.2% of the present law adjustments are IT related</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	179.80	179.80	179.80	179.80
Personal Services	14,608,030	15,627,062	16,142,132	17,134,207	17,136,706
Operating Expenses	14,115,363	15,554,577	15,375,403	16,060,536	15,855,382
Equipment & Intangible Assets	50,789	50,803	45,803	45,803	45,803
Capital Outlay	8	200	0	0	0
Grants	75,000	75,000	75,000	75,000	75,000
Transfers	16,770	16,777	0	0	0
Debt Service	63,953	85,270	85,270	85,270	85,270
<b>Total Expenditures</b>	<b>\$28,929,913</b>	<b>\$31,409,689</b>	<b>\$31,723,608</b>	<b>\$33,400,816</b>	<b>\$33,198,161</b>
State/Other Special Rev. Funds	27,866,711	29,864,597	30,186,089	31,625,760	31,416,803
Federal Spec. Rev. Funds	1,063,202	1,545,092	1,537,519	1,775,056	1,781,358
<b>Total Funds</b>	<b>\$28,929,913</b>	<b>\$31,409,689</b>	<b>\$31,723,608</b>	<b>\$33,400,816</b>	<b>\$33,198,161</b>
<b>Total Ongoing</b>	<b>\$28,929,913</b>	<b>\$31,409,689</b>	<b>\$31,723,608</b>	<b>\$33,400,816</b>	<b>\$33,198,161</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In the FY 2018 budget, the General Operations Program expended a total of 92.1% of their \$31.4 million in appropriation authority. The personal services budget expenditures were \$14.6 million, or 93.5% of the authority, and the program expended \$14.1 million of the operating expenses authority, or 90.7%.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriations are 1.0% greater than the appropriation level of FY 2018. The growth in the program budget reflects a combination of growth in personal services, primarily related to the pay plan increases and reduction in the operating expenses budget resulting from changes in the fixed costs budget.

#### *Executive Request*

The General Operations Program provides general oversight and administrative support for the agency. The proposed budget includes an increase of \$3.5 million or 5.5%. From the overall increase, \$2.5 million (72.1%) is explained by personal services increases. The most significant change in the personal services can be attributed in large part to the annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive. The budget also includes \$630,937 in fixed cost adjustments, of which \$155,728 or 24.7% is the increase in State Information Technology Services Division (SITSD) costs.

The 2021 biennium budget of the General Operations Program also includes \$519,452 of present law adjustments. Two of the adjustments are for IT related projects (DP 107 and DP 108), with costs of \$261,000 and making up 50.2% of the present law adjustments and 1.6% change in operating expenses.

### Program Personal Services

The General Operations Program proposal for personal services is \$17.1 million each year of the biennium, a biennial increase of \$2.5 million or 7.9%. Increases in personal services costs result primarily from the annualization of the 2019 pay plan adjustment and the change in the rate of vacancy savings.

Attributes of the General Operations Program personal services include:

- Total FTE budgeted in the program are 179.80
- In FY 2018, the General Operations Program workforce was principally comprised of the following:

- 49.25 FTE or 27.4% in various finance, accounting, and auditing positions
- 52.63 FTE or 29.3% in various information technology positions
- 10.64 FTE or 5.9% in various legal support positions
- 11.25 vacant FTE in the snapshot, funded at 83% of the normal pay level
- \$62,372 per-FY in overtime, an amount equal to the 2019 biennium

**Funding**

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

Department of Transportation, 01-General Operations Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02301 Tribal Motor Fuels Admin.	0	0	0	32,000	32,000	0.02 %	
02303 Tribal Motor Fuels Tax Acct	0	0	0	10,640,202	10,640,202	7.45 %	
02349 Highway Non-Restricted Account	0	0	0	0	0	0.00 %	
02422 Highways Special Revenue	63,042,563	0	0	0	63,042,563	44.13 %	
02447 BaRSAA MDT Fuel Tax	0	0	0	0	0	0.00 %	
02440 Refunds/IFTA Suspense	0	0	0	0	0	0.00 %	
02439 BaRSAA Local Fuel Tax	0	0	0	35,813,286	35,813,286	25.07 %	
02437 Local Gvt/LTAP	0	0	0	33,332,000	33,332,000	23.33 %	
<b>State Special Total</b>	<b>\$63,042,563</b>	<b>\$0</b>	<b>\$0</b>	<b>\$79,817,488</b>	<b>\$142,860,051</b>	<b>97.57 %</b>	
03407 Highway Trust - Sp Rev	3,556,414	0	0	0	3,556,414	100.00 %	
03828 Traffic Safety	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$3,556,414</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,556,414</b>	<b>2.43 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$66,598,977</b>	<b>\$0</b>	<b>\$0</b>	<b>\$79,817,488</b>	<b>\$146,416,465</b>		

The General Operations Program is primarily funded from HSSRA (02422) and federal highway trust special revenue. HSSRA receives revenue from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, on-the-job training programs, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

The General Operations Program is also responsible for \$79.8 million of statutory appropriations. Most, \$69.1 million, are the distributions of fuel taxes to cities, towns, counties, and consolidated city-county governments. The \$10.7 million of statutory distributions through the tribal motor fuels accounts are a function of the revenue sharing agreements between the tribes and the state. For more information on the local government distributions, see the statutory appropriations section of the MDT summary.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	31,723,608	31,723,608	63,447,216	95.27 %
SWPL Adjustments	0	0	0	0.00 %	1,449,892	1,182,417	2,632,309	3.95 %
PL Adjustments	0	0	0	0.00 %	227,316	292,136	519,452	0.78 %
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>\$33,400,816</b>	<b>\$33,198,161</b>	<b>\$66,598,977</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	882,248	109,827	992,075	0.00	0	882,360	112,214	994,574
DP 2 - Fixed Costs	0.00	0	451,247	0	451,247	0.00	0	179,690	0	179,690
DP 3 - Inflation Deflation	0.00	0	6,176	394	6,570	0.00	0	7,664	489	8,153
DP 106 - Fuel Tax Evasion Grant	0.00	0	0	127,316	127,316	0.00	0	0	131,136	131,136
DP 107 - Adobe Software Funding/Replacement	0.00	0	100,000	0	100,000	0.00	0	75,000	0	75,000
DP 108 - MCS- Customer Credentialing and Automated Routing Software	0.00	0	0	0	0	0.00	0	86,000	0	86,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,439,671</b>	<b>\$237,537</b>	<b>\$1,677,208</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,230,714</b>	<b>\$243,839</b>	<b>\$1,474,553</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Budget modifications

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 106 - Fuel Tax Evasion Grant -

The executive requests an increase of authority for the federal fuel tax evasion grant program funding in the base of the program. The authority adds federal funding in the following areas: administration division, audit services, and legal services. The fuel tax evasion grants funding has been sustained in the 2019 biennium through budget amendments.

<b>LFD COMMENT</b>	Federal fuel tax evasion grant funds, provided by the Federal Highway Administration, are used in the General Operations and Motor Carrier Services Division (MCS) programs. The MCS also has a budget request to increase the base funding by \$30,000 per year for the same purpose. The grants reimburse applicable expenses to expand or implement programs to reduce tax evasion.
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In FY 2018, the MDT budget included a budget amendment that added \$108,663 in federal funding for the year. From that authority, the General Operations Program expended \$11,864 and MCS expended \$62. MDT plans to expend the budget amendment authority in FY 2019. The combination of the two requests will add a total federal funding of \$318,452 to the budget and \$161,136 to the agency base.

DP 107 - Adobe Software Funding/Replacement -

The executive requests an increase in state special revenue authority to replace Adobe software currently used within the agency. Adobe PDF (portable document format) is used to present and exchange documents independent of software, hardware, or operating system. The current contract, negotiated by the State Information Technology Services Division (SITSD) of the Department of Administration, is scheduled to end in FY 2021. SITSD has not contracted with Adobe for FY2021, nor have they included the costs in the SITSD budget. This appropriation would continue to provide either Adobe PDF, or some similar software, in FY 2021.

DP 108 - MCS- Customer Credentialing and Automated Routing Software -

The executive requests an appropriation of state special revenue in FY 2021 for the ongoing costs of the Customer Credentialing System (CCS) and Automated Routing System (ARS).

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	144,461,048	152,360,759	7,899,711	5.47 %
Operating Expenses	722,529,459	724,384,096	1,854,637	0.26 %
Equipment & Intangible Assets	5,330,524	5,330,524	0	0.00 %
Capital Outlay	25,913,730	25,913,730	0	0.00 %
Grants	14,261,256	8,261,256	(6,000,000)	(42.07)%
<b>Total Expenditures</b>	<b>\$912,496,017</b>	<b>\$916,250,365</b>	<b>\$3,754,348</b>	<b>0.41 %</b>
State/Other Special Rev. Funds	152,683,466	146,912,412	(5,771,054)	(3.78)%
Federal Spec. Rev. Funds	759,812,551	769,337,953	9,525,402	1.25 %
<b>Total Funds</b>	<b>\$912,496,017</b>	<b>\$916,250,365</b>	<b>\$3,754,348</b>	<b>0.41 %</b>
<b>Total Ongoing</b>	<b>\$912,496,017</b>	<b>\$916,250,365</b>	<b>\$3,754,348</b>	<b>0.41 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Description

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.

Agency Highlights

<b>Construction Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Construction Program budget request is \$3.8 million, or 0.4%, higher than the 2019 biennium</li> <li>• The program has the greatest number of FTE in the agency and the highest personal services budget                             <ul style="list-style-type: none"> <li>◦ Personal services cost increases of \$7.9 million result primarily from the annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive</li> </ul> </li> <li>• If determined necessary, the legislature may be asked to provide an increased appropriation for contractor payments in a second budget submission based on the 2018 tentative construction plan, expected to be completed before subcommittee work begins</li> <li>• In a new proposal, federally funded grants would be reduced by \$3.2 million and state special grants are increased by \$0.2 million annually                             <ul style="list-style-type: none"> <li>◦ The Federal Highway Administration discontinued its support for the Community Transportation Enhancement Program</li> <li>◦ State grant funding would provide a match for equipment in the Congestion Mitigation &amp; Air Quality program</li> </ul> </li> <li>• The Section C Subcommittee may want to increase the clarity of the appropriation of BaRSAA funds, handled in the budget request as a funding switch, by creating a HB 2 line item</li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	849.72	849.72	849.72	849.72
Personal Services	68,023,711	70,917,358	73,543,690	76,185,645	76,175,114
Operating Expenses	325,508,401	361,230,811	361,298,648	362,154,508	362,229,588
Equipment & Intangible Assets	1,358,895	2,665,262	2,665,262	2,665,262	2,665,262
Capital Outlay	6,493,799	12,956,865	12,956,865	12,956,865	12,956,865
Grants	932,660	7,130,628	7,130,628	4,130,628	4,130,628
<b>Total Expenditures</b>	<b>\$402,317,466</b>	<b>\$454,900,924</b>	<b>\$457,595,093</b>	<b>\$458,092,908</b>	<b>\$458,157,457</b>
State/Other Special Rev. Funds	58,502,565	81,103,488	71,579,978	73,427,117	73,485,295
Federal Spec. Rev. Funds	343,814,901	373,797,436	386,015,115	384,665,791	384,672,162
<b>Total Funds</b>	<b>\$402,317,466</b>	<b>\$454,900,924</b>	<b>\$457,595,093</b>	<b>\$458,092,908</b>	<b>\$458,157,457</b>
<b>Total Ongoing</b>	<b>\$402,317,466</b>	<b>\$454,900,924</b>	<b>\$457,595,093</b>	<b>\$458,092,908</b>	<b>\$458,157,457</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In the FY 2018 budget, the Construction Program expended a total of 88.4% of their \$454.9 million in appropriation authority. The personal services expenditures were \$68.0 million, or 95.9% of the authority, and the program expended \$325.5 million of the operating expenses authority, or 90.1%. In FY 2018 expenditures, 82.2% were funded with federal special revenues. Not shown in the table above, the program had \$12.0 million of unexpended authority from an appropriation in HB 473 (BaRSAA) from the 2017 Session. Language in HB 473 required that HB 2 authority be used before the program could access the new authority.

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriations are 0.6% greater than the appropriation level of FY 2018. The growth between the budgets is in the personal services budget and reflects the changes resulting from the pay plan.

*Executive Request*

The Construction Program is the largest user of federal funds in MDT, accounting for 90.3% of agency-wide federal special revenue appropriations in MDT and having a program funding split of 84% federal special revenue and 16% state special revenue. The Fixing America's Surface Transportation or FAST Act passed and approved in December 2015 continues to provide the overall allocation plan for federal funding but is scheduled to expire on September 30, 2020. For more information on federal funding, see the Federal Funding section in the Summary of the MDT budget analysis.

The proposed Construction Program budget includes an increase of \$3.8 million or 0.4% from the 2019 biennium budget. The program has the largest workforce in the agency, with 42.7% of the total FTE, and the largest personal service budget, 44.8% of the total agency personal services. The increase in the budget is primarily related to the increase costs of personal services.

The personal services increase of \$7.9 million is offset by a new proposal reduction of \$6.0 million in grant funding. This change, captured in DP 206, eliminates the appropriation for the Community Transportation Enhancement Program (CTEP). In the 2019 biennium, the FHWA discontinued support for this grant program. The CTEP program was replaced with the Transportation Alternatives (TA) Program and expenditures for TA projects are captured in the operating expense category. In DP 206, the federal grant reduction is offset by an increase of \$357,352 in state special revenue grant funding for the Congestion Mitigation & Air Quality grant program, that provides for local government equipment purchases.

The Construction program may be coming forward with a second budget submission. This is a routine activity in the MDT budget and results from the project planning decisions made by the Transportation Commission in the October tentative construction plan. The request is normally considered by the Section C subcommittee during the budget hearings and will be available for subcommittee consideration.

**Program Personal Services**

The Construction Program personal services proposal is \$76.2 million each year of the biennium, a biennial increase of \$7.9 million or 5.5%. Increases in personal services costs result primarily from the annualization of the 2019 pay plan adjustment and the change in the rate of vacancy savings.

Attributes of the Construction Program personal services include:

- Total FTE budgeted in the program are 849.72
- 492.54 FTE or 58.0% of the workforce were employed in various engineering positions in FY 2018
- 46 vacant FTE in the snapshot, funded at 83% of the normal pay level
- \$3.0 million per-fiscal-year in overtime, an amount equal to the 2019 biennium

**Funding**

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

Department of Transportation, 02-Construction Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02349 Highway Non-Restricted Account	290,000	0	0	0	290,000	0.20 %	
02422 Highways Special Revenue	127,022,412	0	0	0	127,022,412	86.29 %	
02447 BaRSAA MDT Fuel Tax	19,600,000	0	0	0	19,600,000	13.31 %	
02437 Local Gvt/LTAP	0	0	0	300,000	300,000	0.20 %	
<b>State Special Total</b>	<b>\$146,912,412</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300,000</b>	<b>\$147,212,412</b>	<b>15.73 %</b>	
03407 Highway Trust - Sp Rev	769,337,953	0	0	19,335,900	788,673,853	100.00 %	
<b>Federal Special Total</b>	<b>\$769,337,953</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,335,900</b>	<b>\$788,673,853</b>	<b>84.27 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$916,250,365</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,635,900</b>	<b>\$935,886,265</b>		

Costs eligible for reimbursement under the federal-aid construction program are funded with the restricted highway state special revenue accounts (HSSRA and BaRSAA) and federal special revenue funds distributed by the U.S. Department of Transportation and apportioned to Montana. Construction design, construction, and construction management costs, as well as indirect 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 primary sources of revenues in the restricted state special revenue accounts are highway-user fees derived from motor fuel taxes and gross vehicle weight fees.

The Construction Program is also responsible for \$19.6 million of statutory appropriations. Statutory appropriations include \$300,000 to be distributed for the purposes and functions of the Montana Local Technical Assistance Transportation Program at Montana State University. Another \$19.3 million is for federally funded debt service costs associated with previous work on Hwy 93. The federal debt service obligation will reach maturity in FY 2023.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	457,595,093	457,595,093	915,190,186	99.88 %
SWPL Adjustments	0	0	0	0.00 %	2,657,098	2,648,993	5,306,091	0.58 %
PL Adjustments	0	0	0	0.00 %	840,717	913,371	1,754,088	0.19 %
New Proposals	0	0	0	0.00 %	(3,000,000)	(3,000,000)	(6,000,000)	(0.65)%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$458,092,908</b>	<b>\$458,157,457</b>	<b>\$916,250,365</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	959,543	1,682,412	2,641,955	0.00	0	956,260	1,675,164	2,631,424
DP 2 - Fixed Costs	0.00	0	4,886	189	5,075	0.00	0	4,886	189	5,075
DP 3 - Inflation Deflation	0.00	0	3,261	6,807	10,068	0.00	0	4,047	8,447	12,494
DP 207 - Bridge and Road Fund Switch - BaRSAA	0.00	0	0	0	0	0.00	0	0	0	0
DP 208 - Engineering Software Licensing & Maintenance Contracts	0.00	0	700,773	139,944	840,717	0.00	0	761,448	151,923	913,371
DP 209 - Contractor Payments	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,668,463</b>	<b>\$1,829,352</b>	<b>\$3,497,815</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,726,641</b>	<b>\$1,835,723</b>	<b>\$3,562,364</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Budget modifications

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 207 - Bridge and Road Fund Switch - BaRSAA -

The executive requests a fund switch of \$9,800,000 in FY 2020 and \$9,800,000 in FY 2021 of state special revenue in the restricted highway state special revenue account (HSSRA) to the restricted bridge and road safety and accountability account (BaRSAA) to adjust the contractor payments funding model for BaRSAA-selected projects.

<b>LFD COMMENT</b>	<p>During the 2017 Legislature, HB 473 created the Bridge and Road Safety and Accountability Restricted Account (BaRSAA) to provide state matching funds through the fuels tax increases to available federal dollars for bridge and road construction projects. When the new tax revenue was appropriated in HB 473, the legislature and the public were aware of the amount of new funding available for highway projects. To ensure accountability, the legislation required that all highway projects where the state match is provided through BaRSAA be accounted for on a website. The website has been developed and information on the MDT BaRSAA projects is found at:</p> <p><a href="https://app.mdt.mt.gov/barsaa/agency/project/list">https://app.mdt.mt.gov/barsaa/agency/project/list</a> (Select MDT from the "Submitting Agency" filter)</p> <p>DP 207 would provide the appropriation of BaRSAA funds as a funding switch within the base budget appropriation. As a result, the proposal makes the appropriation and its corresponding federal appropriation less visible. Ultimately, the</p>
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legislature in its entirety would not be aware of how much of the BaRSAA funding is either expected or required to be tracked.

The Section C Subcommittee could consider separating the appropriation from the base and placing the appropriation in a separate line. While such a change makes the Construction Program budget more complex, it would provide greater certainty to the legislature and the public of the level of funding expected through the BaRSAA fuel tax increase.

DP 208 - Engineering Software Licensing & Maintenance Contracts -

The executive requests an increase in state special and federal special revenue appropriation for engineering software licensing and maintenance IT contract increases. The Engineering division has experienced additional software acquisition, licensing, and maintenance agreement costs and the price of existing contracts has been increasing by 2% to 5% each year.

DP 209 - Contractor Payments -

The executive requests a placeholder for the revised 2021 biennium contractor payment amounts that will be determined based on the October 2018 Tentative Construction Plan (TCP).

The TCP is a planning tool that indicates when various planned projects will be let and the types of work to be completed. The information contained in the TCP is compared with historical payout patterns to estimate when and at what level payments will be made in future years.

**LFD COMMENT**

The Construction Program frequently requests a second budget submission for contractor payments given information from the Transportation Commission approved tentative construction plan (TCP). MDT updates the TCP each October, and it takes time for the agency to calculate changes to the budget given the updates. If there are adjustments to the Construction Program budget, the Section C Subcommittee will have the opportunity to consider it in the MDT hearings.

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 206 - FHWA Grant Reduction	0.00	0	178,676	(3,178,676)	(3,000,000)	0.00	0	178,676	(3,178,676)	(3,000,000)
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$178,676</b>	<b>(\$3,178,676)</b>	<b>(\$3,000,000)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$178,676</b>	<b>(\$3,178,676)</b>	<b>(\$3,000,000)</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 206 - FHWA Grant Reduction -

The executive requests a reduction in federal appropriation for the elimination of the Community Transportation Enhancement Program (CTEP), which is no longer a federally funded program. This request shifts a small portion of the funding from federal authority for the Congestion Mitigation & Air Quality (CMAQ) program to state special revenue authority to ensure the appropriate level of matching funds are available for CMAQ grants.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	108,900,732	116,245,544	7,344,812	6.74 %
Operating Expenses	160,204,345	163,802,421	3,598,076	2.25 %
Equipment & Intangible Assets	450,416	1,247,416	797,000	176.95 %
Grants	25,000	50,000	25,000	100.00 %
<b>Total Expenditures</b>	<b>\$269,580,493</b>	<b>\$281,345,381</b>	<b>\$11,764,888</b>	<b>4.36 %</b>
State/Other Special Rev. Funds	253,158,387	265,041,901	11,883,514	4.69 %
Federal Spec. Rev. Funds	16,422,106	16,303,480	(118,626)	(0.72)%
<b>Total Funds</b>	<b>\$269,580,493</b>	<b>\$281,345,381</b>	<b>\$11,764,888</b>	<b>4.36 %</b>
<b>Total Ongoing</b>	<b>\$269,580,493</b>	<b>\$281,345,381</b>	<b>\$11,764,888</b>	<b>4.36 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**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**

<b>Maintenance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Maintenance Program budget request is \$11.8 million, or 4.4%, higher than the 2019 biennium</li> <li>• Personal services would increase by \$7.3 million and primarily result from:                             <ul style="list-style-type: none"> <li>◦ The annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive</li> <li>◦ The addition of 1.00 FTE in FY 2020 and an additional 6.00 FTE in FY 2021</li> <li>◦ The restoration of \$1.0 million per year for overtime pay</li> </ul> </li> <li>• Significant changes in the Maintenance Program budget include:                             <ul style="list-style-type: none"> <li>◦ A budget increase of \$4.0 million is contained in a proposal that would fund the restocking of winter maintenance supplies inventory and restore the overtime appropriation to cover the winter maintenance activities</li> <li>◦ 13.2% of the budget increase, or \$1.6 million, results from a new proposal that would create a new 24/7 rural traffic management center with a total of 7.00 new FTE</li> </ul> </li> </ul>

## Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	733.55	733.55	734.55	740.55
Personal Services	53,036,596	53,323,913	55,576,819	57,943,704	58,301,840
Operating Expenses	74,810,482	79,719,747	80,484,598	81,710,538	82,091,883
Equipment & Intangible Assets	128,276	225,208	225,208	902,208	345,208
Grants	0	0	25,000	25,000	25,000
<b>Total Expenditures</b>	<b>\$127,975,354</b>	<b>\$133,268,868</b>	<b>\$136,311,625</b>	<b>\$140,581,450</b>	<b>\$140,763,931</b>
State/Other Special Rev. Funds	119,737,178	124,985,702	128,172,685	132,429,718	132,612,183
Federal Spec. Rev. Funds	8,238,176	8,283,166	8,138,940	8,151,732	8,151,748
<b>Total Funds</b>	<b>\$127,975,354</b>	<b>\$133,268,868</b>	<b>\$136,311,625</b>	<b>\$140,581,450</b>	<b>\$140,763,931</b>
<b>Total Ongoing</b>	<b>\$127,975,354</b>	<b>\$133,268,868</b>	<b>\$136,311,625</b>	<b>\$140,581,450</b>	<b>\$140,763,931</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Discussion -

*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In the FY 2018 budget, the Maintenance Program expended a total of 96.0% of their \$133.3 million of appropriation authority. The personal services expenditures were \$53.0 million, or 99.5% of the authority. The personal services budget was fully expended due to the significant winter maintenance activities from the snowy 2017-2018 winter season. The program had \$3.0 million in overtime costs in FY 2018 and was required to access \$1.1 million of carryforward authority to support the costs.

*FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriations are 2.3% greater than the appropriation level of FY 2018. The growth between the budgets is a combination of the increases of the personal services budget, mainly resulting from the pay plan, and the growth of maintenance costs in the operating expenses budget.

*Executive Request*

Most of the Maintenance Program activities are related to the repairs and maintenance on Montana's roadways that are not supported by federal funding, in contrast to the Construction Program. The maintenance of state highways and roads is important in providing a maintenance-of-effort to the FHWA and keeping the state match rate for federal-aid highway funding at 87/13. The program is the largest user of the restricted highway state special account (HSSRA) funding in MDT. In 2021 biennium, HSSRA would support 94.2% of the program expenditures.

The proposed Maintenance Program budget includes an increase of \$11.8 million or 4.4% from the 2019 biennium budget. The following list primarily explains the significant increases in the program:

- \$7.3 million in personal services increases, which can be primarily attributed to the change in vacancy savings rates and the addition of 1.00 FTE in FY 2020 and another 6.00 FTE in FY 2021
- \$4.0 million in a winter maintenance proposal, that will fund the restocking of winter maintenance supplies inventory and restores \$2.0 million in overtime appropriation (see DP 307)
  - Overtime pay in this proposal would be restored from an action by the 2017 Legislature that reduced overtime, funded with HSSRA, by \$1.0 million in each year of the 2019 biennium to balance the HSSRA account

- \$1.6 million for a new proposal that would create a new 24/7 rural traffic management center, adding 7.00 FTE to the program (see DP 310)

**Program Personal Services**

The Maintenance Program personal services proposal is \$57.9 million in FY 2020 and \$58.3 million in FY 2021, a biennial increase of \$7.3 million or 6.7%. Increases in personal services costs result primarily from the annualization of the 2019 pay plan adjustment and the change in the rate of vacancy savings.

Attributes of the Maintenance Program personal services include:

- Total FTE budgeted in the program are 733.55 in the 2019 biennium and with the proposal to add a total of 7.00 FTE the total FTE in FY 2021 would be 740.55
- 502.38 or 68.5% of FTE were blue collar workers in FY 2018 (for example snow plow drivers and maintenance construction workers)
- 65.41 FTE vacant and funded at 83% in the personal services budget
- Large number of vacancies result from the snapshot taken in July after the winter maintenance season was concluded
- \$2.1 million per-fiscal year in overtime, an amount equal to the 2019 biennium
  - Overtime and differential pay would be restored by \$1.0 million per year in DP 307

**Funding**

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

Department of Transportation, 03-Maintenance Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02422 Highways Special Revenue	265,041,901	0	0	0	265,041,901	99.96 %	
02121 Shared-Use Path	0	0	0	114,062	114,062	0.04 %	
<b>State Special Total</b>	<b>\$265,041,901</b>	<b>\$0</b>	<b>\$0</b>	<b>\$114,062</b>	<b>\$265,155,963</b>	<b>94.21 %</b>	
03407 Highway Trust - Sp Rev	16,303,480	0	0	0	16,303,480	100.00 %	
<b>Federal Special Total</b>	<b>\$16,303,480</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,303,480</b>	<b>5.79 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$281,345,381</b>	<b>\$0</b>	<b>\$0</b>	<b>\$114,062</b>	<b>\$281,459,443</b>		

The state special revenue funding of the Maintenance Program is derived from highway state special revenue accounts. The funding proposal includes state special support from HSSRA (02422). 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 also has a statutory appropriation that allows expenditures for shared-use paths. The funding for this appropriation is derived from an opt-in vehicle license fee for the maintenance and construction of shared use paths.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	0	0	0	0.00 %	136,311,625	136,311,625	272,623,250	96.90 %	
SWPL Adjustments	0	0	0	0.00 %	1,291,894	1,289,952	2,581,846	0.92 %	
PL Adjustments	0	0	0	0.00 %	2,204,488	2,365,523	4,570,011	1.62 %	
New Proposals	0	0	0	0.00 %	773,443	796,831	1,570,274	0.56 %	
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$140,581,450</b>	<b>\$140,763,931</b>	<b>\$281,345,381</b>		

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	1,257,778	12,664	1,270,442	0.00	0	1,255,541	12,649	1,268,190
DP 2 - Fixed Costs	0.00	0	20,169	0	20,169	0.00	0	20,169	0	20,169
DP 3 - Inflation Deflation	0.00	0	1,155	128	1,283	0.00	0	1,434	159	1,593
DP 306 - Secondary Roads	0.00	0	0	0	0	0.00	0	105,214	0	105,214
DP 307 - Restore Winter Maintenance	0.00	0	2,000,000	0	2,000,000	0.00	0	2,000,000	0	2,000,000
DP 308 - Rest Area Contracts	0.00	0	204,488	0	204,488	0.00	0	260,309	0	260,309
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$3,483,590</b>	<b>\$12,792</b>	<b>\$3,496,382</b>	<b>0.00</b>	<b>\$0</b>	<b>\$3,642,667</b>	<b>\$12,808</b>	<b>\$3,655,475</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Budget modifications

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 306 - Secondary Roads -

The executive requests an increase in state special revenue appropriation for the assumption of the maintenance responsibility on state secondary roads. Each year counties nominate secondary roads for improvement. Many of the projects result in gravel roads becoming paved, and in the 2021 biennium MDT anticipates that 10.8 miles of additional secondary roads would become eligible for MDT maintenance.

**LFD COMMENT**

Section 60-2-203, MCA, required MDT to assume the responsibility of all paved state secondary roads in Montana from the counties in 2001 and to assume added responsibility as roads become paved. In the 2001 MDT budget, the state assumed the responsibility of approximately 5,500 miles of state secondary roads at an initial biennial cost of \$13.9 million. As implementation of the statute continued, another \$15.3 million was budgeted in the base of the Maintenance Program in the 2003 biennium for this purpose.

Since the full implementation of the law was complete in the 2003 biennium, the miles of state secondary roads maintained by the Maintenance Program has increased by 12.3%, or 0.7% annually. In the past eight biennia, the budget for state secondary roads has increased to a biennial level of \$33.3 million (nominal dollars only). The average budget for state secondary roads has increased by over \$512,000 per biennium, or 0.8% annually. The 2021 biennium budget request is lower than usual, and would increase the state secondary budget by a total of 10.8 miles and \$105,214.

DP 307 - Restore Winter Maintenance -

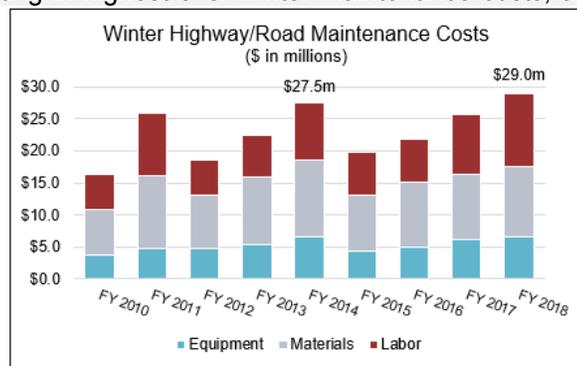
The executive requests an increase in appropriation to restore the winter maintenance materials and the overtime budget, which was reduced in the actions of the 2017 Legislature to balance the HSSRA account.

**LFD COMMENT**

The winter of 2017-2018 proved to be a costly period for the Maintenance Program. The long winter season produced record snowfalls and cold temperatures, resulting in highest ever winter maintenance costs, as shown in the figure below.

The Maintenance Program stockpiles winter maintenance materials to ensure that the supplies are on hand when needed. During the 2017-2018 winter, the program used much of the existing inventories. DP 307 would provide funding to replace the materials inventories.

Additionally, the cost of overtime in FY 2018 was \$3.0 million, for which the HB 2 budget provided \$2.1 million. The unmet overtime budget authority of \$0.9 million was provided through carryforward authority. DP 307 would restore \$1.0 million per-fiscal-year in overtime appropriation for the 2021 biennium, which will be continued in the Maintenance Program base budget.



DP 308 - Rest Area Contracts -

The executive requests an increase in state special revenue appropriation for the service and upkeep of rest areas. This request would support the increase of contract costs that will be rebid for the 2021 biennium, which are expected to increase by 3% per year.

**New Proposals**

The “New Proposals” table shows new changes to spending.

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 310 - Rural Traffic Management Center	1.00	0	773,443	0	773,443	7.00	0	796,831	0	796,831
<b>Total</b>	<b>1.00</b>	<b>\$0</b>	<b>\$773,443</b>	<b>\$0</b>	<b>\$773,443</b>	<b>7.00</b>	<b>\$0</b>	<b>\$796,831</b>	<b>\$0</b>	<b>\$796,831</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 310 - Rural Traffic Management Center -

The executive requests a state special revenue appropriation to establish a 24/7 Traffic Management Center (TMC) at a central location to handle road reporting, maintenance call outs, incident and construction reporting, and to enable notification of emergency personnel of incidents on state maintained highways. The FY 2020 costs include the addition of 1.00 FTE (a communication tech) and one-time-only operating costs to upgrade the communications equipment. The FY 2021 costs represent the new annual costs of the TMC, which will include an additional 6.00 FTE to operate the facility.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	838,055	858,832	20,777	2.48 %
Operating Expenses	4,551,292	4,453,660	(97,632)	(2.15)%
Equipment & Intangible Assets	7,213,506	7,603,506	390,000	5.41 %
Debt Service	228,898	38,898	(190,000)	(83.01)%
<b>Total Expenditures</b>	<b>\$12,831,751</b>	<b>\$12,954,896</b>	<b>\$123,145</b>	<b>0.96 %</b>
Proprietary Funds	12,831,751	12,954,896	123,145	0.96 %
<b>Total Funds</b>	<b>\$12,831,751</b>	<b>\$12,954,896</b>	<b>\$123,145</b>	<b>0.96 %</b>

**Program Description**

Note: The State Motor Pool Program is a non-HB 2 proprietary internal services program. Numbers included in this section of the report including the number of FTE, budget, and funding are not included in the MDT program summary figures.

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment to agencies statewide. The Motor Pool supports 6.00 FTE. Section 2-17-411, MCA, establishes that the Department of Transportation’s Motor Pool is responsible for the acquisition, operations, maintenance, repair, and administration of all motor vehicles in the custody of the Motor Pool (this does not apply to motor vehicles used in the service of the Governor, Attorney General or the Montana Highway Patrol).

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business but is encouraged in the Montana Operations Manual (MOM). Other options to use by state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The rate for the use of personal vehicles, for state business travel, are set at \$0.545 per mile by the Internal Revenue Service for the current year if the state employee qualifies according to the conditions as discussed in the employee travel policy of the MOM manual.

The program does not expect any major changes to the customer base in the 2021 biennium.

**Program Highlights**

<b>State Motor Pool Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The rates requested in the program translate to inflationary adjustments of 14.4% in FY 2020 and 17.92% in 2021 that would be applied to the agencies’ motor pool base budget</li> <li>• Rate increases are primarily driven by expected increases in the cost of gasoline</li> <li>• The rates represent the highest amounts that the program will charge, however if the cost of gasoline is lower than expected the program will reduce the charges to the rate payers (agencies)</li> <li>• The rates are requested in Sec. R of HB 2</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	6.00	6.00	6.00	6.00
Personal Services	395,008	415,933	422,122	429,020	429,812
Operating Expenses	2,293,173	2,329,385	2,221,907	2,226,911	2,226,749
Equipment & Intangible Assets	0	3,411,753	3,801,753	3,801,753	3,801,753
Debt Service	209,304	209,449	19,449	19,449	19,449
<b>Total Expenditures</b>	<b>\$2,897,485</b>	<b>\$6,366,520</b>	<b>\$6,465,231</b>	<b>\$6,477,133</b>	<b>\$6,477,763</b>
Proprietary Funds	2,897,485	6,366,520	6,465,231	6,477,133	6,477,763
<b>Total Funds</b>	<b>\$2,897,485</b>	<b>\$6,366,520</b>	<b>\$6,465,231</b>	<b>\$6,477,133</b>	<b>\$6,477,763</b>

**Program Discussion -**

The State Motor Pool program fleet consists of 1014 vehicles. The daily rental program operates out of the Helena headquarters facility and provides a fleet of 176 vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide, and in FY 2018 was leasing 838 vehicles to state agencies. The program does not expect any major changes to the customer base.

Expenses

Program costs from the state accounting system for FY 2018 include:

- Personal services for 6.00 FTE of \$395,008 or 13.6% of total expenditures
- Operating costs (including debt service costs) of \$2.5 million or 86.4% of total expenditures, and included:
  - Gasoline, \$1.3 million after adjusting for fuel discounts
  - Vehicle maintenance activities, \$273,408
  - Insurance and bonds, \$162,793

Note: the program made no equipment purchases in FY 2018

Changes between the 2019 biennium budget and the 2021 biennium budget include:

- Personal services – projected to increase by 2.5%
- Operating costs – projected to decline by \$97,632 or 2.1%
- Total expenses – projected to increase by \$123,145

Revenues

Program revenues are generated through vehicle rental fees charged to the state agencies. Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. On occasion, the program receives revenues resulting from the sale of surplus property and accident damages reimbursed by private individuals or insurance companies. Revenue generated through the 2021 biennium rates are projected to increase by an average of \$2.2 million annually when compared to actual revenues of FY 2018.

Proprietary Proposed Budget

The 2021 Biennium Report on Internal Service and Enterprise Funds for 06506 shows the financial information for the fund from FY 2016 through FY 2021. The report is provided as submitted by the executive. Statute requires that agencies providing enterprise/internal service functions provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund.

2021 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
6506	Motor Pool Internal Service	54010	Transportation	State Motor Pool				
			Actual FY 16	Actual FY 17	Actual FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
<b>Operating Revenues</b>								
<b>Fees and Charges</b>								
	Fee Revenue A Services		3,956,055	4,122,785	4,274,327	6,465,231	6,477,133	6,477,763
<b>Total Operating Revenues</b>			<b>3,956,055</b>	<b>4,122,785</b>	<b>4,274,327</b>	<b>6,465,231</b>	<b>6,477,133</b>	<b>6,477,763</b>
<b>Expenses</b>								
	Personal Services		400,378	417,135	393,159	422,122	429,020	429,812
	Other Operating Expense		3,578,047	3,905,365	4,351,211	6,043,109	6,048,113	6,047,951
<b>Total Operating Expense</b>			<b>3,978,424</b>	<b>4,322,500</b>	<b>4,744,371</b>	<b>6,465,231</b>	<b>6,477,133</b>	<b>6,477,763</b>
<b>Operating Income (Loss)</b>			<b>(22,370)</b>	<b>(199,715)</b>	<b>(470,044)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Nonoperating Revenues</b>								
	Other Revenue A Gain/sale fixed asset		168,199	123,836	97,692			
	Other Revenue B Insurance proceeds		156,122	76,267	8,414			
<b>Nonoperating Expenses</b>								
	Other Expense A							
	Other Expense B							
<b>Total Nonoperating Revenues (Expenses)</b>			<b>324,321</b>	<b>200,103</b>	<b>106,106</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contrib. &amp; Transfers</b>			<b>301,951</b>	<b>388</b>	<b>(363,938)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital Contributions</b>								
<b>Transfers In</b>								
<b>Transfers Out</b>								
<b>Loans and Lease Payments</b>								
<b>Change in Net Position</b>			<b>301,951</b>	<b>388</b>	<b>(363,938)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>			<b>6,316,458</b>	<b>6,618,405</b>	<b>6,516,093</b>	<b>6,133,151</b>	<b>6,133,151</b>	<b>6,133,151</b>
	Prior Period Adjustments		(4)	(102,700)	(19,005)			
<b>Change in Net Position</b>			<b>301,951</b>	<b>388</b>	<b>(363,938)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Net Position - June 30</b>			<b>6,618,405</b>	<b>6,516,093</b>	<b>6,133,151</b>	<b>6,133,151</b>	<b>6,133,151</b>	<b>6,133,151</b>
60-day Working Capital			663,071	720,417	790,728	1,077,539	1,079,522	1,079,627
(Total Operating Expenses divided by 6)								

The motor pool fund is managed with a 60-day working capital as required by state law. In the 2019 biennium, the 60-day working capital would require an average balance of \$1.1 million per year. The motor pool owns its vehicles, as seen in the total assets, and is a significant factor in the income statement of the fund.

Funding

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

Department of Transportation, 07-Motor Pool Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
06506 Motor Pool - Int Svc	0	0	12,954,896	0	12,954,896	100.00 %
06508 Highway Equipment - Int Svc.	0	0	0	0	0	0.00 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,954,896</b>	<b>\$0</b>	<b>\$12,954,896</b>	<b>100.00 %</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,954,896</b>	<b>\$0</b>	<b>\$12,954,896</b>	

Funding for the State Motor Pool is generated through rental and lease fees charged to the state agencies, which are deposited in a proprietary fund.

Funding Sources: The following sources of funding were used to pay for the services provided by this program in FY 2018:

- General fund (54.9%)
- State special revenue (21.3%)
- Federal special revenue (21.2%)
- Proprietary (2.1%)
- Other (0.5%)

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	6,465,231	6,465,231	12,930,462	99.81 %
SWPL Adjustments	0	0	0	0.00 %	11,902	12,532	24,434	0.19 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
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>\$6,477,133</b>	<b>\$6,477,763</b>	<b>\$12,954,896</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	6,898	0.00	0	0	0	7,690
DP 2 - Fixed Costs	0.00	0	0	0	5,004	0.00	0	0	0	4,842
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,902</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,532</b>

\*\*\*Total Funds\* amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2019 statewide pay plan, benefit rate, and longevity adjustments.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

**Other Issues -**

Other Issues -

LFD Budget Analysis

Proprietary Rates

As shown in the adjacent figure, the State Motor Pool rental rates are based on a dual rate structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repairs, parts, fuel, lubricants, and tires. The assigned rate is charged for hours the vehicle was used and allows the program to cover fixed costs associated with state ownership, such as insurance, interest payments on BOI loans, depreciation, and utilities. The dual rate structure provides: 1) more stable revenue to make loan payments and other cost obligations; and 2) equity among all vehicle classes so that one vehicle class does not subsidize another vehicle class. The rates approved by the legislature are the maximum the program may charge during the biennium, not the rates the program must charge. When approved by the Legislature, the rates are included in HB 2, Section R.

Motor Pool Rate Request				
Class	FY 2020		FY 2021	
	Assigned Rate	Usage Rate 3.22/gal	Assigned Rate	Usage Rate 3.22/gal
02	1.488	0.160	1.589	0.161
04	1.742	0.217	1.760	0.218
05	0.985	0.123	1.010	0.124
06	1.237	0.146	1.252	0.147
07	0.432	0.230	0.452	0.231
11	1.152	0.242	1.281	0.243
12	1.350	0.181	1.512	0.181

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	18,328,377	18,860,105	531,728	2.90 %
Operating Expenses	29,183,761	28,040,290	(1,143,471)	(3.92)%
Equipment & Intangible Assets	13,530,256	14,230,256	700,000	5.17 %
<b>Total Expenditures</b>	<b>\$61,042,394</b>	<b>\$61,130,651</b>	<b>\$88,257</b>	<b>0.14 %</b>
Proprietary Funds	61,042,394	61,130,651	88,257	0.14 %
<b>Total Funds</b>	<b>\$61,042,394</b>	<b>\$61,130,651</b>	<b>\$88,257</b>	<b>0.14 %</b>

**Program Description**

Note: The Equipment Program is a non-HB 2 proprietary internal services program. Numbers included in this section of the report including the number of FTE, budget, and funding are not included in the MDT program summary figures.

The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,700 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. Exclusively, the various programs within MDT such as the Construction, Motor Carrier Services, and Maintenance Programs use the fleet. All units are assigned to the various user programs and are charged rent on a bi-weekly basis. The Equipment Program supports 123.00 FTE. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment program is funded under the rules and guidelines of propriety funded programs. No specific statutory authority is established for the program as the program is strictly internal to the Department of Transportation and is not used by any outside entity.

**Program Highlights**

<b>Equipment Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Equipment Program budget would increase by \$88,257 or 0.1% from the 2019 biennium</li> <li>• Reductions in operating expenses are offset by increases in personal services and equipment</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	123.00	123.00	123.00	123.00
Personal Services	8,913,455	9,093,403	9,234,974	9,431,895	9,428,210
Operating Expenses	15,009,694	15,159,803	14,023,958	14,025,121	14,015,169
Equipment & Intangible Assets	6,377,707	6,415,128	7,115,128	7,115,128	7,115,128
<b>Total Expenditures</b>	<b>\$30,300,856</b>	<b>\$30,668,334</b>	<b>\$30,374,060</b>	<b>\$30,572,144</b>	<b>\$30,558,507</b>
Proprietary Funds	30,300,856	30,668,334	30,374,060	30,572,144	30,558,507
<b>Total Funds</b>	<b>\$30,300,856</b>	<b>\$30,668,334</b>	<b>\$30,374,060</b>	<b>\$30,572,144</b>	<b>\$30,558,507</b>

### Program Discussion -

The Equipment Program rents and leases equipment only to the MDT. The costs of the program would increase in the 2021 biennium by \$88,257 from the 2019 biennium. The largest increase would be \$700,000 for equipment purchases. Personal services also increase by \$231,728 due to changes in the rate of vacancy savings. These increases are offset by a reduction of \$1.1 million in operating expenses.

### Expenses

Program costs from the state accounting system for FY 2018 include:

- Personal services for 123.00 FTE of \$8.9 million or 29.4% of total expenditures
- Operating costs of \$15.0 million or 49.5% of total expenditures, and included:
  - Gasoline and diesel, \$6.8 million after adjusting for fuel discounts
  - Equipment maintenance activities, \$5.5 million
  - Equipment purchases (including plant costs), \$6.4 million

Changes between the 2019 biennium budget and the 2021 biennium budget include:

- Personal services – projected to increase by 2.9%
- Operating costs – projected to decline by 3.9%
- Equipment purchases – projected to increase by 5.2%

### Revenues

Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets, and from reimbursements from accidents caused by an outside party. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The rental rates will be set to recover revenue to meet the program's obligations.

### Proprietary Proposed Budget

The 2021 Biennium Report on Internal Service and Enterprise Funds for 06508 shows the financial information for the fund from FY 2016 through FY 2021. The report is provided as submitted by the executive. Statute requires that agencies providing enterprise/internal service functions provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund.

2021 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06508	Highway Equipment	54010	Transportation	Equipment Program				
			Actual	Actual	Actual	Estimated	Proposed	Proposed
			FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
<b>Operating Revenues</b>								
<b>Fees and Charges</b>								
	Fee Revenue - A - Service Fees		26,534,287	27,319,025	29,822,437	30,374,060	30,572,144	30,558,507
	Other Operating Revenues							
	Revenue A		5,430	1,667	1,234			
<b>Total Operating Revenues</b>			<b>26,539,717</b>	<b>27,320,692</b>	<b>29,823,671</b>	<b>30,374,060</b>	<b>30,572,144</b>	<b>30,558,507</b>
<b>Expenses</b>								
	Personal Services		8,433,368	8,654,104	8,596,729	9,234,974	9,431,895	9,428,210
	Other Operating Expense		16,428,875	19,997,561	22,291,231	21,139,086	21,140,249	21,130,297
<b>Total Operating Expense</b>			<b>24,862,243</b>	<b>28,651,665</b>	<b>30,887,960</b>	<b>30,374,060</b>	<b>30,572,144</b>	<b>30,558,507</b>
<b>Operating Income (Loss)</b>			<b>1,677,474</b>	<b>(1,330,973)</b>	<b>(1,064,289)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Nonoperating Revenues								
	Gain or Loss on sale of Asset		172,467	237,590	199,288			
	Other Revenue B Other Non Operating		16,187	15,815	10,815			
Nonoperating Expenses								
<b>Total Nonoperating Revenues (Expenses)</b>			<b>188,654</b>	<b>253,405</b>	<b>210,103</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contrib. &amp; Transfers</b>			<b>1,866,128</b>	<b>(1,077,568)</b>	<b>(854,186)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Capital Contributions		576,691	2,298,732				
	Transfers In							
	Transfers Out		(2,582)					
	Loans and Lease Payments							
<b>Change in Net Position</b>			<b>2,440,237</b>	<b>1,221,164</b>	<b>(854,186)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Net Position - July 1</b>			<b>75,601,407</b>	<b>78,041,644</b>	<b>79,266,119</b>	<b>76,058,829</b>	<b>76,058,829</b>	<b>76,058,829</b>
	Prior Period Adjustments			3,311	(2,353,104)			
<b>Change in Net Position</b>			<b>2,440,237</b>	<b>1,221,164</b>	<b>(854,186)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Net Position - June 30</b>			<b>78,041,644</b>	<b>79,266,119</b>	<b>76,058,829</b>	<b>76,058,829</b>	<b>76,058,829</b>	<b>76,058,829</b>
60-day Working Capital			4,143,707	4,775,278	5,147,993	5,062,343	5,095,357	5,093,085
(Total Operating Expenses divided by 6)								

The Equipment Program fund is managed with a 60-day working capital as required by state law. In the 2019 biennium, the 60-day working capital would require an average balance of \$5.1 million per year. The Equipment Program owns its vehicles and equipment and the fund balance consists primarily of these assets.

**Funding**

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

Department of Transportation, 08-Equipment Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06508 Highway Equipment - Int Svc.	0	0	61,130,651	0	61,130,651	100.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$61,130,651</b>	<b>\$0</b>	<b>\$61,130,651</b>	<b>100.00 %</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$61,130,651</b>	<b>\$0</b>	<b>\$61,130,651</b>		

Funding for the Equipment Program is generated through user fees charged to programs and divisions in MDT, which are deposited in a proprietary fund.

Funding Sources: The following sources of funding were used to pay for the equipment rentals from this program in FY 2018:

- 89.9% State special revenues
- 10.1% Federal special revenues

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	30,374,060	30,374,060	60,748,120	99.37 %
SWPL Adjustments	0	0	0	0.00 %	198,084	184,447	382,531	0.63 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
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>\$30,572,144</b>	<b>\$30,558,507</b>	<b>\$61,130,651</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	196,921	0.00	0	0	0	193,236
DP 2 - Fixed Costs	0.00	0	0	0	1,043	0.00	0	0	0	(8,938)
DP 3 - Inflation Deflation	0.00	0	0	0	120	0.00	0	0	0	149
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$198,084</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$184,447</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2019 statewide pay plan, benefit rate, and longevity adjustments.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

**Other Issues -***Proprietary Rates*

The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate. The usage rate is a mileage rate that is applied according to the actual miles/hours of use for vehicle or piece of equipment.

The usage rate is designed to recover "direct costs" that include labor, parts, fuel, lubricants, and tires. The assigned rate is a per hour rate designed to recover "fixed costs" such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. Rates are based on the actual operational costs for each vehicle sub-class during the base rental period. Costs are adjusted to reflect changes in operating expenses from the base. The effects are internal to the MDT and the program is held accountable to ensure the rates recover only needed operational monies.

The Equipment Program rates are calculated to be commensurate with costs each year using data from the equipment vehicle management system (EVMS) to identify indirect and direct costs for each class. The EVMS data is reconciled to SABHRS financial data and inflation factors are applied using Inflation.com information. The rates are also adjusted for any gains or losses from previous years. The Equipment Program financial team reviews the rates monthly to determine if they are commensurate with costs.

The Equipment Program calculates new rates at the end of the fiscal year. As a result, rates that will apply to the 2021 biennium have not been calculated at this time. A table showing the rates charged in FY 2019 is available upon request.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	17,506,349	18,683,046	1,176,697	6.72 %
Operating Expenses	5,867,272	5,940,043	72,771	1.24 %
Equipment & Intangible Assets	395,432	395,432	0	0.00 %
Transfers	99,432	219,432	120,000	120.69 %
<b>Total Expenditures</b>	<b>\$23,868,485</b>	<b>\$25,237,953</b>	<b>\$1,369,468</b>	<b>5.74 %</b>
State/Other Special Rev. Funds	18,114,004	19,161,329	1,047,325	5.78 %
Federal Spec. Rev. Funds	5,754,481	6,076,624	322,143	5.60 %
<b>Total Funds</b>	<b>\$23,868,485</b>	<b>\$25,237,953</b>	<b>\$1,369,468</b>	<b>5.74 %</b>
<b>Total Ongoing</b>	<b>\$23,868,485</b>	<b>\$25,237,953</b>	<b>\$1,369,468</b>	<b>5.74 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Motor Carrier Services Program (MCS) enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, dyed fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses and oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws. The Motor Carrier Safety Assistance Program (MCSAP) conducts commercial motor carrier safety compliance reviews and safety audits to ensure commercial vehicles, drivers, and motor carriers are compliant with state safety laws and federal regulations by conducting vehicle and driver inspections and motor carrier compliance reviews and safety audits.

**Program Highlights**

<b>Motor Carrier Services Program (MCS) Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MCS Program budget request is \$1.4 million or 5.7%, higher than the 2019 biennium</li> <li>• Personal services cost would increase \$1.2 million</li> <li>• Increases primarily result from the annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	123.44	123.44	123.44	123.44
Personal Services	7,876,788	8,583,869	8,922,480	9,344,543	9,338,503
Operating Expenses	2,156,212	2,929,260	2,938,012	2,969,943	2,970,100
Equipment & Intangible Assets	116,955	197,716	197,716	197,716	197,716
Transfers	33,772	49,716	49,716	109,716	109,716
<b>Total Expenditures</b>	<b>\$10,183,727</b>	<b>\$11,760,561</b>	<b>\$12,107,924</b>	<b>\$12,621,918</b>	<b>\$12,616,035</b>
State/Other Special Rev. Funds	7,844,114	8,897,054	9,216,950	9,583,065	9,578,264
Federal Spec. Rev. Funds	2,339,613	2,863,507	2,890,974	3,038,853	3,037,771
<b>Total Funds</b>	<b>\$10,183,727</b>	<b>\$11,760,561</b>	<b>\$12,107,924</b>	<b>\$12,621,918</b>	<b>\$12,616,035</b>
<b>Total Ongoing</b>	<b>\$10,183,727</b>	<b>\$11,760,561</b>	<b>\$12,107,924</b>	<b>\$12,621,918</b>	<b>\$12,616,035</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In the FY 2018 budget, The Motor Carrier Services Program (MCS) expended a total of 86.6% of their \$11.8 million of appropriation authority. The personal services expenditures were \$7.9 million, or 91.8% of the authority. Operating expenses, with 73.6% of the budget expended, were under-utilized due to the final contracting costs at border weigh stations.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriations are 3.0% greater than the appropriation level of FY 2018. The growth between the budgets is in the personal services budget and reflects the changes resulting from the 2019 biennium pay plan.

#### *Executive Request*

The 2021 biennium budget is an increase of \$1.4 million over the 2019 biennium. The greatest area of increase is in the personal services budget, which is described in greater detail below. The MCS budget includes a present law budget request that would add \$120,000 to the budget in the biennium and would result in a base increase of \$60,000. The proposal would provide funding for services provided by the Department of Justice, Highway Patrol Program (MHP). MCS is the entity that collects the uniform carrier registration fees funds, but the services are provided by the MHP at the DOJ communications center.

### Program Personal Services

The MCS personal services budget is \$9.3 million each year of the biennium, a biennial increase of \$1.2 million or 6.7%. Increases in personal services costs result primarily from the annualization of the 2019 pay plan adjustment and the change in the rate of vacancy savings.

Attributes of the MCS Program personal services include:

- Total FTE budgeted in the program are 123.44
- 92.35 FTE or 74.8% of the workforce were employed as motor vehicle safety inspectors in FY 2018
- 8.00 vacant FTE in the 2021 snapshot, funded at 83% of the normal pay level
- \$170,413 per-FY in overtime, an amount equal to the 2019 biennium

### Funding

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

Department of Transportation, 22-Motor Carrier Services Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02294 Uniform Carrier Registration	2,845,432	0	0	0	2,845,432	14.85 %	
02349 Highway Non-Restricted Account	89,056	0	0	0	89,056	0.46 %	
02422 Highways Special Revenue	16,226,841	0	0	0	16,226,841	84.69 %	
<b>State Special Total</b>	<b>\$19,161,329</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,161,329</b>	<b>75.92 %</b>	
03292 MCS FEDERAL GRANTS	6,016,392	0	0	0	6,016,392	99.01 %	
03407 Highway Trust - Sp Rev	60,232	0	0	0	60,232	0.99 %	
<b>Federal Special Total</b>	<b>\$6,076,624</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,076,624</b>	<b>24.08 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$25,237,953</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,237,953</b>		

MCS is funded by the highway state special revenue accounts and federal special revenue. Most of the funding in the 2019 biennium is through the constitutionally restricted HSSRA (02422). Other state special revenues supporting program activities include unified carrier registration fees and the highway non-restricted account. Federal funds are derived from federal grant programs and distributions from the federal highway trust.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	12,107,924	12,107,924	24,215,848	95.95 %
SWPL Adjustments	0	0	0	0.00 %	423,994	418,111	842,105	3.34 %
PL Adjustments	0	0	0	0.00 %	90,000	90,000	180,000	0.71 %
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>\$12,621,918</b>	<b>\$12,616,035</b>	<b>\$25,237,953</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the 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.

	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	304,472	117,591	422,063	0.00	0	299,558	116,465	416,023
DP 2 - Fixed Costs	0.00	0	1,171	106	1,277	0.00	0	1,171	106	1,277
DP 3 - Inflation Deflation	0.00	0	472	182	654	0.00	0	585	226	811
DP 2206 - DoJ Position Support	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
DP 2207 - Fuel Tax Evasion Grant	0.00	0	0	30,000	30,000	0.00	0	0	30,000	30,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$366,115</b>	<b>\$147,879</b>	<b>\$513,994</b>	<b>0.00</b>	<b>\$0</b>	<b>\$361,314</b>	<b>\$146,797</b>	<b>\$508,111</b>

\*\*\*Total Funds\*\* amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Budget modifications

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 2206 - DoJ Position Support -

The executive requests an increase in state special revenue appropriation to continue the integration between MCS and the Department of Justice (DOJ) Highway Patrol (MHP) communication functions. The improvements will be funded with Unified Carrier Registration (UCR) state funds.

<b>LFD COMMENT</b>	The DP2206 request adds \$120,000 to the MCS budget in the biennium and \$60,000 annually to the MCS base. This proposal would provide funding for services provided by the Department of Justice, MHP. The request would provide ongoing communications between MCS and MHP through the existing SMARTCOP system. SMARTCOP is a multi-agency software system that allows the agencies to electronically submit citations, report crashes, and track officer location in the field. MCS collects the UCR funds, and this appropriation would provide funding for the services provided by the MHP at their communications center.
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DP 2207 - Fuel Tax Evasion Grant -

The executive requests an increase in federal special revenue appropriation for the fuel tax evasion program. The fuel tax evasion grants have increased over the years and have been sustained through additional grants and budget amendments.

This request would provide for adequate budget to support these fuel tax evasion functions within the program. Note: there is an accompanying request in the General Operations Program.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,593,258	1,619,891	26,633	1.67 %
Operating Expenses	2,666,381	2,542,041	(124,340)	(4.66)%
Equipment & Intangible Assets	0	110,000	110,000	0.00 %
Grants	781,687	848,000	66,313	8.48 %
Transfers	13,802	13,802	0	0.00 %
<b>Total Expenditures</b>	<b>\$5,055,128</b>	<b>\$5,133,734</b>	<b>\$78,606</b>	<b>1.55 %</b>
State/Other Special Rev. Funds	3,645,356	4,018,167	372,811	10.23 %
Federal Spec. Rev. Funds	1,409,772	1,115,567	(294,205)	(20.87)%
<b>Total Funds</b>	<b>\$5,055,128</b>	<b>\$5,133,734</b>	<b>\$78,606</b>	<b>1.55 %</b>
<b>Total Ongoing</b>	<b>\$5,055,128</b>	<b>\$4,228,734</b>	<b>(\$826,394)</b>	<b>(16.35)%</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$905,000</b>	<b>\$905,000</b>	<b>100.00 %</b>

### Program Description

The Aeronautics Program: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations, and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The program administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The program serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The program is also responsible for operation of the air carrier airport at West Yellowstone and for 15 other state-owned airports.

Program Highlights

<b>Aeronautics Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Aeronautics Program budget request is \$78,606 or 1.6% higher than the 2019 biennium</li> <li>• Personal services cost would increase \$26,633                             <ul style="list-style-type: none"> <li>◦ Increases in the personal services budget, resulting primarily from the annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive, are offset with reduced personal services costs resulting from retirements</li> </ul> </li> <li>• The budget request for the Aeronautics Program includes four one-time-only (OTO) decision packages that include:                             <ul style="list-style-type: none"> <li>◦ DP 4006 to rebuild the engine on the program's aircraft brings equipment costs into the budget</li> <li>◦ DP 4008 for improvements at the Lincoln Airport is the highest cost change in the 2021 biennium budget and is funded 90% with federal funds</li> </ul> </li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	9.00	9.00	9.00	9.00
Personal Services	713,885	784,252	809,006	810,424	809,467
Operating Expenses	377,703	1,862,543	803,838	1,223,236	1,318,805
Equipment & Intangible Assets	0	0	0	110,000	0
Grants	291,514	378,687	403,000	424,000	424,000
Transfers	5,878	6,901	6,901	6,901	6,901
<b>Total Expenditures</b>	<b>\$1,388,980</b>	<b>\$3,032,383</b>	<b>\$2,022,745</b>	<b>\$2,574,561</b>	<b>\$2,559,173</b>
State/Other Special Rev. Funds	1,426,634	1,817,557	1,827,799	2,064,115	1,954,052
Federal Spec. Rev. Funds	(37,654)	1,214,826	194,946	510,446	605,121
<b>Total Funds</b>	<b>\$1,388,980</b>	<b>\$3,032,383</b>	<b>\$2,022,745</b>	<b>\$2,574,561</b>	<b>\$2,559,173</b>
<b>Total Ongoing</b>	<b>\$1,388,980</b>	<b>\$3,032,383</b>	<b>\$2,022,745</b>	<b>\$2,114,561</b>	<b>\$2,114,173</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$460,000</b>	<b>\$445,000</b>

Program Discussion -

*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In the FY 2018 budget, the Aeronautics Program expended a total of 45.8% of their \$3.0 million in appropriation authority. The personal services expenditures were \$713,888, or 91.0% of the authority. The operating expenses budget included over \$1.0 million of authority for airport projects for the biennium, and there were no expenditures on the projects, making total expenditures appear low. All of the projects were appropriated in FY 2018 and any unused authority will be continued for use in FY 2019.

FY 2018 Appropriation Compared to FY 2019 Appropriation

The FY 2019 appropriations are 33.3% less than the appropriation level of FY 2018. While the program personal services budget has a rate of growth consistent with the growth in other programs, the reduction in the 2019 budget is related to airport projects that are typically requested only in the first year of budget, as mentioned above. Because the projects are budgeted only in the first year of the biennium, they are not on-going appropriations.

Executive Request

The Aeronautics Program budget for the 2021 biennium is an increase of \$78,606 from the 2019 biennium. One request, to rebuild the engine on the program's aircraft, would result in an equipment purchase in the program. The program has airport project requests of a biennial \$795,000 (DP 4007, DP 4008, DP 4010), which is a reduction from the 2019 biennium budget and results in a reduction of operating expenses requested in the 2021 biennium.

**LFD COMMENT** The Aeronautics Program has adopted a new approach in requesting airport projects. In past sessions, the requests for projects were funded in the first year of the biennium, so they would not be included in the future base. For the 2021 biennium, the program has requested the funding across the two fiscal years and labeled the proposals as one-time-only (OTO) so that the authority would be omitted from the future base.

While making appropriations OTO increases the complexity of the budget (each of the four items would be a line in HB 2), it adds greater transparency for what is in the budget than combining it all in the base line appropriation. The action would also enable more accurate project tracking (see FY 2018 Appropriation Comparison above).

Program Personal Services

The Aeronautics Program personal services budget is \$810,424 in FY 2020 and \$809,467 in FY 2021. This is a biennial increase of \$26,633 or \$1.7%. The program had a retirement of a long-term program administrator. The increases resulting from the pay plan adjustments and the changes in the vacancy savings rate recommended by the executive were offset by the savings realized with the new administrator.

The Attributes of the Aeronautics Program personal services include:

- Total FTE budgeted in the program are 9.00
- 5.00 vacant FTE in the 2021 snapshot, funded at 83% of the normal pay level
- The long-term program administrator retired in FY 2018

Funding

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

Department of Transportation, 40-Aeronautics Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02286 Aeronautical Loan Account	700,000	0	0	0	700,000	17.42 %	
02287 Aeronautical Grant Account	700,000	0	0	0	700,000	17.42 %	
02827 Aeronautics Division	2,298,167	180,000	0	0	2,478,167	61.67 %	
02962 Airport Pvm. Preservation	140,000	0	0	0	140,000	3.48 %	
<b>State Special Total</b>	<b>\$3,838,167</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,018,167</b>	<b>68.88 %</b>	
03060 Aeronautics Division	390,567	725,000	0	0	1,115,567	100.00 %	
<b>Federal Special Total</b>	<b>\$390,567</b>	<b>\$725,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,115,567</b>	<b>19.12 %</b>	
06007 West Yellowstone Airport	0	0	699,622	0	699,622	100.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$699,622</b>	<b>\$0</b>	<b>\$699,622</b>	<b>11.99 %</b>	
<b>Total All Funds</b>	<b>\$4,228,734</b>	<b>\$905,000</b>	<b>\$699,622</b>	<b>\$0</b>	<b>\$5,833,356</b>		

The Aeronautics Program is funded with state and federal special revenues. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants. Proprietary funding supports the Yellowstone Airport enterprise program, a non-HB 2 budget.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	2,022,745	2,022,745	4,045,490	78.80 %
SWPL Adjustments	0	0	0	0.00 %	(2,671)	(3,059)	(5,730)	(0.11)%
PL Adjustments	0	0	0	0.00 %	554,487	539,487	1,093,974	21.31 %
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>\$2,574,561</b>	<b>\$2,559,173</b>	<b>\$5,133,734</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	918	500	1,418	0.00	0	286	175	461
DP 2 - Fixed Costs	0.00	0	(4,141)	0	(4,141)	0.00	0	(3,585)	0	(3,585)
DP 3 - Inflation Deflation	0.00	0	52	0	52	0.00	0	65	0	65
DP 4006 - Cessna 206 Engine Rebuild - OTO	0.00	0	110,000	0	110,000	0.00	0	0	0	0
DP 4007 - Precision Approach Path Indicator (PAPI) - OTO	0.00	0	0	0	0	0.00	0	0	275,000	275,000
DP 4008 - Lincoln Airport Federally Supported Projects - OTO	0.00	0	35,000	315,000	350,000	0.00	0	15,000	135,000	150,000
DP 4009 - Grant & Loan Increase	0.00	0	94,487	0	94,487	0.00	0	94,487	0	94,487
DP 4010 - Aeronautical Charts - OTO	0.00	0	0	0	0	0.00	0	20,000	0	20,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$236,316</b>	<b>\$315,500</b>	<b>\$551,816</b>	<b>0.00</b>	<b>\$0</b>	<b>\$126,253</b>	<b>\$410,175</b>	<b>\$536,428</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4006 - Cessna 206 Engine Rebuild - OTO -

The executive requests a state special revenue appropriation to rebuild the engine on the 1999 Cessna 206 aircraft. The engine is due to be overhauled. The aircraft is used primarily for air search and rescue and the Division is the first responder in case of a missing or overdue aircraft.

DP 4007 - Precision Approach Path Indicator (PAPI) - OTO -

The executive requests a federal special revenue appropriation for the construction of a Precision Approach Path Indicator (PAPI) at the Yellowstone Airport, a visual guidance system required by the FAA and the airline to continue commercial air carrier operations. The federal special revenues would be matched with \$25,000 of proprietary funding from the Yellowstone Airport budget.

DP 4008 - Lincoln Airport Federally Supported Projects - OTO -

The executive requests state and federal special revenue appropriations for maintenance activities at the Lincoln Airport. The appropriations will also provide funding for an airport master plan, which needs to be updated every ten years, a wildlife hazard assessment, and an Airport Geographic Information System (AGIS) survey, as recommended by the Federal Aviation Administration (FAA).

DP 4009 - Grant & Loan Increase -

The executive requests an increase of state special revenue appropriation for the program's grants, loans, and pavement preservation grants. This request would also increase the program operating budget for search and rescue, aviation education, maintenance of state-owned airports, and aviation support services.

DP 4010 - Aeronautical Charts - OTO -

The executive requests a state special revenue appropriation for the production of aeronautical charts. The chart is produced in a digital format for the MDT website. Due to the unique aspects of the chart, it is not possible for MDT to produce this chart in house.

**Other Issues -****Yellowstone Airport Proprietary Program**

**Program Description**

The Yellowstone Airport located in West Yellowstone, Montana provides the closest private and commercial air service to Yellowstone National Park, located just 1 mile away, as well as service for a multitude of other recreational opportunities in the surrounding greater Yellowstone area. Commercial air service is available seasonally from June 1st to September 30th and the airport is open for private aircraft operations usually from mid-May through mid-November. The airport accomplishes these missions with extensive facilities to accommodate all sized aircraft and operations ranging from large, 4 engine, commercial service jets, to small, single engine, piston aircraft.

Airside facilities at the airport include an 8,400-foot runway and taxiway, as well as large ramp and hangar areas for all types of aircraft operations. The runway is also equipped with a precision instrument landing system (ILS) and GPS approaches, allowing flights in any kind of weather as well as full approach, runway, and taxiway lighting. The airport also supports and maintains an Automated Weather Observation Station (AWOS). Other airport facilities include a commercial terminal building with tenants that include a restaurant/gift shop and two car rental agencies, airport administration and Transportation Security Administration (TSA) offices, and Delta connection served by SkyWest Airlines. Also located on the field are several outbuildings and other facilities housing bulk fuel storage, a fixed based operation (FBO) serving aviation needs, and full airport crash fire rescue services. The USFS operates an inter-agency fire control center with both a smoke jumper and fire-retardant bomber base. The airport also has a large on field pilot campground for fly-in camping trips. A security/wildlife fence surrounds the entire airport property.

*Program Narrative*

The Yellowstone Airport is an enterprise proprietary fund. As such, the legislature neither appropriates funds for the program nor approves rates. Instead the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Expenses

Program costs in FY 2018 include:

- Personal service expenditures for 3.00 employees or 2.00 FTE were \$189,464 or 37.5% of total expenditures
  - 1 Airport manager is employed full time
  - 1 Airport operations chief and 1 airport fire fighter who are employed seasonally
- Operating expenditures (including equipment expenditures) were \$315,527 or 62.5% of total expenditures and include:
  - Consultant and professional services, \$194,399
  - Electricity and natural gas, \$31,499
  - Janitorial services, \$27,682

In the 2021 biennium the Yellowstone Airport budget includes:

- Personal services – would increase by an average of \$6,924, or 3.6%, from the FY 2019 base
- Operating costs – projected to increase by an average of \$76,212, or 105.1%, from the FY 2019 base
  - The increase in operating expense results from the new proposals that add budget for maintenance needs and a new fire and rescue building
  - The match to federal funding for a new visual guidance system required by the FAA and the user airline

Revenues

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2021 biennium include a runway maintenance project, and terminal, and a tree/object removal project funded with 90% FAA money and performed in accordance with FAA mandates and advisory circulars.

The enterprise revenue sources are expected to generate average annual revenues of \$480,177 in FY 2020 and \$481,053 in FY 2021.

Proprietary Rates Proposed Budget

The 2021 Biennium Report on Internal Service and Enterprise Funds for 06007 shows the financial information for the fund from FY 2016 through FY 2021. The report is provided as submitted by the executive. Statute requires that agencies providing enterprise/internal service functions provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund.

2021 Biennium Report on Internal Service and Enterprise Funds								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06007	Yellowstone Airport	54010	Transportation	Aeronautics Program				
			Actual FY 16	Actual FY 17	Actual FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
<b>Operating Revenues</b>								
<b>Fees and Charges</b>								
	Fee Revenue A (FR01)		83,215	73,010	87,324	85,379	85,479	85,629
	Other Operating Revenues (FR07)		347,441	331,374	415,698	386,028	394,698	395,424
	<b>Total Operating Revenues</b>		<b>430,656</b>	<b>404,384</b>	<b>503,021</b>	<b>471,407</b>	<b>480,177</b>	<b>481,053</b>
<b>Expenses</b>								
	Personal Services (EP01)		178,646	181,595	189,105	194,144	201,313	200,823
	Other Operating Expense (EX01)		220,946	321,635	363,033	432,031	496,249	1,001,237
	<b>Total Operating Expense</b>		<b>399,592</b>	<b>503,229</b>	<b>552,137</b>	<b>626,175</b>	<b>697,562</b>	<b>1,202,060</b>
	<b>Operating Income (Loss)</b>		<b>31,064</b>	<b>(98,846)</b>	<b>(49,116)</b>	<b>(154,768)</b>	<b>(217,385)</b>	<b>(721,007)</b>
	Nonoperating Revenues (NR01)		3,338			322,725		
	Nonoperating Expenses (NE01)							
	<b>Total Nonoperating Revenues (Expenses)</b>		<b>3,338</b>	<b>-</b>	<b>-</b>	<b>322,725</b>	<b>-</b>	<b>-</b>
	<b>Income (Loss) Before Contrib. &amp; Transfers</b>		<b>34,402</b>	<b>(98,846)</b>	<b>(49,116)</b>	<b>167,957</b>	<b>(217,385)</b>	<b>(721,007)</b>
	Capital Contributions (CA01)		1,003,769	2,637,127	2,815,991	523,423	6,500	6,500
	Transfers In (CA02)		91,942	285,956	317,969	40,012	5,878	5,878
	<b>Change in Net Position</b>		<b>1,130,113</b>	<b>2,824,238</b>	<b>3,084,844</b>	<b>731,392</b>	<b>(205,007)</b>	<b>(708,629)</b>
	<b>Beginning Net Position - July 1 (BN01)</b>		<b>2,740,427</b>	<b>3,870,540</b>	<b>6,709,308</b>	<b>9,794,151</b>	<b>10,525,543</b>	<b>10,320,536</b>
	Prior Period Adjustments			14,530				
	<b>Change in Net Position</b>		<b>1,130,113</b>	<b>2,824,238</b>	<b>3,084,844</b>	<b>731,392</b>	<b>(205,007)</b>	<b>(708,629)</b>
	<b>Ending Net Position - June 30</b>		<b>3,870,540</b>	<b>6,709,308</b>	<b>9,794,151</b>	<b>10,525,543</b>	<b>10,320,536</b>	<b>9,611,907</b>

Working Capital Analysis

In past biennia, the Yellowstone Airport has maintained an adequate cash balance to meet operational needs and provide the required match for federal airport improvement grants. Certain projects are necessary to meet FAR 139 requirements and TSA security requirements to maintain the airport's commercial operating certificate to host scheduled air carrier service.

Proprietary Rates

There are slight increases in fees and rates in the 2021 biennium, as shown in the figure below.

<b>Yellowstone Airport Rates</b>			
<b>Fee/Rate Information</b>			
	<b>Budgeted FY 2019 (same as 2018 actuals)</b>	<b>Budgeted FY 2020</b>	<b>Budgeted FY 2021</b>
<b>Fee &amp; Revenue Group</b>			
Landing Fees - Scheduled Air Carrier	\$1.45 / 1,000lbs	\$1.45 / 1,000lbs	\$1.45 / 1,000lbs
Landing Fees - Other uses	9,001-16,500lbs = \$30.00	9,001-16,500lbs = \$30.00	9,001-16,500lbs = \$30.00
Landing Fees - Other uses	>16,500 lbs - \$1.70/1000lbs	>16,500 lbs - \$2.00/1000lbs	>16,500 lbs - \$2.00/1000lbs
Fuel Flowage Fee	\$0.09/Gallon	\$0.09/Gallon	\$0.09/Gallon
Building Leases - Car rental, Airline	\$2.75-\$3.00/sq.ft.	\$2.75-\$3.00/sq.ft.	\$2.75-\$3.00/sq.ft.
Building Leases -FBO, Hangar Ground	\$0.13/sq.ft. (improved) \$0.065 (unimproved)	\$0.14/sq.ft. (improved) \$0.07 (unimproved)	\$0.14/sq.ft. (improved) \$0.07 (unimproved)
Adboards	\$225 ad board - \$400 special	\$225 ad board - \$400 special	\$225 ad board - \$400 special
Tax Transfers	\$6,267	\$6,267	\$6,267
Sales Receipts	10% of Gross Sales	10% of Gross Sales	10% of Gross Sales
<b>Non-Aero Rentals</b>			
Nevada Testing	6.00 psfpa + utilities + usage	6.00 psfpa + utilities + usage	6.00 psfpa + utilities + usage
City	\$11,000/Year	\$40,000/Year	\$40,600/Year
Energy West	\$13,500/Year	\$13,500/Year	\$13,500/Year
Yamaha	\$9,250/Year	\$0.00 (Lease not renewed)	\$0.00 (Lease not renewed)
Chamber - Snow Shoot	\$1,375 + \$145.00 per day occupancy + \$275.00 Groomer Storage	\$2,000 + \$190.00 per day occupancy	\$2,250 + \$205.00 per day occupancy

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	16,799,078	17,757,896	958,818	5.71 %
Operating Expenses	12,721,569	12,962,713	241,144	1.90 %
Equipment & Intangible Assets	247,338	797,338	550,000	222.37 %
Grants	38,594,093	38,401,384	(192,709)	(0.50)%
Transfers	4,379,883	3,546,922	(832,961)	(19.02)%
<b>Total Expenditures</b>	<b>\$72,741,961</b>	<b>\$73,466,253</b>	<b>\$724,292</b>	<b>1.00 %</b>
State/Other Special Rev. Funds	17,522,810	16,917,071	(605,739)	(3.46)%
Federal Spec. Rev. Funds	55,219,151	56,549,182	1,330,031	2.41 %
<b>Total Funds</b>	<b>\$72,741,961</b>	<b>\$73,466,253</b>	<b>\$724,292</b>	<b>1.00 %</b>
<b>Total Ongoing</b>	<b>\$72,741,961</b>	<b>\$73,466,253</b>	<b>\$724,292</b>	<b>1.00 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Rail, Transit, and Planning Program provides: 1) a continuous statewide multimodal transportation planning process used to allocate highway program resources to ensure highway system performance goals are maintained and federal-aid highway and transit grant eligibility is maintained within the federal surface transportation programs; 2) an inventory of transportation infrastructure for the allocation of state fuel taxes to local governments; 3) support for the state’s comprehensive statewide highway safety plan including technical analysis, performance tracking, and coordination with multiple administrative agencies and jurisdictions; 4) the point of contact for MDT for major developers seeking access onto the state’s highway system; 5) mapping functions to aid in the publication of the state tourist map and geo-spatial infrastructure inventories; 6) transportation planning and programming assistance to metropolitan and urban areas; 7) administration and implementation of safety programs that help reduce traffic deaths, injuries, and property losses resulting from traffic crashes; 8) administration and implementation of environmental services that assure environmental compliance with all applicable laws, rules, regulations, policies, orders, and agreements; and 9) responses to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. The planning function addresses system areas that include buses for transit systems, street and highway improvements, railroad track rehabilitation, and considerations for non-motorized improvements.

Program Highlights

<b>Rail, Transit, and Planning (RTP) Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The RTP Program budget request is \$724,292 or 1.0%, higher than the 2019 biennium</li> <li>• Personal services cost would increase \$1.0 million                             <ul style="list-style-type: none"> <li>◦ Increases primarily result from the annualization of the 2019 biennium pay plan and the biennial change in the vacancy savings rate recommended by the executive</li> </ul> </li> <li>• Increases in personal services costs are offset by reductions in federal funding for transfers</li> <li>• The RTP request contains a total of \$4.8 million in present law adjustments                             <ul style="list-style-type: none"> <li>◦ DP 5008 is an adjustment of \$3.9 million, \$3.0 million in federal special revenue and \$0.9 million in state special revenue, to provide grants to local governments for busses and bus facilities</li> <li>◦ The request results from an increase in federal transit authority</li> <li>◦ The increase is offset by a budgetary reduction in non-continuing grant authority</li> </ul> </li> <li>• Two IT decision packages would add \$780,000 annually to the RTP base budget</li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	94.76	94.76	94.76	94.76
Personal Services	7,951,140	8,246,085	8,552,993	8,878,254	8,879,642
Operating Expenses	4,232,996	6,358,840	6,362,729	6,366,052	6,596,661
Equipment & Intangible Assets	50,800	123,669	123,669	123,669	673,669
Grants	18,356,154	21,408,797	17,185,296	19,150,692	19,250,692
Transfers	1,654,306	2,606,422	1,773,461	1,773,461	1,773,461
<b>Total Expenditures</b>	<b>\$32,245,396</b>	<b>\$38,743,813</b>	<b>\$33,998,148</b>	<b>\$36,292,128</b>	<b>\$37,174,125</b>
State/Other Special Rev. Funds	9,083,460	9,812,557	7,710,253	8,329,408	8,587,663
Federal Spec. Rev. Funds	23,161,936	28,931,256	26,287,895	27,962,720	28,586,462
<b>Total Funds</b>	<b>\$32,245,396</b>	<b>\$38,743,813</b>	<b>\$33,998,148</b>	<b>\$36,292,128</b>	<b>\$37,174,125</b>
<b>Total Ongoing</b>	<b>\$32,245,396</b>	<b>\$38,743,813</b>	<b>\$33,998,148</b>	<b>\$36,292,128</b>	<b>\$37,174,125</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Program Discussion -

*FY 2018 Appropriation Compared to FY 2018 Actual Expenditures*

In the FY 2018 budget, the Rail, Transit, and Planning Program (RTP) expended a total of 83.2% of their \$38.7 million in appropriation authority. The personal services expenditures were \$8.0 million, or 96.4% of the authority. In FY 2018, the

program's budget for grants and transfers out were increased through language in HB 2 through the process of continued authority. The continued authority was not fully expended in FY 2018, making total expenditures appear under-utilized.

#### *FY 2018 Appropriation Compared to FY 2019 Appropriation*

The FY 2019 appropriations are 12.3% less than the appropriation level of FY 2018. While the program personal services budget has a rate of growth consistent with the growth in other programs, the reduction in the 2019 budget is related to continued grants and transfers out authority, as mentioned above. The continued authority is not included in the base appropriations, and consequently gives the appearance of a large reduction between the two fiscal years.

#### *Executive Request*

The 2021 biennium budget request for the RTP program includes a total increase of \$724,292 or 1.0% from the 2019 biennium budget. Overall budget changes result in a small increase in the program, where increases in personal services costs, operating expenses, and equipment costs are offset by reductions in grants and transfers (see the above topics). While grants and transfers show reductions in the biennial budget comparison, decision packages related to the provision of funding for local government bus, bus facility, and transit project grants would add \$4.0 million to the budget. The increase in the grants budget is substantially offset by a base reduction of \$2.1 million of grant authority provided in language in the 2017 Session HB 2.

#### **Program Personal Services**

The RTP personal services budget is \$8.9 million in each year of the biennium, a biennial increase of \$1.0 million or 5.7%. Increases in personal services costs result primarily from the annualization of the 2019 pay plan adjustment and the change in the rate of vacancy savings.

Attributes of the RTP Program personal services include:

- Total FTE budgeted in the program are 94.76
- 50.36 FTE or 53.1% of the workforce were employed as transportation planners in FY 2018
- 8.26 vacant FTE in the 2021 snapshot, funded at 83% of the normal pay level
- \$44,924 per-FY in overtime, an amount equal to the 2019 biennium

#### **Funding**

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

Department of Transportation, 50-Rail Transit and Planning Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02282 FTA Local Match	1,608,512	0	0	0	1,608,512	9.49 %	
02349 Highway Non-Restricted Account	2,632,317	0	0	0	2,632,317	15.53 %	
02422 Highways Special Revenue	9,778,638	0	0	0	9,778,638	57.71 %	
02436 County DUI Prevention Programs	990,250	0	0	0	990,250	5.84 %	
02795 TransADE Special Revenue	1,907,354	0	0	0	1,907,354	11.26 %	
02411 State Parks Miscellaneous	0	0	0	0	0	0.00 %	
02121 Shared-Use Path	0	0	0	28,516	28,516	0.17 %	
<b>State Special Total</b>	<b>\$16,917,071</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,516</b>	<b>\$16,945,587</b>	<b>23.06 %</b>	
03147 FTA Grants	26,821,853	0	0	0	26,821,853	47.43 %	
03407 Highway Trust - Sp Rev	19,744,052	0	0	0	19,744,052	34.91 %	
03828 Traffic Safety	9,983,277	0	0	0	9,983,277	17.65 %	
<b>Federal Special Total</b>	<b>\$56,549,182</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$56,549,182</b>	<b>76.94 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$73,466,253</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,516</b>	<b>\$73,494,769</b>		

The Rail, Transit, and Planning Division is funded with a combination of state and federal special revenue funds. Highway state special revenue from both the restricted and non-restricted accounts support the overall administrative and operational costs of the program. Other funding includes:

- Federal transit authority (FTA) local match funds, which provides a local entity match for FTA grants
- Trans-aid special revenue, which in large part provides funding for transit services that serve the elderly and disabled (and can be used to match federal transit funds)
- County DUI prevention funds, for providing assistance to county DUI task force activities
- Federal highway trust (03407), which provides for costs of program administration, activities, and projects

The RTP Program also has a statutory appropriation that allows expenditures for shared-use paths. The funding for this appropriation is derived from an opt-in vehicle license fee for the maintenance and construction of shared use paths.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	33,998,148	33,998,148	67,996,296	92.55 %
SWPL Adjustments	0	0	0	0.00 %	328,584	330,581	659,165	0.90 %
PL Adjustments	0	0	0	0.00 %	1,965,396	2,845,396	4,810,792	6.55 %
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>\$36,292,128</b>	<b>\$37,174,125</b>	<b>\$73,466,253</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the 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.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	150,436	174,825	325,261	0.00	0	152,082	174,567	326,649
DP 2 - Fixed Costs	0.00	0	792	0	792	0.00	0	792	0	792
DP 3 - Inflation Deflation	0.00	0	2,531	0	2,531	0.00	0	3,140	0	3,140
DP 5006 - Linear Referencing System Maintenance and Updates	0.00	0	0	0	0	0.00	0	16,000	64,000	80,000
DP 5007 - Program and Project Management System Maintenance & License	0.00	0	0	0	0	0.00	0	140,000	560,000	700,000
DP 5008 - Bus & Bus Facilities Funding	0.00	0	400,000	1,500,000	1,900,000	0.00	0	500,000	1,500,000	2,000,000
DP 5009 - Local Transit Provider Funding	0.00	0	65,396	0	65,396	0.00	0	65,396	0	65,396
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$619,155</b>	<b>\$1,674,825</b>	<b>\$2,293,980</b>	<b>0.00</b>	<b>\$0</b>	<b>\$877,410</b>	<b>\$2,298,567</b>	<b>\$3,175,977</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

## LFD Budget Analysis

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Budget modifications

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 5006 - Linear Referencing System Maintenance and Updates -

The executive requests state and federal special revenue appropriations in FY 2021 for the annual license, maintenance, and operation for the new Advanced Linear Transportation Information System. This system aligns data between the agency's major management systems.

DP 5007 - Program and Project Management System Maintenance & License -

The executive requests state and federal special revenue appropriations in FY 2021 for the annual license, maintenance, and operation for the new Program and Project Management System. This system will be used to initiate and manage the federally funded program of projects from concept to completion.

**LFD  
COMMENT**

The Program and Project Management and Linear Referencing System was a request approved by the 64th Legislature (2015 Session) in HB 10. When heard in the Long-Range Planning Subcommittee, the legislature was informed of the future costs that would impact the agency budget upon implementation of the projects. The two projects are scheduled to be implemented in the 2021 biennium, and DP 5006 and DP 5007 would establish the new costs in the budget. The licensing and maintenance of the new projects will add \$780,000 annually to the base budget. The new costs are funded 20% with state special revenues and 80% with federal special revenues.

DP 5008 - Bus & Bus Facilities Funding -

The executive requests state and federal special revenue appropriations to increase the budget for buses and bus facilities. The federal apportionment for buses and facilities has increased. State special revenue in this request is provided by local government agencies, which provide the matching funds upfront that are held in a state special revenue account.

DP 5009 - Local Transit Provider Funding -

The executive requests state special revenue appropriations to increase available funding in the local transit provider's matching funds for the anticipated levels in the Federal Transit Administration (FTA) program allocations and grants.