



MassDOT
FY21 Operating Budget
June 22, 2020

Overview: Key Challenges and Assumptions

- Usually MassDOT Board would consider the budget based on the lowest among Governor's House 2 (H2), Senate and House Budgets. However, the COVID-19 pandemic has created significant uncertainty about the Commonwealth's budget and the House and Senate budget proposals are not expected until after June 30.
- This DOT budget is based on the H2 Budget, with adjustments, and can be further revised once the final budget is law. The adjustments to revenue are:
 - As a deliberately cautious approach, this budget assumes 1/12th spending for each of the first three months of FY21 based upon our status quo spending for FY20 with Commonwealth Transportation Fund (CTF) transfers sufficient to cover that spending pattern and then assumes CTF transfers consistent with H2 in the subsequent quarters.
 - Toll revenue is sensitive to various conditions related to the pandemic, and therefore after presenting multiple scenarios, this budget assumes the more severe revenue scenario.
 - DOT operating revenue tends to be less cyclical and is therefore based on best available information from DOT divisions (updated since the advent of the pandemic).
- Based on assumption of 1/12th budgets for Q1, additional FTE increases granted in H2 for FY21 are delayed until the second quarter.
- DOT is establishing new position control and spending guidance effective July 1, which builds upon DOT's FY20 critical hire exercise.
- Toll and non-toll reserves help lessen negative impacts.



Overview of DOT Budget

MassDOT's Budget

MassDOT's budget is divided into Toll and Non-Toll components

Key funding sources for the budget include legislative approved transfers from the CTF for:

- Operations (including Snow & Ice)
- Regional Transit Authorities (RTA's)
- Merit Rating Board (MRB)

Other revenue sources include:

- Tolls
- Motor Vehicle Inspection Trust (MVITF)
- Federal Grants
- Own source revenues (primarily real estate)



MassDOT's Budget: Non-Toll Operating Budget

- Funding is provided in the form of transfers from the CTF into the Massachusetts Transportation Trust Fund (MTTF) where it is added to departmental revenues, such as leases, real estate transactions and fee income
- The balance in the MTTF is available to the Department without further appropriation by the Legislature
- The Board approves the budget based on resources available in the MTTF but does not control the size of the CTF transfer, which is determined through the Commonwealth's budget process



MassDOT's Budget: Toll Operating Budget

- Funding is provided through toll collections and departmental revenues, such as leases and fees
- Revenues can only be used to fund expenses associated with toll road operations
- Net revenues remaining after all toll operating expenses and debt service obligations are paid are available to fund pay-go capital projects on the toll roads



FY21 DOT Budget: Revenues

Commonwealth Transportation Fund Transfers

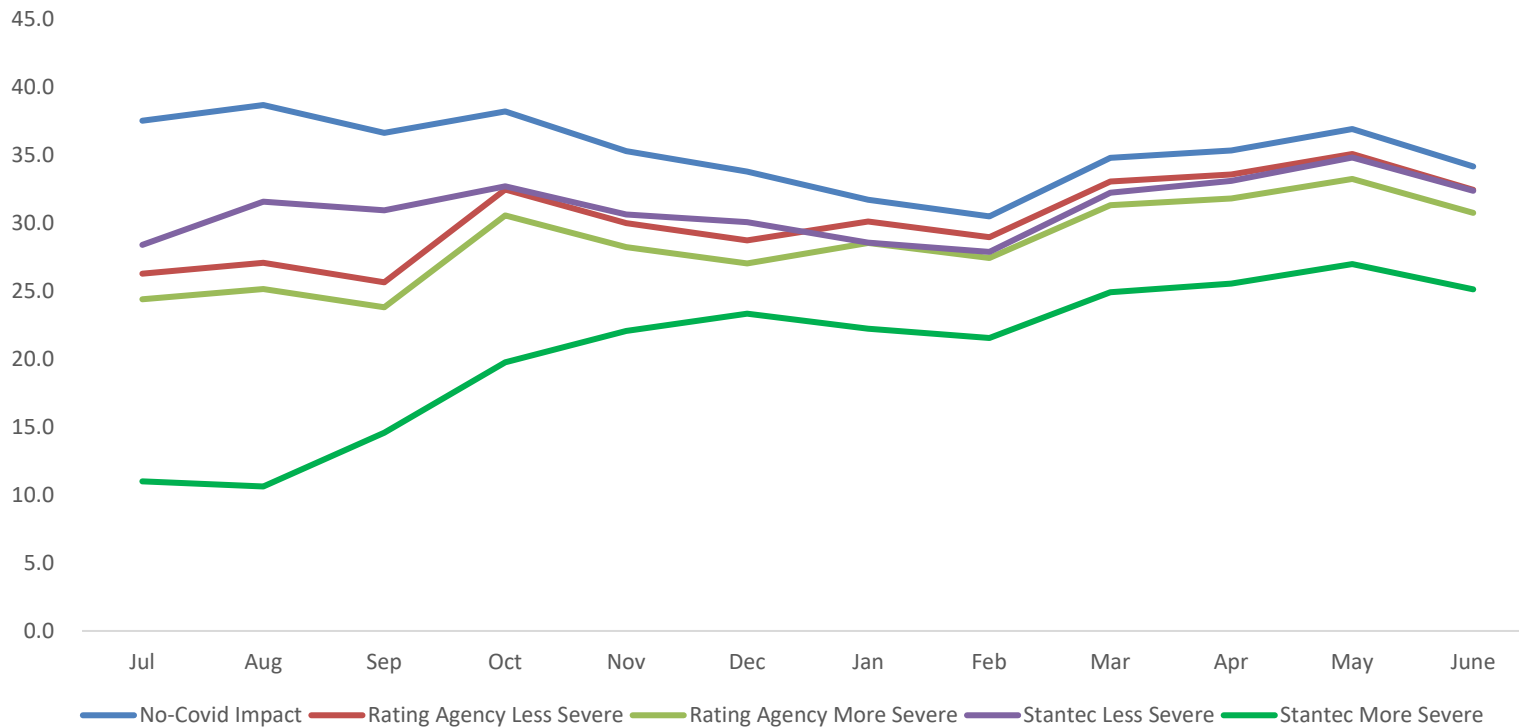
\$ in millions	FY17 GAA	FY18 GAA	FY19 GAA	FY 20 GAA	FY21 *H.2	FY21 Budget	\$ Variance	
							vs FY20 GAA	% Change
DOT Operations	329.1	303.3	358.5	345.8	423.5	420.2	74.3	21.5%
RTAs	82.0	80.4	88.0	90.5	94.0	90.5	0.0	0.0%
MRB	9.7	9.4	9.8	10.2	11.0	11.0	0.8	7.9%
Total MassDOT	420.8	393.1	456.3	446.5	528.4	521.6	75.1	16.8%

FY21 Budget Increase

- \$74.3M increase in DOT Operations
 - \$40M increase for snow & ice
 - \$34.3M increase for MassDOT non-Snow and Ice operations mainly to support payroll increases related to bargaining unit agreements, hire additional employees to support the capital plan, better maintain roadways, accommodate anticipated real ID demand and focus on RMV safety and operational improvements



FY21 Budget Toll Collection Scenarios: Monthly



- The following scenarios show average percentage decrease compared to baseline FY21 budget without Covid-19 impact:
 - Rating Agency Less Severe: -30% Q1, -15% Q2, -5% Q3 and -5% Q4
 - Rating Agency More Severe: -35% Q1, -20% Q2, -10% Q3 and -10% Q4
 - Stantec Less Severe : -19% Q1, -12% Q2, -7% Q3 and -4% Q4
 - Stantec More Severe : -69% Q1, -38% Q2, -27% Q3 and -25% Q4**
- Throughout the year we will track actual results against the above

FY21 Toll Collection: Stantec “More Severe” Scenario

- Of the four scenarios presented, for a cautious and fiscally prudent approach, the FY21 budget is developed using the “More Severe” analysis scenario from Stantec
- The Stantec “More Severe” analysis assumes a more challenging scenario in three areas:
 - COVID-19 pandemic and public health interventions,
 - Economic contraction, and
 - Behavioral responses with less driving
- We can continue to monitor the Toll collections, update the Board, and adjust plans accordingly



Toll Operating Revenue Summary

\$ in millions	MHS	WT	Tobin	FY21 Budget	FY 20 Budget	\$ Change	% Change
REVENUE:							
Toll Revenue							
Departmental	14.8	3.7	0.1	18.6	7.9	10.7	134.7%
Rental/Lease Income	12.1	33.3		45.4	38.4	7.0	18.1%
Toll Collections	124.6	96.9	26.3	247.8	413.4	(165.6)	-40.1%
Total Revenue	151.5	133.9	26.4	311.8	459.8	(148.0)	-32.2%
Commonwealth Transfers	125.0			125.0	125.0	0.0	0.0%
Investment Income*	9.3	2.5	1.1	12.8	20.2	(7.4)	-36.5%
Total Revenue	285.8	136.4	27.5	449.6	605.0	(155.3)	-25.7%

- \$10.7M Departmental increase due to real estate sales transactions
- \$7.0M Rental/Lease Income increase from FY20 rent deferred revenue
- (\$165.6M) decrease due to COVID-19 impact based off “Stantec More Severe” analysis
- (\$7.4M) decrease due to anticipated capital draw in reserve; therefore lower investment balance. Also projected decrease in MMDT rate

Note: *MHS investment income including \$0.3M MTA general fund



Non-Toll Operating Revenue Summary

\$ in millions	General	MRB	MVITF	Federal Grants	FY21 Budget	FY 20 Budget	\$ Change	% Change
REVENUE:								
Operating Revenue								
Departmental	13.7				13.7	13.7	0.0	0.3%
Rental/Lease Income	15.9				15.9	15.0	0.9	5.7%
Total Revenue	29.6	0.0	0.0	0.0	29.6	28.8	0.9	3.1%
Commonwealth Transfers	510.7	11.0			521.6	446.5	75.2	16.8%
Federal Grants				31.7	31.7	19.6	12.1	61.7%
Motor Vehicle Inspection Trust Fund			64.8		64.8	57.3	7.5	13.1%
Investment Income	1.4		0.3		1.6	1.2	0.4	36.2%
Total Revenue	541.7	11.0	65.1	31.7	649.4	553.3	96.1	17.4%

- \$0.0M Departmental flat
 - \$2.0M increased access permit fee increase
 - (\$2.0M) decreased real estate transactions
- \$0.9M Rental/Lease Income increase from FY20 rent deferred revenue
- \$75.2M increase in CTF – Described on slide 8
- \$12.1M Federal Grants increase due to anticipation of new Tower 1 and Build grants
- \$7.5M MVITF budget increase due to FY20 inspection sticker extension

Operating Revenue Assumptions

- Non-Toll and Toll Operating Revenue
 - Budgets for revenue generated through fees, permits, outdoor advertising, and bulk fuel chargeback are based on the three-year average of revenue received (FY 17 to 19).
 - Budgets for rentals and property sales are based on input from Office of Real Estate and Development (OREAD). For property sales, OREAD does a probability analysis as to whether sales will be finalized in the fiscal year.
- Motor Vehicle Inspection Trust Fund
 - Revenue budget is based on the three-year average of revenue received (FY 17 to 19) plus an additional \$6M in deferred revenue from FY 20 delayed inspections, due to COVID-19.
- Investment Income
 - Budget assumes reduced fund balances and lower interest rates.



FY21 DOT Budget: Expenses

Toll Operating Expense Summary

\$ in millions	MHS	WT	Tobin	FY21 Budget	FY 20 Budget	\$ Change	% Change
EXPENDITURES:							
Employee Compensation and Benefits	49.3	35.2	4.4	88.9	91.1	(2.2)	-2.4%
Office and Administrative Expenses	23.7	7.3	2.3	33.4	38.3	(4.9)	-12.9%
Professional Services	37.6	23.9	4.1	65.6	69.2	(3.6)	-5.2%
Construction and Maintenance	9.4	6.7	0.5	16.5	16.2	0.3	1.9%
IT Services and Equipment	5.8	4.5	0.0	10.3	10.7	(0.4)	-3.4%
Materials, Supplies, and Equipment	6.6	4.5	0.4	11.5	12.3	(0.8)	-6.8%
Grants, Subsidies, and ISA	1.1	0.2	0.0	1.3	1.7	(0.4)	-24.7%
Debt Service	145.4			145.4	136.6	8.8	6.4%
Total Expenditures	278.8	82.3	11.7	372.8	376.1	(3.3)	-0.9%

- (\$2.2M) decrease in Employee Compensation and Benefits primarily due to cost allocation plans
- (\$4.9M) decrease in Office and Administrative Expenses
 - Decreased credit card purchases; postage; remarketing fee in FY20 for refunding
- (\$3.6M) decrease in Professional Services
 - Credit card transactions decreased & one-time state police class in FY20
- \$8.8M increase for Debt Service due to refunding saving in FY20



Non-Toll Operating Expense Summary

\$ in millions	General	MRB	MVITF	Federal Grants	FY21 Budget	FY 20 Budget	\$ Change	% Change
EXPENDITURES:								
Employee Compensation and Benefits	285.9	5.6	5.1	0.9	297.5	293.9	3.6	1.2%
Office and Administrative Expenses	30.7	0.5	0.0	0.0	31.1	29.3	1.9	6.3%
Professional Services	31.7	0.0	6.8	0.6	39.1	36.6	2.5	6.7%
Construction and Maintenance	100.1	0.0			100.1	56.2	43.9	78.2%
IT Services and Equipment	26.5	5.3	0.4	0.3	32.5	32.7	(0.2)	-0.5%
Materials, Supplies, and Equipment	5.9	0.1			5.9	11.3	(5.4)	-47.5%
Grants, Subsidies, and ISA	93.9		2.5	4.4	100.8	111.1	(10.3)	-9.3%
Total Expenditures	574.6	11.4	14.8	6.3	607.0	571.1	36.0	6.3%

- \$43.9M increase in Construction and Maintenance
 - \$40M Snow & Ice
 - \$3.9M COVID-19 maintenance
- (\$5.4M) decrease for Materials, Supplies, and Equipment
 - (\$4.2M) Primarily FY20 Federal Grants including capital
 - (\$2.9M) Recategorized 10 PP maintenance offset in Professional Services & Construction and Maintenance
 - \$1.7M COVID-19 PPE
- (\$6.8M) decrease in Grants, Subsidies, and ISA due to FY20 budget including Federal Grants capital expenses & (\$3.5M) decrease in RTA



FY21 DOT Consolidated Budget

FY21 Consolidated Budget

(\$ in millions)	Non-Toll	Toll	FY21 Budget	FY20 Budget	\$ Change	% Change
REVENUE:						
Toll Collection		247.8	247.8	413.4	(165.6)	-40.1%
Operating Revenue	29.6	64.0	93.6	75.1	18.5	24.7%
Commonwealth Transfers	521.6	125.0	646.6	571.5	75.2	13.2%
Federal Grants	31.7	0.0	31.7	19.6	12.1	61.7%
Motor Vehicle Inspection Trust Fund	64.8	0.0	64.8	57.3	7.5	13.1%
Investment Income	1.6	12.8	14.4	21.4	(7.0)	-32.5%
Total Revenue	649.4	449.6	1,099.0	1,158.3	(59.2)	-5.1%
EXPENDITURES:						
Employee Compensation and Benefits	297.5	88.9	386.4	385.0	1.4	0.4%
Office and Administrative Expenses	31.1	33.4	64.5	67.6	(3.1)	-4.6%
Professional Services	39.1	65.6	104.7	105.8	(1.1)	-1.1%
Construction and Maintenance	100.1	16.5	116.6	72.4	44.2	61.1%
IT Services and Equipment	32.5	10.3	42.8	43.4	(0.5)	-1.2%
Materials, Supplies, and Equipment	5.9	11.5	17.4	23.6	(6.2)	-26.3%
Grants, Subsidies, and ISA*	100.8	1.3	102.1	112.8	(10.7)	-9.5%
Debt Service		145.4	145.4	136.6	8.8	6.4%
Total Expenditures	607.0	372.8	979.9	947.2	32.6	3.4%
Excess (deficit) Revenue over Expenditures	42.3	76.8	119.2	211.0	(91.9)	-43.5%
Other Financing Sources/Uses (OFSU):						
Reserves (DOT)**	19.0	129.9	148.9	52.8	96.1	181.9%
Transfer Out To Capital/Available for Capital	(61.3)	(206.7)	(268.0)	(263.9)	(4.1)	1.6%
Total Other Financing Sources	(42.3)	(76.8)	(119.2)	(211.1)	91.9	-43.5%
Net Revenue (Expense)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	

Note:

*FY20 Federal Grants including capital

**Toll Reserve draw is based on the capital draft proposed spend



Toll Operating

\$ in millions	MHS	WT	Tobin	FY21 Budget	FY 20 Budget	\$ Change	% Change
REVENUE:							
Toll Revenue							
Departmental	14.8	3.7	0.1	18.6	7.9	10.7	134.7%
Rental/Lease Income	12.1	33.3		45.4	38.4	7.0	18.1%
Toll Collections	124.6	96.9	26.3	247.8	413.4	(165.6)	-40.1%
Total Revenue	151.5	133.9	26.4	311.8	459.8	(148.0)	-32.2%
Commonwealth Transfers	125.0			125.0	125.0	0.0	0.0%
Investment Income*	9.3	2.5	1.1	12.8	20.2	(7.4)	-36.5%
Total Revenue	285.8	136.4	27.5	449.6	605.0	(155.3)	-25.7%
EXPENDITURES:							
Employee Compensation and Benefits	49.3	35.2	4.4	88.9	91.1	(2.2)	-2.4%
Office and Administrative Expenses	23.7	7.3	2.3	33.4	38.3	(4.9)	-12.9%
Professional Services	37.6	23.9	4.1	65.6	69.2	(3.6)	-5.2%
Construction and Maintenance	9.4	6.7	0.5	16.5	16.2	0.3	1.9%
IT Services and Equipment	5.8	4.5	0.0	10.3	10.7	(0.4)	-3.4%
Materials, Supplies, and Equipment	6.6	4.5	0.4	11.5	12.3	(0.8)	-6.8%
Grants, Subsidies, and ISA	1.1	0.2	0.0	1.3	1.7	(0.4)	-24.7%
Debt Service	145.4			145.4	136.6	8.8	6.4%
Total Expenditures	278.8	82.3	11.7	372.8	376.1	(3.3)	-0.9%
Excess (deficit) Revenue over Expenditures	7.0	54.1	15.8	76.8	228.9	(152.0)	-66.4%
Other Financing Sources/Uses:							
Interfund Transfer In / (Out)							
Reserves**	71.2	58.7	0.0	129.9		129.9	
Transfer Out to Capital/Available for Capital	(78.1)	(112.8)	(15.8)	(206.7)	(228.9)	22.1	-9.7%
Total Other Financing Sources	(7.0)	(54.1)	(15.8)	(76.8)	(228.9)	152.0	-66.4%
Net Revenue (Expense)	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	

Note:

*MHS investment income including \$0.3M MTA general fund

**Reserve draw is based on the capital draft proposed spend



Non-Toll Operating

\$ in millions	General	MRB	MVITF	Federal Grants	FY21 Budget	FY 20 Budget	\$ Change	% Change
REVENUE:								
Operating Revenue								
Departmental	13.7				13.7	13.7	0.0	0.3%
Rental/Lease Income	15.9				15.9	15.0	0.9	5.7%
Total Revenue	29.6	0.0	0.0	0.0	29.6	28.8	0.9	3.1%
Commonwealth Transfers	510.7	11.0			521.6	446.5	75.2	16.8%
Federal Grants				31.7	31.7	19.6	12.1	61.7%
Motor Vehicle Inspection Trust Fund			64.8		64.8	57.3	7.5	13.1%
Investment Income	1.4		0.3		1.6	1.2	0.4	36.2%
Total Revenue	541.7	11.0	65.1	31.7	649.4	553.3	96.1	17.4%
EXPENDITURES:								
Employee Compensation and Benefits	285.9	5.6	5.1	0.9	297.5	293.9	3.6	1.2%
Office and Administrative Expenses	30.7	0.5	0.0	0.0	31.1	29.3	1.9	6.3%
Professional Services	31.7	0.0	6.8	0.6	39.1	36.6	2.5	6.7%
Construction and Maintenance	100.1	0.0			100.1	56.2	43.9	78.2%
IT Services and Equipment	26.5	5.3	0.4	0.3	32.5	32.7	(0.2)	-0.5%
Materials, Supplies, and Equipment	5.9	0.1			5.9	11.3	(5.4)	-47.5%
Grants, Subsidies, and ISA	93.9		2.5	4.4	100.8	111.1	(10.3)	-9.3%
Total Expenditures	574.6	11.4	14.8	6.3	607.0	571.1	36.0	6.3%
Excess (deficit) Revenue over Expenditures	(32.9)	(0.4)	50.2	25.4	42.3	(17.8)	60.1	-337.5%
Other Financing Sources/Uses:								
Interfund Transfer In / (Out)	50.2		(50.2)		0.0	0.0	0.0	
Reserves DOT	18.5	0.4			19.0	52.8	(33.9)	-64.1%
Reserves ANF (Snow & Ice)					0.0		0.0	
Transfer out to Capital	(35.8)			(25.4)	(61.3)	(35.0)	(26.3)	75.1%
Total Other Financing Sources	32.9	0.4	(50.2)	(25.4)	(42.3)	17.8	(60.1)	-337.5%
Net Revenue (Expense)	(0.0)	0.0	0.0	0.0	(0.0)	0.0	(0.0)	

FY21 Quarterly Non-Toll Operating

(Excluding MRB, MVITF and Federal Grants)

\$ in millions	Q1	Q2	Q3	Q4	FY21 Budget Total	FY20 Budget	\$ Variance	Comments
REVENUE:								
Operating Revenue								
Departmental	3.5	2.8	2.7	4.7	13.7	13.7	0.0	
Rental/Lease Income	3.4	3.1	3.7	5.7	15.9	15.0	0.9	
Total Revenue	6.9	5.9	6.4	10.4	29.6	28.8	0.9	
Commonwealth Transfers	125.2	153.1	146.4	86.0	510.6	436.3	74.3	Snow & Ice & payroll increases
Investment Income	0.3	0.3	0.3	0.3	1.4	0.8	0.6	
Total Revenue	132.5	159.3	153.1	96.7	541.6	465.8	75.8	
EXPENDITURES:								
Employee Compensation and Benefits	65.2	77.9	66.7	77.9	287.6	283.6	4.1	
Office and Administrative Expenses	5.4	8.8	8.4	7.6	30.2	28.8	1.4	
Professional Services	5.8	9.5	8.1	8.5	31.9	29.8	2.1	
Construction and Maintenance	1.8	42.3	51.0	4.0	99.1	54.3	44.9	Snow & Ice & COVID-19
IT Services and Equipment	3.5	8.1	7.6	7.4	26.5	26.5	0.0	
Materials, Supplies, and Equipment	0.7	1.4	1.5	1.6	5.3	7.1	(1.8)	
Grants, Subsidies, and ISA	44.4	24.4	24.4	0.9	93.9	97.4	(3.5)	
Total Expenditures	126.8	172.3	167.7	107.8	574.6	527.4	47.2	
Excess (deficit) Revenue over Expenditures	5.7	(13.0)	(14.6)	(11.0)	(32.9)	(61.5)	28.6	
Other Financing Sources/Uses:								
MVITF Transfer in	2.6	15.9	15.9	15.9	50.3	44.2	6.1	
Reserve		6.7	7.0	4.8	18.5	52.8	(34.3)	
Transfer out to Capital	(8.3)	(9.6)	(8.3)	(9.6)	(35.8)	(35.0)	(0.8)	
Total Other Financing Sources	(5.7)	13.0	14.6	11.0	33.0	62.0	(29.0)	
Net Revenue (Expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Note: Q1 Payroll based on FY20 FTE 3630 run rate. Q2-Q4 Payroll based on FTE 3708 run rate support by FY21 *H.2 budget



MassDOT Workforce

Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY19 Actual	As of 6/2/2020 Actual	FY20 Budget
Aeronautics	12	13	13	13	12	13	13
Highway (Exclude Toll Takers)	2,671	2,354	2,328	2,311	2,326	2,313	2,345
Planning and Enterprise Services	468	430	423	419	432	438	452
Rail and Transit	14	12	11	10	12	14	17
Registry of Motor Vehicles	733	708	701	774	772	798	803
Operations	686	665	655	724	725	750	754
Merit Rating Board	48	43	46	50	47	48	49
SUBTOTAL	3,899	3,516	3,476	3,527	3,555	3,576	3,630

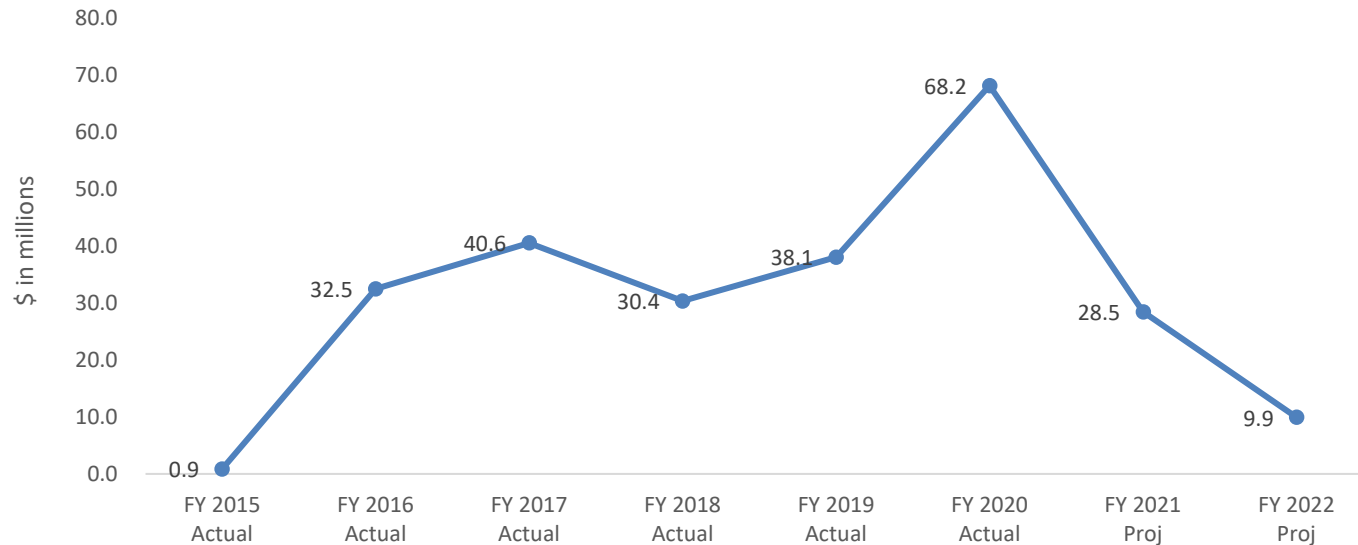
The budget fully funds:

- RMV and MRB safety-related hires in response to Grant Thornton review;
- Reclassification initiative previously approved with unions and MassDOT board; and
- Pay adjustments to comply with MA Equity Pay Act.

Any FTE increases would not be implemented until the FY21 budget is enacted by the legislature and Governor.



Non-Toll Operating General Reserve

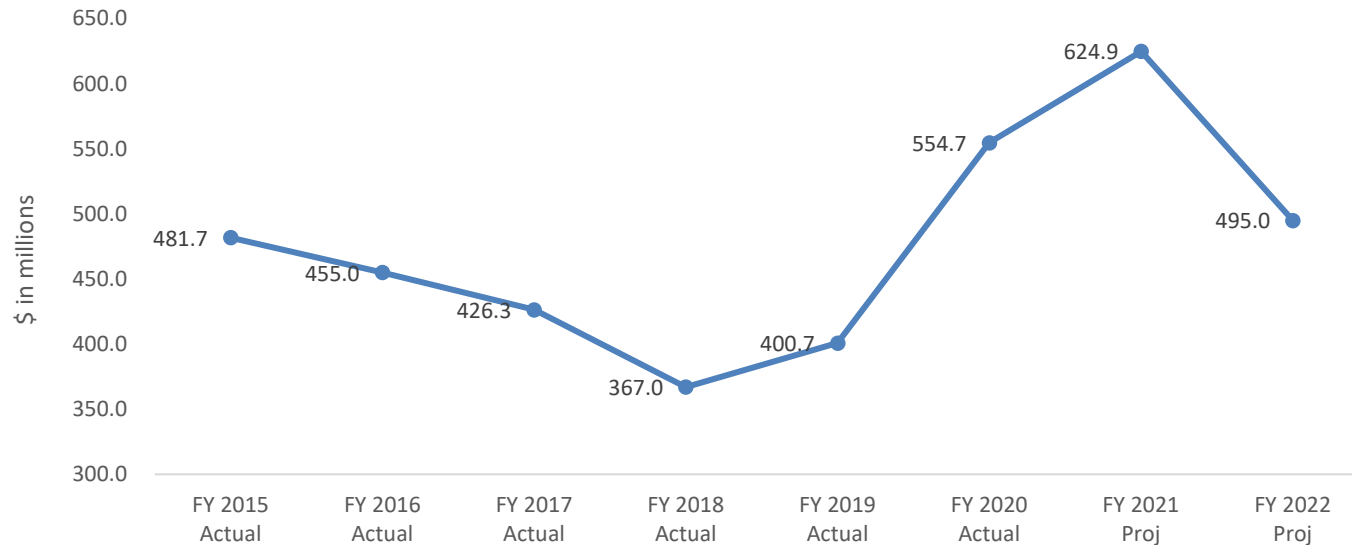


- Reserve build up was mostly due to bargaining unit contracts retroactive to FY18
- FY20 Budget included a reserve draw of \$52.4M to cover retroactive FY18 - FY20 payroll and fringe increases paid in FY20, RTA contracts from FY19 and unanticipated RMV costs associated with implementing Grant Thornton recommendations
- Non-toll Operating general reserve balance anticipated to be \$28.5M available beginning of FY21, higher than balance of \$15.8M that had been anticipated when the FY20 budget was adopted
- FY21 Budget anticipates a reserve draw of \$18.5M. The available balance beginning of FY22 projected to be \$9.9M

Note: FY15 – FY22 Actual reflects beginning balance
Non-Toll operating reserve not including MRB



Toll Reserve



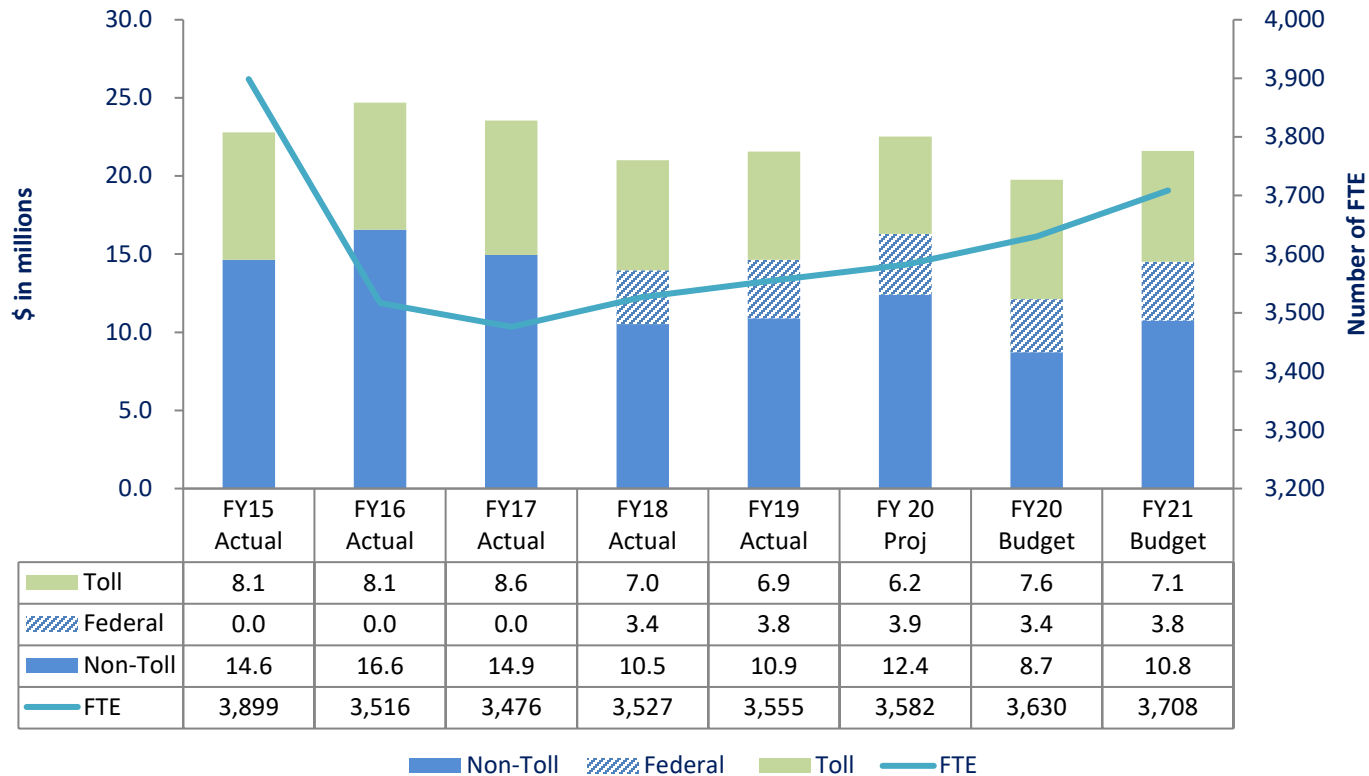
- The FY20 Capital Reinvestment toll funds covered the project universe within the FY20 Capital Investment Plan which did not require any reserve draw in FY20
- Toll operating balance anticipated to be \$624.9M available beginning of FY21. \$491.2M is available for capital and \$133.7M to reserve for net debt service
- FY21 Capital Budget anticipate a reserve draw of \$129.9M. The available balance beginning of FY22 projected to be \$495.0M



Note: FY15 – FY22 balance reflects beginning balance

Appendix

Overtime (Excluding Snow & Ice)



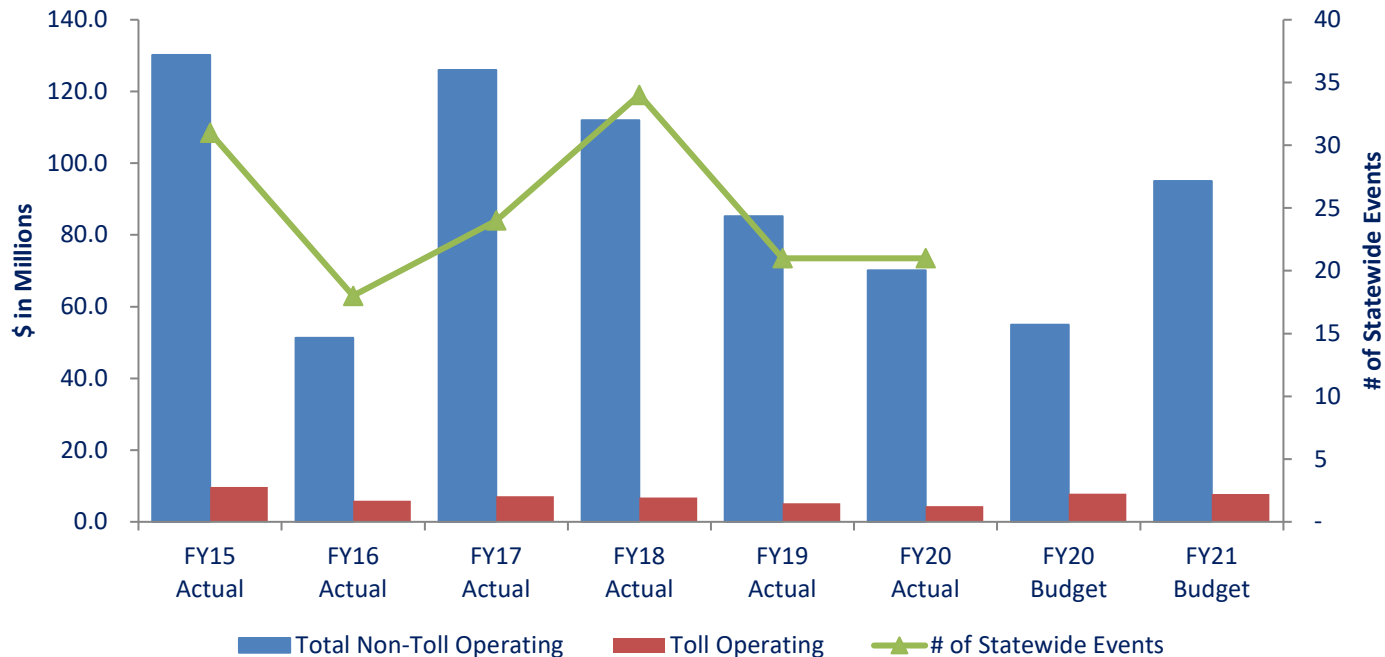
Note:

- For trending purposes, Funding Type including capital expenses
- FY15-FY17 FTE & expenses excluding toll takers
- FY20 FTE as of 4/21/2020 Pay Period Ending



Snow & Ice

	FY15	FY16	FY17	FY18	FY19	FY20	FY20	FY21
\$ in 000's	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget
Non-Toll Operating	48.6	51.3	62.1	61.7	78.3	55.0	55.0	95.0
Non-Toll Operating Supplement	81.5	0.0	63.8	50.2	6.9	15.0		
Total Non-Toll Operating	130.1	51.3	125.9	111.9	85.2	70.1	55.0	95.0
Toll Operating	9.8	5.9	7.2	6.8	5.2	4.4	7.8	7.7
TOTAL SNOW & ICE	139.9	57.2	133.1	118.7	90.4	74.5	62.8	102.7
# of Statewide Events	31	18	24	34	21	21		



*FY20 Actual as of 5/29/2020