

<b>2008-09 Spending Plan</b>	<b>Department of Transportation</b>
	<b>Astrid C. Glynn</b>

## Overview of Proposed Plan

Approximately 97% or \$3.5 billion of the Department's \$3.58 billion All Funds budget is comprised of spending from capital projects funds, with a majority of State-supported capital spending from the Dedicated Highway and Bridge Trust Fund (\$1.6 billion). While only \$21.5 million in State Operating Funds spending (less than 1% of All Funds spending) is subject to the mandatory 3.35% savings required by Budget Bulletin B-1178, we have undertaken a thorough review of all spending categories, including both state operations and capital projects.

The Financial Management Plan (FMP) for the Department of Transportation (DOT) achieves the assigned State Operating Funds savings of \$721,000 through the reduction of non-essential Personal Service and Non-Personal Service spending. In addition, it identifies savings actions in capital funds for the maintenance/operations program necessary to offset significant cost inflation and preserve snow and ice control funding within available appropriations.

## Achievement of Savings on a Recurring Basis

The Department will achieve recurring savings of 3.35% through reductions in non-essential program activity and services funded by a variety of Special Revenue funds. Savings will be accomplished through a combination of Personal Service and Non-Personal Service expenditure reductions. Personal Service savings will be achieved by managing current vacancies and future attrition. Non-Personal Service savings will be achieved through enhanced controls on spending for travel, equipment and supplies. As opportunities are identified, savings will be allocated to specific Special Revenue Funds in a manner that achieves overall recurring savings of at least \$721,000.

## Protecting Key Priorities

The Department also utilized the Financial Management Plan process to review its capital program and other core activities funded through Dedicated Highway and Bridge Trust Fund. This careful examination identified two primary challenges that the Department faces:

### 1.) Maintenance/Operations Budget Inflation

Preserving public safety on our transportation system remains the Department's highest priority. Rapidly escalating petroleum and steel prices have caused unprecedented inflation in the costs of key commodities and contractual services in the maintenance/operation budget, including gasoline, diesel fuel, salt, equipment, parts and snow and ice contracts with localities. While funded through capital funds, these cost increases will require the Department to identify savings in non-winter maintenance activities to preserve full funding for snow and ice control operations and remain within available 2008-09 maintenance/operations appropriations. As a first step we are proposing to reduce planned hiring of main office maintenance staff, travel, cell phone usage and funding normally

reserved for emergency deployment. Additional reductions will be taken in equipment and materials acquisition that will not compromise safety. On a recurring basis, it will be difficult to continue this level of cost containment without detrimental highway and bridge condition impacts.

## 2.) Delivery of Current Capital Plan/Development of Successor Plan

Rising fuel and steel prices have also eroded the buying power of capital plan resources that were largely set when the current five-year transportation plan was adopted in 2005. As the Department implements the fourth year of this plan, further increases in construction costs will exacerbate the challenges we face to deliver the transportation infrastructure improvements envisioned in the five-year capital plan. This is also compounded by uncertainty at the national level regarding estimated shortfalls in the Federal Highway Trust Fund, which could impact the amount of Federal aid available to the State beginning October 1, 2008.

As the current plan comes to a close, we must also begin to develop the fiscal, policy and programmatic framework for a successor five-year plan. This effort will need to balance the increasing burden of maintaining the State's aging transportation system with the need for other targeted transportation investments. Achieving these goals will be a challenge in an environment of limited State resources and national debate over a successor to the current Federal Highway Act set to expire on September 30, 2009.

### **Additional Savings Opportunities for 2008-09**

The Department is engaged in a thorough review of agency operations and programs to identify additional efficiencies and cost savings while preserving public safety and ensuring capital program delivery. As part of this effort, backfills of attrition and new hires will be closely scrutinized to ensure that they reflect prioritization of essential functions and activities. Non-Personal Service expenditures will be similarly monitored with a particular focus on travel, equipment, supplies and technology purchases.