



MassDOT
FY23 Operating Budget
June 8, 2022

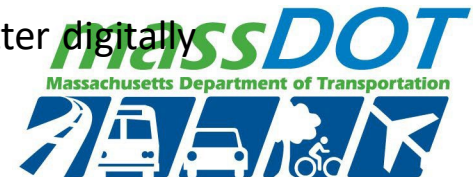
Overview: Key Assumptions and Priorities

Assumptions

- Commonwealth Transportation Fund (CTF) transfers are based on the House-passed budget, which is the lowest among Governor's House 2 (H.2), Senate and House Budgets. and may be further revised once the final budget is signed into law. If adjustments are made, we will come back before F&A and the Board to present an updated budget
- Budget assumes CTF transfer of \$394.7M in FY23, which would be an overall increase of \$41.7M but funds Snow & Ice below FY22 level (potential reliance on legislative supplemental funding if Snow & Ice expenditures exceed \$45M)
- Toll revenue continues to rebound from pandemic lows and the budget is based on Stantec's forecast which projects FY23 to be within 6% of the pre-pandemic levels

Priorities

- Overall the budget prioritizes safety, operational needs to implement the historic Bipartisan Infrastructure Law (BIL), and helping MassDOT to become a more modern employer
- The budget includes funding for:
 - Payroll increases from Collective Bargaining Agreements
 - Current level of FTEs, plus more hiring for BIL implementation and expanded bridge inspection program
 - New Unit E compensation package, contingent on the Board's approval
 - Continuation of Future of Work initiatives, including working better digitally
 - RMV safety operations



Overview of DOT Budget

MassDOT's Budget

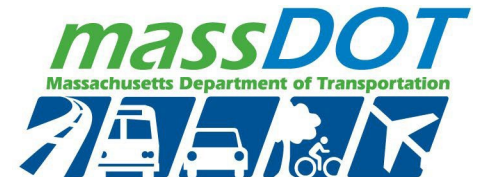
MassDOT's budget is divided into Toll and Non-Toll components

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)

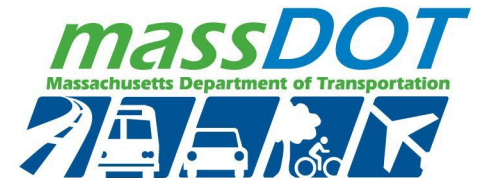
Other revenue sources include:

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



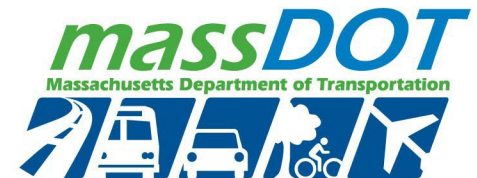
MassDOT's Budget: Non-Toll Operating Budget

- 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



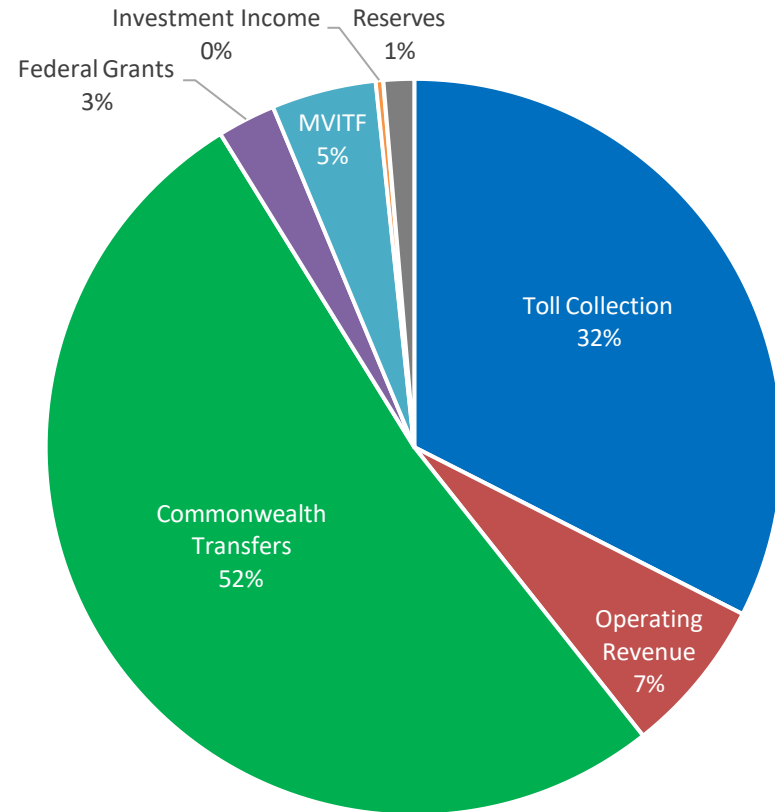
MassDOT's Budget: Toll Operating Budget

- 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



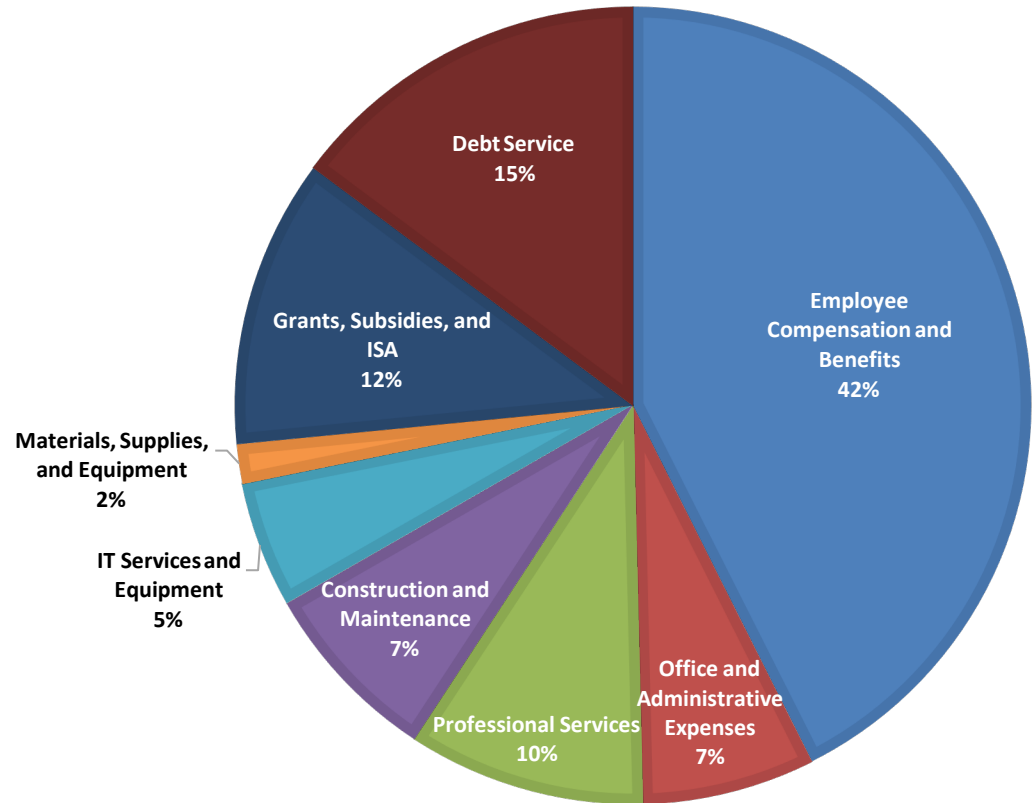
FY23 Non-Toll & Toll Funding Combined Breakdown

- 84% of MassDOT revenues are Commonwealth Transfers and Toll Collections. 16% are others including Own Source revenue, Motor Vehicle Trust Fund, Federal Grants, Investment income and Reserves



FY23 Non-Toll & Toll Expense Combined Breakdown

- 43% of MassDOT Expenses are Employee Compensation and Benefits and 57% are Non-Payroll (including Debt Service, Grants, Subsidies, and ISA, Professional Services, Office and Administrative, Construction and Maintenance, IT and Materials, Supplies and Equipment)



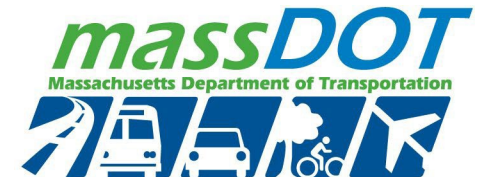
CTF Fund transfers

\$ Variance vs FY22 GAA

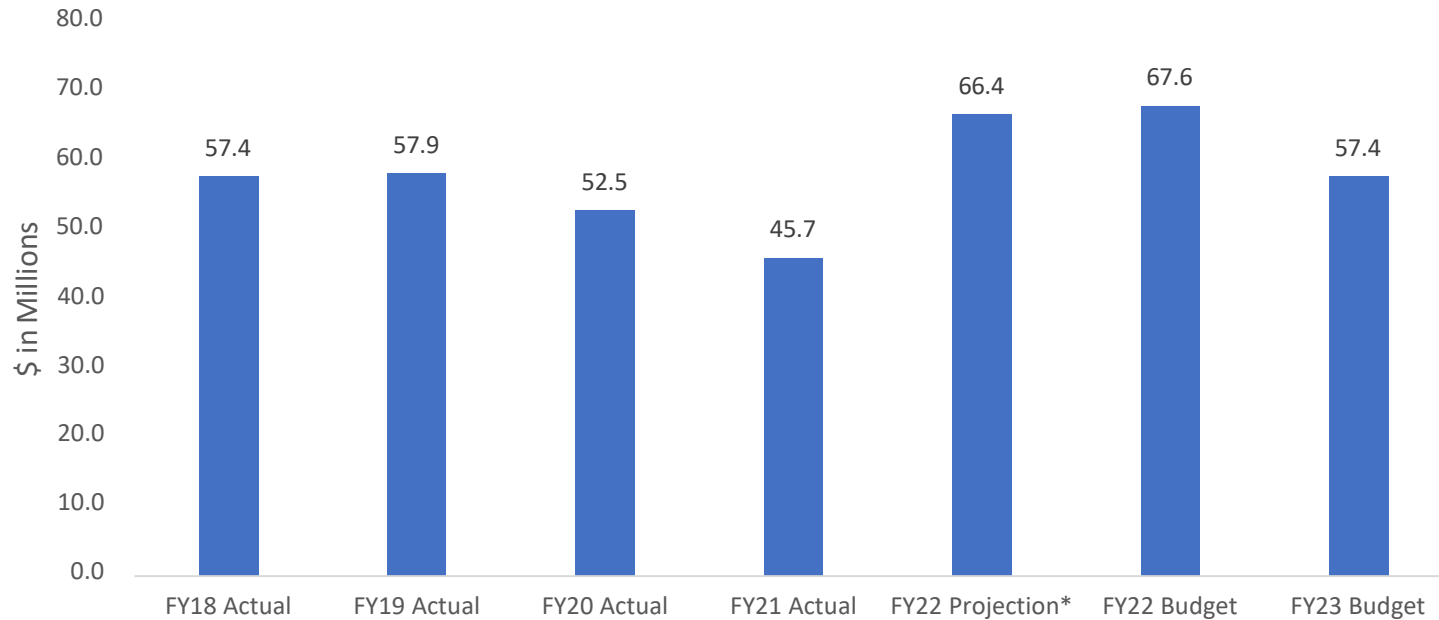
Commonwealth Transfer Fund	FY 2022 GAA	FY 2023 H.2	FY23 HWM*	FY23 SWM	FY22 GAA	FY23 HWM	FY23 SWM
MassDOT							
Operation (1595-6368)							
Non-Snow & Ice	308.0	360.9	349.7	358.3	52.8	41.7	50.2
Snow & Ice	95.0	95.0	45.0	95.0	0.0	(50.0)	0.0
Total Operation (1595-6368)	403.0	455.9	394.7	453.3	52.8	(8.3)	50.2
RTA (1595-6370)	94.0	94.0	94.0	96.5	0.0	0.0	2.5
MRB (1595-6379)	11.3	11.6	11.6	11.6	0.3	0.3	0.3
MassDOT Contract Assistance (1599-1970)	125.0	125.0	125.0	125.0	0.0	0.0	0.0

CTF is based on the House release, which is the lowest among H.2 and Senate

- MassDOT operations to receive a \$41.7 M increase vs. FY22 GAA. This will fund new positions to implement the Bipartisan Infrastructure Law (BIL), expand statewide inspection coverage of bridges, payroll increases due to new Collective Bargaining Agreements, and other operational costs
 - Compared to H.2 and Senate, HWM includes \$1.9M in earmarks and did not support funding \$13.1M in other expenses, primarily to appropriately charge operating expenses previously funded out of capital. In addition, House funds Snow & Ice at \$45M and assumes \$50M in Snow and Ice supplemental funding if needed
- Increase to Merit Rating Board of \$0.3 M above FY22 GAA for payroll and lease increases
- Senate recommends \$96.5 M for Regional Transit Authorities (RTAs), \$2.5 M higher than FY22 GAA



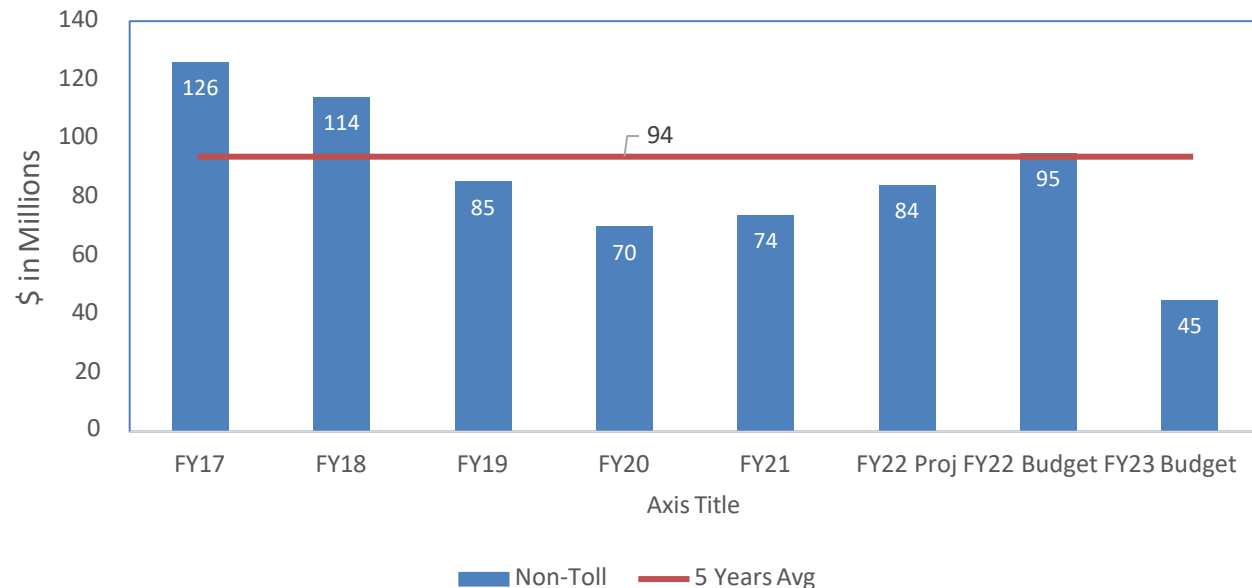
Motor Vehicle Inspection Trust Fund (MVITF)



- FY21 actuals are lower and FY22 Budget is higher than prior years due to a deferral of FY 21 revenue to FY22 as a result of inspection software vendor issue
- FY23 budget is based on historical revenue average of \$57M and anticipates that inspections will return to pre-pandemic levels

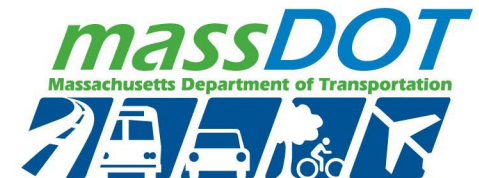
Non-Toll Historical Snow and Ice Spending

- FY23 House recommendation of \$45M, \$50M below FY22 GAA. 5 Years average FY17-FY21 spending is \$94M
- Snow and Ice has \$50M in deficiency spending authorization, allowing for \$95M in total spending
- Spending above \$95M will require supplemental funding



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 historical revenue received prior to pandemic and input from the departments
 - Budgets for rentals and property sales are based on input from Office of Real Estate and Development (OREAD)
 - MVITF Revenue budget is based on the historical revenue received prior to pandemic
- Investment Income
 - Budget assumes reduced fund balances and lower interest rates



Non-Toll Operating

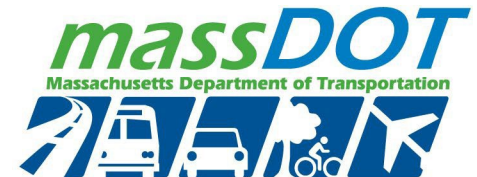
Non-Toll Operating

Revenue, a net reduction of (\$5M) compared to FY22 Budget

- As described on CTF slide #9, CTF revenue increased by \$41.7M for Non-Snow and Ice to support BIL and expand statewide inspection coverage of bridges, payroll increases, and other operational costs. It is offset by the Snow and Ice reduction of \$50M and assumes supplemental funding as the average 5 years Snow & Ice spending is \$94M
- MVITF revenue return to pre-pandemic level following one-time increase in FY22 of \$9.7M due to inspection software vendor issue in FY21
- Increase in Federal Grants of \$9.9M

Expense, a net reduction of (\$18M) compared to FY22 Budget

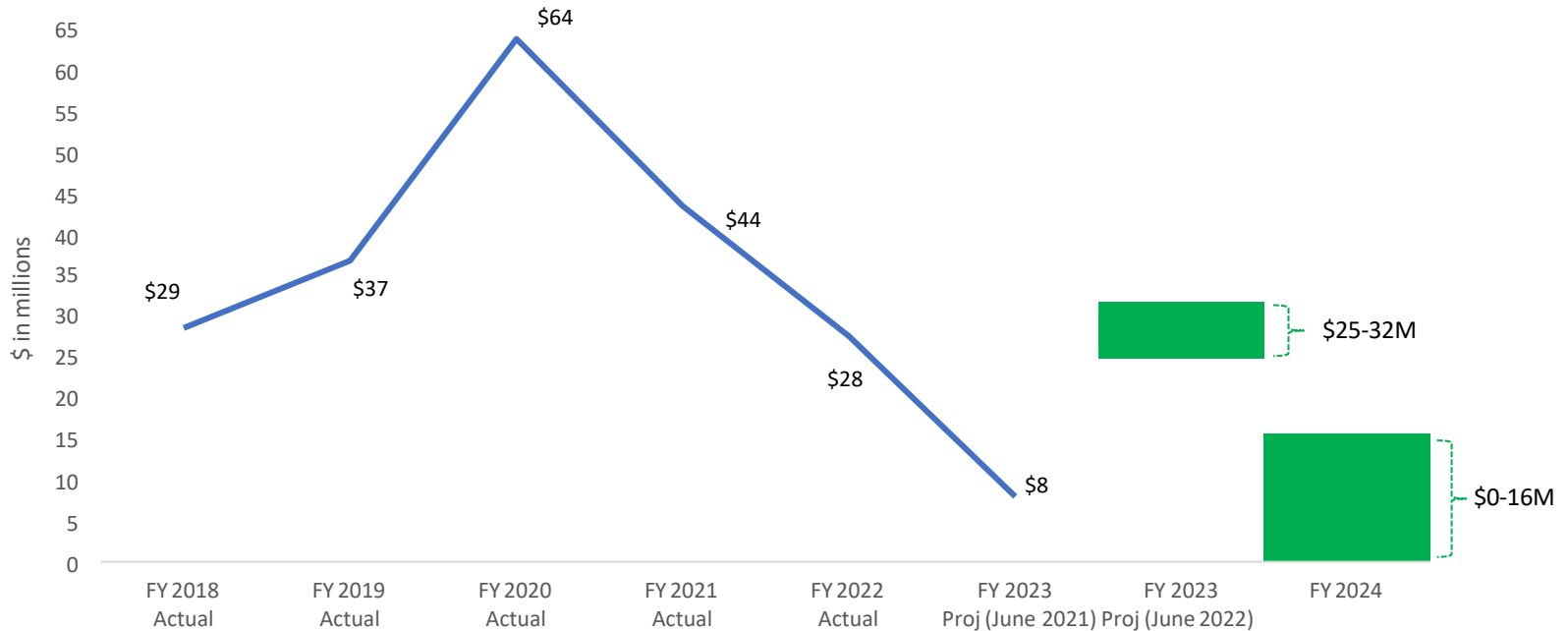
- Payroll increase of \$15M primarily for bargaining unit step, COLA, fringe costs and additional FTEs for Bridge Inspector and other payroll benefits for BIL. It is offset partially by prior year one-time bargaining unit and manager retro pay outs
- Non-payroll, a decrease of (\$50M) in snow and ice. It is offset by a net increase of \$17M for Federal Grants, IT, postage and credit card fees for RMV and gasoline cost increase



Non-Toll Operating

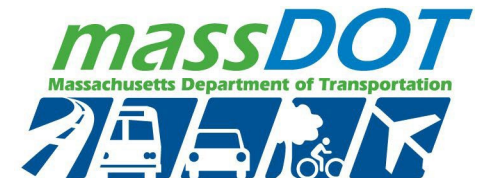
\$ in millions	General	MRB	MVITF	Federal Total FY23 Grants	Budget	FY 22 Budget	vs FY22 Budget
REVENUE:							
Operating Revenue							
Departmental	15.5				15.5	13.5	2.0
Rental/Lease Income	14.9				14.9	13.4	1.5
Operating Revenue	30.4	0.0	0.0	0.0	30.4	26.9	3.5
Commonwealth Transfers	488.7	11.6			500.3	508.3	(8.0)
Federal Grants				31.9	31.9	22.0	9.9
Motor Vehicle Inspection Trust Fund			57.4		57.4	67.2	(9.7)
Investment Income	0.3		0.0		0.3	0.8	(0.5)
Total Revenue	519.4	11.6	57.5	31.9	620.3	625.2	(4.9)
EXPENDITURES:							
Employee Compensation and Benefits	311.1	5.6	4.8	1.1	322.6	307.2	15.4
Office and Administrative Expenses	35.0	0.4	0.1	0.0	35.5	31.5	4.0
Professional Services	29.3	0.0	5.9	0.3	35.5	33.9	1.6
Construction and Maintenance	48.8	0.0	0.0	8.7	57.5	100.7	(43.2)
IT Services and Equipment	30.8	6.5	0.0	0.2	37.5	32.1	5.4
Materials, Supplies, and Equipment	4.8	0.1	0.0	0.0	4.9	4.1	0.8
Grants, Subsidies, and ISA	97.9		2.5	12.8	113.2	115.4	(2.2)
Total Expenditures	557.7	12.6	13.3	23.0	606.7	624.9	(18.2)
Excess (deficit) Revenue over Expenditures	(38.3)	(1.1)	44.2	8.9	13.7	0.3	13.4
Other Financing Sources/Uses:							
Interfund Transfer In / (Out)	44.2		(44.2)		0.0	0.0	0.0
Reserves DOT	24.1	1.1			25.2	23.3	1.9
ANF Reserve	13.6				13.6	22.8	(9.2)
Transfer out to Capital	(43.6)			(8.9)	(52.5)	(46.4)	(6.1)
Total Other Financing Sources	38.3	1.1	(44.2)	(8.9)	(13.7)	(0.3)	(13.4)
Net Revenue (Expense)	(0.0)	0.0	0.0	0.0	(0.0)	0.0	(0.0)

Non-Toll Operating Reserve



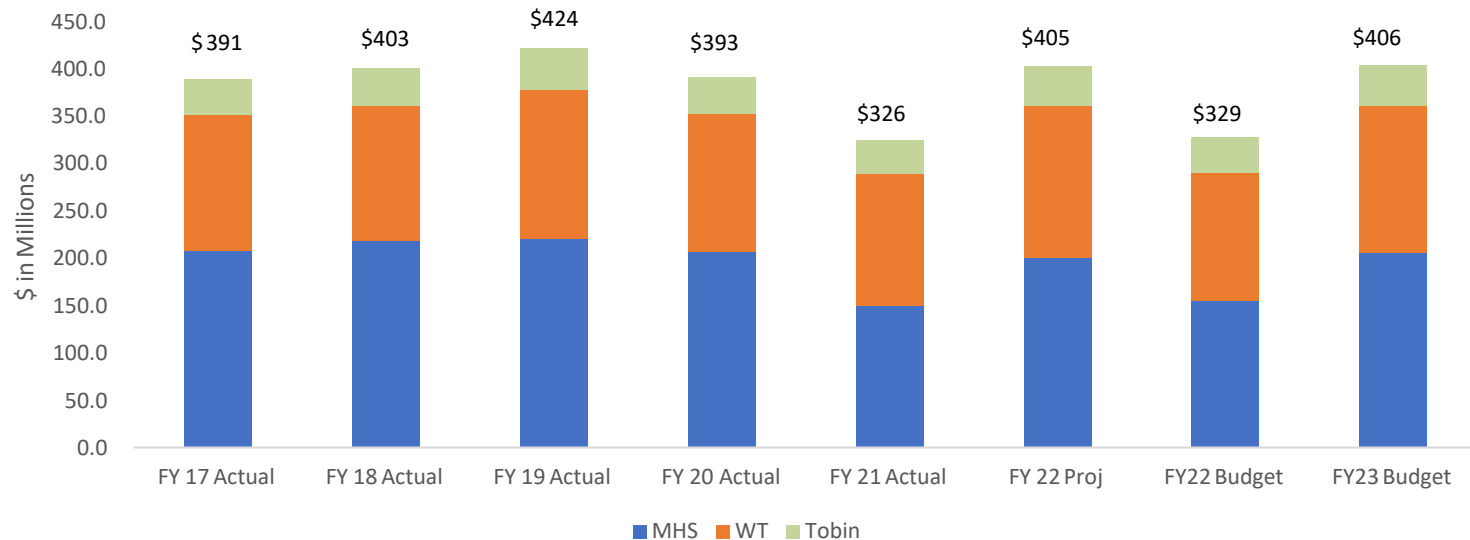
- Reserve balance has been drawn down over the course of FY20 and FY21 from a peak of \$64.3M due to bargaining unit retro pay outs
- FY23 updated projected beginning balance of \$25-32M, \$17-24M higher compared to Board presentation last June primarily due to a surplus in Snow and Ice and payroll savings
- FY23 Budget anticipates a reserve draw of \$24M. The available balance beginning of FY24 is projected to be \$0-16M
- MassDOT tends to budget conservatively which frequently produces a larger year-end budget reserve than initially forecasted

Note: FY18 – FY24 reflects beginning balance
Non-Toll operating reserve not including MRB/RTAs



Toll Operating

Toll Collection



- FY21 Actual was \$326M lower compared to previous years due to COVID
- For a cautious and fiscally prudent approach, the FY22 budget was developed using the “More Severe” assumptions from Stantec, budgeted at \$329.2M, \$76M lower than FY22 projection
- FY23 Budget is based on the Stantec forecast of \$406M, to be in line with the FY22 projection of \$405M. It is still estimated 6% below the pre-pandemic levels

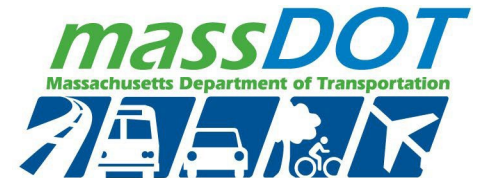
Toll Operating

Revenue, a net increase of \$72.5M compared to FY22 Budget

- As illustrated on slide #18 toll collection, increased transactions and anticipation that FY23 will largely return to normal, FY23 budgeted at \$406M, \$76.9M higher than FY22 Budget
- Operating revenue net \$2.6M decreased primarily in rental/lease income due to vendors deferment in FY22. FY23 budget anticipates revenue will be back to pre-pandemic

Expense, a net increase of \$9M compared to FY22 Budget

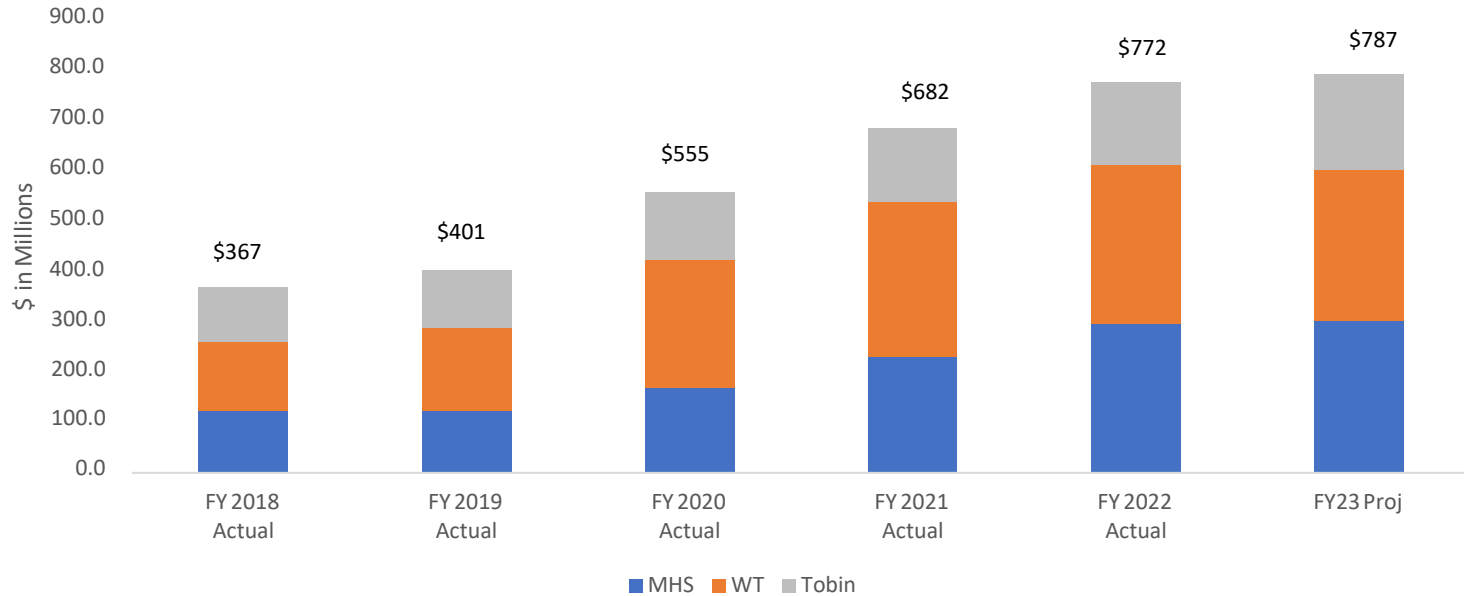
- Payroll increase of \$4.3M primarily for bargaining unit step, COLA, fringe costs and additional FTEs for Bridge Inspectors and payroll benefits for BIL. It is offset partially by deducting prior year one-time bargaining unit and manager retro payouts
- Non-payroll, an increase of \$4.7M in credit card fees, IT and postage



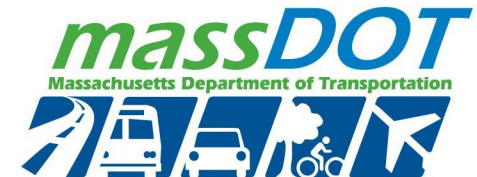
Toll Operating

\$ in millions	MHS	WT	Tobin	FY2 3 Budget	FY 22 Budget	vs FY22 Budget
REVENUE:						
Toll Revenue:						
Operating Revenue:						
Departmental	10.2	3.0	0.1	13.2	11.1	2.2
Rental/Lease Income	10.5	31.4	0.0	41.9	46.7	(4.7)
Operating Revenue	20.7	34.4	0.1	55.2	57.7	(2.6)
Toll Collections	207.0	155.7	43.3	406.0	329.1	76.9
Total Toll Revenue	227.7	190.1	43.3	461.1	386.8	74.3
Commonwealth Transfers	125.0			125.0	125.0	0.0
Investment Income*	2.6	0.9	0.3	3.8	5.6	(1.8)
Total Revenue	355.3	191.0	43.6	589.9	517.4	72.5
EXPENDITURES:						
Employee Compensation and Benefits	49.2	39.9	5.9	95.0	90.7	4.3
Office and Administrative Expenses	22.9	7.6	2.8	33.3	32.2	1.1
Professional Services	30.1	23.8	4.9	58.7	56.2	2.5
Construction and Maintenance	8.8	6.7	0.4	15.9	16.6	(0.7)
IT Services and Equipment	6.5	5.5	0.0	12.1	10.6	1.5
Materials, Supplies, and Equipment	5.8	4.6	0.3	10.7	10.4	0.3
Grants, Subsidies, and ISA	1.5	0.1	0.0	1.7	2.0	(0.3)
Debt Service	145.1	0.0	0.0	145.1	144.9	0.2
Total Expenditures	269.8	88.2	14.3	372.4	363.4	9.0
Excess (deficit) Revenue over Expenditures/Available for Capital	85.5	102.8	29.3	217.6	154.0	63.5

Toll Reserve



- The toll reserve increased in recent years and will now be used for new toll paygo capital projects as part of the five-year capital plan. While existing projects continued during the pandemic, no new major projects were initiated. Additionally, revenues from several large real estate transactions also contributed to the reserve.
- Total Toll operating reserve balance including MHS, WT and Tobin is anticipated to be \$787M at the beginning of FY23; MHS \$299M, WT \$300M and Tobin \$187M

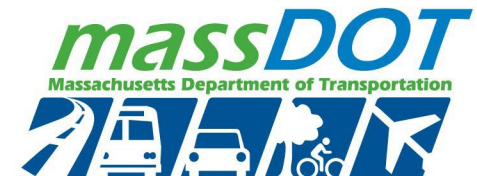


Note: FY18 – FY24 balance reflects beginning balance

FY23 DOT Consolidated Budget

FY23 Consolidated Budget

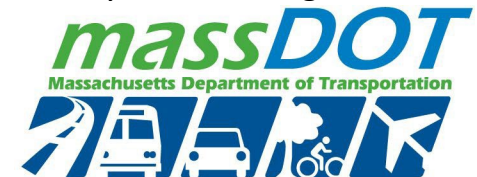
(\$ in millions)	Non-Toll	Toll	FY23 Budget	FY 22 Budget	vs FY22 Budget
REVENUE:					
Toll Collection		406.0	406.0	329.1	76.9
Operating Revenue	30.4	55.2	85.6	84.6	0.9
Commonwealth Transfers	500.3	125.0	625.3	633.3	(8.0)
Federal Grants	31.9	0.0	31.9	22.0	9.9
Motor Vehicle Inspection Trust Fund	57.4	0.0	57.4	67.2	(9.7)
Investment Income	0.3	3.8	4.1	6.3	(2.3)
Total Revenue	620.3	589.9	1,210.3	1,142.6	67.7
EXPENDITURES:					
Employee Compensation and Benefits	322.6	95.0	417.6	397.9	19.7
Office and Administrative Expenses	35.5	33.3	68.8	63.7	5.1
Professional Services	35.5	58.7	94.2	90.1	4.1
Construction and Maintenance	57.5	15.9	73.4	117.2	(43.9)
IT Services and Equipment	37.5	12.0	49.6	42.6	6.9
Materials, Supplies, and Equipment	4.9	10.7	15.5	14.5	1.1
Grants, Subsidies, and ISA	113.2	1.7	114.8	117.4	(2.5)
Debt Service		145.1	145.1	144.9	0.2
Total Expenditures	606.7	372.4	979.0	988.3	(9.3)
Excess (deficit) Revenue over Expenditures	13.7	217.6	231.2	154.3	76.9
Other Financing Sources/Uses (OFSU):					
Interfund Transfer In / (Out)	0.0		0.0	0.0	0.0
Reserves DOT Non-Toll	25.2		25.2	23.3	1.9
Reserves DOT Toll		0.0	0.0	87.8	(87.8)
Supplements COLA & ANF Reserve	13.6	0.0	13.6	22.8	(9.2)
Transfer Out To Capital/Available for Capital	(52.5)	(217.6)	(270.0)	(288.2)	18.2
Total Other Financing Sources	(13.7)	(217.6)	(231.2)	(154.3)	(76.9)
Net Revenue (Expense)	(0.0)	0.0	0.0	0.0	0.0



MassDOT FTEs

Division	FY21 Actual as of 6/30/2021	FY22 Actual as of 5/21/2022	FY 2022 Budget	FY 2023 Budget
Aeronautics	12	12	16	16
Highway	2,287	2,375	2,367	2,533
Planning & Enterprise Services	430	435	440	446
Rail and Transit	14	17	18	18
RMV (Operation)	714	706	741	741
RMV (Merit Rating Board)	48	49	54	54
TOTAL	3,505	3,594	3,636	3,808

- With the passage of the Bipartisan Infrastructure Law (BIL), MassDOT will be delivering an increased capital program in FY 23. A program increase of this size will require a significant increase in Highway staff, especially in the civil engineering disciplines of project management & construction.
- To date, all divisions' hiring plans have committed to all budgeted FTE's
 - Highway - will be hiring Engineers, General Construction Inspectors, and Project Managers to deliver both our existing capital program as well as projects in the BIL.
 - RMV - continues to focus on key safety-related positions as well as continuing to evaluate business needs and hiring to ensure in-person service delivery expectations are met, including converting select temporary employees to permanent roles for both Customer Service Representatives for Service and Contact Centers and Road Test Examiners to support the increasing needs within the Road Test Program
 - Planning & Enterprise Service - new positions split evenly between management and bargaining unit positions. These positions span several different shared service functions, including Transportation Planning, Legal, Fiscal, Audit, IT, Human Resources, and Diversity and Civil Rights



Request of the Board

VOTED:

That the Board of Directors of the Massachusetts Department of Transportation adopts the Fiscal Year 2023 Operating Budget for the Massachusetts Department of Transportation as presented during the June 15th 2022 meeting of the Board and attached hereto.