

Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

| Program Budget Comparison | | | | | | | | |
|--------------------------------|----------------------|----------------------|-------------------------|-------------------------|-----------------------|-----------------------|--------------------|-------------------|
| Budget Item | Base Fiscal 2014 | Approp. Fiscal 2015 | Legislative Budget 2016 | Legislative Budget 2017 | Biennium Fiscal 14-15 | Biennium Fiscal 16-17 | Biennium Change | Biennium % Change |
| FTE | 911.72 | 911.72 | 879.72 | 879.72 | 911.72 | 879.72 | (32.00) | (3.51)% |
| Personal Services | 64,050,628 | 70,062,075 | 70,929,161 | 70,924,949 | 134,112,703 | 141,854,110 | 7,741,407 | 5.77 % |
| Operating Expenses | 336,001,362 | 365,963,322 | 353,734,704 | 361,480,568 | 701,964,684 | 715,215,272 | 13,250,588 | 1.89 % |
| Equipment & Intangible Assets | 2,665,262 | 4,678,597 | 2,665,262 | 2,665,262 | 7,343,859 | 5,330,524 | (2,013,335) | (27.42)% |
| Capital Outlay | 12,956,865 | 19,654,263 | 12,956,865 | 12,956,865 | 32,611,128 | 25,913,730 | (6,697,398) | (20.54)% |
| Grants | 7,130,628 | 13,058,612 | 7,130,628 | 7,130,628 | 20,189,240 | 14,261,256 | (5,927,984) | (29.36)% |
| Benefits & Claims | 0 | 500 | 0 | 0 | 500 | 0 | (500) | (100.00)% |
| Total Costs | \$422,804,745 | \$473,417,369 | \$447,416,620 | \$455,158,272 | \$896,222,114 | \$902,574,892 | \$6,352,778 | 0.71 % |
| State/Other Special Rev. Funds | 72,689,783 | 80,530,142 | 75,208,227 | 76,257,683 | 153,219,925 | 151,465,910 | (1,754,015) | (1.14)% |
| Federal Spec. Rev. Funds | 350,114,962 | 392,887,227 | 372,208,393 | 378,900,589 | 743,002,189 | 751,108,982 | 8,106,793 | 1.09 % |
| Total Funds | \$422,804,745 | \$473,417,369 | \$447,416,620 | \$455,158,272 | \$896,222,114 | \$902,574,892 | \$6,352,778 | 0.71 % |

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.

Program Highlights

| Construction Program Major Budget Highlights |
|---|
| <ul style="list-style-type: none"> • The 2017 biennium legislative appropriation was a reduction of 4.6%, or \$44.0 million, from the 2015 legislative appropriation. The change was largely due to the following: <ul style="list-style-type: none"> ◦ The legislature adopted reductions to the program that would more closely align with recent federal highway funding levels ◦ The legislature concurred with the transfer of 12.00 FTE to the General Operations Program ◦ The legislature adopted the agency's request, presented in the second budget submission, for highway construction with a biennial cost of \$42.5 million <ul style="list-style-type: none"> ▪ The request added \$5.7 million of state special and \$36.8 million of federal special authority to the budget ▪ This action and amount was not included in the executive request ▪ All funding supports contractor payments ◦ The legislature approved the Bakken housing allowance, providing a \$500/mo. allowance for 16.66 FTE |

Program Narrative

The Construction Program is budgeted at a significant reduction from the FY 2015 base. The reduction, as requested by the agency, includes the legislative adoption of the second budget submission. At \$42.5 million, the second submission was the largest single request made by MDT and reflects the tentative construction plan approved by the Transportation Commission late in October of 2014. Increases seen in other programs are outweighed by the net reduction of \$44.0 million in this program.

The Construction Program is the largest user of federal funds in MDT, receiving 90.2% of federal funds anticipated in the agency in the 2017 biennium. The program funding split is 83.2% federal special revenue and 16.8% state special revenue. At the federal level, work continues on determining the future federal funding for highway construction. The most recent actions by Congress extended the provisions of the Moving Ahead to Progress in the 21st Century act (MAP 21) as a short-term fix for highway funding, and at this time it appears Congress will extend the plan again. In reflection on this budget, the agency requested and the legislature approved a budget based on the continuation of the most recent plan.

Funding

The following table shows program funding by source from all sources of authority.

| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
|--------------------------------------|----------------------|-----------------------------|----------------------------|----------------------|----------------------|
| General Fund | 0 | 0 | 0 | 0 | 0.00 % |
| 02349 Highway Non-Restricted Account | 0 | 0 | 0 | 0 | 0.00 % |
| 02422 Highways Special Revenue | 151,465,910 | 0 | 200,000 | 151,665,910 | 100.00 % |
| State Special Total | \$151,465,910 | \$0 | \$200,000 | \$151,665,910 | 16.24 % |
| 03055 Rail Planning & Construction | 0 | 0 | 0 | 0 | 0.00 % |
| 03313 MDT FEMA Recoveries | 0 | 0 | 0 | 0 | 0.00 % |
| 03407 Highway Trust - Sp Rev | 751,108,982 | 0 | 31,200,000 | 782,308,982 | 100.00 % |
| 03828 Traffic Safety | 0 | 0 | 0 | 0 | 0.00 % |
| Federal Special Total | \$751,108,982 | \$0 | \$31,200,000 | \$782,308,982 | 83.76 % |
| Proprietary Total | \$0 | \$0 | \$0 | \$0 | 0.00 % |
| Total All Funds | \$902,574,892 | \$0 | \$31,400,000 | \$933,974,892 | |

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Design, construction, and construction management costs, as well as direct 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 revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees.

The Construction Program is also responsible for \$31.4 million of statutory appropriations. \$200,000 from HSRA-R will be distributed for the purposes and functions of the Montana Local Technical Assistance Transportation Program in Bozeman. Another \$31.2 million will be distributed for the debt service associated with the work on Hwy 93 from the federal Highway Trust special revenue fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

| Budget Summary by Category | | | | | | | | | |
|----------------------------|-------------------------|-------------------------|----------------------------|-------------------|-------------------------|-------------------------|----------------------------|-------------------|--|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | | |
| | Leg. Budget Fiscal 2016 | Leg. Budget Fiscal 2017 | Leg. Biennium Fiscal 16-17 | Percent of Budget | Leg. Budget Fiscal 2016 | Leg. Budget Fiscal 2017 | Leg. Biennium Fiscal 16-17 | Percent of Budget | |
| 2015 Budget | 0 | 0 | 0 | 0.00 % | 474,891,538 | 474,891,538 | 949,783,076 | 105.23 % | |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | (27,474,918) | (19,733,266) | (47,208,184) | (5.23)% | |
| New Proposals | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % | |
| Total Budget | \$0 | \$0 | \$0 | | \$447,416,620 | \$455,158,272 | \$902,574,892 | | |

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

| Present Law Adjustments | | | | | | | | | | |
|---|-----------------------|--------------|----------------------|-----------------------|-----------------------|-----------------------|--------------|----------------------|-----------------------|-----------------------|
| | -----Fiscal 2016----- | | | | | -----Fiscal 2017----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 515 - State Share Health Insurance | 0.00 | 0 | 200,260 | 227,284 | 427,544 | 0.00 | 0 | 200,260 | 227,284 | 427,544 |
| DP 520 - Fully Fund 2015 Legislatively Authorized FTE | 0.00 | 0 | 619,496 | 696,620 | 1,316,116 | 0.00 | 0 | 619,496 | 696,620 | 1,316,116 |
| DP 525 - Fixed Cost Adjustment | 0.00 | 0 | 82 | 399 | 481 | 0.00 | 0 | 157 | 766 | 923 |
| DP 527 - Inflation/Deflation Adjustment | 0.00 | 0 | 1,068 | 5,214 | 6,282 | 0.00 | 0 | 2,202 | 10,752 | 12,954 |
| DP 529 - Longevity and Other Adjustments | 0.00 | 0 | (22,239) | (25,079) | (47,318) | 0.00 | 0 | 66,537 | 75,031 | 141,568 |
| DP 530 - Reorganization Adoption | 0.00 | 0 | (1,090,886) | (383,283) | (1,474,169) | 0.00 | 0 | (1,090,886) | (383,283) | (1,474,169) |
| DP 535 - Program Transfers | 0.00 | 0 | (910,000) | 0 | (910,000) | 0.00 | 0 | (910,000) | 0 | (910,000) |
| DP 550 - Motor Pool Rate Adjustment | 0.00 | 0 | (1,162) | (5,674) | (6,836) | 0.00 | 0 | (1,178) | (5,751) | (6,929) |
| DP 570 - Additional Personal Services Adjustments | 0.00 | 0 | (1,804,889) | (2,035,301) | (3,840,190) | 0.00 | 0 | (1,895,645) | (2,137,643) | (4,033,288) |
| DP 580 - Additional Operating Adjustments | 0.00 | 0 | (7,575,859) | (36,115,318) | (43,691,177) | 0.00 | 0 | (7,575,331) | (36,115,846) | (43,691,177) |
| DP 200111 - Overtime/Differential Pay - Program 02 | 0.00 | 0 | 1,601,215 | 1,409,719 | 3,010,934 | 0.00 | 0 | 1,601,215 | 1,409,719 | 3,010,934 |
| DP 200122 - Equipment Rental - Program 02 | 0.00 | 0 | 120,000 | 99,858 | 219,858 | 0.00 | 0 | 113,942 | 94,818 | 208,760 |
| DP 200133 - Bakken Housing Allowance - Program 02 | 0.00 | 0 | 100,000 | 0 | 100,000 | 0.00 | 0 | 100,000 | 0 | 100,000 |
| DP 200205 - CADD Software Maintenance Fees | 0.00 | 0 | 19,280 | 0 | 19,280 | 0.00 | 0 | 39,235 | 0 | 39,235 |
| DP 200208 - Contractor Pmnts. Second Submission | 0.00 | 0 | 2,330,833 | 15,063,444 | 17,394,277 | 0.00 | 0 | 3,366,651 | 21,757,612 | 25,124,263 |
| DP 200444 - Statewide 4% FTE Reduction - Program 02 | (32.00) | 0 | 0 | 0 | 0 | (32.00) | 0 | 0 | 0 | 0 |
| Grand Total All Present Law Adjustments | (32.00) | \$0 | (\$6,412,801) | (\$21,062,117) | (\$27,474,918) | (32.00) | \$0 | (\$5,363,345) | (\$14,369,921) | (\$19,733,266) |

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, and retirement benefits.

DP 530 - Reorganization Adoption -

The legislature adopted the reorganization of the Legal Services from the Construction Program to General Operations within the department. This included transfers of the costs related to 12.00 FTE.

DP 535 - Program Transfers -

The legislature adopted program transfers made by the department in the interim. This includes transfers of \$910,000 in state special revenue FY 2016 and FY 2017 from the Construction Program to the Rail, Transit, and Planning Program.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 570 - Additional Personal Services Adjustments -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 580 - Additional Operating Adjustments -

The legislature adopted all other operating cost adjustments.

DP 200111 - Overtime/Differential Pay - Program 02 -

The legislature adopted zero-based overtime and differential pay including the associated benefits.

DP 200122 - Equipment Rental - Program 02 -

The legislature adopted equipment rental charges for the 2017 biennium.

DP 200133 - Bakken Housing Allowance - Program 02 -

The legislature adopted an allowance for the additional costs of housing in Eastern Montana.

DP 200205 - CADD Software Maintenance Fees -

The legislature adopted an increase in CADD (Computer Aided Design and Drafting) maintenance fees for the 2017 biennium. The CADD system is the source for producing highway and bridge related plans and details used in the bid processes and to construct related projects. Software licensing and maintenance costs will increase approximately 3.5% per year.

DP 200208 - Contractor Pmnts. Second Submission -

The legislature adopted the appropriation for additional contractor payments requested in the second budget submission of the agency.

DP 200444 - Statewide 4% FTE Reduction - Program 02 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 200444 includes a reduction of 32.00 FTE each year.