



MassDOT
FY22 Operating Budget
June 21, 2021

Overview: Key Priorities and Assumptions

- The Non-Toll Commonwealth Transportation Fund transfers (CTF) are based on the Senate release, which is the lowest among Governor's House 1 (H.1), Senate and House Budgets, and may be further revised once the final budget is signed into law
- Reliance on legislative supplemental appropriations to fully fund Non-Toll snow & ice operations if expenditures exceed \$45 million (5-year average = \$95 million)
- Toll revenue is sensitive to various conditions related to the pandemic and a return to normalcy. After reviewing multiple scenarios this budget takes a conservative view and assumes the more severe revenue scenario
- Continued reliance on toll and non-toll reserves to help lessen negative impacts
- In discussion with ANF to increase Highway staffing levels to deliver the Next Generation Bridge Program
- RMV continues to prioritize and promote safety while also improving operational effectiveness and efficiency
- Overcame FY21 budget challenges through saving initiatives, payroll savings and a mild winter resulting in a higher reserve balance which can be used to help balance the budget for FY 22



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



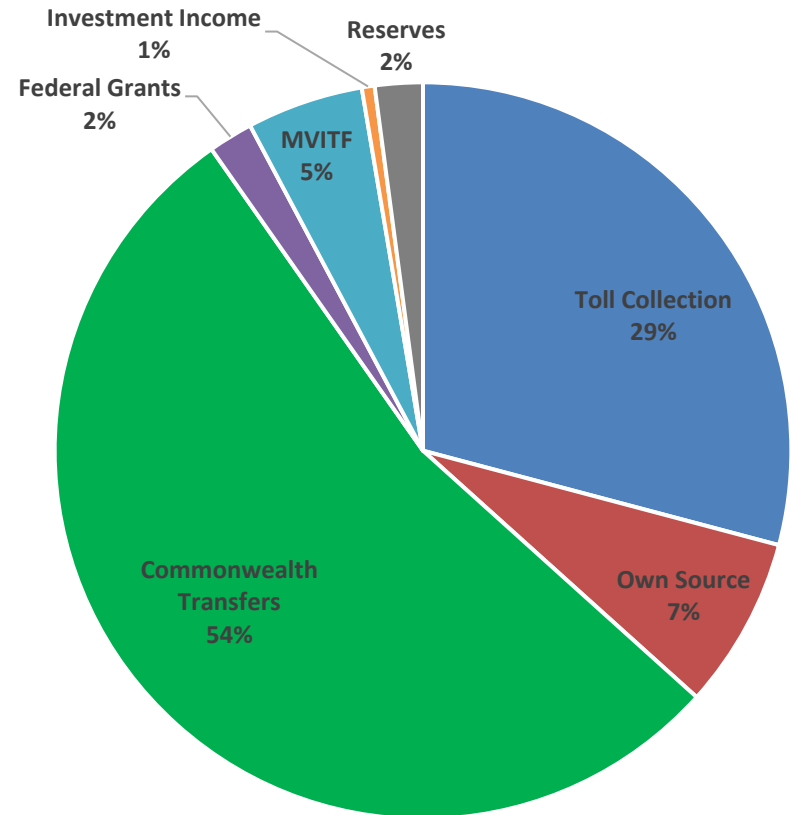
MassDOT's Budget: Toll Operating Budget

- 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



FY22 Non-Toll & Toll Revenue Combined Breakdown

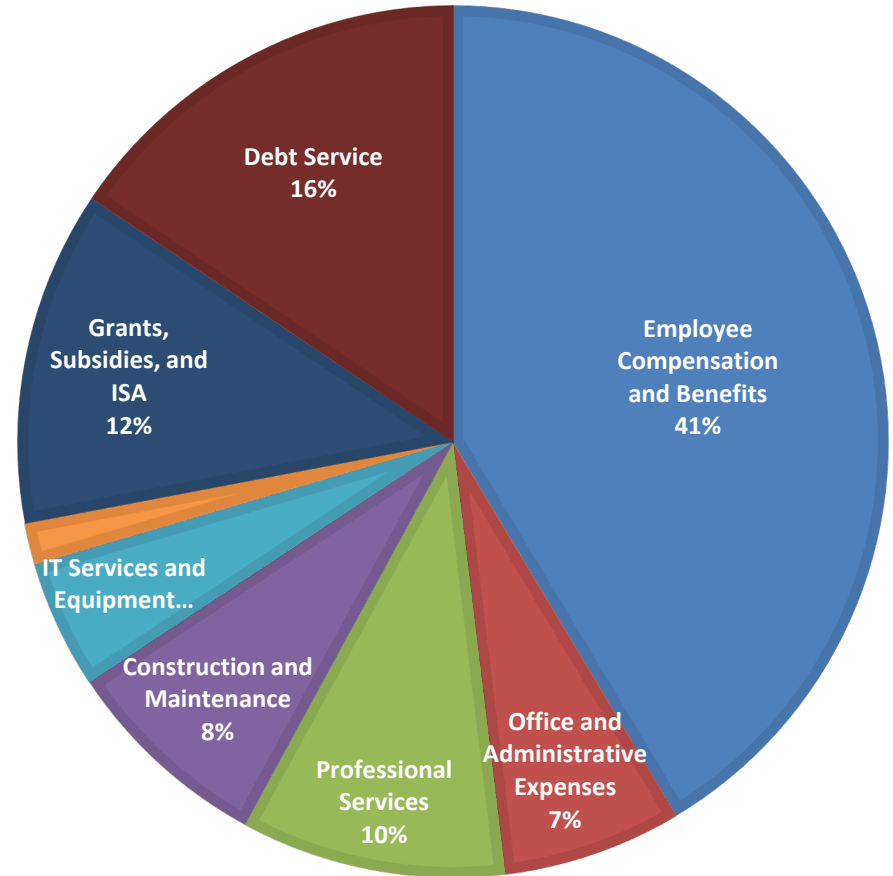
- MassDOT Operating Revenues:
 - 54% CTF funding to support non-toll operating
 - 29% Toll Collection to support toll operations
 - 7% Own Source Revenue to support toll and non-toll operating
 - 5% MVITF to support non-toll operating
 - 2% of Federal Grants
 - 2% reserves draw for non-toll operating



FY22 Non-Toll & Toll Expense Combined Breakdown

MassDOT Operating Expenses:

- 41% Employee Compensation and Benefits
- 16% Debt Service
- 12% Grants and ISA
- 10% Professional Services
- 8% Construction and Maintenance
- 7% Office and Administration
- 5% IT Services and Equipment
- 1% Materials, Supplies, and Equipment



Commonwealth Transportation Fund transfers

\$ Variance vs FY21 GAA

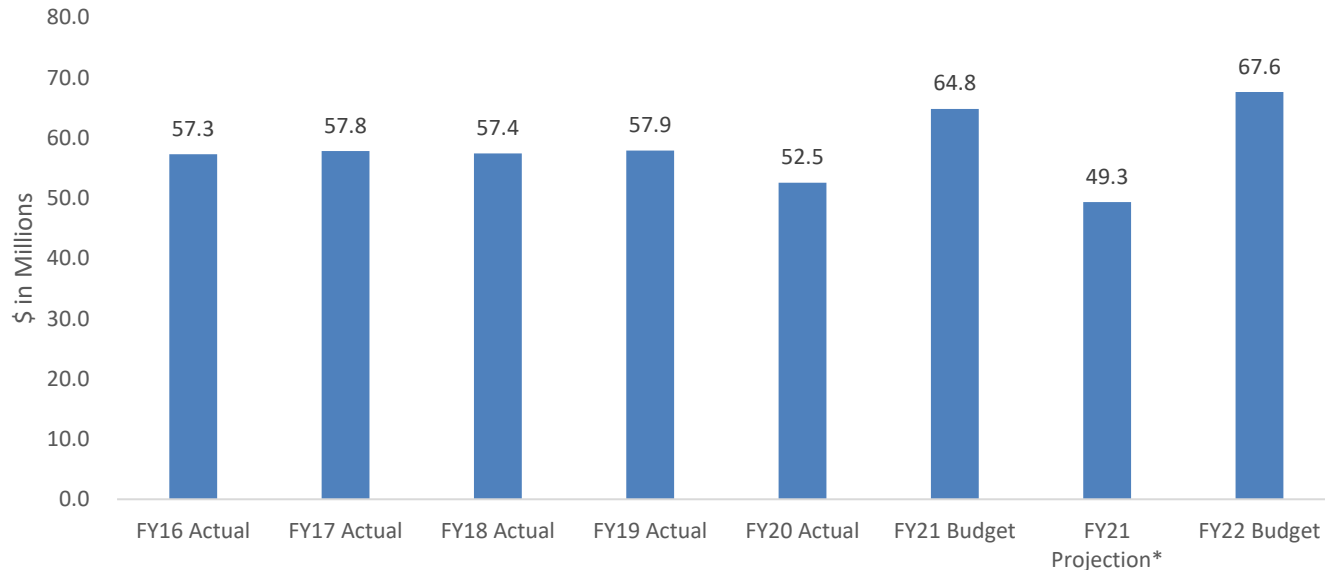
Commonwealth Transportation Fund	GAA FY 21	H.1 FY22	House FY22	Senate FY22/ FY22 Budget	H.1 FY22	House FY22	Senate FY22
MassDOT							
Operations (1595-6368)							
Non-Snow & Ice	291.0	306.6	307.9	306.6	15.5	16.9	15.5
Snow & Ice	90.0	95.0	45.0	45.0	5.0	(45.0)	(45.0)
Total Operations (1595-6368)	381.0	401.6	352.9	351.6	20.5	(28.1)	(29.5)
Merit Rating Board (1595-6379)	11.0	11.3	11.3	11.3	0.3	0.3	0.3
RTA Contract Assistance (1595-6370)	94.0	90.5	94.0	94.0	(3.5)	0.0	0.0
MassDOT Contract Assistance (1599-1970)	125.0	125.0	125.0	125.0	0.0	0.0	0.0

The Governor, House and Senate have submitted FY22 proposals with the following recommendations:

- MassDOT operations to receive a \$15.5 M increase vs. FY21 GAA. This investment supports RMV, Highway, Rail & Transit and Aeronautics Division. HWM includes \$1.3M in earmarks
- H1 recommends \$95.0 M for snow and ice removal costs, \$5M higher than FY21 GAA to be in line with 5-year average spending. House/Senate fund snow & ice at \$45M and assume \$50M in snow and ice supplemental if needed
- Merit Rating Board to receive a \$299 K increase vs. FY21 GAA to support additional safety critical information technology and cyber security improvements
- H1 recommends \$90.5 M for Regional Transit Authorities (RTAs), \$3.5 M lower than FY21 GAA, in recognition of federal aid for RTAs; House/Senate call for level funding RTAs at \$94M



Motor Vehicle Inspection Trust Fund (MVITF)



- FY20 actual revenue impacted by the pandemic due to inspection sticker extensions
- FY21 budget higher than prior years with the anticipation of deferred revenue from FY20 extensions
- FY21 projection lower than budgeted revenue due to inspection software vendor issue. We expect \$10M revenue will be deferred to FY22
- We anticipate FY22 will be back to normal with historical revenue average of \$57M and \$10M deferment from FY21



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 four-year average of revenue received (FY 16 to 19, pre-pandemic)
 - Budgets for rentals and property sales are based on input from Office of Real Estate and Development (OREAD). For property sales, calculation is based on OREAD's probability analysis as to the likelihood of sales being finalized in the fiscal year.
- Motor Vehicle Inspection Trust Fund
 - Revenue budget is based on the four-year average of revenue received (FY 16 to 19, pre-pandemic)
- Investment Income
 - Budget assumes reduced fund balances and lower interest rates



Non-Toll Operating

Non-Toll Operating Revenue Summary

\$ in millions	General	MRB	MVITF	Federal Grants	Total FY22 Budget	FY 21 Budget	vs FY21 Budget
REVENUE:							
Operating Revenue	26.9	0.0	0.0	0.0	26.9	27.6	(0.7)
Commonwealth Transfers	445.6	11.3			456.9	486.0	(29.2)
Federal Grants				22.0	22.0	31.3	(9.2)
Motor Vehicle Inspection Trust Fund			67.6		67.6	64.8	2.8
Investment Income	0.5		0.3		0.8	0.8	(0.0)
Total Revenue	473.0	11.3	67.8	22.0	574.1	610.5	(36.3)

- (\$29.2M) decrease in CTF – Described on slide 9
- (\$9.2M) Federal Grants decreased primarily due to \$10M Tower 1 Grant, which was budgeted in FY21 by MassDOT but instead was awarded directly to MBTA
- \$2.8M MVITF revenue increase due to one-time FY22 anticipated deferred revenue from FY21 due to vendor software issue.

Non-Toll Operating Expense Summary

\$ in millions	General	MRB	MVITF	Federal Grants	Total FY22 Budget	FY 21 Budget	vs FY21 Budget
EXPENDITURES:							
Employee Compensation and Benefits	287.1	5.5	4.7	1.3	298.6	288.9	9.7
Office and Administrative Expenses	29.6	0.3	0.0	0.0	30.0	30.8	(0.8)
Professional Services	27.0	0.0	6.3	0.6	33.9	34.9	(0.9)
Construction and Maintenance	49.1	0.0	0.0	0.2	49.3	94.9	(45.7)
IT Services and Equipment	25.8	5.8	0.4	0.5	32.5	32.3	0.1
Materials, Supplies, and Equipment	4.0	0.1	0.0	0.0	4.1	6.0	(1.9)
Grants, Subsidies, and ISA	100.0		2.5	11.1	113.6	112.0	1.7
Total Expenditures	522.6	11.7	14.0	13.7	562.1	599.8	(37.7)

- \$9.7M increase in Employee Compensation and Benefits due to bargaining unit, step, management and fringe costs increases. It is offset partially by decreased prior year one-time bargaining unit reclassification study retros
- (\$45.7M) decrease in Construction and Maintenance
 - (\$45.0M) decrease snow & ice and COVID-19 cleaning. Based on CDC guidance and the lifting of COVID requirements, we anticipate decrease COVID-19 related expenses
- (\$1.9M) decrease in Materials, Supplies, and Equipment
 - Primarily reclass Covid-19 spending line item to Construction and Maintenance
- \$1.7M increase Grants, Subsidies, and ISA primarily for Federal Grant COVID expenses

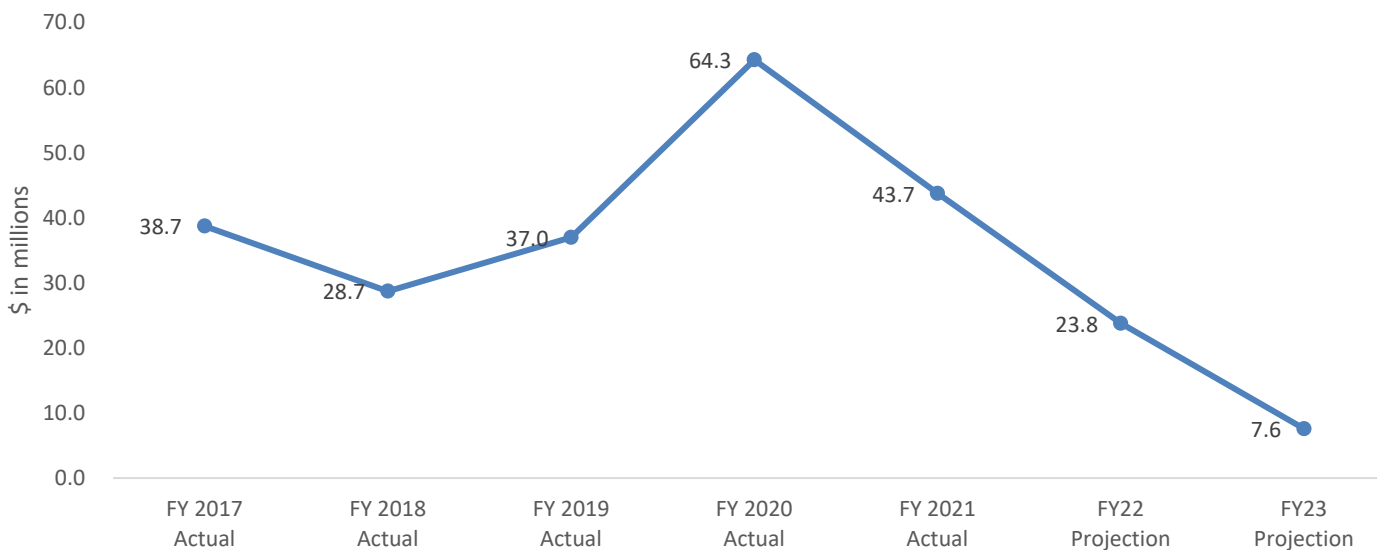


Non-Toll Operating

\$ in millions	General	MRB	MVITF	Federal Grants	Total FY22 Budget	FY 21 Budget	vs FY21 Budget
REVENUE:							
Operating Revenue							
Departmental	13.5				13.5	11.7	1.8
Rental/Lease Income	13.4				13.4	15.9	(2.5)
Operating Revenue	26.9	0.0	0.0	0.0	26.9	27.6	(0.7)
Commonwealth Transfers	445.6	11.3			456.9	486.0	(29.2)
Federal Grants				22.0	22.0	31.3	(9.2)
Motor Vehicle Inspection Trust Fund			67.6		67.6	64.8	2.8
Investment Income	0.5		0.3		0.8	0.8	(0.0)
Total Revenue	473.0	11.3	67.8	22.0	574.1	610.5	(36.3)
EXPENDITURES:							
Employee Compensation and Benefits	287.1	5.5	4.7	1.3	298.6	288.9	9.7
Office and Administrative Expenses	29.6	0.3	0.0	0.0	30.0	30.8	(0.8)
Professional Services	27.0	0.0	6.3	0.6	33.9	34.9	(0.9)
Construction and Maintenance	49.1	0.0	0.0	0.2	49.3	94.9	(45.7)
IT Services and Equipment	25.8	5.8	0.4	0.5	32.5	32.3	0.1
Materials, Supplies, and Equipment	4.0	0.1	0.0	0.0	4.1	6.0	(1.9)
Grants, Subsidies, and ISA	100.0		2.5	11.1	113.6	112.0	1.7
Total Expenditures	522.6	11.7	14.0	13.7	562.1	599.8	(37.7)
Excess (deficit) Revenue over Expenditures	(49.6)	(0.5)	53.9	8.3	12.1	10.7	1.4
Other Financing Sources/Uses:							
Interfund Transfer In / (Out)	53.9		(53.9)		0.0	0.0	0.0
Reserves DOT	16.2	0.3			16.5	32.9	(16.4)
Reserves RTA	3.5				3.5	3.7	(0.2)
Supplements COLA & COVID	14.0	0.2			14.2	8.0	6.2
Transfer out to Capital	(38.0)			(8.3)	(46.3)	(55.3)	9.0
Total Other Financing Sources	49.6	0.5	(53.9)	(8.3)	(12.1)	(10.7)	(1.4)
Net Revenue (Expense)	(0.0)	0.0	0.0	0.0	(0.0)	0.0	(0.0)



Non-Toll Operating Reserve



- Reserve balance has been drawn down over the course of FY20 and FY21 from a peak of \$64.3M due to bargaining unit retros paid out
- FY22 Budget anticipates a reserve draw of \$16.2M. The available balance beginning of FY23 is projected to be \$7.6M
- MassDOT tends to budget conservatively which frequently produces a larger year-end budget reserve than initially forecasted

Note: FY17 – FY22 reflects beginning balance
Non-Toll operating reserve not including MRB/RTAs



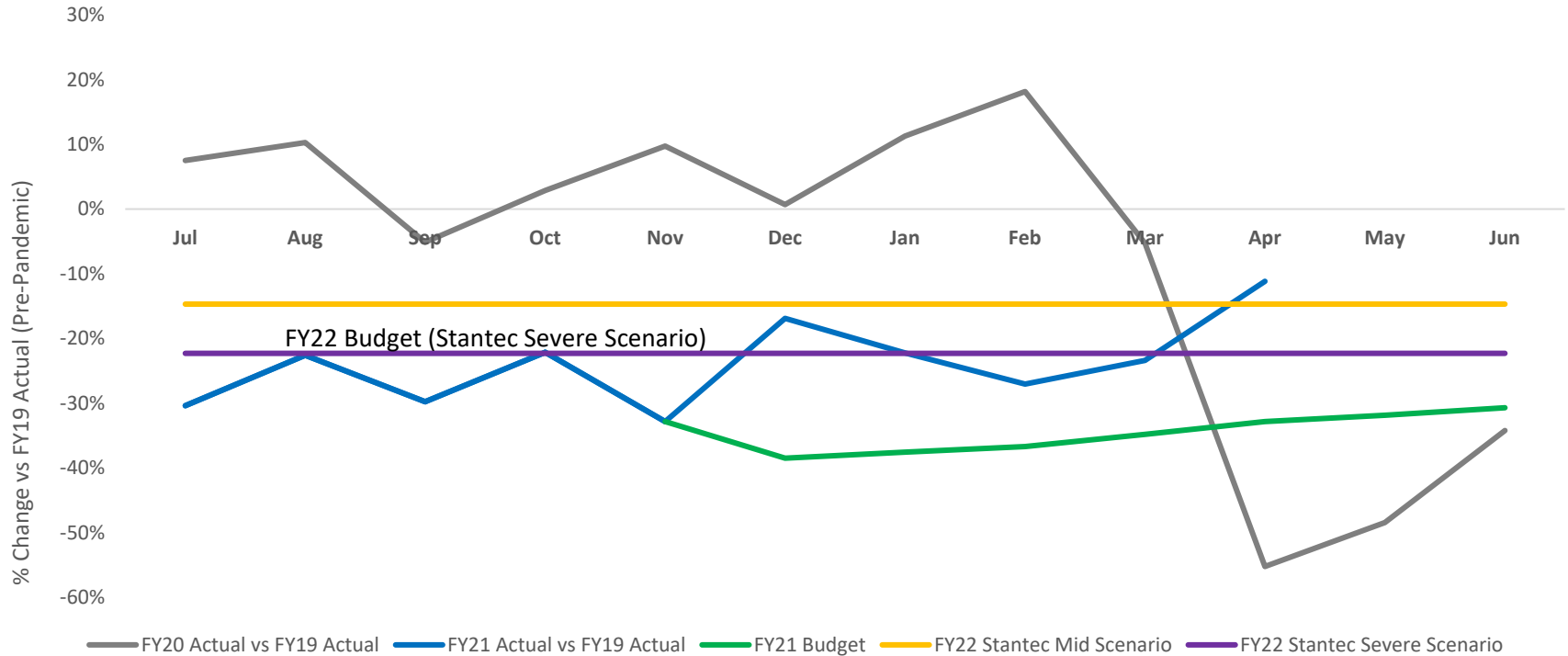
Toll Operating

Toll Collection Assumption

- Of the two scenarios presented, for a cautious and fiscally prudent approach, the FY22 budget is developed using the “More Severe” assumptions from Stantec
- The Stantec “More Severe” analysis assumes the following:
 - Prolonged ramp-up in re-opening
 - Business flights and international travel will take somewhat more time to return to normal meaning less traffic to Logan Airport
 - Long term or permanent impact of a “new normal” as some people continue working from home and take fewer personal trips
- We will continue to monitor the actual Toll Collections and update the Board and adjust the plan accordingly



Budget Toll Collection Scenarios:



							\$ variance VS FY19 Actual (Pre-Pandemic)					% Change vs FY19 Actual (Pre-Pandemic)				
Roadway	FY19 Actual	FY20 Actual	FY21 Budget	FY21 Forecast	FY22 Stantec Mid Scenario	FY22 Stantec Severe Scenario	FY20 Actual	FY21 Budget	FY21 Forecast	FY22 Stantec Mid Scenario	FY22 Stantec Severe Scenario	FY20 Actual	FY21 Budget	FY21 Forecast	FY22 Stantec Mid Scenario	FY22 Stantec Severe Scenario
MHS	221.4	207.6	129.5	144.9	175.0	155.9	(13.8)	(92.0)	(76.5)	(46.4)	(65.5)	-6.2%	-41.5%	-34.6%	-21.0%	-29.6%
WT	158.5	146.8	126.3	136.8	146.2	135.6	(11.7)	(32.2)	(21.8)	(12.3)	(23.0)	-7.4%	-20.3%	-13.7%	-7.8%	-14.5%
Tobin	43.7	38.3	31.0	34.2	40.3	37.7	(5.3)	(12.6)	(9.4)	(3.3)	(5.9)	-12.2%	-29.0%	-21.6%	-7.6%	-13.6%
Total	423.6	392.8	286.8	315.9	361.6	329.2	(30.9)	(136.9)	(107.8)	(62.1)	(94.4)	-7.3%	-32.3%	-25.4%	-14.7%	-22.3%

Toll Operating Revenue Summary

\$ in millions	MHS	WT	Tobin	FY22 Budget	FY 21 Budget	vs FY21 Budget
REVENUE:						
Toll Revenue:						
Operating Revenue	17.2	40.5	0.1	57.8	69.1	(11.3)
Toll Collections	155.9	135.6	37.6	329.1	286.8	42.4
Total Toll Revenue	173.1	176.1	37.7	386.9	355.8	31.1
Commonwealth Transfers	125.0			125.0	125.0	0.0
Investment Income	4.1	1.0	0.5	5.6	6.3	(0.7)
Total Revenue	302.2	177.1	38.2	517.5	487.1	30.3

- (\$11.3M) Operating Revenue decrease due to variability of real estate sales transactions
- \$42.4M Toll Collections increase based off “Stantec More Severe” analysis

Note: *MHS investment income including \$0.2M MTA general fund



Toll Operating Expense Summary

\$ in millions	MHS	WT	Tobin	FY22 Budget	FY 21 Budget	vs FY21 Budget
EXPENDITURES:						
Employee Compensation and Benefits	46.9	38.4	3.3	88.5	87.8	0.7
Office and Administrative Expenses	22.7	6.9	2.6	32.2	33.4	(1.2)
Professional Services	29.3	22.8	4.1	56.2	58.4	(2.2)
Construction and Maintenance	9.6	6.4	0.4	16.4	16.5	(0.1)
IT Services and Equipment	5.8	4.7	0.0	10.6	10.3	0.2
Materials, Supplies, and Equipment	5.7	4.4	0.3	10.4	11.5	(1.1)
Grants, Subsidies, and ISA	1.4	0.6	0.0	2.0	1.3	0.7
Debt Service	144.9	0.0	0.0	144.9	145.4	(0.5)
Total Expenditures	266.1	84.1	10.8	361.0	364.5	(3.5)

- \$0.7 increase in Employee Compensation and Benefits due to bargaining unit, step, management and fringe costs increases. It is offset partially by decreased prior year one-time bargaining unit reclassification study retros
- (\$1.2M) decrease in Office and Administrative Expenses
 - Decreased credit card purchases, postage and fuel for vehicles
- (\$2.2M) decrease in Professional Services primarily for reducing state police contract
- (\$1.1M) decrease in Materials, Supplies, and Equipment primarily for transponders

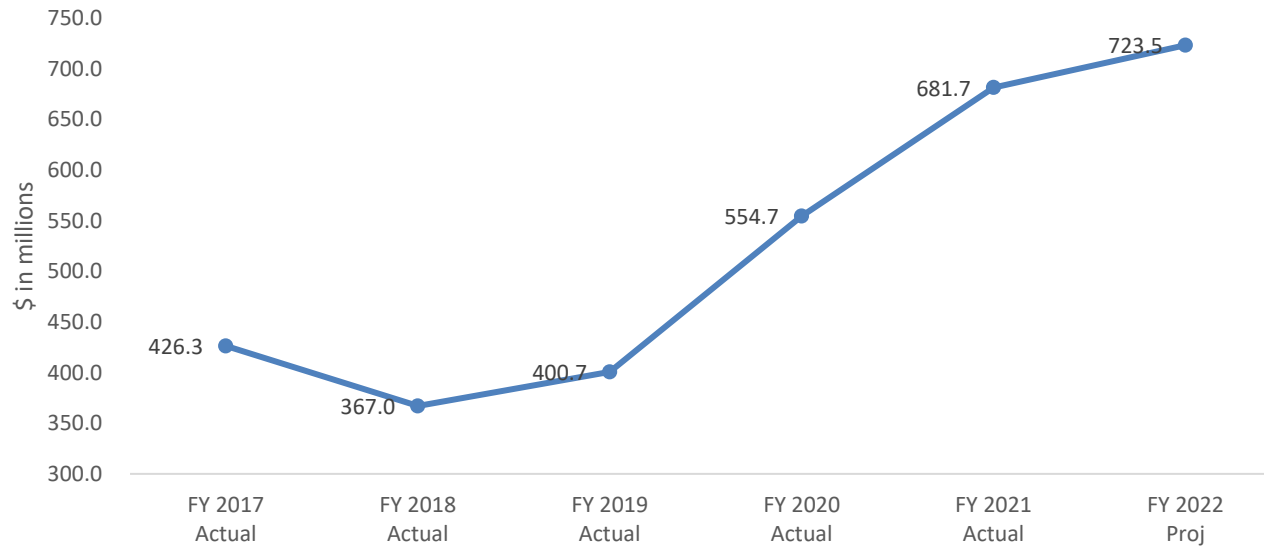
Toll Operating

\$ in millions	MHS	WT	Tobin	FY22 Budget	FY 21 Budget	vs FY21 Budget
REVENUE:						
Toll Revenue:						
Operating Revenue	17.1	40.5	0.1	57.7	69.1	(11.3)
Toll Collections	155.9	135.6	37.6	329.1	286.8	42.4
Total Toll Revenue	173.0	176.1	37.7	386.8	355.8	31.0
Commonwealth Transfers	125.0			125.0	125.0	0.0
Investment Income*	4.1	1.0	0.5	5.6	6.3	(0.7)
Total Revenue	302.2	177.1	38.2	517.4	487.1	30.3
EXPENDITURES:						
Employee Compensation and Benefits	46.9	38.4	3.3	88.5	87.8	0.7
Office and Administrative Expenses	22.7	6.9	2.6	32.2	33.4	(1.2)
Professional Services	29.3	22.8	4.1	56.2	58.4	(2.2)
Construction and Maintenance	9.6	6.4	0.4	16.4	16.5	(0.1)
IT Services and Equipment	5.8	4.7	0.0	10.6	10.3	0.2
Materials, Supplies, and Equipment	5.7	4.4	0.3	10.4	11.5	(1.1)
Grants, Subsidies, and ISA	1.4	0.6	0.0	2.0	1.3	0.7
Debt Service	144.9	0.0	0.0	144.9	145.4	(0.5)
Total Expenditures	266.1	84.1	10.8	361.0	364.5	(3.5)
Excess (deficit) Revenue over Expenditures/Available for Capital	36.1	93.0	27.4	156.4	122.6	33.7
Other Financing Sources/Uses:						
Interfund Transfer In / (Out)						
Reserves				0.0	247.2	(247.2)
Transfer Out to Capital/Available for Capital	(36.1)	(93.0)	(27.4)	(156.4)	(369.8)	213.4
Total Other Financing Sources	(36.1)	(93.0)	(27.4)	(156.4)	(122.6)	(33.7)
Net Revenue (Expense)/Available for Capital	0.0	0.0	0.0	0.0	0.0	(0.0)

*MHS investment income including \$0.2M MTA general fund



Toll Reserve



- Since the implementation of All Electronic Tolling project, there were no mega projects or programs undertaken, resulting in reserve balance build up
- Total Toll operating balance including MHS, WT and Tobin anticipated to be \$723.5M available beginning of FY22. MHS \$265.8M, WT \$300.1M and Tobin \$157.6M

Note: FY17 – FY22 balance reflects beginning balance



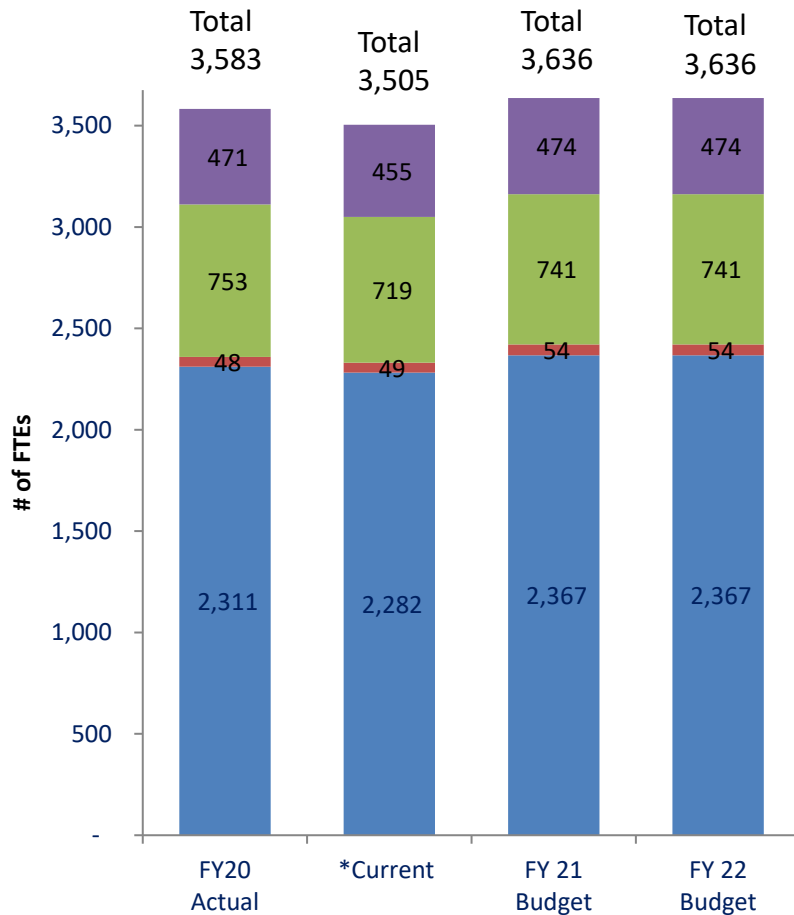
FY22 DOT Consolidated Budget

FY22 Consolidated Budget

(\$ in millions)	Non-Toll	Toll	FY22 Budget	FY 21 Budget	vs FY21 Budget
REVENUE:					
Toll Collection		329.1	329.1	286.8	42.4
Operating Revenue	26.9	57.7	84.6	96.7	(12.1)
Commonwealth Transfers	456.9	125.0	581.9	611.0	(29.2)
Federal Grants	22.0	0.0	22.0	31.3	(9.2)
Motor Vehicle Inspection Trust Fund	67.6	0.0	67.6	64.8	2.8
Investment Income	0.8	5.6	6.3	7.1	(0.7)
Total Revenue	574.1	517.4	1,091.5	1,097.6	(6.1)
EXPENDITURES:					
Employee Compensation and Benefits	298.6	88.5	387.2	376.7	10.4
Office and Administrative Expenses	30.0	32.2	62.2	64.2	(1.9)
Professional Services	33.9	56.2	90.1	93.2	(3.1)
Construction and Maintenance	49.3	16.4	65.7	111.5	(45.8)
IT Services and Equipment	32.5	10.6	43.0	42.7	0.4
Materials, Supplies, and Equipment	4.1	10.4	14.5	17.4	(3.0)
Grants, Subsidies, and ISA	113.6	2.0	115.6	113.3	2.3
Debt Service		144.9	144.9	145.4	(0.5)
Total Expenditures	562.1	361.0	923.1	964.3	(41.2)
Excess (deficit) Revenue over Expenditures	12.1	156.4	168.5	133.3	35.1
Other Financing Sources/Uses (OFSU):					
Interfund Transfer In / (Out)	0.0		0.0	0.0	0.0
Reserves DOT	16.6		16.6	280.1	(263.5)
Reserves RTA	3.5		3.5	3.7	(0.2)
Supplements COLA & COVID	14.2	0.0	14.2	8.0	6.2
Transfer Out To Capital/Available for Capital	(46.3)	(156.4)	(202.7)	(425.1)	222.4
Total Other Financing Sources	(12.1)	(156.4)	(168.4)	(133.3)	(35.1)
Net Revenue (Expense)	0.0	0.0	0.0	0.0	0.0



MassDOT FTEs



- In discussion with ANF to increase Highway FTEs to hire additional engineers and project managers to deliver the Next Generation Bridge Program
- To date, all divisions' hiring plans have committed to match their FTE caps
 - Highway is hiring a class of 44 Civil Engineers, most of whom will start in June. Highway is also hiring 30 to 40 Highway Maintenance Workers through the civil service list with start dates in June
 - RMV and MRB are hiring several safety-related positions as well as converting select temporary employees to permanent roles to support in-person service delivery expectations
 - Planning & Enterprise Services is hiring 12 new positions and promotional opportunities, split evenly between management and bargaining unit positions



Request of the Board

VOTED:

That the Board of Directors of the Massachusetts Department of Transportation approves the Fiscal Year 2022 Operating Budget for the Massachusetts Department of Transportation as presented during the June 21st, 2021 meeting of the Board.