

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	19,265,371	19,878,756	613,385	3.18 %
Operating Expenses	28,503,856	27,904,407	(599,449)	(2.10)%
Equipment & Intangible Assets	13,780,256	18,230,256	4,450,000	32.29 %
Total Expenditures	\$61,549,483	\$66,013,419	\$4,463,936	7.25 %
Proprietary Funds	61,549,483	66,013,419	4,463,936	7.25 %
Total Funds	\$61,549,483	\$66,013,419	\$4,463,936	7.25 %

Program Description

Equipment Program-06508

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 the Montana Department of Transportation (MDT) use the fleet. All units are assigned to the various user programs and are charged rental 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 HB 576. 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

Equipment Program Major Budget Highlights
<ul style="list-style-type: none"> • The equipment program budget would increase by \$4.5 million or 7.3% from the 2021 biennium. • Reductions in operating expenses are offset by increases in personal services and equipment.

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	123.00	123.00	123.00	123.00
Personal Services	9,465,947	9,604,145	9,661,226	9,923,256	9,955,500
Operating Expenses	14,387,417	14,488,687	14,015,169	13,954,960	13,949,447
Equipment & Intangible Assets	6,552,738	6,665,128	7,115,128	9,115,128	9,115,128
Total Expenditures	\$30,406,102	\$30,757,960	\$30,791,523	\$32,993,344	\$33,020,075
Proprietary Funds	30,406,102	30,757,960	30,791,523	32,993,344	33,020,075
Total Funds	\$30,406,102	\$30,757,960	\$30,791,523	\$32,993,344	\$33,020,075

Program Discussion -

The equipment program rents and leases equipment only to the MDT. The costs of the program would increase in the 2023 biennium by \$4.5 million from the 2021 biennium. The largest increase would be for equipment purchases. Personal services also increase by \$613,385 due to annualization of the 2021 pay plan. The personal services increase is offset by a reduction of \$599,499 in operating expenses.

Expenses

Program costs from the state accounting system for FY 2020 include:

- Personal services for 123.00 FTE of \$9.5 million or 31.1% of total expenditures
- Operating costs of \$14.4 million or 47.3% of total expenditures, and included:
 - Gasoline and diesel, \$5.9 million after adjusting for fuel discounts
 - Equipment maintenance activities, \$6.8 million
- Equipment purchases (including plant costs), \$6.6 million

Changes between the 2021 biennium budget and the 2023 biennium budget include:

- Personal services – projected to increase by 3.2%
- Operating costs – projected to decline by 2.1%
- Equipment purchases – projected to increase by 32.3%

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. The rental rates will be set to recover revenue to meet the program’s obligations.

Proprietary Proposed Budget

The 2023 Biennium Report on Internal Service and Enterprise Funds for 06508 shows the financial information for the fund from FY 2018 through FY 2023. 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.

2023 Biennium Report on Internal Service and Enterprise Funds								
Agency # 54010	Agency Name: Department of Transportation		Program Name: Equipment Program					
	Fund	Fund Name						
	06508	Highway Equipment - Int Svc.						
			Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
Operating Revenues:								
Fee and Charges								
Fee Revenue A			29,822,437	30,386,036	31,964,634	30,671,602	31,591,751	32,285,035
Revenue C			10,535	16,127	12,378	13,013	13,013	13,013
Total Operating Revenues			29,832,972	30,402,163	31,977,012	30,684,615	31,604,764	32,298,048
Expenses:								
Personal Services								
Other Operating Expenses			8,596,729	8,969,867	9,201,619	9,661,226	9,923,256	9,555,500
Total Operating Expenses			22,509,614	22,040,933	21,036,922	20,745,706	21,668,495	22,329,535
Operating Income (Loss)			(1,273,371)	(608,637)	1,738,471	277,683	13,013	413,013
Nonoperating Revenues:								
Other Revenue A								
Other Revenue B			280	-	498	259	259	259
Nonoperating Expenses:								
Total Nonoperating Revenues (Expenses)			200,802	161,049	141,766	167,872	167,872	167,872
Income (Loss) Before Contributions and Transfers			(1,072,569)	(447,588)	1,880,237	445,555	180,885	580,885
Capital Contributions								
Change in Net Position			(1,072,569)	1,685,637	100,000	445,555	180,885	580,885
Beginning Net Position - July 1			79,266,119	76,058,828	77,264,591	79,244,329	79,689,884	79,870,769
Prior Period Adjustments			(2,134,722)	(32,286)	(499)	-	-	-
Change in Net Position			(1,072,569)	1,238,049	1,980,237	445,555	180,885	580,885
Ending Net Position - June 30			76,058,828	77,264,591	79,244,329	79,689,884	79,870,769	80,451,654
Net Position (Fund Balance) Analysis								

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 %	
02422 Highways Special Revenue	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03999 COVID General	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06506 Motor Pool - Int Svc	0	0	0	0	0	0.00 %	
06508 Highway Equipment - Int Svc.	0	0	66,013,419	0	66,013,419	100.00 %	
Proprietary Total	\$0	\$0	\$66,013,419	\$0	\$66,013,419	100.00 %	
Total All Funds	\$0	\$0	\$66,013,419	\$0	\$66,013,419		

Funding for the equipment program is generated through user fees charged to programs and divisions in MDT, which are deposited in a proprietary fund. The source for the majority of funding for this program are state special funds, this is because the maintenance program is the primary customer of the equipment program.

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](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	30,791,523	30,791,523	61,583,046	93.29 %
SWPL Adjustments	0	0	0	0.00 %	201,821	228,552	430,373	0.65 %
PL Adjustments	0	0	0	0.00 %	2,000,000	2,000,000	4,000,000	6.06 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$32,993,344	\$33,020,075	\$66,013,419	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2022-----					-----Fiscal 2023-----				
	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	262,030	0.00	0	0	0	294,274
DP 2 - Fixed Costs	0.00	0	0	0	(60,084)	0.00	0	0	0	(65,644)
DP 3 - Inflation Deflation	0.00	0	0	0	(125)	0.00	0	0	0	(78)
DP 801 - Equipment Purchase Funding	0.00	0	0	0	2,000,000	0.00	0	0	0	2,000,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$2,201,821	0.00	\$0	\$0	\$0	\$2,228,552

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

DP 1 - Personal Services -

The budget includes an increase of \$262,030 in FY 2022 and \$294,274 in FY 2023 to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings. Additional factors contributing to the budget request include overtime, differential and per diem.

DP 2 - Fixed Costs -

The request includes a reduction of \$60,084 in FY 2022 and \$65,644 in FY 2023 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, SITSD charges, and others. The rates charged for these services are approved in a separate portion of the budget.

DP 3 - Inflation Deflation -

This change package includes a reduction of \$125 in FY 2022 and \$78 in FY 2023 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide motor pool operated by the Department of Transportation.

DP 801 - Equipment Purchase Funding -

This request is for \$2,000,000 in both FY 2022 and FY 2023. MDT's fleet is aging and becoming expensive to maintain. The cost of repair parts has been significantly increasing and the equipment bureau is finding it difficult to order parts for older equipment. MDT's vehicles and equipment are the primary tools for many program employees to perform their jobs.

The equipment bureau has averaged approximately \$6.4 million in equipment purchases since FY 2012. Inflation in the cost of new equipment has ranged from a low of 20.0% to a high of 150.0% in the common equipment purchased in the past eight years. This has resulted in difficulty replacing equipment at the end of its useful life. The difficulty in replacing aging equipment has led to large increases in spending on repair parts and required us to request additional budget authority the past couple of fiscal years. Since FY 2012 there has been a 73.0% or \$1.4 million increase in spending on repair parts.

The equipment bureau purchased approximately 100 new snowplows in FY 2000 for secondary roads take over. These snowplows are aging, becoming expensive to maintain, and needing replacement. Replacing these snowplows is an identified area where the funding could be used to update our fleet. The useful life on these trucks is set at 12 years making them eight years past their useful life. The average mileage on these trucks is 237,938 miles, with the highest mileage at 366,000. The average age of the entire tandem truck fleet is 15+ years and the average odometer is 178,573. The program replaces between 15 and 20 trucks per year and does the fabrication in the central shop. It costs the equipment bureau \$175,000 to fabricate a snowplow which is a savings of about \$90,000 as compared to a turn key truck. The program has an additional 140 trucks that are over 20 years old with the oldest at 35 years old.

Other western states have tandem fleets that average between 9 and 15 years old with average odometers between 72,000 and 230,000 miles.

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 the statewide accounting, budgeting, and human resource system (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 2023 biennium have not been calculated at this time. A table showing the rates charged in FY 2021 is available upon request.