

**Agency 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.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	344,877,463	358,948,141	14,070,678	4.08 %
Operating Expenses	937,575,583	984,543,109	46,967,526	5.01 %
Equipment & Intangible Assets	8,822,750	8,668,316	(154,434)	(1.75)%
Capital Outlay	29,413,730	25,913,730	(3,500,000)	(11.90)%
Grants	47,848,259	47,553,286	(294,973)	(0.62)%
Transfers	3,675,812	3,452,312	(223,500)	(6.08)%
<b>Total Expenditures</b>	<b>\$1,372,213,597</b>	<b>\$1,429,078,894</b>	<b>\$56,865,297</b>	<b>4.14 %</b>
State/Other Special Rev. Funds	543,274,830	536,981,642	(6,293,188)	(1.16)%
Federal Spec. Rev. Funds	828,938,767	892,097,252	63,158,485	7.62 %
<b>Total Funds</b>	<b>\$1,372,213,597</b>	<b>\$1,429,078,894</b>	<b>\$56,865,297</b>	<b>4.14 %</b>
<b>Total Ongoing</b>	<b>\$1,371,308,597</b>	<b>\$1,429,078,894</b>	<b>\$57,770,297</b>	<b>4.21 %</b>
<b>Total OTO</b>	<b>\$905,000</b>	<b>\$0</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.

**Department of Transportation  
Major Budget Highlights**

- The Montana Department of Transportation (MDT) budget request is \$718.3 million in FY 2022 and \$710.8 million in FY 2023, an increase of \$56.9 million or 4.1% from the 2021 biennium budget
- The increase in personal services costs for the biennium is comprised of:
  - Approximately \$6.3 million in present law increases including the annualization of the 2021 biennium pay plan, reclassification of 600 FTE in the maintenance program and a new chief operating officer position in the general operations program
  - Approximately \$4.5 million in new proposals which would result in an additional 20.00 full-time equivalent (FTE) in the construction program, 1.00 FTE in the maintenance program, and 5.00 FTE in the rail, transit and planning program
- Most agency fixed costs have been consolidated to the general operations program
- The proprietary equipment program increased rates charged to the programs to replace aging equipment. This had the greatest impact on the maintenance program operating costs budget
- The statewide present law decision package DP 3, inflation/deflation, is negative for all programs due to decreased fuel costs to the motor pool program which affect motor pool rates for all agencies
- Due to the passage of HB 661 in the 2019 legislature, the aeronautics program has significant changes to the way it collects revenues and funds the program, which were further complicated by decreases in fuel tax collection and Corona-virus Aid Relief and Economic Security (CARES) Act grants to small airports

### Agency Actuals and Budget Comparison

The following table compares the last full fiscal year actuals, previous biennium appropriations by year, and current annual biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	1,992.27	1,992.27	2,016.27	2,018.27
Personal Services	160,176,125	170,810,110	174,067,353	179,131,717	179,816,424
Operating Expenses	441,677,236	465,875,712	471,699,871	496,031,205	488,511,904
Equipment & Intangible Assets	2,862,946	4,790,092	4,032,658	4,635,658	4,032,658
Capital Outlay	14,381,252	16,456,865	12,956,865	12,956,865	12,956,865
Grants	17,224,161	24,317,939	23,530,320	23,776,643	23,776,643
Transfers	1,607,167	1,949,656	1,726,156	1,726,156	1,726,156
<b>Total Expenditures</b>	<b>\$637,928,887</b>	<b>\$684,200,374</b>	<b>\$688,013,223</b>	<b>\$718,258,244</b>	<b>\$710,820,650</b>
State/Other Special Rev. Funds	257,290,976	284,223,166	259,051,664	268,594,374	268,387,268
Federal Spec. Rev. Funds	380,637,911	399,977,208	428,961,559	449,663,870	442,433,382
<b>Total Funds</b>	<b>\$637,928,887</b>	<b>\$684,200,374</b>	<b>\$688,013,223</b>	<b>\$718,258,244</b>	<b>\$710,820,650</b>
<b>Total Ongoing</b>	<b>\$637,796,048</b>	<b>\$683,740,374</b>	<b>\$687,568,223</b>	<b>\$718,258,244</b>	<b>\$710,820,650</b>
<b>Total OTO</b>	<b>\$132,839</b>	<b>\$460,000</b>	<b>\$445,000</b>	<b>\$0</b>	<b>\$0</b>

## Agency Discussion

### *FY 2020 Appropriations Compared to FY 2020 Actual Expenditures*

In FY 2020 the Montana Department of Transportation (MDT) expended \$637.9 million or 93.2% of its \$684.2 million in HB 2 authority. The agency budget does not include general fund. MDT receives funding from dedicated sources for both state and federal funding. MDT expended \$46.3 million less than its total appropriation, including \$26.9 million in state special revenue and \$19.3 million in federal special revenue. This level of expenditure is not unusual as the agency usually does not expend its entire appropriation. All appropriations in HB 2 are biennial due to the nature of construction projects and road maintenance. Most federal funds are available for multiple years and are primarily received via reimbursement after MDT pays for construction projects using state special funds. Because of this arrangement it is necessary to maintain a large working capital state special fund balance in order to cover federal payments until reimbursement can occur.

### *FY 2020 Appropriations compared to FY 2021 Appropriations*

There is a 0.6% difference in appropriations between the two years. While there were increases in personal services and operating expenses there was a lower level of authority in FY 2021 for capital outlay. The higher level of capital outlay in the first year was due to budget modifications stemming from a greater than usual need for right of way purchases. Increased authority for personal services was a result of HB 175, the employee pay plan.

### *Executive Request*

- The executive budget proposal for MDT contains an overall increase of \$56.9 million or 4.1% from the 2021 biennium budget.
- The largest increase is in operating expenses, at \$47.0 million, or 5.0% greater than the 2021 biennium budget. The increase in operating expenses is due to several factors including:
  - Increased rates for the proprietary equipment program to replace and repair aging equipment used for various construction and maintenance activities including snow removal
  - Several new proposals in the construction program intended to fund bridge improvement, bridge inspection and consultant design.
  - Federally funded reconstruction of the Yellowstone Airport runway
  - Software licensing, maintenance and implementation expenses
  - Other infrastructure repairs
- An increase for the biennium of \$14.1 million in personal services is due to several factors including annualization of the 2021 biennium pay plan, reclassification and refactoring of 600 FTE, and new proposals for 24.00 FTE in FY 2022 and an additional 2.00 FTE in FY 2023

- Increases to the executive budget for personal services and operating expenses are partially offset by decreases in all other expenditure categories

*FY 2021 Legislative Budget compared to FY 2021 base*

Figure 1 illustrates the beginning FY 2021 budget as adopted by the 2019 legislature compared to the finalized 2021 base budget, which included modifications as authorized by statute during the interim. Currently the executive modifications to the base have had a net zero impact on the overall total FY 2021 legislative appropriation of \$687.6 million. However, increased use of federal funding provided for decreased use of state special revenue funding. Several other budgetary changes occurred which are detailed below and can be seen in the appropriations tables below. Budgetary changes include:

- Transfers to operating expenses in the general operations program from all other programs totaling approximately \$519,000. Due to a federal review of direct vs indirect expenditures, this change was made to consolidate all SITSD and Department of Administration (DOA) expenses including phones, mail, shipping and print services. All printing has been outsourced to the DOA's state print and mail division.
- A transfer of \$57,566 and 1.00 FTE from the maintenance program to the director's office in the general operations program. The FTE was transferred to create the chief operating officer position. The position serves as one of the principle executive advisors to the Director, assisting with all upper level administrative and management activities.
- An operation plan change in the maintenance program moving the remaining balance of \$25,000 from grants to equipment and intangible assets to allow the authority to be utilized.
- A program transfer of \$80,000 of fuel tax evasion grant authority from operating expenses in the general operations program to equipment and intangible assets in the motor carrier services program to purchase equipment for monitoring and enforcement activities. The grant is shared between the two programs but administered through the general operations program.
- An adjustment in the aeronautics program that moved authority from grants to operations. House bill 661 created a statutory appropriation for the aeronautics grant program. The grant appropriation authority of \$420,000 was moved to aeronautics operating expenses. This was partially offset by a transfer of roughly \$11,000 from aeronautics operating expenses to general operations operating expenses in the SITSD and DOA cost consolidation.
- An operation plan change in the rail, transit & planning program transferred \$70,000 in state special authority from operating expenses to grants due to an accounting treatment change with rest area expenditures. This supports grants to cities for city-owned rest areas.
- An operating plan change that moved approximately \$100,000 of authority within the transit program of rail, transit and planning from transfers-out to operating expenses. The increase in operating expenses was offset by other transfers.
- A fund switch totaling \$79,000 from state special to federal special to support the fuel tax evasion grant. This can be seen in figure 2 below, which shows budget modifications by fund type as opposed to by program and expenditure category as shown in figure 1.

FY 2021 Legislative Appropriations - Montana Department of Transportation				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
<b>01 GENERAL OPERATIONS PROGRAM</b>				
61000 Personal Services	17,334,058	57,566	17,391,624	0.3%
62000 Operating Expenses	15,935,154	518,827	16,453,981	3.3%
63000 Equipment & Intangible Assets	45,803	-	45,803	0.0%
66000 Grants	75,000	-	75,000	0.0%
69000 Debt Service	85,270	(85,270)	-	-100.0%
<b>01 GENERAL OPERATIONS PROGRAM Total</b>	<b>33,475,285</b>	<b>491,123</b>	<b>33,966,408</b>	<b>1.5%</b>
<b>02 HIGHWAYS &amp; ENGINEERING</b>				
61000 Personal Services	77,562,100	-	77,562,100	0.0%
62000 Operating Expenses	362,287,694	(234,407)	362,053,287	-0.1%
63000 Equipment & Intangible Assets	2,665,262	-	2,665,262	0.0%
64000 Capital Outlay	12,956,865	-	12,956,865	0.0%
66000 Grants	4,130,628	-	4,130,628	0.0%
<b>02 HIGHWAYS &amp; ENGINEERING Total</b>	<b>459,602,549</b>	<b>(234,407)</b>	<b>459,368,142</b>	<b>-0.1%</b>
<b>03 MAINTENANCE PROGRAM</b>				
61000 Personal Services	59,704,712	(57,566)	59,647,146	-0.1%
62000 Operating Expenses	82,111,695	(171,130)	81,940,565	-0.2%
63000 Equipment & Intangible Assets	345,208	25,000	370,208	7.2%
66000 Grants	25,000	(25,000)	-	-100.0%
<b>03 MAINTENANCE PROGRAM Total</b>	<b>142,186,615</b>	<b>(228,696)</b>	<b>141,957,919</b>	<b>-0.2%</b>
<b>22 MOTOR CARRIER SERVICES</b>				
61000 Personal Services	9,575,228	-	9,575,228	0.0%
62000 Operating Expenses	2,983,560	(27,231)	2,956,329	-0.9%
63000 Equipment & Intangible Assets	197,716	80,000	277,716	40.5%
68000 Transfers-out	49,716	(2,986)	46,730	-6.0%
<b>22 MOTOR CARRIER SERVICES Total</b>	<b>12,806,220</b>	<b>49,783</b>	<b>12,856,003</b>	<b>0.4%</b>
<b>40 AERONAUTICS PROGRAM</b>				
61000 Personal Services	826,328	-	826,328	0.0%
62000 Operating Expenses	874,071	408,922	1,282,993	46.8%
66000 Grants	424,000	(420,000)	4,000	-99.1%
68000 Transfers-out	6,901	99	7,000	1.4%
<b>40 AERONAUTICS PROGRAM Total</b>	<b>2,131,300</b>	<b>(10,979)</b>	<b>2,120,321</b>	<b>-0.5%</b>
<b>50 RAIL TRANSIT &amp; PLANNING</b>				
61000 Personal Services	9,064,927	-	9,064,927	0.0%
62000 Operating Expenses	6,603,505	(35,789)	6,567,716	-0.5%
63000 Equipment & Intangible Assets	673,669	-	673,669	0.0%
66000 Grants	19,250,692	70,000	19,320,692	0.4%
68000 Transfers-out	1,773,461	(101,035)	1,672,426	-5.7%
<b>50 RAIL TRANSIT &amp; PLANNING Total</b>	<b>37,366,254</b>	<b>(66,824)</b>	<b>37,299,430</b>	<b>-0.2%</b>
<b>54010 DEPARTMENT OF TRANSPORTATION Total</b>	<b>687,568,223</b>	<b>-</b>	<b>687,568,223</b>	<b>0.0%</b>

FY 2021 Legislative Appropriations - Department of Transportation				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
02 State/Other Spec Rev	259,095,664	(79,000)	259,016,664	0.0%
03 Fed/Other Spec Rev	428,472,559	79,000	428,551,559	0.0%
<b>Grand Total</b>	<b>687,568,223</b>	<b>-</b>	<b>687,568,223</b>	<b>0.0%</b>

*5% Reduction Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%.

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

**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 three categories, as follows:

1. Expected Changes - This category includes those adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs including FY 2021 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.
2. Personal Services Management Decisions - Any agency management decisions that adjusted employee pay. 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 between programs.
3. Modifications to the Personal Services Base Budget - Other modifications to the FY 2021 personal services base like operating plan transfers that occurred during the interim may impact the overall size of the personal services present law adjustment (DP 1)

The figure below shows the analysis of the executive budget for personal services compared to the expected personal services budget for each program.

Personal Services Present Law					
DP 1 - FY 2022					
Program	-i	Formula Based	Management Decisions	Budget Modifications	DP1 SWPL
01 GENERAL OPERATIONS PROGRAM		76,382	248,582	-	324,964
02 HIGHWAYS & ENGINEERING		465,390	396,020	-	861,410
03 MAINTENANCE PROGRAM		(280,398)	1,579,067	-	1,298,669
07 STATE MOTOR POOL		-	-		
08 EQUIPMENT PROGRAM		-	-		
22 MOTOR CARRIER SERVICES		50,878	40,532	-	91,410
40 AERONAUTICS PROGRAM		3,402	36,770	-	40,172
50 RAIL TRANSIT & PLANNING		25	288,704	-	288,729
<b>Agency Total</b>		<b>\$ 315,678</b>	<b>\$ 2,589,676</b>	<b>\$ -</b>	<b>\$ 2,905,354</b>

The personal services budget request for MDT is \$179.1 million in FY 2022 and \$179.8 million in FY 2023, a total biennial increase of \$10.8 million or 2.8% from the FY 2021 personal services base. The statewide present law (SWPL) increase in personal services of \$2.9 million in FY 2022 and \$3.4 million in FY 2023 is requested through DP 1. The increases consist of:

- The annualization of the 2021 biennium pay plan (Formula Based). This increase was authorized in the pay plan bill (HB 175, 2019). However additional appropriations were not provided at the time
- The agency updated job descriptions for 600.00 FTE and re-assessed pay based on the updated position descriptions
- Career ladder increases. MDT uses a career ladder pay scale to provide a means of incentivizing and retaining high performing employees
- Increases in pay have been offset to some extent as retiring long-term staff were replaced with lower paid individuals (Management Decisions)
- The state motor pool and equipment programs are supported entirely by proprietary funds and are not included as part of DP 1

Included in the MDT personal services budget is \$6.5 million per year for overtime, an amount that is consistent with the overtime appropriation of the 2021 biennium.

From the total biennium increase in the personal services budget, \$4.5 million is related to new proposal requests in construction, maintenance, and rail, transit & planning programs. These proposals include the costs of 24.00 additional FTE in FY 2022 and another 2.00FTE in FY 2023.

- Requests totaling 24.00 additional FTE in FY 2022 and 2.00 more FTE in 2023 including:
  - 20.00 FTE in the construction program for various purposes including bridge planning and inspection, unmanned aerial systems, and utility management.
  - 1.00 FTE in the maintenance program due to increased needs in the Wolf Point maintenance division
  - 3.00 FTE in FY 2022 and an additional 2.0 FTE in FY 2023 in rail, transit and planning including 1.00 FTE for an environmental science specialist and 4.00 FTE to assist in meeting additional planning requirements stemming from the reauthorization of the federal transportation bill, the Fixing America's Surface Transportation (FAST) Act

**Funding**

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

Total Department of Transportation Funding by Source of Authority 2023 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	536,981,642	0	0	84,702,868	621,684,510	38.82 %	
Federal Special Total	892,097,252	0	0	7,846,750	899,944,002	56.20 %	
Proprietary Total	0	0	79,714,573	0	79,714,573	4.98 %	
Other Total	0	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$1,429,078,894</b>	<b>\$0</b>	<b>\$79,714,573</b>	<b>\$92,549,618</b>	<b>\$1,601,343,085</b>		
<b>Percent - Total All Sources</b>	<b>89.24 %</b>	<b>0.00 %</b>	<b>4.98 %</b>	<b>5.78 %</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's state special revenue appropriations are 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.

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-Restricted)

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

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.

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.

2023 Biennium Projected Working Capital Balances				
Item	HSSRA - Non-Rest.	HSSRA - Restricted	BaRSAA - Restricted	All Major Funds
	Total 2023 Bien.	Total 2023 Bien.	Total 2023 Bien.	Total 2023 Bien.
Beginning Balance	\$280,312	\$87,802,792	\$5,891,757	\$93,974,861
Revenues <sup>1</sup>				
Gasoline Tax	0	195,562,047	0	195,562,047
Diesel Tax	0	125,723,684	0	125,723,684
BaRSAA Fuel Tax		0	24,036,568	24,036,568
Gross Vehicle Weight Fees (GVW)	17,564,228	54,628,136	0	72,192,364
Federal Cost Recovery	0	100,000,000	0	100,000,000
Other Revenues	463,180	13,415,924	0	13,879,104
<b>Total Revenue</b>	<b>18,027,408</b>	<b>489,329,791</b>	<b>24,036,568</b>	<b>531,393,767</b>
HB 2				
Department of Transportation (MDT)				
General Operations Program	0	67,473,976	0	67,473,976
Construction Program	290,008	145,214,773	25,600,000	171,104,781
Maintenance Program	13,204,326	260,488,102	0	273,692,428
Motor Carrier Services	110,056	16,441,473	0	16,551,529
Rail, Transit, & Planning Program	2,640,329	10,308,293	0	12,948,622
Non-Budgeted Authority	200,000	0	0	200,000
<b>Total MDT HB 2</b>	<b>16,444,719</b>	<b>499,926,617</b>	<b>25,600,000</b>	<b>541,971,336</b>
<b>Total Department of Justice HB 2</b>	<b>801,294</b>	<b>0</b>	<b>0</b>	<b>801,294</b>
<b>Total MDT Other Leg. (HB5, HB 10, HB 393)</b>	<b>0</b>	<b>10,065,000</b>	<b>0</b>	<b>10,065,000</b>
<b>Total Expenditures / Appropriations</b>	<b>17,246,013</b>	<b>509,991,617</b>	<b>25,600,000</b>	<b>552,837,630</b>
<b>Revenue less Expenditures/Appropriations</b>	<b>781,395</b>	<b>(20,661,826)</b>	<b>(1,563,432)</b>	<b>(21,443,863)</b>
<b>Actual / Projected Ending Balance</b>	<b>\$1,061,707</b>	<b>\$67,140,966</b>	<b>\$4,328,325</b>	<b>\$72,530,997</b>
<sup>1</sup> Revenues based HJ 2 projections. Other revenues and federal indirect cost recovery are projected by MDT.				

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 \$94.0 million at the beginning of the 2023 biennium. If the agencies fully expend appropriations as

currently planned in the 2023 budgets and the anticipated revenues are realized as projected, the combined balance would be \$72.5 million at the end of the 2023 biennium. Note: the following analysis includes known changes to appropriations of the major accounts that will be included in the Dec. 15, 2020 final budget submission.

*Constitutionally Restricted HSSRA*

As shown in the figure, HSSRA is expected to start the 2023 biennium with a positive working capital balance of \$87.8 million. The revenue estimates included in HJ 2 would provide \$489.3 million in the biennium. The budget requests include \$510.0 million of appropriations. The difference between anticipated revenues and requested appropriations would amount to \$20.7 million, decreasing the projected working capital balance to \$67.0 million. This analysis does not consider the 2023 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 2023 Session.

*Constitutionally Restricted BaRSAA*

The BaRSAA account was established in 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 2023 biennium with a balance of \$5.9 million. The revenue estimates included in HJ 2 would provide \$24.0 million in the biennium. Budget requests are \$25.6 million, reducing the balance to \$4.3 million by the end of the biennium.

*Non-restricted HSSRA-NR*

HSSRA-NR supports the operations of four programs in MDT and the forensic services division in the Department of Justice. As shown in the figure, the account is expected to start the 2023 biennium with a balance of \$280,312. Total revenue in the biennium is projected to be \$18.0 million and total appropriations requested are \$17.2 million, increasing the fund balance by \$781,395 over the biennium and providing a projected balance of \$1.1 million by the end of the 2023 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 online.

*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 was set to expire September 30, 2020 but has been extended for one year. Despite the extension there remains a level of uncertainty about the amount of federal funds the state can expect beyond the 2023 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](#).

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 %	687,568,223	687,568,223	1,375,136,446	96.23 %
SWPL Adjustments	0	0	0	0.00 %	4,281,346	4,651,219	8,932,565	0.63 %
PL Adjustments	0	0	0	0.00 %	11,936,643	4,691,314	16,627,957	1.16 %
New Proposals	0	0	0	0.00 %	14,472,032	13,909,894	28,381,926	1.99 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$718,258,244</b>	<b>\$710,820,650</b>	<b>\$1,429,078,894</b>	

**HB 2 Language and Statutory appropriations**

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."

In the 2023 biennium, MDT has budgeted approximately \$92.6 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 2023 biennium budgeted statutory appropriations include:

- \$69.4 million – City and county governments fuel tax distributions and grants
- \$12.3 million – Tribal governments gas tax revenue sharing agreements
- \$300,000 – Local Technical Assistance Program at Montana State University
- \$7.5 million – Bond issue debt service (FY 2023 is final year)
- \$2.9 million --Aeronautical grant account
- \$114,062 – Shared use path construction and maintenance

**LFD COMMENT**

taxes.

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 2021 biennium, the tax increased from 31.5 cents to 32 cents for gasoline and from 29.25 cents to 29.45 cents for special fuels

The increases will be stepped up, increasing through FY2023. In the 2023 biennium, starting July 1, 2021, the rate increases to 32.5 cents for gasoline and 29.55 cents for special fuels. In the second year of the 2023 biennium the final increase will occur. Starting July 1, 2022, the rates will be 33 cents for gasoline and 29.75 cents for special fuels. From the new taxes generated by the increase, 65.0% 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%.

The most recent allocations made available for local governments were \$19.0 million in FY 2019 and \$17.5 million in FY 2020.