

SB BILL NO. 171

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INTRODUCED BY AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE DEPARTMENT OF TRANSPORTATION TO PHASE IN OVER A 3-YEAR PERIOD THE PRIVATIZATION OF SURVEYING OF ALL PUBLIC ROADS AND HIGHWAYS FOR WHICH THE DEPARTMENT IS RESPONSIBLE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Department surveys -- privatization.** (1) Subject to subsection (2), the department shall contract for the survey of all public roads and highways or portions of public roads and highways that the department is required to maintain.

(2) The department shall:

(a) prepare a privatization plan that conforms to 2-8-303; and

(b) phase in privatization of contracted surveys over a 3-year period.

(3) The legislative auditor shall review the department's survey privatization plan and its implementation pursuant to the criteria in 2-8-304.

**NEW SECTION. Section 2. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 60, chapter 2, part 2, and the provisions of Title 60, chapter 2, part 2, apply to [section 1].

**NEW SECTION. Section 3. Effective date.** [This act] is effective on passage and approval.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0171, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill requiring the Montana Department of Transportation (MDT) to phase in over a 3-year period the privatization of surveying of all public roads and highways for which the department is responsible.

ASSUMPTIONS:

1. MDT assumes that the term "survey of all public roads and highways" means all land survey work performed in the design phase of a project. It does not include: construction surveying, soils survey, traffic surveys, environmental surveys, and historical surveys.
4. Construction crews on the average, statewide, spend about 16% of their time doing preconstruction surveys. The work is done on a seasonal basis as fill in. This arrangement provides for operational efficiencies allowing MDT to retain trained staff for their primary function. MDT estimates a 25% reduction in their survey costs which converts to a 15.00 FTE reduction in the third year.
7. A recent independent audit, which was performed on privatizing various functions and presented to the Legislative Audit Committee, included survey work. Calculated costs for both departmental survey work and consultant survey work were included and showed MDT survey costs \$31.52 per hour, including overhead, and private contractors would bill \$51.08 per hour. It is assumed that these costs are both current and accurate.
8. Preconstruction survey work is performed by district construction personnel. Their primary job is construction engineering. Typically the majority of the construction engineering is accomplished between April and October and the preconstruction (design) surveying is accomplished between October and March.
9. The MDT Construction Management System (CMS) tracks hours charged to Preliminary Engineering -Survey. Current annual hours charged by MDT staff would be reduced to zero over three years. This work would then be accomplished by private firms.
10. Average annual hours spent on preconstruction surveying from 1993 to 1995 are 92,382 hours per year. (Source: CMS)
12. Assume contracted surveys would be 25% more efficient because they perform the work in the summer months which is more favorable than winter months for this type of work. The following costs would be incurred: 92,382 hrs x \$51.08 x .75 = \$3,539,000. One-third in FY98 would be \$1,180,000, and 2/3 in FY99 would be \$2,360,000.
13. MDT current preconstruction survey cost are 92,382 hrs x \$31.52 = \$2,912,000. Privatizing preconstruction surveys will reduce this cost some but will not reduce staff size appreciably. Assume a 25% overall reduction \$2,912,000 x .25 = \$728,000 This amount will be phased in 1/3 each year, or \$242,700 the first year, \$485,400 the second year and \$728,000 every year after that. Assume a reduction of 5.00 FTE per year until the maximum of 15.00 FTE is reached in the third year. An average salary cost of \$27,000/year produces personal services reductions of \$135,000 in FY98 and \$270,000 in FY99.
14. Assume the additional costs will be eligible for federal aid participation at 80% federal funding.

(Continued)

*Dave Lewis 1-20-97*  
DAVE LEWIS, BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

GARY AKLESTAD, PRIMARY SPONSOR DATE  
Fiscal Note Request, SB0171, as introduced

SB 171

FISCAL IMPACT:

Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
FTE	(5.00)	(10.00)
Personal services	(135,000)	(270,000)
Operating expense-old	(107,700)	(215,400)
Operating expense-contractor	<u>1,180,000</u>	<u>2,360,000</u>
Total	\$937,300	\$1,874,600

Funding:

Highway state special (02)	\$187,500	\$ 374,900
Highway federal (03)	<u>749,800</u>	<u>1,499,700</u>
Total	\$937,300	\$1,874,600

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

After the first two years the department could expect an additional annual expenditure of \$2,811,900 to accomplish preconstruction surveying.

Technical Note:

The definition of surveys in this bill is not precise enough to allow a good estimate of cost savings. If the intent were to include all surveys, a different fiscal note would be generated.