



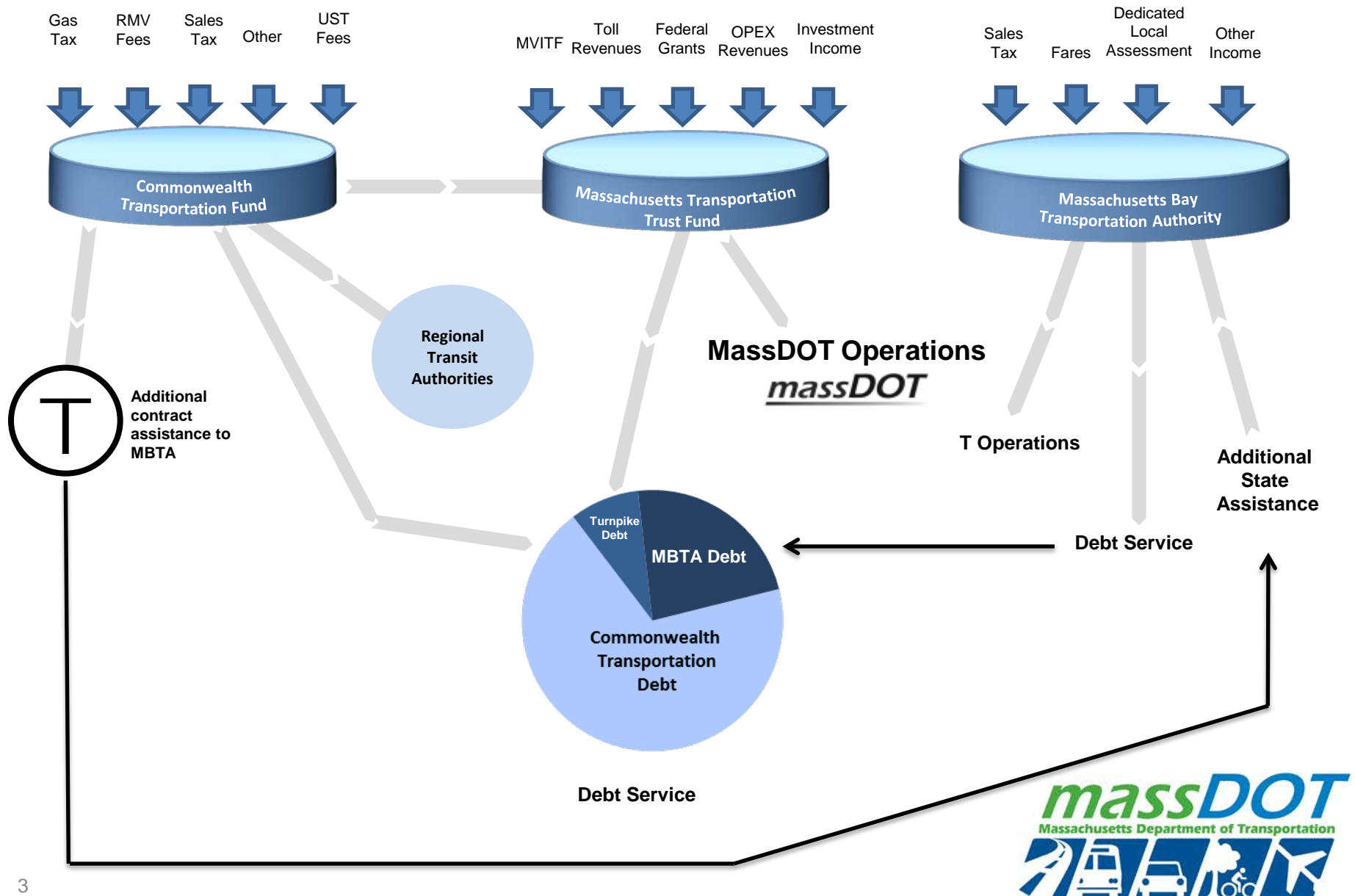
**MassDOT**  
FY18 Operating Budget Presentation  
June 19, 2017

# Overview

- This presentation will walk the Board through projected impacts on the MassDOT Budget
- Operations, policy and legislative changes have had (or are expected to have) an impact on MassDOT's budget:
  - First full year of All Electronic Tolling
  - "House 1" Budget – proposes that MassDOT fund the salaries of employees who work to deliver the capital plan with State and Federal capital funds
  - Lesser reliance on supplemental funding from Commonwealth
- Key challenges to keep an eye on:
  - Efforts to better manage overtime
  - Additional drawing down of reserves
  - Under budgeting of Snow and Ice - reliance on supplemental appropriations
- Staff recommends and requests that the Board approve the FY18 Operating Budget as presented
  - Due to a still ongoing budget conference, we have chosen to budget against the smallest of the three proposed CTF transfers, the Senate's \$315.2M



# Transportation Funding in Massachusetts is Complicated



# MassDOT's Budget

- MassDOT's overall budget is comprised of two separate budgets funded from separate funding sources, Non-Toll Operating and Toll Operating
- Non-Toll Operating Budget
  - Funding is provided in the form of transfers from the Commonwealth Transportation Fund (CTF) into the Massachusetts Transportation Trust Fund (MTTF) as well as 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 state 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
  - Revenues remaining after all toll operating expenses and debt service have been covered are available to fund paygo capital projects on the toll roads



# Non-Toll Budget Challenges

The CTF transfer funding MassDOT operations has been decreasing in recent years:

(\$ in millions)	FY15	FY16	FY17 GAA	FY18 H1	FY18 HWM	FY18 Senate
MassDOT Operations	324.4	337.5	329.0	344.3*	324.3	315.2
MBTA	122.6	187.0	187.0	127.0**	\$127.0**	\$127.0**
RTAs	80.0	82.0	82.0	80.0	80.0	83.0
Merit Rating Board	9.3	9.6	9.6	9.7	9.7	9.7
TOTAL	536.3	616.1	607.6	561.0	541.0	534.9

\* H1 increase in MassDOT operations reflects commitment to pre-fund more Snow and Ice and not rely so heavily on supplemental budgets. H1 figure would support an Snow and Ice spend of \$82m (excluding toll-funded), roughly an average of the previous five years (FY12-16). The smaller proposed CTF transfer would not support that amount of non-supplemental snow and ice

\*\* MBTA funding shifted to capital spending due to reduction in operating deficit



# Non-Toll Budget Challenges cont.

- Delivering our growing capital program requires additional personnel -- which H1 outside section would allow
  - House 1 proposed, and the House budget includes, language that allows capital dollars to be used to match 80% federally-funded capital positions
  - The proposed FY18 budget will therefore move capital-related payroll expenses to the capital budget and use capital dollars to support hiring of more engineers to support execution of the capital plan
- Overtime increases have limited our ability to bring on required talent



# MassDOT FTE Breakdown – with Outside Section

Division	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Budget	FY17 Actual 4/1/2017	FY18 Budget
AERONAUTICS	8.0	10.0	12.0	12.0	13.0	12.0	13	13
HIGHWAY	2,619.3	2,626.5	2,636.4	2,673.2	2,354.7	2,392.5	2,346.90	2,399.9
PLANNING AND ENTERPRISE SERVICES	453.0	442.1	465.9	468.1	429.7	435.2	430.5	458.5
RAIL AND TRANSIT	0	7.0	10.0	14.0	12.0	14.0	11	13
REGISTRY OF MOTOR VEHICLES	764.5	736.0	749.7	735.4	710.0	715.3	696.5	746.5
Grand Total	3,844.8	3,821.6	3,874.0	3,902.7	3,519.4	3,568.9	3,497.80	3,630.8

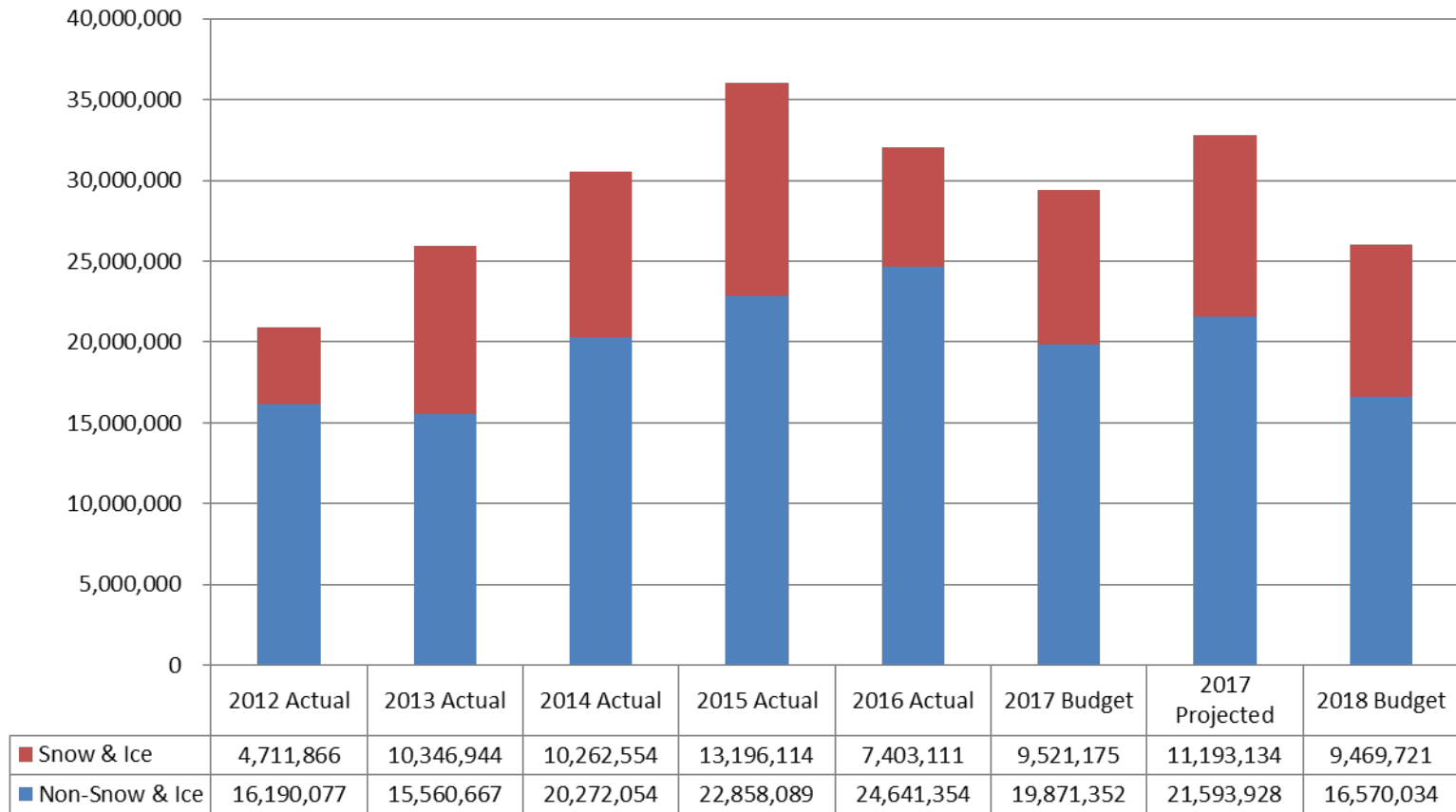
- Highway FTE adjusted to exclude toll takers from Highway FY11 – FY17 for comparison purposes
- FY 18 Budget is based on staff levels as of 4/1/2017 in addition to hiring plans for the Operating Divisions and Planning and Enterprise Services.
  - Highway Division is primarily hiring engineers for the delivery of the capital program and maintenance equipment operators and other job classifications that are needed to reduce overtime
  - Registry hiring is related to the implementation of Atlas, including Real ID, and Customer Service Representatives needed for the War on Wait Times
  - Planning and Enterprise divisions with anticipated hires includes Planning, General Counsel, Chief Administrative Office, CFO, Audit, OREAD, Technology Division, and Security and Emergency Preparedness





# Non-Toll Budget Challenges cont.

**Overtime:** Better manage overtime to allow funding of more positions.



# Non-Toll Budget Challenges Cont.

- **Snow and Ice:** Budget for snow and ice to more closely cover historic average expenditures, lessening the need to rely on a state supplemental budget. Historically, MassDOT has relied heavily on supplemental state funding to cover under-budgeted Snow and Ice expenses. In FY16 we largely relied on drawing down non-toll reserves to cover the budget shortfall. MassDOT looks to reduce its reliance on state supplemental funding to cover expected snow and ice expenses

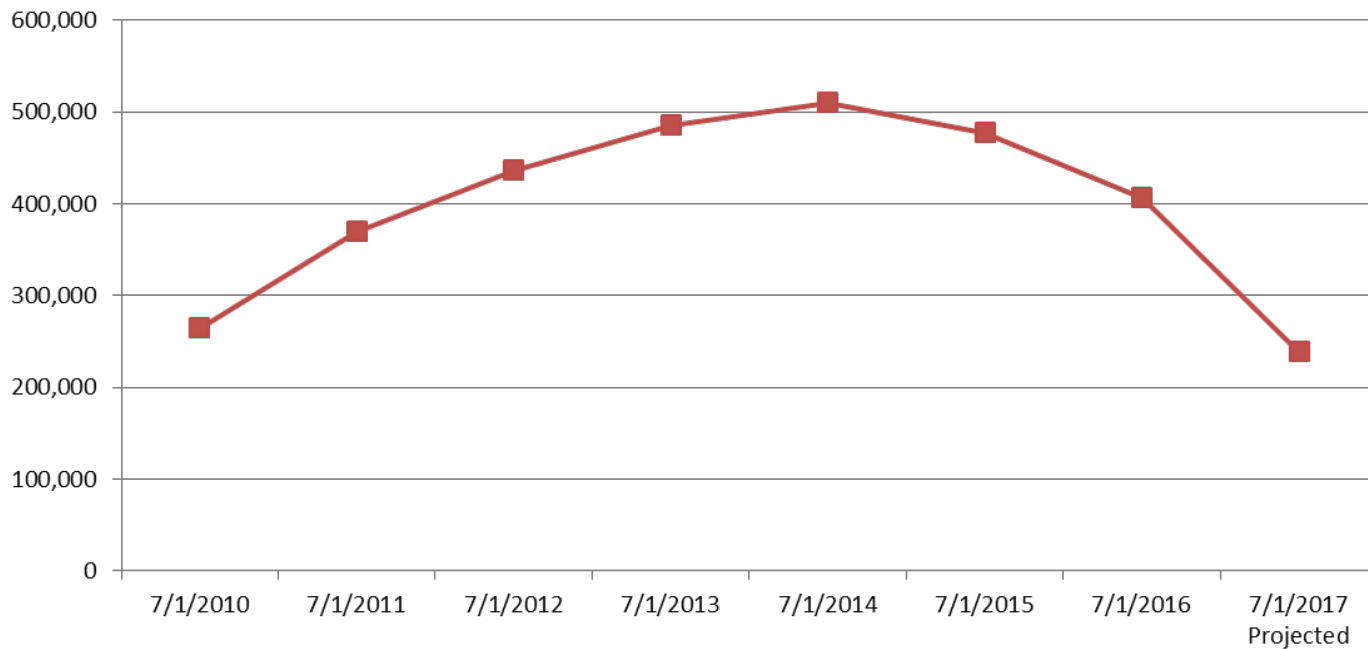
(\$ in Millions)	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Projected	FY 17 Budget	FY 18 Budget	5 Year Average
Non-Toll Operations	92.1	112.3	151.2	80.4	126	92.1	80.7	114.5
Toll Operations	9.9	9.3	9.7	5.9	6.9	9.1	9.1	8.4
Total Expenditures	102	121.6	160.9	86.3	132.9	101.2	89.8	122.9
# of Statewide Events	23	27	31	18	24			24.6

- The FY 18 budget is based on the Senate recommendation for DOT operations, which includes \$50.7M in CTF transfer and an anticipated supplemental request of at least \$30M.
- House 1 funded Snow and Ice at \$81M with no supplemental funding
- The FY 17 budget assumed \$62.1M in CTF transfer and we have requested from ANF \$63.9M in supplemental funding.



# Toll Budget Challenges

- **Controlling Operating Expenses.** With the new AET program we are focused on controlling expenses, and understanding the way expenses move in correlation with revenues
- **Reserve Fund Balances.** Toll capital is funded out of excess revenue left after toll operations and debt service. Given the drawdown to pre-pay significant AET expenses last year, toll reserves are lower than in recent years.



# Consolidated FY18 Budget by Funding Source

(\$ in 000's)	Non-Toll Operating	Toll Operating	Fed Grants	MVITF	FY18 Budget
<b>REVENUE:</b>					
Toll Revenue	0	428,841	0	0	428,841
Operating Revenue	45,828	0	0	0	45,828
Commonwealth Transfers	407,887	125,000	0	0	532,887
Federal Grants	0	0	21,765		21,765
Motor Vehicle Inspection Trust Fund	0	0		56,592	56,592
Investment Income	749	4,532	0	200	5,481
<b>Total Revenue</b>	<b>454,464</b>	<b>558,373</b>	<b>21,765</b>	<b>56,792</b>	<b>1,091,394</b>
<b>OPERATING AND DEBT EXPENDITURES:</b>					
Salaries	185,418	53,460	464	2,678	242,019
Overtime	10,115	12,129	0	50	22,294
Fringe and Other Benefits	73,534	28,321	174	1,203	103,232
Materials, Supplies, Services	36,068	89,419	942	11,630	138,058
Office and Administrative Expenses	60,779	52,152	1,003	664	114,599
Construction and Maintenance	75,337	19,223	6,188	0	100,748
Grants, Subsidies, Contract Assistance	83,780	1,750	12,995	0	98,525
Debt Service	0	150,189	0	0	150,189
<b>Total Operating and Debt Expenditures</b>	<b>525,031</b>	<b>406,643</b>	<b>21,765</b>	<b>16,225</b>	<b>969,664</b>
<b>Excess (deficit) Revenue over Expenditures before OFS</b>	<b>(70,567)</b>	<b>151,730</b>	<b>0</b>	<b>40,567</b>	<b>121,730</b>
<b>Other Financing Sources (OFS):</b>					
Transfer In / (Out)	40,567	0	0	(40,567)	0
MTTF Reserves	0	0	0	0	0
MVITF Reserves	0	0	0	0	0
Toll Reserves	0	0	0	0	0
Supplemental Funding	30,000	0	0	0	30,000
<b>Total Other Financing Sources</b>	<b>70,567</b>	<b>0</b>	<b>0</b>	<b>(40,567)</b>	<b>30,000</b>
<b>Available for Capital</b>	<b>0</b>	<b>151,730</b>	<b>0</b>	<b>0</b>	<b>151,730</b>



# Consolidated FY18 Revenue Summary

(\$ in 000's)	FY17 Budget	FY18 Budget	Variance \$	Variance %
<b>Toll Revenue:</b>				
Toll Collection	358,721	381,400	22,679	6.3%
Toll Leases	34,296	34,294	(2)	(0.0%)
Departmental Fees:				
Court Surfines	5,387	4,927	(460)	(8.5%)
Toll Parcel 7 Parking & Other	2,625	2,970	345	13.1%
Toll Misc	8,682	3,215	(5,467)	(63.0%)
Toll Permits	1,574	2,034	460	29.2%
Total Departmental Fees	18,268	13,146	(5,122)	(28.0%)
<b>TOTAL TOLL REVENUE</b>	<b>411,286</b>	<b>428,841</b>	<b>17,555</b>	<b>4.3%</b>
<b>Operating Revenue:</b>				
Rental/Lease Income	9,455	9,716	261	2.8%
Federal Reimbursement	29,400	0	(29,400)	(100.0%)
Departmental Fees:				
Real Estate Transactions	20,852	24,458	3,606	17.3%
Permits	3,325	3,028	(297)	(8.9%)
Misc. Fees & Reimbursements	2,861	4,813	1,952	68.2%
Signs & Outdoor Advertising	1,895	1,890	(5)	(0.3%)
RMV (Registration, Roadtest & Other)	2,110	1,923	(187)	(8.9%)
Total Departmental Fees	31,043	36,112	5,069	16.3%
<b>TOTAL OPERATING REVENUE</b>	<b>69,898</b>	<b>45,828</b>	<b>(24,071)</b>	<b>(34.4%)</b>
<b>Commonwealth Transfers</b>	<b>545,781</b>	<b>532,887</b>	<b>(12,894)</b>	<b>(2.4%)</b>
<b>Federal Grants</b>	<b>49,357</b>	<b>21,765</b>	<b>(27,591)</b>	<b>(55.9%)</b>
<b>Motor Vehicle Inspection Trust Fund</b>	<b>54,607</b>	<b>56,592</b>	<b>1,985</b>	<b>3.6%</b>
<b>Investment Income</b>	<b>3,452</b>	<b>5,481</b>	<b>2,029</b>	<b>58.8%</b>
<b>TOTAL REVENUE</b>	<b>1,134,380</b>	<b>1,091,394</b>	<b>(42,987)</b>	<b>(3.8%)</b>



# Consolidated FY18 Revenue Summary

- \$22.7M Toll collection budget increases based on Jacobs projections
- (\$5.1M) Toll departmental fees reduced based on FY17 actuals and implementation of AET
- (\$29.4M) Federal reimbursement moved to capital in FY18 due to outside section moving payroll cost from operating to capital budget
- \$3.6M growth in Real Estate transactions based upon detail provided by OREAD
- (\$27.6M) Federal Grants decreased due to projects will be completed in FY17



# FY18 Non-Toll Operating Expense Summary

(\$ in 000's)	FY17 Budget	FY18 Budget	Variance \$	Variance %
<b>OPERATING EXPENDITURES:</b>				
Salaries	204,031	185,418	(18,613)	(9.1%)
Overtime	13,926	10,115	(3,811)	(27.4%)
Fringe and Other Benefits	81,415	73,534	(7,880)	(9.7%)
Materials, Supplies, Services	32,418	36,068	3,650	11.3%
Office and Administrative Expenses	57,577	60,779	3,202	5.6%
Construction and Maintenance	86,870	75,337	(11,532)	(13.3%)
Grants, Subsidies, Contract Assistance	83,626	83,780	154	0.2%
<b>Total Operating and Debt Expenditures</b>	<b>559,862</b>	<b>525,031</b>	<b>(34,831)</b>	<b>(6.2%)</b>

- (\$18.6M) Salaries decreased compared to FY17 budget
  - (\$24.8M) Outside section moving payroll cost from operating to capital budget
  - \$6.2M increase for bargaining unit and management increases, as well as additional staff hires
- (\$3.8M) Outside section moving overtime costs from operating to capital budget
- (\$7.9M) Fringe and Other Benefits decreased
  - (\$10.0M) Outside section moving payroll cost from operating to capital budget
  - \$2.1M Increase of fringe cost due to net salaries increases and other
- \$3.6M Materials, Supplies, Services increased
  - \$2.0M Expansion using credit card for RMV; Legal & Financial support \$1.5M
- \$3.2M Office and Administrative Expenses
  - \$1.8M Service Plaza offset in Revenue; \$0.8M Drone project; \$0.8M Rent
- (\$11.5M) Construction and Maintenance
  - (\$11.5M) snow & ice fund decreased



# FY18 Toll Operating Expense Summary

(\$ in 000's)	FY17 Budget	FY18 Budget	Variance \$	Variance %
<b>OPERATING EXPENDITURES:</b>				
Salaries	62,748	53,460	(9,288)	(14.8%)
Overtime	15,449	12,129	(3,320)	(21.5%)
Fringe and Other Benefits	49,918	28,321	(21,597)	(43.3%)
Materials, Supplies, Services	72,589	89,419	16,830	23.2%
Office and Administrative Expenses	43,506	52,152	8,646	19.9%
Construction and Maintenance	15,512	19,223	3,711	23.9%
Grants, Subsidies, Contract Assistance	2,138	1,750	(388)	(18.1%)
Debt Service	167,472	150,189	(17,282)	(10.3%)
<b>Total Operating and Debt Expenditures</b>	<b>429,332</b>	<b>406,643</b>	<b>(22,689)</b>	<b>(5.3%)</b>

- (\$9.3M) Salaries decreased compared to FY17 budget
  - (\$8.0M) elimination of 4 months of Toll Collectors salaries
  - (\$4.6M) hiring reserve
  - \$3.1M increase for bargaining unit and management increases, as well as additional staff hires
- (\$3.3M) Overtime decreased compared to FY17 budget
  - (\$2.2M) elimination of Toll Collectors and (\$1.0M) in other
- (\$21.6M) Fringe and Other Benefits decreased
  - (\$17.8M) One-time Toll Collector payout paid in FY17
  - (\$4.5M) Decrease due to elimination of Toll Collectors
  - \$0.7M Increase of other benefits
- \$16.8M Materials, Supplies, Services increased
  - \$11.8M Annualized AET costs, including credit card fees, transponders, and consulting costs due to FY17 budget based on 8 months of AET
  - \$2.2M State Police training and \$2.8M other





# Toll Operating Expenses Summary cont.

- \$8.6M Office and Administrative Expenses budget increased
  - \$6.6M IT cost increases
    - \$3M increase to support Atlas, FY17 capital projects and improved PMO workflow and oversight
    - \$3M to convert toll capital budget spending to toll operating budget
  - \$2M Postage increases related to IBT resulting from AET
  - \$1.8M Higher electricity rate increases
    - Based on rates negotiated by OSD in August of 2016
  - (\$1.8M) offset in other costs decreased
- \$3.7M Construction and Maintenance expenses
  - (\$2M) reduction in insurance expenses due to elimination of toll booths
  - \$5.9M in year one of the maintenance portion of the Raytheon AET operating contract



# FY18 Non Toll Operating Budget Outside Section Impact

## OPERATING

FHWA  
Reimbursement  
\$29.0M  
  
Operating Funds  
\$10.0M



\$39.0M Payroll, Overtime,  
Fringe, Indirect Cost, Travel

## CAPITAL

FHWA  
Reimbursement  
\$29.0M  
  
State Cap \$10.0M

### NOTES:

- DOT's enabling legislation requires that the department properly classify operating and capital expenditures. In compliance with that legislation, DOT moved all employees off of the capital budget in FY15 and other operating expenses in FY16.
- The Governor's House 1 Budget includes an Outside Section recommending language that will allow DOT to use capital funds for the state portion of the salaries of employees who work on federally funded capital projects. The shift in funding would increase the hiring capacity for DOT.
- The Outside Section was included in the House Ways and Means Budget, but not supported by the Senate.
- The FY 18 budget presented to the Board assumes the approval of the Outside Section in Conference Committee. If the Outside Section is not approved, an amended budget will be presented to the Board.



# FY18 Non Toll Operating Budget Outside Section Impact Cont.

(\$ in 000's)	Outside Section Not Approved	Outside Section Approved	Variance
<b>REVENUE:</b>			
Toll Revenue	0	0	0
Operating Revenue	74,828	45,828	(29,000)
Commonwealth Transfers	407,887	407,887	0
Federal Grants	0	0	0
Motor Vehicle Inspection Trust Fund	0	0	0
Investment Income	749	749	0
<b>Total Revenue</b>	<b>483,464</b>	<b>454,464</b>	<b>(29,000)</b>
<b>OPERATING AND DEBT EXPENDITURES:</b>			
Salaries	210,255	185,418	(24,837)
Overtime	13,871	10,115	(3,756)
Fringe and Other Benefits	83,146	73,534	(9,611)
Materials, Supplies, Services	36,068	36,068	0
Office and Administrative Expenses	61,575	60,779	(796)
Construction and Maintenance	75,337	75,337	0
Grants, Subsidies, Contract Assistance	83,780	83,780	0
Debt Service	0	0	0
<b>Total Operating and Debt Expenditures</b>	<b>564,031</b>	<b>525,031</b>	<b>(39,000)</b>
<b>Excess (deficit) Revenue over Expenditures before OFS</b>	<b>(80,567)</b>	<b>(70,567)</b>	<b>10,000</b>
<b>Other Financing Sources (OFS):</b>			
Transfer In / (Out)	40,567	40,567	0
MTTF Reserves	10,000	0	(10,000)
MVITF Reserves	0	0	0
Toll Reserves	0	0	0
Supplemental Funding	30,000	30,000	0
<b>Total Other Financing Sources</b>	<b>80,567</b>	<b>70,567</b>	<b>(10,000)</b>



# Key Terms

**Toll Revenue:** Includes toll collections along with lease income along toll roads, court fines, violations, fees, permit income and sale of toll road real estate

**Operating Revenue:** Non-toll road revenue with the major categories including various fees and permits (registration, signs, access permits, non-reducible load permits, etc.), rental and lease income, and advertising revenue

**Materials, Supplies and Services:** Major categories include law enforcement, auxiliary services, photographic and micrographic services, and facility equipment

**Office and Administrative Expenses:** In addition to general office supplies, this category includes expenses such as utilities, fuel for vehicles, IT temp staff