

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION**

SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS

Call to Order: By Chairman Quilici, on February 4, 1991, at 8:07 a.m.

ROLL CALL

Members Present:

Rep. Joe Quilici, Chairman (D)
Sen. Larry Stimatz, Vice Chairman (D)
Sen. Harry Fritz (D)
Rep. Mary Lou Peterson (R)
Sen. Larry Tveit (R)
Rep. Tom Zook (R)

Staff Present: Clayton Schenck, Senior Fiscal Analyst (LFA)
Lois Steinbeck, Associate Fiscal Analyst (LFA)
Bill Mandeville, Budget Analyst (OBPP)
Arlene Carlson, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

EXECUTIVE SESSION -- DEPARTMENT OF ADMINISTRATION CONT.

Tape No. 1

Teacher's Retirement Board

Motion/Vote: REP. PETERSON moved to accept LFA's current level budget for Teacher's Retirement. Motion CARRIED unanimously.

Motion/Vote: REP. PETERSON moved to accept current level Issue No. 1, printing supplies to update the retirement handbook. Motion CARRIED unanimously.

Motion/Vote: SEN. STIMATZ moved to accept all the executive budget modifications for Teacher's retirement, with the changes made by Lois Steinbeck in the amount of \$147,380 and \$108,380. Motion CARRIED unanimously.

HEARING ON THE DEPARTMENT OF ADMINISTRATION

Accounting Program EXHIBIT 20 (1-25-91)

Mr. Chuck Virag said they don't have any programmers in the division but have two system analysts.

Ms. Steinbeck said this relates to current level issue 5, systems development, which committee considered in detail. There was confusion as to prior action by the committee so that will be checked out. It will be heard again Wednesday at 8 a.m.

HEARING ON THE DEPARTMENT OF HIGHWAYS

Clayton Schenck, LFA, said the Executive Budget proposes to transfer Transportation, Motor Fuels, Aeronautics from other departments and combine them with Highways to create a Department of Transportation so that is how their budget is presented. The LFA used the current arrangement. The chairmen of Appropriations agreed to here them at current level. EXHIBIT 1 He continued with a review of the budget. EXHIBIT 2 He reviewed the differences in executive and LFA budgets and modifieds.

John Rothwell, Director, Department of Highways, introduced Bill Salisbury, Deputy Director, and Monte Brown, Finance Manager. His background is in the private sector for 35 years and he understands the need for good business practices in state government. Seventy-five percent of the department's expenditures go to the private sector through contracts for construction, etc. His goal is to provide a maintenance and construction product for the taxpayers in an economical manner. This would be done through good communications with the public and the Legislature. It's not the job of the department to dictate legislation but because of the complexity of the system, do need some flexibility because of ever-changing federal programs. The country's interstate system is near completion and the new term "Highways of National Significance" is in the making. The indecision on the federal level makes the job difficult. In September when the first tentative budget was done, federal funds were \$100,000 million; four months later they are told they will get approximately \$130,000 million in each of the next two years. This increase means increasing the consultant fee budget, right-of-way acquisition budget, equipment/payroll budget. Many projects have to be shelved because of delays like environmental impact studies. An example is Evaro Hill. Preconstruction has been done but the tribes now want an EIS.

The low pay within the professional ranks of the department is a continuing problem; hiring and retention of good employees is very difficult. When we have to contract out, many times it costs twice as much so less and less money is spent on the road. One thing being requested is to be able to move consultant payments back and forth between personal services. So when a consultant job can be replaced with an in-house person, they can do that. Major dollars could be saved.

The RTF funds will last until 1994 and during that time the federal program should be finalized to allow the 1993 Legislature to decide upon funding for a new RTF program. It's too early to generate a new RTF program now. He anticipates a reduction in

federal match dollars with the new program. The cash flow is in a negative position, but look carefully at the requests for earmarked highway funds in this session and the effect on fund balances. Examples are park roads, new signing, off-road vehicle fee, etc. There are many programs out there that will impact their cash flow.

CHAIRMAN QUILICI said the expenditures are about \$57 million more than the revenue coming in.

Mr. Rothwell concurred and said even with the higher price of gasoline, revenue shows no declining trend.

REP. BARDANOUVE pointed out the tourists can have an impact on the revenue.

Mr. Salisbury gave a review of the last decade and the Reconstruction Trust Fund. **EXHIBIT 3**

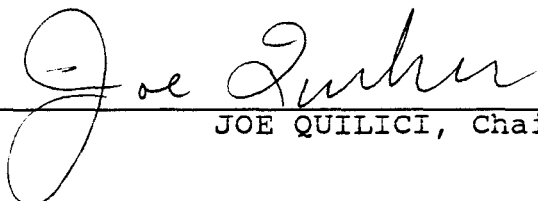
SEN. STIMATZ spoke about how important it was for the department to be upfront with them. He also encouraged the department to stop the brain drain of engineers, etc. **Mr. Rothwell** pledged to manage the program well and be accountable. He discussed the recent spending authority problem in the department. They are 30% below market on their salaries and should be within 10%.

Tape 2, Side 1

Mr. Schenck reviewed the agency issues along with highway staff.
EXHIBITS 1, 2 AND 4

ADJOURNMENT

Adjournment: 11:01



JOE QUILICI, Chair

JQ/amc

HOUSE OF REPRESENTATIVES

GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE

ROLL CALL

DATE 2/4/91

NAME	PRESENT	ABSENT	EXCUSED
REP. JOE QUILICI, CHAIRMAN	✓		
SEN. LARRY STIMATZ, VICE-CHAIRMAN	✓		
REP. TOM ZOOK	✓		
SEN. LARRY TVEIT	✓		
REP. MARY LOU PETERSON	✓		
SEN. HARRY FRITZ	✓		

PROPOSED DEPARTMENT OF TRANSPORTATION

The Executive Budget proposes to transfer the Transportation and Aeronautics programs from the Department of Commerce and the Motor Fuels Tax Division from the Department of Revenue to the Department of Highways, creating a Department of Transportation. The Executive Budget presents the 1993 biennium budgets for these programs and agencies based on the proposed reorganization. The LFA current level budget presents these programs as they are currently organized.

Additional Costs

The Executive Budget includes \$135,189 in personal services of one-time expenditures for moving and renovation costs associated with the proposed reorganization. In addition, the Executive Budget continues rent and indirect costs in the transferred programs' budgets, even

though there would be no expenditure for these items in the proposed new department. These funds were left in the Executive Budget to assist with moving costs. The Executive Budget anticipates that the Transportation program and the Motor Fuel Division will move into the Department of Highways building complex.

Budget Comparison

The Executive Budget has slightly lower personal service costs and higher operating expenses for the three transferred programs than the LFA current level. Grants and transfers are the same in both budgets.

Personal services costs in the Executive Budget are \$17,045 lower for the biennium than the LFA current level because it contains 0.5 FTE less. Table A compares the FTE in the two budgets by program.

Table A
 FTE Comparison
 Programs Transferred to the Department of Transportation

<u>Program</u>	- - - Current Level - - -		
	<u>Executive Budget</u>	<u>LFA</u>	<u>Executive Over/ (Under) LFA</u>
Transportation	13.00	13.50	(0.50)
Aeronautics	10.99	11.99	(1.00)
Motor Fuels	<u>23.00</u>	<u>22.00</u>	<u>1.00</u>
Total	46.99	47.49	(0.50)

In the Transportation program, a vacant planner IV position was eliminated in the Executive Budget when the program was transferred. In the Aeronautics program, the Department of Commerce transferred a safety compliance office position to the Promotions program before the transfer. This position was reclassified as a promotions officer position. In the Motor Fuels program, the LFA current level eliminates 2.0 vacant FTE positions (an administrative clerk and a revenue agent). The Executive Budget deletes 1.0 FTE, which

is included as a budget modification for the proposed Department of Transportation.

Operating expenses in the Executive Budget are \$121,747 higher than in the LFA current level. This difference is entirely due to base differences. The Executive Budget used the fiscal 1991 appropriated level as its base, while the LFA current level was based on fiscal 1990 actual expenditures. Table B compares operating expenses for these transferred programs in the two budgets.

PROPOSED DEPARTMENT OF TRANSPORTATION

Table B
Comparison of Operating Expenses
Programs Transferred to the Department of Transportation

<u>Program</u>	<u>Executive Budget</u>	<u>Current Level</u>	<u>Executive Over/ (Under) LFA</u>
Transportation	\$ 277,198	\$ 291,768	\$(14,570)
Aeronautics	711,755	651,891	59,864
Motor Fuels	<u>595,074</u>	<u>518,621</u>	<u>76,453</u>
Total	\$1,584,027	\$1,462,280	\$121,747

In the Transportation and Aeronautics programs, indirect costs are budgeted in both the LFA current level and the Executive Budget. The LFA current level includes these costs because both programs are budgeted in the Department of Commerce, which charges programs indirect costs for support of the Directors/Management Services program. If these programs are transferred to the Department of Transportation, there will be no indirect costs. The Executive Budget includes these funds in the budget to be used for moving and renovation costs.

In addition, rent is included in the Transportation and Motor Fuels programs. If these programs move to the Department of Highways complex, there will be no rent charged to them. The Executive Budget includes these funds in the budget to be used for moving and renovation costs.

The funding remains the same in both budgets. The only differences relate to the differing personal services and operating expenses.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF HIGHWAYS

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	1,980.82	1,980.82	1,955.78	1,958.08	22.74
Personal Services	61,859,419	61,879,333	60,503,146	60,553,880	2,681,726
Operating Expenses	179,126,830	175,719,074	224,132,062	227,684,889	(96,971,047)
Equipment	6,528,558	6,361,230	6,376,795	6,148,445	364,548
Capital Outlay	7,443,500	7,343,500	3,368,400	3,368,400	8,050,200
Grants	2,744,684	944,684	230,000	230,000	3,229,368
Transfers	22,414,124	7,599,282	14,208,404	17,149,771	(1,344,769)
Debt Service	49,269	49,269	14,219	14,219	70,100
Total Agency	\$280,166,384	\$259,896,372	\$308,833,026	\$315,149,604	(\$83,919,874)
<u>Fund Sources</u>					
General Fund	589,706	409,762	0	0	999,468
State Revenue Fund	161,819,740	132,261,430	148,733,968	154,256,370	(8,909,168)
Federal Revenue Fund	103,335,331	112,957,835	145,883,431	146,972,179	(76,562,444)
Proprietary Fund	14,421,607	14,267,345	14,215,627	13,921,055	552,270
Total Funds	\$280,166,384	\$259,896,372	\$308,833,026	\$315,149,604	(\$83,919,874)

Executive Budget Comparison

The LFA current level budget for the Department of Highways is based upon an updated agency budget request reflecting substantial increases in federal aid highways construction funding. The department received confirmation of the increased funding after the Executive Budget was prepared. For that reason, the Executive Budget current level is \$83.9 million lower than the LFA current level budget for the biennium. The LFA current level budget includes \$102.9 million more for construction-related costs. While the Executive Budget includes \$44.3 million for construction costs in modified budget requests, the LFA current level budget is still \$58.6 million higher in the construction-related costs.

The other significant difference in the two budgets is the proposed reorganization. The Executive Budget includes \$7.6 million for three additional programs that would be combined with the Department of Highways to form the proposed new Department of Transportation. The LFA current level budget is based on the Department of Highways as currently organized.

Differences between the two budgets are discussed in the following tables, narrative, and "Issues" section.

Personal Services

Table A shows the differences between the Executive and LFA current level personal services budgets for the 1993 biennium.

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Table A
Personal Services
Executive Budget Over/(Under)
LFA Current Level
1993 Biennium

<u>Expenditure Type</u>	<u>Difference</u>
New Construction (FTE 25.25)	\$(979,111)
Differential Pay	10,028
Overtime	219,197
Benefits	117,230
Blue Collar Pay Plan	176,000
Funding Removed for 8.0 FTE	389,111
1.0 FTE Eliminated (GVW)	<u>60,189</u>
Subtotal	\$ (7,356)
Dept. Transp. Additions	<u>\$2,689,082</u>
Total Differences	<u>\$2,681,726</u>

The LFA current level includes 25.25 additional FTE related to the increased construction plan (discussed below in the "Issues" section). The Executive Budget includes \$229,225 more for differential and overtime pay because it used fiscal 1991 appropriations as its base. The LFA current level budget is based on fiscal 1990 actual expenditures for these costs. Benefits are higher in the Executive Budget because it included benefits paid for the increased overtime. In the Equipment program, the Executive Budget salaries are \$176,000 higher, since all positions are budgeted at full pay plan levels for blue collar workers. According to the current union contract, new hires must work 1,040 hours at 95 percent of the pay plan amount during apprenticeship. LFA current level adjusts salaries in the Equipment Program to reflect apprentice salaries. The LFA current level removes funding (but leaves the positions) for 5.0 FTE in the Construction program and 3.0 FTE in the Maintenance program that remained vacant most of the 1991 biennium. In addition, the LFA current level budget removes a 1.0 FTE vacant position in the GVW program. Remaining differences are due to the Executive Budget's inclusion of the three

additional programs for the proposed Department of Transportation.

Operating Expenses

Table B shows the differences between the Executive and LFA current level operating expense budgets for the 1993 biennium.

Table B
Operating Expenses
Executive Budget Over/(Under)
LFA Current Level
1993 Biennium

<u>Expenditure Type</u>	<u>Difference</u>
Construction Plan	\$(101,932,735)
Sand Purchases	1,602,084
Weed Control	494,188
Data Processing Charges	110,828
Audit Fee	5,522
Printing -- Gen. Ops.	14,650
Base Differences	1,837,816
Inflation	<u>(687,427)</u>
Subtotal	\$ (98,555,074)
Dept. Transp. Additions	<u>\$ 1,584,027</u>
Total Differences	<u>\$ (96,971,047)</u>

The Executive Budget construction plan is \$101.9 million lower than LFA current level as discussed below in the "Issues" section. Also discussed in the "Issues" section is the Executive Budget recommendation for a \$1.6 million increase for sand procurement in the 1993 biennium. The Executive Budget includes county weed control reimbursement at fiscal 1991 appropriated levels plus cost increases, while the LFA current level budget continues the fiscal 1990 expenditure level with the same allowance for cost increases. The Executive Budget includes \$110,828 more for data processing charges, primarily due to the proposed new Department of Administration computer network charges, which are not included in the LFA current level budget. Audit fees are higher in the Executive Budget due to

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the inclusion of a modified budget request in the calculation of the audit fee schedule for the Legislative Auditor's Office. The Executive Budget includes \$14,650 more for printing costs based on the fiscal 1991 appropriation. The LFA current level budget is based on fiscal 1990 expenditures with a \$3,000 increase for the legislative session year. Overall, operating expenses in the Executive Budget are \$1.8 million higher due to use of the fiscal 1991 appropriation as above. Inflationary adjustment (primarily for fuel and utilities) are \$687,427 lower in the Executive Budget. The remaining differences in operating costs are due to the inclusion of three additional programs in the Executive Budget proposed for the Department of Transportation.

Equipment

Table C shows the differences between the Executive and LFA current level equipment budgets for the 1993 biennium.

Table C
Equipment
Executive Budget Over/(Under)
LFA Current Level
1993 Biennium

<u>Program</u>	<u>Difference</u>
General Operations	\$240,000
Construction	<u>87,694</u>
Subtotal	\$327,694
Dept. Transp. Additions	<u>\$ 36,854</u>
Total Differences	<u>\$364,548</u>

The Executive Budget includes \$240,000 in the General Operations Program equipment budget for computer expansion, primarily to add district offices to the agency network. The Executive Budget

includes more equipment in the Construction program, based on the fiscal 1991 appropriation. The LFA current level is based on historical equipment expenditures for the program. The remaining differences in the equipment budget are due to the inclusion of three additional programs in the Executive Budget for the proposed Department of Transportation.

Capital Outlay

Table D shows the differences between the Executive and LFA current level capital outlay budgets for the 1993 biennium.

Table D
Capital Outlay
Executive Budget Over/(Under)
LFA Current Level
1993 Biennium

<u>Expenditure Type</u>	<u>Difference</u>
Land for Right-of-Way	\$7,710,200
Land for Storage Facility	100,000
GVW Station Retrofit	<u>240,000</u>
Total Differences	\$8,050,200

The Executive Budget includes \$7.7 million more for land purchases for right-of way, as discussed in the "Issues" section. The Executive Budget also includes \$100,000 more for the purchase of land for a storage facility in Great Falls. Finally, the Executive Budget includes \$240,000 for retrofit of GVW weigh stations. The 1989 legislature appropriated these funds as a one-time expense in the 1991 biennium, with the retrofit work scheduled to be completed in fiscal 1991.

Grants

The difference in grants (\$3.2 million) is entirely due to the inclusion of three additional programs in the proposed Department of Transportation.

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Transfers

The Executive Budget includes \$1.4 million less for transfers. This difference stems from the different construction plan used in preparing the budgets. Since the higher level of federal funding was not known at the time the Executive Budget was prepared, it does not reflect the necessary transfers for the new federal aid funding.

Debt Service

The Executive Budget is \$70,100 higher in debt service than the LFA current level budget due to budgeting the cost of debt service administrative costs for the highways revenue and building bond issues at the fiscal 1991 appropriation level. The LFA current level budget is based on actual fiscal 1990 expenditures. The fiscal 1991 appropriation reflected the administrative costs of issuing a \$150 million bond issue. Since no bond issue is proposed for the 1993 biennium, administrative costs will be lower.

Funding

The Executive Budget includes general fund due to the inclusion of the Transportation Division (Department of Commerce) in the budget for the proposed Department of Transportation. The Transportation Division is not included in the LFA current level budget for the Department of Highways.

State revenue and federal revenue funds are lower in the Executive Budget primarily due to the difference in the level of the construction plan for the 1993 biennium.

The difference in proprietary funds results from the difference in base for the two budgets in the Equipment and Motor Pool programs.

Issues

Construction Plan

In early November, the federal Highway Administration notified the Montana

Department of Highways that it would receive \$20 million additional federal funding per year in the 1993 biennium. The department revised its construction plan in mid-December to reflect the higher federal funding level. Since the updated construction plan was not available when the Executive Budget was prepared, it contains \$58.6 million less for construction related costs. The revised construction plan reflected in the LFA current level budget adds 22.95 FTE in fiscal 1992 and 25.25 FTE in fiscal 1990 for the increased contract administration workload, at a biennial cost of nearly \$1 million. Additional contractor payments and other construction-related operating expenses due to the increased federal aid are also included.

Sand Procurement

The Executive Budget is \$1.6 million higher than the LFA current level budget for the purchase of sand in the Stores Program for the 1993 biennium. The Executive Budget includes \$1.2 million per year in the 1993 biennium for the purchase of sand, compared to actual costs of \$217,000 in fiscal 1990 and five-year historical average costs of \$275,000. As of April 1990, the agency calculated it had a three-year supply of sand, which is the department's stated inventory objective. The five-fold budget increase is requested because the agency intends to begin purchasing sand, as opposed to the current practice of making its own sand.

Land Purchases for Right-of-Way

The Executive Budget is \$7.7 million higher than the LFA current level budget for the purchase of land for right-of-way in the 1993 biennium. However, the Executive Budget includes an \$8.5 million reduction in right-of-way purchases in its modified budget request for "Road Construction." (The LFA current level is budgeted at fiscal 1990 actual expenditures.) The Executive Budget current budget is based on the fiscal 1991 appropriation, which included one-time costs to eliminate a backlog in right-of-way purchases. The 1989 legislature stated in House Bill 100 the appropriation for right-of-way

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purchases was to be used for that purpose, with no transfers allowed for other expenditures.

House Bill 100 Fund Transfer Language

House Bill 100 included language authorizing the department to adjust appropriations between fund sources to reflect actual expenditures related to the construction program. The Executive Budget recommends that similar language be included in the 1993 biennium appropriations bill, with a limitation that fund source adjustments cannot exceed 10 percent of the total appropriation for the Construction program. The LFA current level budget for the Construction program for the 1993 biennium is \$417 million. If the 1991 legislature adopted this budget level, the proposed 10 percent limit on fund transfers would equal \$41.7 million. This would allow the department to transfer up to \$41.7 million of spending authority from federal revenue to state special revenue, increasing its total state special revenue expenditure by a significant amount over the legislative appropriation.

The House Bill 100 language authorizing the fund transfers was designed to enable the department to adjust to varying federal funding ratios, depending on actual projects. Since the federal fund matching ratios vary from 75 to 90 percent, the department's expenditure of state and federal funds depends on the type of project completed during the biennium.

However, the department has principally used this transfer authority to expand the 100 percent state-funded Reconstruction Trust Fund (RTF) program. The 1989 legislature approved a 1991 biennium construction plan that included \$66.3 million for RTF construction projects. As shown in Table E, the total expenditures during the biennium for RTF projects will be \$90.7 million, exceeding the original appropriation and construction plan by \$24.4 million (a 37 percent increase).

Table E
Contractor Payments
Comparison, Construction Plan to Actual
1991 Biennium

	----Construction----		
	RTF	Fed. Aid	Total
Legislative			
Appropriation	\$66.3	\$196.0	\$262.3
Actual (Proj)	<u>90.7</u>	<u>171.6</u>	<u>262.3</u>
Difference	<u>\$24.4</u>	<u>\$(24.4)</u>	<u>\$ 0.0</u>
Added Authority:			
Budg. Amend.	--	\$15.5	\$15.5
FY 91 Suppl	--	<u>18.0</u>	<u>18.0</u>
Total Added	--	\$33.5	\$33.5
Total Actual (Projected)	\$90.7	\$205.1	\$295.8
Difference from Legis. Approp.	\$24.4	\$9.1	\$33.5

The department has been able to exceed the appropriation for RTF construction by a projected \$24.4 million without legislative review by using the House Bill 100 language authorizing the shift between fund sources. Without the House Bill 100 language, the action would have required budget amendment or supplemental authority (both for additional spending authority and for appropriation transfer authority from one fund to another). The department exceeded the fiscal 1990 RTF appropriation by over \$6.6 million by a transfer of \$8 million from federal spending authority to the state-funded reconstruction trust account. In the 1991 biennium to date, the department has transferred \$38.1 million from federal spending authority to state spending authority. The department states that \$19.7 million of the transfers will be "reversed," as discussed further below, leaving a net transfer of \$18.4 million.

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As Table E shows, the department received \$15.5 million in additional federal spending authority by budget amendments in October and November 1990, on the basis that it had received additional federal funds which required additional federal authority. However, even with the additional federal authority provided by the budget amendment, total federal spending authority was less than the original legislative appropriation. The department is requesting an additional \$18.0 million fiscal 1991 supplemental spending for federal aid construction spending authority. If this supplemental is approved, the department will have increased its federal spending authority by \$33.5 million in the 1991 biennium. Yet federal expenditures are projected to exceed the original 1989 legislature's appropriation by only \$9.1 million. While the additional authority was requested for federal aid construction, in fact it was needed to replace federal fund authority that had been transferred to fund the \$24.4 million of RTF projects in excess of the level approved by the 1989 legislature.

Spending an additional \$24.4 million of state funds for RTF projects has accelerated the "spend-down" of the state highway account. The account's cash fund balance has declined from \$145.9 million at the beginning of the 1991 biennium to a projected \$88.5 million at the end of fiscal 1991.

In addition to transferring federal authority to fund RTF projects, the department has transferred nearly \$20 million of spending authority from federal revenue to state revenue to resolve a cash flow problem resulting from the lag in federal reimbursement to

the state. The agency used the House Bill 100 transfer authority instead of using the interentity loan procedure authorized in statute. The department plans to "reverse" this transfer later in fiscal 1991, transferring authority from the state funds to federal funds.

Clearly, the transfer authority granted in House Bill 100 gives the department broad flexibility to vary the scope and size of its construction plan, allowing significant deviation from the construction plan approved by the legislature. The legislature may want to review whether the House Bill 100 language is accomplishing its objectives. Even with the 10 percent limit recommended in the Executive Budget, the department would have the authority to transfer over \$40 million between federal and state funds.

Language - Budget Amendment Authority

The Executive Budget recommends language be included in the appropriation bill stating that receipt of unanticipated federal funds during the 1993 biennium shall constitute an emergency, allowing approval of a budget amendment for the required state match. The definition of an "emergency" is defined in Section 17-7-401, MCA. Language in the appropriations bill cannot supersede or amend existing statutes.

Executive Budget Modifications

In addition to the \$540.0 million current level budget for the 1993 biennium, the Executive Budget contains \$47.4 million in modified budget requests for the Department of Highways. These budget modifications are listed in the following agency narrative and discussed in more detail in the program narratives.

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Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	1,933.83	1,933.83	1,955.78	1,958.08	24.25
Personal Services	54,745,130	58,953,679	60,503,146	60,553,880	6.47%
Operating Expenses	186,459,548	170,010,807	224,132,062	227,684,889	26.75%
Equipment	6,500,550	6,296,507	6,376,795	6,148,445	-2.13%
Capital Outlay	3,450,074	7,296,590	3,368,400	3,368,400	-37.31%
Grants	204,753	230,000	230,000	230,000	5.81%
Transfers	32,884,364	25,655,637	14,208,404	17,149,771	-46.43%
Debt Service	13,963	49,269	14,219	14,219	-55.03%
Total Agency	\$284,258,382	\$268,492,489	\$308,833,026	\$315,149,604	12.89%
Fund Sources					
State Revenue Fund	173,260,902	157,352,912	148,733,968	154,256,370	-8.36%
Federal Revenue Fund	97,097,931	96,995,848	145,883,431	146,972,179	50.88%
Proprietary Fund	13,899,549	14,143,729	14,215,627	13,921,055	.33%
Total Funds	\$284,258,382	\$268,492,489	\$308,833,026	\$315,149,604	12.89%

Agency Description

The Department of Highways is primarily responsible for the planning, design, construction, maintenance, and protection of Montana's highway and road system to provide safe, efficient, and cost effective services to the traveling public. To accomplish this task, the agency is organized into a number of programs. These programs are: **Construction**, which is responsible for planning, design, preparation for projects to be let, and monitoring construction contract compliance; **Maintenance**, which is responsible for highway system maintenance; **Equipment**, which is responsible for supplying major equipment needs of the department; **Stores**, which provides central purchasing and supply distribution for the department; **General Operations**, which is responsible for administration and support services; **Motor Pool**, which is responsible for maintaining a fleet of vehicles for rental to state agencies; **Interfund Transfers**, which is a vehicle for transfer of funds for debt retirement and between accounting entities; and **Gross Vehicle Weight**, which is responsible for vehicle weight statutes and regulations to protect the physical condition of the highway system.

Current Level Budget

The Department of Highways current level budget increases 12.9 percent (\$71.2 million) compared to the 1991 biennium. Table 1 shows a comparison of changes by program between the two bienniums.

Table 1
Comparison of Changes by Program
1991 to 1993 Biennium

Program	1993 Biennium Increase/(Decrease) Millions Percent	
General Operations	\$ 0.4	2.3
Maintenance	4.3	4.8
State Motor Pool	(0.7)	(34.0)
Equipment	0.8	3.0
Stores	3.5	13.4
GVW	<u>0.0</u>	<u>0.7</u>
Subtotal	\$ 8.3	1.5
Construction	<u>90.1</u>	<u>27.6</u>
Subtotal	\$98.4	17.8
Interfund Transfers	<u>(27.2)</u>	<u>(46.4)</u>
Total Agency	<u>\$71.2</u>	<u>12.9</u>

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The \$27.2 million decrease in the Interfund Transfers program is appropriation authority for a fund transfer between accounts. When this non-operational accounting adjustment is removed, the actual agency increase is 17.8 percent (\$98.4 million), as shown in table 1. Most of the increase is in the Construction program, which increases 27.6 percent (\$90.1 million) due to an increase in the highways construction plan. The remaining programs account for a net increase of 1.5 percent (\$8.3 million) due to inflationary adjustments and increases in personal services.

The increase in the Construction program reflects a significant increase in the level of planned highway construction projects, resulting from an anticipated increase in federal aid funding of over 20 percent. Montana will receive a base level of federal aid of \$120 million per year during the 1993 biennium, in contrast to the \$100 million funding level that has occurred for the past several years. Additional federal aid funds of \$15 million are also anticipated each year for special projects. The 1993 biennium construction plan is discussed in more detail in the narrative for the Construction program.

Personal services increase 6.5 percent due to: 1) significant vacancy savings in fiscal 1990; 2) the fiscal 1991 pay plan increase that continues in the 1993 biennium; 3) the addition of 25.25 FTE in the Construction program for the increased construction workload; and 4) an increase in workers' compensation rates.

Operating expenses increase 26.8 percent (\$95.3 million). Costs associated with the increased highways construction work plan account for 94 percent of the increase (\$89.3 million). These costs include contractor payments and payments to engineering consultants for project design. The remaining 6 percent of the increase (\$6.0 million) is due to inflationary adjustments (\$5.6 million) and an increase in the interdepartmental allocation for equipment rental by the Equipment Bureau (\$0.8 million), with minor offsetting decreases.

Over 84 percent of the equipment budget is for replacement of construction equipment and vehicles in the Equipment and State Motor Pool programs.

Capital outlay is for right-of-way land purchases and for purchase of land for maintenance storage and sand lots. The current level budget continues expenditures during the 1993 biennium at fiscal 1990 expenditure levels. The fiscal 1991 appropriation includes significant one-time expenditures to eliminate a backlog in right-of way purchases.

Grant funds are for grants to counties for urban transportation planning. They are continued at the fiscal 1991 appropriated level.

Transfers shown in the main table are appropriation authority for fund transfers from the highways special revenue account to the reconstruction trust fund account, as explained in the narrative for the Interfund Transfers program.

Debt service funds are for the lease of a telephone system in the Construction program and for the administrative expenses of the debt service on building and revenue bond issues. The 1993 biennium budget is based on fiscal 1990 actual expenditures.

State special revenue funds decrease 8.4 percent in the 1993 biennium, reflecting a significant decrease in the level of 100 percent state funded Reconstruction Trust Fund (RTF) construction projects compared to the 1991 biennium and an increase of 20 percent state-match federal aid construction. In addition to providing funding for RTF construction and the state match for federal aid construction, state special revenue accounts provide funding for the Maintenance program, the GVW program, Stores program, and administrative costs of the department.

The more than 50 percent increase in federal funding reflects the anticipated \$20 million per year increase in obligation authority for federal aid construction, as well as the inclusion of over \$15 million per year for

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contingency federal fund availability and the carryover of approximately \$10 in federal obligation authority from prior years. The federal revenues are primarily from Federal Highway Surface Transportation Act funds, which require an average 80/20 percent federal/state match for federal aid highway construction projects. Up to 1.5 percent of federal highway funds can be used for highway planning and research.

Proprietary funds are for the Equipment and State Motor Pool programs.

State special revenue funds include the highways special revenue account, the RTF account, and the bond proceeds account. The primary account is the highways special revenue account, which receives most of its revenues from user

fees, including gas and diesel fuel taxes, and gross vehicle weight fees, licenses, and permits. The RTF account receives revenues from coal severance tax collections, as well as transfers from the bond proceeds and highways special revenue accounts. The bond proceeds account received revenues from a \$150 million revenue bond issue in the 1980's. This was the primary source of RTF project funding until fiscal 1991, when the funds were depleted.

Table 2 is a cash flow analysis of the combined highways special revenue, RTF, and bond proceeds accounts for the 1991 and 1993 bienniums. Expenditures in the 1993 biennium reflect the LFA current level budget, Executive Budget modifications that are not included in LFA current level, and the Long-Range Building program request.

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Table 2
Combined Highways State Special Revenue Accounts
Fiscal years 1990 through 1993

	<u>FY 90*</u>	<u>FY 91*</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Cash Balance	<u>\$145,903,788</u>	<u>\$129,525,790</u>	<u>\$88,455,786</u>	<u>\$64,397,069</u>
Revenues				
Gasoline Tax	\$ 82,282,766	\$ 80,919,000	\$ 80,432,000	\$ 79,447,000
Diesel Tax	23,821,548	23,984,000	24,637,000	25,567,000
GVW tax	26,426,906	24,042,000	25,530,575	25,530,575
Coal Tax	8,144,464	5,813,943	4,630,420	4,610,289
Bond Interest Earnings	3,925,575	710,000	0	0
Stores	13,605,350	14,873,441	14,659,684	14,100,844
Other	<u>\$4,998,444</u>	<u>\$1,250,000</u>	<u>\$1,250,000</u>	<u>\$1,250,000</u>
Total Revenues	<u>\$163,205,053</u>	<u>\$151,592,384</u>	<u>\$151,139,679</u>	<u>\$150,505,708</u>
Expenditures				
Highways Budget				
General Operations	\$ 6,075,639	\$ 6,454,385	\$ 6,239,801	\$ 6,160,935
Construction				
Federal Aid Construction	29,744,625	29,890,450	43,804,688	44,217,566
FY 91 Supplemental	0	3,960,000	0	0
RTF Construction	41,025,782	42,003,058	18,838,824	21,760,060
Preconstruction	5,028,133	6,260,433	0	0
Maintenance	44,480,936	46,669,303	47,371,048	47,256,988
FY 91 Supplemental	0	234,716	0	0
Stores	13,209,039	13,559,768	14,659,684	14,100,844
FY 91 Supplemental	0	1,313,673	0	0
GVW	3,370,452	3,802,633	3,611,519	3,610,206
Exec. Budget Modifications	0	0	1,719,527	1,465,220
Bond Princ & Interest	10,566,903	10,647,833	10,655,333	18,476,333
Local Governments	14,075,000	14,075,000	14,075,000	14,075,000
Dept of Justice	10,824,398	10,994,504	11,058,025	11,036,925
FY 91 Supplemental	0	497,100	0	0
Exec. Budget Modifications	0	0	470,600	328,404
Dept Of Revenue	696,250	776,974	741,062	740,134
Dept of Commerce	71,250	71,250	71,250	71,250
Highway Traffic Safety	60,950	76,030	71,010	70,931
Dept Fish, Wildlife, & Parks	0	168,000	84,000	84,000
Long-Range Bldg	457,942	1,207,278	1,727,025	0
Adjustment	<u>(104,248)</u>	<u> </u>	<u> </u>	<u> </u>
Total Disbursements	<u>\$179,583,051</u>	<u>\$192,662,388</u>	<u>\$175,198,396</u>	<u>\$183,454,796</u>
Expenses in Excess of Rev.	<u>(16,377,998)</u>	<u>(41,070,004)</u>	<u>(24,058,717)</u>	<u>(32,949,088)</u>
Ending Cash Balance	<u>\$129,525,790</u>	<u>\$88,455,786</u>	<u>\$64,397,069</u>	<u>\$31,447,981</u>

*Agency SBAS records -- FY 90 actual, FY 91 Appropriations, & FY 91 Supplementals

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The RTF program was enacted in 1983, enabling the department to undertake 100 percent state funded primary system improvement projects. Funding for the RTF comes from 12 percent of total coal severance tax collections, bond proceeds, and the highways special revenue account. A \$150 million bond issue in the 1980's provided the primary source of RTF funding until fiscal 1991, when the bond proceeds were fully expended. Until fiscal 1991, the fund balance in the highways special revenue account continued to grow. Beginning in fiscal 1991, the highways special revenue account became the primary source for RTF projects, and the fund balance began to fall. The combined accounts balance is projected to be reduced from \$145.9 million to \$88.5 million during the 1991 biennium and fall an additional \$57 million in the 1993 biennium, leaving a fund balance of only \$31.4 million on July 1, 1993.

Issues

Highways Funding Shortfalls

As the cash flow for the highways state special revenue cash shows, current policies for funding Montana's highway system are at a crossroads. The future of the federal transportation program is uncertain. The ten year state RTF program is scheduled to end at the end of the 1993 biennium, when the allocation of coal severance tax revenue to the highways program sunsets. Proceeds from the \$150 million bond issues have been spent, and an increasing share of state highways funds must be used beginning in fiscal 1993 to meet debt service payments during the next 15 years.

The cash balance in the combined highways special revenue accounts will drop from \$145.9 million at the beginning of the 1991 biennium to \$31.4 million at the end of the 1993 biennium, assuming enactment of Executive Budget supplemental requests for the department for fiscal 1991, the LFA current level budget in the 1993 biennium, and relevant Executive Budget modifications and the long-range building requests. Expenditures from the account will

exceed revenues by over \$50 million in both the 1991 and 1993 biennia. If current spending levels continue through the 1995 biennium (with a 2 percent inflationary adjustment), the account will have a negative cash balance in fiscal 1994.

Table 3
Highways State Funds
Cash Flow Projection
1993 and 1995 Bienniums
(In Millions)

	1993 <u>Bien.</u>	1995 <u>Bien.</u>
Beginning Cash Balance	\$ 88.5	\$ 31.4
Biennium Revenues	<u>301.6</u>	<u>291.4</u>
Total Available	<u>\$390.1</u>	<u>\$322.8</u>
Biennium Expenditures		
Constr. - Fed. Aid Match	\$ 88.0	\$ 91.6
Construction - RTF	40.6	42.2
Maintenance	94.6	97.4
Administration/GVW	19.6	20.1
Stores	28.8	29.0
Debt Service - Highways	29.1	36.5
Local Govt. Distribution	28.1	28.1
Budget Modifications	3.2	--
Other Agencies	<u>26.7</u>	<u>26.5</u>
Total Expenditures	<u>\$358.7</u>	<u>\$371.4</u>
Biennium Ending Balance	<u>\$ 31.4</u>	<u>\$(48.6)</u>

Three factors add to the already existing fiscal imbalance during the 1995 biennium: 1) coal tax revenues end in fiscal 1993, reducing revenue by \$9 million in the 1995 biennium; 2) bond debt service costs increase by nearly \$8 million per year beginning in fiscal 1993; and 3) inflationary increases. To maintain current level expenditures (including the RTF program) in the 1995 biennium would require the equivalent of an 8 cent fuel tax increase, assuming that revenues would keep pace with inflation. Without a continued RTF program, at least a 4 cent per year fuel tax increase would be necessary to keep

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the fund solvent. Additional funding will be required to maintain current level services beyond the 1993 biennium or significant program reductions will be required. (See the 1990 LFA report, State Highway Funds: Budget Projections, for further background on this issue and possible alternatives for addressing the projected highways fund imbalance.)

Cost Responsibility Study

The primary source of state highway funds is user fees. The three main types of user fees currently collected are gasoline taxes, diesel taxes, and gross vehicle weight (GVW) fees. Table 4 shows the relative percentage of total revenues that each fee contributed from 1979 through 1989. Tax increases are footnoted.

Table 4
Percent User Fee Revenues
Highways State Fund
Fiscal 1979 through 1989

Fiscal Year	--Percent of Total--		
	Gas Tax	Diesel Tax	GVW Fees
1979*	58.8	15.4	25.8
1980	57.2	15.7	27.1
1981	53.8	17.4	28.8
1982	53.3	16.9	29.8
1983	52.2	17.2	30.6
1984*	59.8	17.7	22.5
1985	58.5	18.5	23.0
1986*	59.1	18.5	22.4
1987*	62.6	16.4	21.0
1988	64.1	17.0	18.9
1989	63.4	17.4	19.2

*1979-Gas tax 9 cnts/Diesel tax 11 cnts
1984-Gas tax 15cnts/Diesel tax 17 cnts
1986-Gas tax 17 cnts
1987 Gas tax 20 cnts

The gas tax rate has increased over 120 percent in ten years (from 9 cents per gallon in 1979 to 20 cents in 1987). Diesel tax rates have increased over 80 percent (from 11 cents to 20 cents).

These increases have made Montana's fuel taxes among the highest in the nation.

While GVW fees have increased 52 percent during the past 10 years, they have not kept pace with inflation or with the increases in other user fees. There has not been a general increase in GVW fees since 1968. As Table 4 shows, the percent of user fees derived from GVW fees declined from 25.8 percent to 19.2 percent of total revenues during the last ten years. During the same period, the share provided by gas taxes grew from 58.8 percent to 63.4 percent.

Since GVW fees have not been raised in over two decades, they may not adequately reflect use and benefit for vehicles subject to the fees. Both the LFA State Highways Funds report and the June 1990 Legislative Auditor's Performance Audit Report on the GVW Division pointed out that the department does not know if current fee levels for each class of highway vehicle are appropriate. Other states have conducted cost responsibility studies to determine if user fee levels are appropriate for the road wear caused by each class of user. Montana has never conducted such a study. The Legislative Audit report recommended the department undertake such a study.

In evaluating potential revenue options in past years, the department has not considered GVW increases a viable means to raise significant amounts of revenue. However, with the cash shortfalls currently facing the state highway funds, it may be worthwhile to examine all options to resolve funding problems. The state of California recently increased GVW fees by 40 percent following a cost responsibility study.

On June 1990, the department agreed in response to the audit recommendation to consider conducting a cost responsibility study. The department has included \$25,000 in its 1993 biennium budget for this purpose. In other states, the cost of a comprehensive cost responsibility study usually exceeds \$150,000.

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Executive Budget Modifications
 1993 Biennium

<u>Budget Modification</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Dept. of Transportation	1.0	1.0		\$ 135,189	\$ 135,189
2) Road Reporting System				62,108	62,108
3) City Parks Rest Areas				400,000	400,000
4) Road Construction				30,385,368	30,385,368
5) Engineering Consultants				13,879,296	13,879,296
6) Monitoring Fuel Tanks				2,219,600	2,219,600
7) Automated Weigh Stations				312,520	312,520
8) G.V.W. Officer Training				55,330	55,330
Total	1.0	1.0	\$0	\$47,449,411	\$47,449,411

The Executive Budget includes the budget modifications listed above. These

modifications are discussed in more detail in the program narratives.

GENERAL OPERATIONS PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	-- Current Fiscal 1992	Level -- Fiscal 1993	Change 1991-93 Biennium
FTE	168.93	168.93	168.93	168.93	.00
Personal Services	4,421,226	4,952,526	4,988,632	4,985,340	6.40%
Operating Expenses	2,800,145	3,013,332	2,870,627	2,816,110	-2.18%
Equipment	264,208	139,500	186,672	114,572	-25.38%
Grants	204,753	230,000	230,000	230,000	5.81%
Debt Service	<u>11,149</u>	<u>46,200</u>	<u>11,150</u>	<u>11,150</u>	-61.12%
Total Program	\$7,701,481	\$8,381,558	\$8,287,081	\$8,157,172	2.25%
Fund Sources					
State Revenue Fund	6,129,639	6,482,934	6,239,801	6,160,935	-1.68%
Federal Revenue Fund	<u>1,571,842</u>	<u>1,898,624</u>	<u>2,047,280</u>	<u>1,996,237</u>	16.51%
Total Funds	\$7,701,481	\$8,381,558	\$8,287,081	\$8,157,172	2.25%

Program Description

The General Operations program provides the administrative support services for the department, including general administration and management, accounting and budgeting, planning and program development, research, legal services, computer systems support, and personnel.

a reduction of \$10,000 in fiscal 1992 and an increase of \$35,500 in fiscal 1993 for insurance costs; 5) a decrease of \$12,600 in fiscal 1992 and \$9,500 in fiscal 1993 of the allocation by the Equipment Bureau (proprietary fund) for equipment rental; and 6) deflationary adjustments of \$12,000 in fiscal 1992 and \$53,000 in fiscal 1993 for computer processing costs.

Current Level Budget

The General Operations current level budget increases 2.3 percent due to increased personal services costs. The increases result from: 1) vacancy savings in fiscal 1990; 2) the fiscal 1991 pay plan increase that continues into the 1993 biennium; and 3) an increase in workers' compensation rates.

Equipment includes: 1) \$3,144 for personal computers; 2) \$15,800 for safety and educational equipment, including training videos, books, and projection equipment; 3) \$58,400 for replacement office equipment; 4) \$27,000 for photographic equipment, which includes \$25,000 for a replacement Log Etronic Printer; 5) \$60,000 for a new pavement deflection measuring device; and 6) \$136,900 for traffic recording equipment, including the installation of 24 telemetry sites. The increased communications costs associated with installation of the new traffic recording equipment are being requested in a budget modification, discussed below.

Grant funds are for grants to County Planning Boards for urban transportation planning, which are continued at the fiscal 1991 appropriated level.

Debt service funds are for the administrative expenses of the debt

GENERAL OPERATIONS PROGRAM

service on building and revenue bond issues. A decrease occurs due to basing the 1993 biennium budget on fiscal 1990 expenditure levels, which are \$35,000 lower than the fiscal 1991 appropriation.

Section 15-70-101, MCA, appropriates \$14 million highways special revenue for distribution to cities and counties annually. These funds, which are distributed by the General Operations program, are not shown in the main table because they are statutory appropriations.

State special revenue funds are from the highways special revenue account. In addition, the program receives 1.5 percent of the total federal aid funds from the Federal Highway Surface Transportation Act for highways planning and research activities. Other federal funds are provided by the Federal Minority and Disadvantaged Business Enterprise program.

Executive Budget Modifications

Department of Transportation Organizational Cost

The Executive Budget includes \$135,189 highways state special revenue fund for 1.0 FTE and one-time organization costs for establishing the proposed new Department of Transportation. The need for these funds would be contingent upon passage of a bill in the 1991 legislature creating the new department from the former Department of Highways and including transportation functions from the Departments of Commerce and Revenue. The funds would be used primarily for moving expenses, physical site changes, and computer systems conversions. The 1.0 FTE is a current

level FTE that would be transferred from the Department of Revenue as part of the reorganization.

Road Reporting System

The Executive Budget includes \$62,108 in the 1993 biennium from the highways state special revenue fund to provide road traffic information.

Approximately \$35,700 of the funds would be used for the increased costs of operating the statewide road report information toll-free telephone line as a public service. The increased cost is due to communication line cost increases and higher public usage of the service. The increased costs requested for this service were incurred in fiscal 1990, and the amount requested for this portion of the modification is the difference between actual fiscal 1990 costs and the fiscal 1991 appropriation used as base in the Executive Budget. Since the LFA current level is based on fiscal 1990 costs, these costs are already included in the LFA budget.

Additionally, approximately \$26,400 of the funds would be used for increased telephone equipment charges from the upgrade of permanent traffic monitoring sites on the interstate and primary systems with vehicle classification equipment that provides the capability to transmit the data automatically through telephone lines. This information is transmitted to the federal government for vehicle classification and traffic monitoring information, and is used by the department in planning future highway needs. The new equipment required for the monitoring sites is included in the Executive Budget current level.

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Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	872.99	872.99	895.94	898.24	25.25
Personal Services	23,940,644	26,306,928	27,132,622	27,146,570	8.02%
Operating Expenses	142,112,205	123,800,571	175,393,972	179,853,929	33.60%
Equipment	364,072	394,634	700,000	700,000	84.52%
Capital Outlay	3,238,933	7,105,100	3,250,000	3,250,000	-37.16%
Debt Service	2,814	3,069	3,069	3,069	4.33%
Total Program	\$169,658,668	\$157,610,302	\$206,479,663	\$210,953,568	27.55%
Fund Sources					
State Revenue Fund	74,132,579	62,513,078	62,643,512	65,977,626	-5.87%
Federal Revenue Fund	95,526,089	95,097,224	143,836,151	144,975,942	51.51%
Total Funds	\$169,658,668	\$157,610,302	\$206,479,663	\$210,953,568	27.55%

Program Description

The Construction program (Engineering Division) 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. The program's responsibilities include such tasks as project design, public hearings, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the supervision of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work approved as meeting established construction standards. The Construction program consists of the combined Construction and Preconstruction programs as presented in the 1991 biennium budget.

to the 1991 biennium due to a significant increase in the level of planned construction projects, resulting from more than a 20 percent increase in federal aid funding. For the past several years, Montana has experienced base level federal aid funding of approximately \$100 million per year, with additional federal funding for special projects. In November 1990, the department learned that the Federal Highway Administration plans to increase federal aid funding significantly to spend down the federal highways trust fund that had amassed a large surplus due to restrictions on spending imposed by the provisions of the Gramm-Rudman Deficit Reduction Act. As a result, Montana will receive \$20 million per year for the next three to five years during the spend-down of the federal trust fund. Table 5 below shows the increase in the construction program compared to the 1991 biennium.

Current Level Budget

1993 Biennium Construction Plan

The Construction program current level budget increases 27.6 percent compared

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Table 5
Contractor Payments
Construction Plan Comparison
1991 and 1993 Bienniums
(In Millions)

<u>Construction Plan</u>	<u>-Appropriated- 1991 Biennium</u>	<u>---LFA C/L--- 1993 Biennium</u>	<u>Inc/(Dec)</u>
Federal Aid Construction	\$196.0	\$287.7	\$91.7
RTF Construction	<u>66.3</u>	<u>40.6</u>	<u>(25.7)</u>
Total	\$262.3	\$328.3	\$66.0
 <u>Projected Actual Costs</u>			
Federal Aid Construction	\$171.6	\$287.7	\$116.1
RTF Construction	<u>90.7*</u>	<u>40.6</u>	<u>(50.1)</u>
Total	\$262.3	\$328.3	\$66.0
 <u>Plan Changes</u>			
Budget Amendment	\$15.5		
FY 91 Supplemental	<u>18.0</u>		
Federal Aid Construction Incr.	<u>\$33.5</u>		
Total Revised Plan	<u>\$295.8</u>		

* 1991 biennium projection provided by the Department of Highways

As Table 5 shows, there is a net increase of \$66 million in the proposed 1993 biennium construction plan compared to the 1991 biennium construction plan approved by the legislature. Further, there is a change in type of projects. The construction plan is comprised of two major components -- federal aid projects, which are funded with an average 80/20 percent federal/state match, and RTF projects, which are 100 percent funded. As shown in Table 5, there is a \$50 million reduction in the RTF program compared to the projected 1991 biennium actual expenditures, while there is an increase of \$116 million in federal aid construction funds. Construction spending authority for federal aid projects added by budget amendment and by a proposed supplemental appropriation for fiscal 1991 will

result in an additional \$33.5 million in contractor payments in fiscal 1991 (shown in the table above as plan charges).

Current Level Analysis

In the LFA current level analysis, the highways construction plan is a zero-based budget item. Current level for the construction plan is considered to be the amount required to maximize the use of available federal aid funds (using state match funds) plus funding for up to \$40 million per year for 100 percent state funded RTF projects, as authorized in current law. The construction plan presented in LFA current level meets these objectives. However, the Department of Highways did not receive notice of the increased

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federal aid plan until early November, and a draft of the revised construction budget based on the new funding level was not available to the LFA until December 19. The budget details arrived too late to allow time for an in-depth analysis of the plan. The legislature may want to give further study to the following elements of the plan during the session.

Additional FTE

The construction plan includes the addition of 25.25 FTE during the 1993 biennium. In view of the significant increase in construction projects, it is apparent that additional resources will be required. The use of additional permanent staff appears reasonable since the new level of funding is expected to continue for at least three years. However, other options, including the use of private contractors or the use of more overtime, might be explored.

Use of Design Consultants

The construction plan anticipates the use of engineering consultants for project design for manpower requirements in excess of the department's current FTE authorized for project design. Over \$15 million for the biennium is included in the LFA current level budget. Since the use of engineering consultants cost up to 40 percent more than in-house design work, the legislature may wish to consider the long-range outlook for preconstruction backlogs and determine whether contract design services or hiring permanent staff is the most economical method of completing the work.

Contingency Budgeting

The LFA current level budget includes approximately \$135 million federal aid funds per year for the 1993 biennium. The current federal aid obligation authority is for \$120 million per year. The additional \$15 million included in the budget is for contingency funding, including "grab bag" funds often made available near the end of each fiscal year and other special projects funds. The department has consistently received this additional funding in the last

several years and has either been able to obligate the available funds within existing spending authority or has obtained additional authority through the budget amendment or supplemental appropriation process. Since the department anticipates these contingency funds will be available in the 1993 biennium, they are included in the LFA current level budget. The legislature may wish to consider whether to include the contingency funds in the 1993 biennium appropriation or to continue past practices of approving additional spending authority as needed when obligation authority from the federal government is actually received.

Budget Details

Personal services increase over 8 percent for the following reasons: 1) the addition of 22.95 FTE in fiscal 1992 and 25.25 FTE in fiscal 1993 as a result of the increased construction plan, at a cost of \$979,000 in the 1993 biennium; 2) a significant vacancy savings in fiscal 1990 due to a large turnover in personnel; 3) the fiscal 1991 pay plan increase that continues in the 1993 biennium; and 4) an increase in workers' compensation rates. The additional FTE, which include engineering technicians, materials laboratory aides, and survey aides, would supplement the current construction staff in administering construction contracts let to private contractors.

Operating expenses increase 33.6 percent, reflecting the increase in contractor payments for construction projects and in other operating costs related to the construction plan increase. Contractor payments for planned construction projects are \$162 million in fiscal 1992 and \$166 million in fiscal 1993. The remaining operating costs are continued at fiscal 1990 expenditure levels with only minor adjustments.

Equipment is budgeted at \$700,000 per year for the purchase of equipment on a priority basis, reflecting the average expenditure for equipment in this program for the last five years. Equipment needs identified by the department include Computer-Aided Design

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and Drafting (CADD) System upgrades (\$143,000), single-user computers, a new aerial camera (\$275,000), computers, communications equipment, laboratory equipment, and engineering equipment.

Capital Outlay, which is for the purchase of right-of-way land for projects scheduled to be let to contract, is continued at the fiscal 1990 expenditure levels. The amount appropriated in fiscal 1991 includes one-time spending authority to eliminate a backlog in right-of-way purchases.

Debt Service is for a leased telephone system.

State special revenue includes highway reconstruction trust funds of \$40.6 million for RTF construction projects, with the balance from the highways special revenue account. The highways special revenue account funds 100 percent of administrative overhead costs for the program and provides an average 20 percent match for approved federal aid projects, including preconstruction and contract administration costs. Federal aid funds are from the federal Highway Surface Transportation Act, which provide the average 80 percent federal match for construction projects.

Issue

Sunset of RTF Program

The RTF program was created by the 1983 legislature, authorizing a ten-year plan to improve Montana's primary highway system with a 100 percent state-funded program. Up to \$40 million per year was authorized to rebuild the system, in addition to the existing federal aid program. Since 1983, expenditures in the RTF program have averaged approximately \$30 million per year due to funding limitations. Funding for both the state match for federal aid and a fully funded RTF program were not available. The program is scheduled to sunset at the end of the 1993 biennium, when the 12 percent of coal severance tax reallocations earmarked for the program ends.

The RTF program has produced measurable improvements in the past eight years, including a 70 percent reduction in primary roads rated "poor" and an increase in the number of miles rated "excellent". Whether these improvements can be sustained when the RTF program ends remains a question.

In 1982, the department conducted an extensive needs assessment analysis to demonstrate the need for the RTF program. The Department of Highways states in its Report to the 52nd Legislature that it has recently conducted a needs assessment study and concluded that a continued RTF program is critical to supplement the insufficient federal aid program and maintain Montana's primary highway system. While the department states that a minimum standards RTF program would cost \$23 million per year, it has not presented a specific plan for continuation of the RTF program after the 1993 biennium. If fuel taxes were used to continue the RTF program beyond 1993, one cent of fuel tax would be needed for every \$5 million of annual RTF expenditures. Maintaining the current spending level (\$30 million per year) would require a six cent fuel tax increase.

Executive Budget Modifications

City Park Rest Areas

The Executive Budget includes \$400,000 highways state special revenue fund in the 1993 biennium to provide grants to local communities to upgrade city parks located along primary highways into highway rest areas. The community would own, manage, and maintain these city parks/rest areas. The agency contends that providing funds to upgrade city parks into highway rest areas would save state funds by delegating the long-term maintenance costs normally borne by the state to local governments. The average cost to upgrade each site is estimated to be \$200,000, and one site per year would be completed. Eighteen sites have been identified for possible conversion to highway rest areas.

CONSTRUCTION PROGRAM

Road Construction

The Executive Budget includes \$30,385,368 highways state special revenue fund in the 1993 biennium for increased highway construction costs over the fiscal 1991 appropriated level. The budget reflects an anticipated increase in the construction level (including increased contract administration costs) of \$29.6 million in fiscal 1992 and \$0.8 million in fiscal 1993. This request does not reflect the revised program budget, based on increased federal aid funding, as it was not available when the Executive Budget was published. The Executive Budget included the qualification that the Construction Program may change based upon revised federal aid figures.

The LFA current level provides funding for the Construction program 1993 biennium budget, including increases over 1991 biennium levels and revised program requirements based on increased federal aid funding. As noted above, the construction plan is considered to be a zero-based budget item and is budgeted to utilize all available

federal funding and provide funding for RTF projects within the limits of current law.

Engineering Consultants

The Executive Budget includes \$13,879,296 highways state special revenue fund in the 1993 biennium to hire engineering consultants to design future road construction projects that exceed current level manpower resources. The preconstruction design function is expected to be well above normal workload levels in the 1993 biennium, and the agency contends it is more cost effective to hire consultants for the increased workload than to increase permanent staff for a short time period. The amount requested is the increase over fiscal 1991 appropriated construction levels considered necessary for the increased project design workload.

These costs are included in LFA current level, as they are considered an integral part of the current level budget for the 1993 biennium construction plan. The total amount included in LFA current level for design consultants is \$15 million.

EXHIBIT /

DATE _____

5401 03 00000

MAINTENANCE PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	654.88	654.88	654.88	654.88	.00
Personal Services	19,968,558	20,787,698	21,446,575	21,477,492	5.32%
Operating Expenses	23,743,262	25,107,928	25,618,859	25,473,882	4.59%
Equipment	286,351	187,214	187,214	187,214	-20.94%
Capital Outlay	131,784	71,490	118,400	118,400	16.49%
Total Program	\$44,129,955	\$46,154,330	\$47,371,048	\$47,256,988	4.81%
Fund Sources					
State Revenue Fund	44,129,955	46,154,330	47,371,048	47,256,988	4.81%
Total Funds	\$44,129,955	\$46,154,330	\$47,371,048	\$47,256,988	4.81%

Program Description

The Maintenance program is responsible for preserving and maintaining the state highway system and its related facilities. Major maintenance activities include the patching, repair, and periodic sealing of highway surfaces, snow removal, and sanding.

Current Level Budget

The Maintenance program current level budget increases 4.8 percent compared to the 1991 biennium due to increased personal services costs, increased equipment rental allocations, and inflationary adjustments.

Personal services increase 5.3 percent due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase that continues in the 1993 biennium. Offsetting decreases from fiscal 1990 levels include a \$128,000 per year reduction in overtime costs and the elimination of funding for three positions that remained vacant the entire biennium. The positions remain in current level as the program retains positions on a "contingency" basis in case of workload increases based on weather conditions and construction season lengths. The program historically has high vacancy savings and can fund the positions as required from current level authority.

Operating expenses increase 4.6 percent due to: 1) an increase of \$512,000 in fiscal 1992 and \$854,000 in fiscal 1993 of the allocation by the Equipment Bureau (proprietary fund) for equipment rental; and 2) inflationary adjustments of \$1,428,000 in fiscal 1992 and \$938,000 in fiscal 1993. Minor adjustments to fiscal 1990 base levels are made to eliminate one-time costs associated with underground tank monitoring and repair and for small increases in weed control costs and in maintenance contracts for rest areas. All other operating expenses are carried forward at fiscal 1990 expenditure levels.

Equipment includes \$154,282 for communications equipment, \$22,369 for office equipment replacement, \$188,227 for shop and industrial equipment, \$5,200 for computers, and \$4,350 for photographic and other miscellaneous equipment.

Capital outlay includes \$80,000 per year for purchases of land for gravel production and storage sites, and \$38,400 per year for tank and building improvements.

The Maintenance program is funded entirely by highways special revenue funds.

MAINTENANCE PROGRAM

Executive Budget Modifications

Monitoring Fuel Tanks

The agency has requested \$2,219,600 highways state special revenue fund in the 1993 biennium for upgrading existing underground fuel storage tanks with cathodic protection and leak detection devices to comply with new federal regulations mandated by the Environmental Protection Agency. Severe penalties can be assessed in the event of noncompliance. The first phase of this program, which began in the 1991

biennium, consisted of removal of nonessential tanks and removal/replacement of department and Montana Highway Patrol tanks that were over 15 years old. The 1993 biennium phase will deal with upgrading 168 tanks, testing 58 tanks for leaks, removal and replacement of 58 leaking tanks and the clean-up of those localized sites, and installation of monitoring devices on the 226 remaining tanks that are less than 15 years old. In succeeding bienniums, there will be continuing costs associated with annual maintenance of the tank monitoring system.

STATE MOTOR POOL

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	5.00	5.00	5.00	5.00	.00
Personal Services	128,901	133,433	139,700	139,736	6.52%
Operating Expenses	221,925	243,733	249,715	239,665	5.09%
Equipment	<u>666,403</u>	<u>650,000</u>	<u>362,250</u>	<u>218,000</u>	<u>-55.92%</u>
Total Program	\$1,017,229	\$1,027,166	\$751,665	\$597,401	-34.01%
<u>Fund Sources</u>					
Proprietary Fund	<u>1,017,229</u>	<u>1,027,166</u>	<u>751,665</u>	<u>597,401</u>	<u>-34.01%</u>
Total Funds	<u>\$1,017,229</u>	<u>\$1,027,166</u>	<u>\$751,665</u>	<u>\$597,401</u>	<u>-34.01%</u>

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees in the Helena area to conduct official state business.

Current Level Budget

The decrease in the equipment budget of 55.9 percent (\$736,153) is the major reason for the 34 percent decrease in current level. The equipment budget for the 1993 biennium is at the level requested by the agency and will allow the purchase of 31 vehicles in fiscal 1992 and 18 in fiscal 1993. In the 1991 biennium, the Motor Pool program had an equipment budget that allowed for the purchase of 129 vehicles which was 72 percent of their vehicle fleet. This included the purchase of new vehicles to increase the fleet from 158 to the present 180 vehicles.

Personal services increase 6.5 percent. The program experienced almost no vacancy savings during fiscal 1990 even though there was turnover in two positions. Personal services costs saved by the staff turnover was used to fund the supervisor's position. This position was budgeted at grade 11, step 9, but the current supervisor is being paid at step 13, causing a personal services budget "shortfall" of approximately \$3,100 in fiscal 1991. The 1993 biennium budget contains full funding for all five positions at current salary levels.

The operating expense budget was based on fiscal 1990 expenditures except for payroll fees and rent (which are based on fixed costs allocations) and shop supplies (which are increased by \$2,344 annually because fiscal 1990 expenditures were low as compared to previous fiscal years). Inflationary adjustments (primarily for gasoline) add \$25,412 in fiscal 1992 and \$15,582 in fiscal 1993.

EQUIPMENT PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	121.00	121.00	121.00	121.00	.00
Personal Services	3,549,330	3,747,087	3,785,680	3,792,150	3.86%
Operating Expenses	4,430,069	4,463,817	4,772,623	4,625,845	5.67%
Equipment	<u>4,902,921</u>	<u>4,905,659</u>	<u>4,905,659</u>	<u>4,905,659</u>	<u>.03%</u>
Total Program	\$12,882,320	\$13,116,563	\$13,463,962	\$13,323,654	3.03%
<u>Fund Sources</u>					
Proprietary Fund	<u>12,882,320</u>	<u>13,116,563</u>	<u>13,463,962</u>	<u>13,323,654</u>	<u>3.03%</u>
Total Funds	<u>\$12,882,320</u>	<u>\$13,116,563</u>	<u>\$13,463,962</u>	<u>\$13,323,654</u>	<u>3.03%</u>

Program Description

The Equipment program is responsible for the purchase, distribution, and maintenance of all highway equipment and vehicles necessary to meet the department's construction, maintenance, and Gross Vehicle Weight enforcement needs. The equipment, which operates under a proprietary fund, is rented to the other programs within the Department of Highways.

Current Level Budget

The current level budget increases 3 percent principally in personal services and operating expenses. Personal services increase due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues in the 1993 biennium.

Operating expenses increase 5.7 percent (\$504,600) between the two biennia. The following adjustments were made to fiscal 1990 actual expenditures, which were used as the base for the 1993 biennium current level budget: 1) insurance and payroll fees decrease approximately \$13,000 per fiscal year; 2) long distance costs increase \$5,300 per fiscal year to reflect previous years' actual expenditures; 3) travel decreases \$4,700 to the requested level, which is consistent with previous years' expenditures; and 5) inflationary adjustments (primarily in fuel costs) add \$588,000 for the biennium.

Equipment, which is as requested by the agency, allows for on-going replacement of the highway's equipment fleet.

INTERFUND TRANSFERS PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	.00	.00	.00	.00	.00
Transfers	<u>32,884,364</u>	<u>25,655,637</u>	<u>14,208,404</u>	<u>17,149,771</u>	<u>-46.43%</u>
Total Program	<u>\$32,884,364</u>	<u>\$25,655,637</u>	<u>\$14,208,404</u>	<u>\$17,149,771</u>	<u>-46.43%</u>
<u>Fund Sources</u>					
State Revenue Fund	<u>32,884,364</u>	<u>25,655,637</u>	<u>14,208,404</u>	<u>17,149,771</u>	<u>-46.43%</u>
Total Funds	<u>\$32,884,364</u>	<u>\$25,655,637</u>	<u>\$14,208,404</u>	<u>\$17,149,771</u>	<u>-46.43%</u>

Program Description

The Interfund Transfers program provides appropriation authority for the transfer of funds between accounting entities and distribution to the sinking fund for the retirement of bonds.

sents the amount required in the RTF account to fund the remaining cost of RTF projects after expenditure of coal severance tax revenues that are deposited directly to the account. The decrease in program transfer authority reflects an anticipated decrease in RTF projects in the 1993 biennium.

Current Level Budget

The current level budget includes transfer authority to transfer \$31,358,175 during the 1993 biennium from the highways state special revenue account to the RTF account for 100 percent state funded construction projects. The transfer budget repre-

Debt service transfers from this program on highway construction and building bond issues will be \$10,655,333 in fiscal 1992 and \$18,476,333 in fiscal 1993. These payments are not included in current level because they are statutorily appropriated in Section 17-7-502(4), MCA.

STORES INVENTORY

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	.00	.00	.00	.00	.00
Operating Expenses	<u>12,613,907</u>	<u>12,744,300</u>	<u>14,659,684</u>	<u>14,100,844</u>	<u>13.42%</u>
Total Program	\$12,613,907	\$12,744,300	\$14,659,684	\$14,100,844	13.42%
Fund Sources					
State Revenue Fund	<u>12,613,907</u>	<u>12,744,300</u>	<u>14,659,684</u>	<u>14,100,844</u>	<u>13.42%</u>
Total Funds	\$12,613,907	\$12,744,300	\$14,659,684	\$14,100,844	13.42%

Program Description

The Stores Inventory program purchases and distributes commodities (such as office and construction supplies) and bulk items (such as sand, road oil, and gasoline) used by other highway department programs. Stores operations are maintained in Helena and in each of the field districts. The Helena stores' facility services the department headquarters and shop facility and also acts as the central receiving and distribution center for all quantity stores commodities.

Current Level Budget

The Stores Inventory current level budget increases 13.4 percent compared to the 1991 biennium. Increases over fiscal 1990 are due to: 1) direct purchase of gasoline by the Montana Highway Patrol from the Department of Highways Stores Inventory (\$230,000 per year-the Highway Patrol previously had

some gas inventories of its own); 2) an increased allocation by the Equipment Bureau for equipment rental, \$127,000 in fiscal 1992 and \$156,000 in fiscal 1993; 3) an increase for the purchase of sand to the fiscal 1991 appropriated level to allow inventory replenishment, \$195,800 per year; and 4) inflationary adjustments of \$1,630,000 in fiscal 1992 and \$1,045,000 in fiscal 1993. These increases are partially offset by a reduction of \$139,900 per year, as requested by the agency. The total amount budgeted for this program reflects the supply needs included in the current level budget for other user programs.

The program is funded from the highways special revenue account and receives reimbursement from other department programs which procure these commodities. The accounting procedure used for Stores Inventory results in a double appropriation for the agency.

GROSS VEHICLE WEIGHT DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	111.03	111.03	110.03	110.03	-1.00
Personal Services	2,736,471	3,026,007	3,009,937	3,012,592	4.51%
Operating Expenses	538,035	637,126	566,582	574,614	-2.89%
Equipment	16,595	19,500	35,000	23,000	60.69%
Capital Outlay	<u>79,357</u>	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$3,370,458	\$3,802,633	\$3,611,519	\$3,610,206	.68%
<u>Fund Sources</u>					
State Revenue Fund	<u>3,370,458</u>	<u>3,802,633</u>	<u>3,611,519</u>	<u>3,610,206</u>	<u>.68%</u>
Total Funds	<u>\$3,370,458</u>	<u>\$3,802,633</u>	<u>\$3,611,519</u>	<u>\$3,610,206</u>	<u>.68%</u>

Program Description

The Gross Vehicle Weight (GVW) Division is responsible for enforcement of the statutes and regulations relating to vehicle weight, size, licensing, fuel, and safety on the state's highways (Title 61, MCA). It also issues permits and operating authority for commercial vehicles and collects gross vehicle weight fees. The Fiscal Bureau registers interstate fleet vehicles, issues GVW fee licenses, issues oversize and overweight permits, and collects fees and taxes. The Compliance Bureau operates weigh stations across the state and assigns enforcement officers to inspect vehicles for compliance with registration, fuel, size, and weight laws.

Current Level Budget

The current level budget increases less than 1 percent in the 1993 biennium as a result of a 4.5 percent increase in personal services with an offsetting decrease in capital outlay. Personal services increase due to a 6.2 percent vacancy savings in fiscal 1990 and the fiscal 1991 pay plan which continues in the 1993 biennium. The increase is partially offset by the elimination of a vacant 1.0 FTE enforcement program supervisor position, at a biennial savings of \$60,200.

Annual operating expenses are higher than the fiscal 1990 expenditure level. The 1993 biennium budget is based on fiscal 1990 actual expenditures with increases in vehicle rent of \$42,200 for the biennium, approximately \$17,600 in uniforms costs, and biennial inflation adjustments of \$12,600.

The equipment budget is for a personal computer in fiscal 1992 and eight portable scales and scale readout instruments.

Funding from the program comes entirely from the highway account. The GVW program generates revenues for this account from gross vehicle weight fees, licenses, and fines and permits.

Executive Budget Modifications

Automated Weigh Stations

The Executive Budget includes \$312,520 of highways state special revenue funds in the 1993 biennium for automation of specific functions at the state's weigh stations, including on-line access to GVW enforcement data. Fax machines and computers would be installed at a cost of \$212,520 to provide better service to the trucking industry and to improve data flow from headquarters. Telephone line expenses would be \$100,000 to operate the new equipment. The agency expects permit revenues to increase because the data can be accessed at any

GROSS VEHICLE WEIGHT DIVISION

time to see if a user has the proper permits and tags.

GVW Officer Training

The agency has requested \$55,330 highways state special revenue fund in

the 1993 biennium for GVW officer training. The training would include law enforcement training at the state Law Enforcement Academy, computer training for the proposed new computers at weigh stations (see the "Automated Weigh Stations" modified above), and handling of hazardous waste.

Gen. Bort Sec

AGENCY: DEPARTMENT OF HIGHWAYS LEGISLATIVE ACTION PROGRAM: GENERAL OPERATIONS

BUDGET ITEM	FY 1990 Actual	Executive 168.93	Fiscal 1992 LFA Curr Lvl	Difference	Executive 168.93	Fiscal 1993 LFA Curr Lvl	Difference
FTE	168.93			0.00			0.00
Personal Services	\$4,421,226	\$4,996,263	\$4,988,632	\$7,631	\$4,992,967	\$4,985,340	\$7,627
Operating Expenses	\$2,800,145	\$3,333,358	\$2,870,627	\$462,731	\$3,186,814	\$2,816,110	\$370,704
Equipment	\$264,208	\$306,672	\$186,672	\$120,000	\$234,572	\$114,572	\$120,000
Grants	\$204,753	\$230,000	\$230,000	\$0	\$230,000	\$230,000	\$0
Debt Service	\$11,149	\$46,200	\$11,150	\$35,050	\$46,200	\$11,150	\$35,050
TOTAL EXPENSES	\$7,701,481	\$8,912,493	\$8,287,081	\$625,412	\$8,690,553	\$8,157,172	\$533,381
FUNDING							
State Revenue	\$6,129,639	\$6,865,213	\$6,239,801	\$625,412	\$6,694,316	\$6,160,935	\$533,381
Federal Revenue	\$1,571,842	\$2,047,280	\$2,047,280	\$0	\$1,996,237	\$1,996,237	\$0
TOTAL FUNDING	\$7,701,481	\$8,912,493	\$8,287,081	\$625,412	\$8,690,553	\$8,157,172	\$533,381

CURRENT LEVEL ISSUES:

1. PERSONAL SERVICES - Minor differences in benefits/overtime.
2. EQUIPMENT - The Executive Budget is higher for equipment than LFA current level. The Executive includes funding for a computer expansion, primarily to add district offices to the agency network. The Executive Budget exceeds by \$262,000 the fiscal 1991 appropriated level for equipment, the standard amount allowed in the Executive Budget current level for equipment.
3. DEBT SERVICE - The Executive Budget is higher in debt service than LFA current level, as a result of budgeting the cost of debt service administrative costs for bond issues at fiscal 1991 appropriated levels. The fiscal 1991 appropriation reflected the administrative costs of issuing a large bond issue. On the average, costs have been less than \$10,000 per year.
4. RECONCILING DIFFERENCES
 - Network fees - To be adjusted to Executive level.
 - Audit fees - To be adjusted to Executive level.
 - Base Differences
 - Inflation Differences

	EXEC OVER (UNDER) LFA--	
	FY 92	FY 93
	\$7,631	\$7,627
	\$120,000	\$120,000
	\$35,050	\$35,050
	\$233,958	\$209,600
	\$2,761	\$2,761
	\$263,878	\$173,628
	(\$37,866)	(\$15,285)
	\$625,412	\$533,381

TOTAL CURRENT LEVEL ISSUES

EXECUTIVE BUDGET MODIFICATIONS:

DEPARTMENT OF TRANSPORTATION ORGANIZATIONAL COST - 1.0 FTE and one-time organization costs to establish a proposed Dept. of Transportation. The need for these funds is contingent upon passage of S.B. 164 creating the new department. LFA Vol. 1, A-223).

ROAD REPORTING SYSTEM - To provide additional funding for road traffic information. The request includes \$35,728 for increased costs of operating statewide road report toll-free telephone line. These costs are already included in LFA current level as the amount requested is fiscal 1990 actual costs. Additionally, \$26,380 is requested for upgrade of permanent traffic monitoring sites on the interstate and primary systems (LFA Vol. 1, A-223).

TOTAL EXECUTIVE BUDGET MODIFICATIONS

FTE			
1.0	\$105,128	\$30,061	State Sp.
1.0	\$30,614	\$31,494	State Sp.
1.0	\$135,742	\$61,555	

OTHER ISSUES:

COST RESPONSIBILITY STUDY - The department does not know if current user fee levels (fuel tax, GVW fees) for each class of vehicle are appropriate. Since GVW fees have not been raised in 22 years and have declined significantly in comparison to other user fees, they may not adequately reflect use and benefit for vehicles subject to the fees. The department has included \$25,000 in the 1993 biennium budget for a cost responsibility study, although other states have experienced costs of over \$150,000 for such a study (LFA Vol. 1, A-220).

Option: Designate a line-item, biennial appropriation of \$ _____ for a cost responsibility study, with the following language:

"Item _____ is to be used for a cost responsibility study to determine the appropriate ratio of highway user fees based on road wear caused by each type of user. The department will provide a report of study results and a recommended fee structure to the Legislative Finance Committee by June 1, 1992."

DATE 2-4-91

1. En. Cont. Serv.

5401 02

AGENCY: DEPARTMENT OF HIGHWAYS LEGISLATIVE ACTION PROGRAM: CONSTRUCTION

BUDGET ITEM	FY 1990 Actual	Executive	Fiscal 1992 LFA Curr Lvl	Difference	Executive	Fiscal 1993 LFA Curr Lvl	Difference
FTE	872.99	872.99	895.94	-22.95	872.99	898.24	-25.25
Personal Services	\$23,940,644	\$26,873,377	\$27,132,622	(\$259,245)	\$26,855,925	\$27,146,570	(\$290,645)
Operating Expenses	\$142,112,205	\$128,283,976	\$175,393,972	(\$47,109,996)	\$125,004,991	\$179,853,929	(\$54,848,938)
Equipment	\$364,072	\$713,409	\$700,000	\$13,409	\$774,285	\$700,000	\$74,285
Capital Outlay	\$3,238,933	\$7,105,100	\$3,250,000	\$3,855,100	\$7,105,100	\$3,250,000	\$3,855,100
Debt Service	\$2,814	\$3,069	\$3,069	\$0	\$3,069	\$3,069	\$0
TOTAL EXPENSES	\$169,658,668	\$162,978,931	\$206,479,663	(\$43,500,732)	\$159,743,370	\$210,953,568	(\$51,210,198)
FUNDING							
State Revenue	\$74,132,579	\$62,651,388	\$62,643,512	\$7,876	\$49,740,258	\$65,977,626	(\$16,237,368)
Federal Revenue	\$95,526,089	\$100,327,543	\$143,836,151	(\$43,508,608)	\$110,003,112	\$144,975,942	(\$34,972,830)
TOTAL FUNDING	\$169,658,668	\$162,978,931	\$206,479,663	(\$43,500,732)	\$159,743,370	\$210,953,568	(\$51,210,198)

CURRENT LEVEL ISSUES:

- CONSTRUCTION PLAN - LFA current level is significantly higher than the Executive Budget as it includes a revised construction plan prepared after the Executive Budget was printed. LFA current level includes 25.25 more FTE in fiscal 1993 and additional contractor payments and other construction-related operating expenses due to increased federal aid. The Executive includes these added expenses in a revised modified discussed below (LFA Vol. 1, A-212).
- OVERTIME - The Executive Budget is higher than LFA current level for overtime, as it is based on the fiscal 1991 appropriation, while LFA current level is based on the 1990 actuals plus an allowance for the increased construction plan and a pay plan increase.
- REDUCED FTE FUNDING - LFA current level removes funding (but leaves the positions) for 5.0 FTE that remained vacant most of the 1991 biennium.
- RIGHT-OF-WAY - The Executive Budget is higher than LFA current level for the purchase of land for right-of-way. The Executive Budget is based on the fiscal 1991 appropriation, which included one-time costs to eliminate a backlog in right-of-way purchases. Language in the 1991 biennium appropriations bill limited right-of-way funding to that purpose, with no transfers allowed for other expenditures.
- EQUIPMENT - The Executive includes equipment at fiscal 1991 appropriated levels. LFA current level is lower, reflecting historical average equipment purchases.
- RECONCILING DIFFERENCES - INFLATION

TOTAL CURRENT LEVEL ISSUES

	EXEC OVER (UNDER) FY 92	LFA-- FY 93
	---	---
	(\$47,567,343)	(\$55,344,503)
	\$115,552	\$99,295
	\$107,229	\$107,145
	\$3,855,100	\$3,855,100
	\$13,409	\$74,285
	(\$24,679)	(\$1,520)
	(\$43,500,732)	(\$51,210,198)

AGENCY: DEPARTMENT OF HIGHWAYS

LEGISLATIVE ACTION

PROGRAM: CONSTRUCTION

UDGET ITEM	FY 1990 Actual	Fiscal 1992		Fiscal 1993	
		Executive*	LFA Curr Lvl	Executive*	LFA Curr Lvl
FTE	872.99	895.94	895.94	898.24	898.24
Personal Services	\$23,940,644	\$27,483,203	\$27,132,622	\$27,395,399	\$27,146,570
Operating Expenses	\$142,112,205	\$175,375,766	\$175,393,972	\$179,841,370	\$179,853,929
Equipment	\$364,072	\$713,409	\$700,000	\$774,285	\$700,000
Capital Outlay	\$3,238,933	\$3,944,000	\$3,250,000	\$3,944,800	\$3,250,000
Debt Service	\$2,814	\$3,069	\$3,069	\$3,069	\$3,069
TOTAL EXPENSES	\$169,658,668	\$207,519,447	\$206,479,663	\$211,958,923	\$210,953,568
UNDING					
State Revenue	\$74,132,579	\$63,683,296	\$62,643,512	\$66,982,981	\$65,977,626
Federal Revenue	\$95,526,089	\$143,836,151	\$143,836,151	\$144,975,942	\$144,975,942
TOTAL FUNDING	\$169,658,668	\$207,519,447	\$206,479,663	\$211,958,923	\$210,953,568

Adjusted to include Executive Modifications 2 and 3, construction plan, for comparison purposes.

CURRENT LEVEL ISSUES:

--EXEC OVER (UNDER) LFA--
 FY 92 FY 93

- CONSTRUCTION PLAN - LFA current level is significantly higher than the Executive Budget as it includes a revised construction plan prepared after the Executive Budget was printed. The Executive Budget includes the revised construction plan in Executive Modifications 2 and 3. For comparison purposes, the above table has been adjusted to include the revised construction plan (Executive Budget Modifications 2 and 3) in the Executive column.
- OVERTIME - The Executive Budget is higher than LFA current level for overtime, as it is based on the fiscal 1991 appropriation plus added overtime due to construction level increases, while LFA current level is based on fiscal 1990 actuals plus a smaller allowance for the increased construction plan and a pay plan increase.
- REDUCED FTE FUNDING - LFA current level removes funding (but leaves the positions) for 5.0 FTE that remained vacant most of the 1991 biennium.
- RIGHT-OF-WAY - The Executive Budget is higher than LFA current level for the purchase of land for right-of-way. LFA current level reflects fiscal 1990 actual expenditures.
- EQUIPMENT - The Executive includes equipment at fiscal 1991 appropriated levels. LFA current level is lower, reflecting historical average equipment purchases.
- RECONCILING DIFFERENCES
 - Inflation Differences (\$24,679)
 - Minor Differences in Operating Expenses (\$6,473)

TOTAL CURRENT LEVEL ISSUES \$1,039,784 \$1,005,355

DATE 2-4-91
L. E. G. G. G. G.

FY 92	FTE	FY 93			
8.0		8.0	\$200,000	\$200,000	SSR
22.95		25.25	\$39,468,218	\$47,128,555	SSR
30.95		33.25	\$44,740,516	\$52,415,553	

EXECUTIVE BUDGET MODIFICATIONS:

1. CITY PARK REST AREAS - To provide grants to communities to upgrade city parks along primary highways into highway rest areas. One site per year is scheduled in the 1993 biennium, with 18 total sites planned. Cities will maintain the facilities (LFA Vol. 1, A-227).
2. 1993 BIENNIUM ROAD CONSTRUCTION PLAN (REVISED) - Funds an increased highway construction program over the fiscal 1991 appropriated level. This revised request reflects an increased federal aid program level that was not available when the Executive Budget was published. This increased construction plan is included in LFA current level.
3. ENGINEERING CONSULTANTS (REVISED) - Provides funds to hire engineering consultants to design road construction projects that exceed current level manpower resources, needed because of the expanded construction program discussed above. These costs are included in LFA current level.

TOTAL EXECUTIVE BUDGET MODIFICATIONS

OTHER ISSUES:

1. USE OF DESIGN CONSULTANTS - Over \$15 million is included in the LFA current level budget for the use of engineering consultants for project design for manpower requirements in excess of current staff capabilities. Since consultants cost up to 40 percent more than in-house design work, the legislature may wish to explore whether contract design is the more economical method of completing the work.
2. CONTINGENCY BUDGETTING - The 1993 biennium construction plan includes approximately \$15 million for contingency budgeting, including "grab bag" funds and other special project funds. These contingency funds have not been included in the budget in past bienniums, and have normally been added through the budget amendment or supplemental process. The legislature may want to consider whether to include the contingency funds in the 1993 biennium appropriation or to continue past practice of approving additional spending authority as needed when obligation authority is actually received from the federal government. (LFA Vol. 1, A-226).

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HIGHWAYS

PROGRAM: MAINTENANCE

UDGET ITEM	FY 1990 Actual	Executive	Fiscal 1992 LFA Curr Lvl	Difference	Executive	Fiscal 1993 LFA Curr Lvl	Difference
FTE	654.88	654.88	654.88	0.00	654.88	654.88	0.00
Personal Services	\$19,968,558	\$21,543,409	\$21,446,575	\$96,834	\$21,574,395	\$21,477,492	\$96,903
Operating Expenses	\$23,743,262	\$25,824,154	\$25,618,859	\$205,295	\$26,069,431	\$25,473,882	\$595,549
Equipment	\$286,351	\$187,214	\$187,214	\$0	\$187,214	\$187,214	\$0
Capital Outlay	\$131,784	\$218,400	\$118,400	\$100,000	\$118,400	\$118,400	\$0
TOTAL EXPENSES	\$44,129,955	\$47,773,177	\$47,371,048	\$402,129	\$47,949,440	\$47,256,988	\$692,452
UNDING							
State Revenue	\$44,129,955	\$47,773,177	\$47,371,048	\$402,129	\$47,949,440	\$47,256,988	\$692,452
TOTAL FUNDING	\$44,129,955	\$47,773,177	\$47,371,048	\$402,129	\$47,949,440	\$47,256,988	\$692,452

CURRENT LEVEL ISSUES:

--EXEC OVER (UNDER) LFA--
FY 92 FY 93

1. OVERTIME/DIFFERENTIAL PAY - The Executive Budget is higher for overtime and differential pay, as it is based on the fiscal 1991 appropriation, while LFA current level is based on the 1990 actuals plus an allowance for the increased pay plan.

\$9,526 \$9,526

2. REDUCED FTE FUNDING - LFA current level removes funding (but leaves the positions) for 3.0 FTE that remained vacant during the 1991 biennium to date.

\$87,308 \$87,377

3. WEED CONTROL - The Executive Budget is higher for weed control, as it includes county weed control reimbursement at fiscal 1991 levels plus inflation, while LFA current level continues the fiscal 1990 expenditure level with the same inflation allowance.

\$247,094 \$247,094

4. CAPITAL OUTLAY - The Executive Budget for capital outlay includes funds for the purchase of land for a storage facility in Great Falls. The Executive Capital Projects request includes a request for funds to construct the storage facility.

\$100,000 \$0

5. RECONCILING DIFFERENCES

Base Differences and Removal of One-Time Costs
Inflation Differences

\$411,371 \$411,371
(\$453,170) (\$62,916)

TOTAL CURRENT LEVEL ISSUES

\$402,129 \$692,452

EXECUTIVE BUDGET MODIFICATION:

1. MONITORING FUEL TANKS - To upgrade existing underground fuel storage tanks to comply with federal EPA regulations. The upgrade program began in the 1991 biennium, and will continue in future bienniums (LFA Vol. 1, A-230).

\$1,109,800 \$1,109,800 State Sp.

John L. ...

5401 07

AGENCY: DEPARTMENT OF HIGHWAYS LEGISLATIVE ACTION PROGRAM: MOTOR POOL

BUDGET ITEM	FY 1990 Actual	FTE	Executive	Fiscal 1992	Fiscal 1992 LFA Curr Lvl	Difference	Executive	Fiscal 1993	Fiscal 1993 LFA Curr Lvl	Difference
Personal Services	\$128,901	5.00	\$139,648	\$139,700	0.00	(\$52)	\$139,684	\$139,736	5.00	0.00
Operating Expenses	\$221,925		\$270,344	\$249,715	\$20,629		\$269,198	\$239,665		(\$52)
Equipment	\$666,403		\$362,250	\$362,250	\$0		\$218,000	\$218,000		\$29,533
TOTAL EXPENSES	\$1,017,229		\$772,242	\$751,665	\$20,577		\$626,882	\$597,401		\$29,481
UNDING										
Proprietary Fund	\$1,017,229		\$772,242	\$751,665	\$20,577		\$626,882	\$597,401		\$29,481
TOTAL FUNDING	\$1,017,229		\$772,242	\$751,665	\$20,577		\$626,882	\$597,401		\$29,481

CURRENT LEVEL ISSUES:

.. PERSONAL SERVICES - Minor differences in overtime/benefits.

.. SHOP SUPPLIES - The Executive Budget is higher for shop supplies, as it is based on the fiscal 1991 appropriation, while LFA current level is at historical expenditure levels.

.. RECONCILING DIFFERENCES

Base differences	\$20,002	
Inflation differences	(\$1,637)	
TOTAL CURRENT LEVEL ISSUES	\$20,577	

---EXEC OVER (UNDER) LFA---
 FY 92 ----- (\$52)
 FY 93 ----- (\$52)

LEGISLATIVE ACTION

AGENCY: DEPARTMENT OF HIGHWAYS

PROGRAM: EQUIPMENT

BUDGET ITEM	FY 1990 Actual	Executive	Fiscal 1992 LFA Curr Lvl	Difference	Executive	Fiscal 1993 LFA Curr Lvl	Difference
FTE	121.00	121.00	121.00	0.00	121.00	121.00	0.00
Personal Services	\$3,549,330	\$3,886,661	\$3,785,680	\$100,981	\$3,893,131	\$3,792,150	\$100,981
Operating Expenses	\$4,430,069	\$4,791,916	\$4,772,623	\$19,293	\$4,776,868	\$4,625,845	\$151,023
Equipment	\$4,902,921	\$4,905,659	\$4,905,659	\$0	\$4,905,659	\$4,905,659	\$0
TOTAL EXPENSES	\$12,882,320	\$13,584,236	\$13,463,962	\$120,274	\$13,575,658	\$13,323,654	\$252,004
FUNDING							
Proprietary Fund	\$12,882,320	\$13,584,236	\$13,463,962	\$120,274	\$13,575,658	\$13,323,654	\$252,004
TOTAL FUNDING	\$12,882,320	\$13,584,236	\$13,463,962	\$120,274	\$13,575,658	\$13,323,654	\$252,004

CURRENT LEVEL ISSUES:

1. BLUE COLLAR PAY ADJUSTMENT - The Executive Budget is higher since all blue collar pay plan employees' salaries are budgeted at full pay plan levels. New hires must work at 95% of pay plan during apprenticeship. LFA current level adjusts salaries for blue collar workers to reflect apprentice salaries.
2. OVERTIME - The Executive Budget is higher than LFA current level for overtime, as it is based on the fiscal 1991 appropriation, while LFA current level is based on 1990 actual costs.
3. EQUIPMENT RENTAL - The Executive Budget is higher for equipment rental costs as it is based on the fiscal 1991 appropriation, which was built off one-time expenditures in fiscal 1988. There have been no equipment rental costs in the program since fiscal 1988.
4. RECONCILING DIFFERENCES
 Base Differences
 Inflation Differences (Primarily gasoline and diesel)

TOTAL CURRENT LEVEL ISSUES

--EXEC OVER (UNDER) LFA--	
FY 92	FY 93
\$88,000	\$88,000
\$12,981	\$12,981
\$11,606	\$11,606
\$34,939	\$34,939
(\$27,252)	\$104,478
\$120,274	\$252,004

EXHIBIT 4
 152-4-91
 Len Gort

5401 II

BUDGET ITEM	DEPARTMENT OF HIGHWAYS		LEGISLATIVE ACTION		PROGRAM: INTERFUND TRANSFERS	
	FY 1990 Actual	Executive LFA Curr Lvl	Fiscal 1992 LFA Curr Lvl	Executive LFA Curr Lvl	Fiscal 1993 LFA Curr Lvl	Difference
FTE	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	\$32,884,364	\$22,404,124	\$14,208,404	\$7,589,282	\$17,149,771	(\$9,560,489)
TOTAL EXPENSES	\$32,884,364	\$22,404,124	\$14,208,404	\$7,589,282	\$17,149,771	(\$9,560,489)
FUNDING						
State Revenue Fund	\$32,884,364	\$22,404,124	\$14,208,404	\$7,589,282	\$17,149,771	(\$9,560,489)
TOTAL FUNDING	\$32,884,364	\$22,404,124	\$14,208,404	\$7,589,282	\$17,149,771	(\$9,560,489)

CURRENT LEVEL ISSUES:

1. The current level amount in this program for both the Executive Budget and LFA current level represents transfer authority to the RTF account to fund the remaining cost of RTF projects after expenditure of coal severance tax revenues that are deposited directly to the account. The amount to be appropriated will be determined by the level of RTF construction appropriated in the Construction Program and the estimate of coal tax revenues.

EXEC OVER (UNDER) LFA--	
FY 92	\$8,195,720
FY 93	(\$9,560,489)
TOTAL CURRENT LEVEL ISSUES	(\$1,364,769)

LEGISLATIVE ACTION
DEPARTMENT OF HIGHWAYS

GENERAL ISSUES:

1. FUNDING - The Department of Highways state funding is primarily from the highways special revenue account (including fuel taxes, GVW fees, and other user fees). Account expenditures are exceeding revenues by an average \$28 million per year, and the account will be depleted in fiscal year 1994 at current expenditure and revenue levels (See discussion, LFA Vol. 1, A-219).
2. SUNSET OF RTF PROGRAM - The 10-year Reconstruction Trust Fund (RTF) program, authorizing up to \$40 million per year for 100 percent state funded projects, will sunset at the end of the 1993 biennium. At that time, the 12 percent coal severance tax allocation also ends. The department, in its Report to the 52nd Legislature, concluded that a continued RTF program is critical to supplement the federal aid program. A \$23 million per year program was considered necessary to maintain minimum construction standards. However, the department has not presented a specific plan for continuation of the RTF program. In order to maintain the current level spending for RTF construction beyond the 1993 biennium, it would require the equivalent of a six cent fuel tax increase.
3. APPROPRIATION CONTROL - The 1991 biennium appropriations act provided 2 separate appropriations (line items) for the Preconstruction and Construction Programs. The budget as presented in House Bill 2 would consolidate the two programs into one appropriation/line item.

LANGUAGE ISSUES:

1. CONSTRUCTION WORK PLAN - The 1991 biennium general appropriations act included the following language:

"The department is directed to submit to the 1993 legislature a construction work plan for the 1995 biennium that is detailed by year and project. This work plan must specify, by road system or project area, proposed projects on which \$1 million or more would be spent during the 1995 biennium and an aggregate cost for projects with anticipated expenditures of less than \$1 million. Costs must be detailed by year and project."


The Executive Budget Report proposed the following revised construction plan language:

"The department is directed to submit to the 1993 legislature a construction work plan for the years 1993 through 1997 that is detailed by year and project. This work plan must specify, by road system or project area, proposed projects with greater than \$1 million of...."

The most significant change in the Executive recommendation is the requirement for a 5 year construction work plan, including the year preceding the biennium being budgeted and the biennium following the budget biennium.

Discussion. The construction work plan language provides for a project specific construction plan that is presented each biennium in the department's Report to the Legislature. In addition to providing a work plan for budgeting purposes, it provides a means of review in the succeeding legislative session of performance by the department in completing the construction plan.

2. FUNDING/FISCAL YEAR TRANSFER AUTHORITY - The 1991 biennium general appropriations act included the following language:

 "The department may adjust appropriations and FTE in the construction, preconstruction, interfund transfers, and maintenance programs between fiscal years and funding sources to reflect actual expenditures related to the construction work plan and maintenance activities."

The Executive Budget Report proposed revisions to the language to split the authorizations for fiscal year adjustments and fund transfer authority into separate language authorizations, and limiting fund transfer authority to the Construction Program. The Executive recommendation also adds FTE transfer authority between fiscal years. The Executive Recommendation is as follows:

"The department may adjust appropriations and FTE in the construction, interfund transfers, and maintenance programs between fiscal years to reflect actual expenditures related to the construction work plan and maintenance activities."

"The department may adjust appropriations in the construction program between fund types provided that the adjustment does not exceed 10 percent of the total appropriation established by the legislature for the construction program."

Discussion. The transfer authority language presented above is unique in state government to the Department of Highways, recognizing the difficulty of estimating the timing of contract payments and final funding mix of highway construction projects. The language was intended to allow the department flexibility to move appropriation authority between fund sources and fiscal years to adjust for reasonable variations in the approved construction work plan as required by weather conditions and varying federal match ratios. Without the language, the department would be required to submit budget amendment and supplemental requests to transfer the funds as needed. The language has been in the appropriations bill for the past two bienniums.

The department used the transfer authority language in the 1991 biennium to expand the 100% state funded RTF program from \$66 million as approved by the 1989 legislature to over \$90 million, exceeding the original state special revenue appropriation and construction plan by \$24 million. The language enabled the department to do this without legislative review as would have been required in the normal budget amendment or supplemental process. The increase in state special revenue was done by reducing federal revenue authority. This procedure resulted in a shortfall of federal expenditure authority for scheduled projects in the 1991 biennium, and required both budget amendment and supplemental requests from the department to restore federal authority and provide additional state special

revenue authority to complete scheduled projects in fiscal 1991. The expansion of the RTF program also accelerated the "spend-down" of the state highway account. The legislature may wish to consider whether it is legislative intent to allow such a significant variation in the approved construction plan without legislative review.

In addition to transferring federal authority to fund RTF projects, the department transferred \$20 million of appropriation authority from federal to state revenue to resolve an accounting problem resulting from a lag in federal reimbursement to the state. The department plans to reverse this transfer before the end of fiscal 1991. However, the use of appropriation authority to resolve technical accounting problems was not the original intent of the language authority. The legislature may wish to examine this procedure to explore other means of handling accounting adjustments.

The Executive language recommendation for fund transfer authority would place a 10 percent transfer limitation on total construction program authority. However, even with a 10 percent limitation, the department would have authority to transfer over \$40 million between federal and state funds without legislative review.

3. INSURANCE PROCEEDS ADDITIONAL APPROPRIATION AUTHORITY - The 1991 biennium general appropriations act included the following language:

"Item ___ includes an appropriation of \$475,000 in each fiscal year for damage repairs from insurance proceeds. In the event the insurance proceeds received exceed the amounts appropriated to the department of highways for fiscal 1992 and fiscal 1993, the additional funds are appropriated."

The Executive Budget Report proposed the following revised insurance proceeds appropriation language:

"In the event that insurance proceeds received to repair damages exceed the amounts appropriated to the department, the additional funds are appropriated."

Discussion. The insurance proceeds authority provides the department appropriation flexibility if insurance claims exceed the estimated amount for the biennium. If the language were not included, the agency would have to submit a supplemental request for additional spending authority.

The Executive recommendation excludes specifying the base appropriation for insurance proceeds. Without specifying the base appropriation, there is no available source of the amount that must be expended within the original appropriation before appropriation may be increased.

4. MAINTENANCE OF HIGHWAY 223 - The 1991 biennium general appropriations act included the following language:

"Contingent upon passage of HB 774, there is appropriated \$150,000 a year for the 1990-91 biennium from the highway special revenue fund to the maintenance program."

Discussion. The above language provided a separate appropriation for maintenance of Highway 223 between Fort Benton and Chester. House Bill 774 required the department to assume maintenance of the highway as of July 1, 1989 and provided for an appropriation for the 1991 biennium.

Both the Executive and LFA current level budgets include \$150,000 per year for maintenance of Highway 223.

Options:

A. Approve a line-item appropriation of \$150,000 per year for Highway 223, and include the following language:

"Item ___ is for maintenance of Highway 223 between Fort Benton and Chester."

B. Direct the LFA to include in House Bill 2 narrative that it is legislative intent that \$150,000 per year be expended for maintenance of Highway 223.

C. Make no separate mention of the requirement for Highway 223 maintenance.

5. BUDGET AMENDMENT AUTHORITY - The Executive Budget Report proposed the following additional language for the 1993 biennium general appropriations act (HB 2):

"In the event the department receives additional federal revenue which was unanticipated and unforeseen during the 1991 legislative session, the appropriation of state special revenue to match the federal funds shall constitute an emergency for purposes of a budget amendment in accordance with 17-7-403, MCA."

Discussion. The Executive recommendation states that receipt of unanticipated federal funds during the 1993 biennium shall constitute an emergency, allowing approval of a budget amendment for the required state match. The definition of an "emergency" is defined in Section 17-7-401, MCA. Language in the appropriations bill cannot supersede or amend existing statutes. Therefore, the proposed language would not be legally enforceable in revising the statutory definition of an emergency for budget amendment purposes.

EXHIBIT 4

DATE 2-4-91

Ben Holt SW

Additional Budget Issues:

General Operations Program

- 1) **RTAP** - The Rural Technical Assistance Program is \$154,000 annually. \$54,000 is funded from the \$14,000,000 of fuel taxes distributed to the cities and counties under 15-70-101, MCA. The remaining \$100,000 is funded by the federal government. The department incorrectly included the \$54,000 in the Executive Budget and not the \$100,000. Therefore, an increase of \$46,000 in the grant category is necessary for each fiscal year. This increase is 100% federal reimbursed.
- 2) **KALISPELL BYPASS FEASIBILITY STUDY** - In November, the Montana Congressional Delegation applied for and received \$150,000 special federal highway demonstration funds to determine the feasibility and location of a bypass route around Kalispell. This increase is 100% federal reimbursed. The study will be performed by a consultant.

Gross Vehicle Weight Program

- 2) **WEIGH STATION RETROFIT** - The department incorrectly included \$120,000 per year for the retrofit of weigh stations because it was in the current level. The Billings Interstate Eastbound Weigh Station is the only station in the original retrofit program that has not been completed. The department would like to complete this weigh station at an approximate cost of \$98,500 during FY93. This reduces the Executive Budget by \$120,000 in FY92 and \$21,500 in FY93.

Construction Program

- 1) **RIGHT-OF-WAY APPRAISER TRAINING** - Section XI of Public Law, the Savings and Loan Bailout legislation that was passed in late August of 1990, and Montana Senate Bill 8 require that real estate appraisals used in connection with federally funded transactions be performed by licensed or certified appraisers. The department anticipates that this recent legislation will make it necessary for our staff appraisers to become certified. The additional training cost to accomplish this will be approximately \$25,034 in FY92 and \$6,634 in FY93. The department has also requested additional spending authority in the FY91 supplemental appropriation.

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EXHIBIT 4
DATE 2-4-91
Ben Holt

AGENCY ISSUES

Base Year Difference Issues:

General Operations:

- 1) **TRANSPORTATION STUDIES** - Urban transportation plans provide the basis for local and MDOH officials to develop street improvements. Miles City's and Laurel's current transportation plans are over 10 years old and need to be updated to incorporate changed conditions which influence travel patterns, traffic demands and traffic forecasts. A planning consultant would be retained to perform the studies. They are expected to cost approximately \$50,000 each and we budgeted for one each fiscal year. The department budgeted for this in FY92 and these expenditures were not in the FY90 actual expenditures that LFA is using for the base.

- 2) **STATEWIDE HIGHWAY FUNCTIONAL CLASSIFICATION** - Subsequent to the 1990 census and a new federal highway bill in 1991, FHWA is requiring all states update their highway functional classifications. Functional classification is the prerequisite to federal-aid system designation and funding and is one basis on which states will receive funding for the System of National Significance under the next highway authorization bill. Our functional class system was last updated in 1974. A consultant will be retained to perform the update. The costs of this program is estimated to be \$70,000. The department budgeted for this in FY92 and these expenditures were not in the FY90 actual expenditures that LFA is using for the base.

- 3) **MAP DIGITIZING** - The department needs to convert old linen base maps into digital vector format in order to:
 - a) Produce publishable quality maps on present CADD equipment.
 - b) Reduce man hours necessary for map revision.

The costs of this program are approximately \$120,000 per fiscal year. These expenditures were not in the FY90 actual expenditures that LFA is using for the base.

Gross Vehicle Weight Program

- 1) **TRAVEL INCREASE** - The department requires an increase of \$20,000 per fiscal year in travel costs for the GVW Program. Normally, the GVW Division holds an annual training session in Helena for all officers. This was

not held during FY90 so the actual expenditures which LFA uses for the base, do not reflect the normal level of travel. It also will be necessary to provide additional training for the officers with the automation of the weigh stations.

