

Budget Base Reduction Report

This report is submitted in response to the requirements specified in Minnesota Session Laws 2003 First Special Session Chapter 19, Article 1, Sec. 2, Subd. 9.

By December 15, 2003, and December 15, 2004, the commissioner of transportation shall report to the chairs of the Senate and House of Representatives committees with jurisdiction over transportation policy and finance regarding the distribution and impacts of the base budget reductions. The report must include a description and enumeration of program activities with reduced spending levels and the impacts on the department's performance measures. The report must identify the total number of positions that were reduced or eliminated through attrition or layoffs, the number of positions reduced or eliminated in each of the bargaining units represented within the department, and the impact on the number of women and minorities employed by the department and the department's affirmative action goals.

The Pawlenty-Molnau administration directed a shift of funds from the Mn/DOT operating budget to improve the efficiency of the operations of the department and to provide funds to support bond financing of an accelerated construction program. This report provides information on the size of this reallocation, the approach taken by the department in making these reallocations and the impacts of those reallocations on the department's operations.

More Focus on Customer Service

Our approach to this reallocation focused on our customers. The intent was to reduce spending in areas as far away from customers as possible. Spending reductions were concentrated in non-essential areas, most of which are classified as administrative.

Budget reallocations provided the resources for a construction financing program of over \$800 million in roadway and transit improvements. The 12 projects advanced under this program will construct 134 new lane miles and make improvements to another 50 lane miles of state highway. It will also advance construction of new interchanges, turn lanes, shoulder enhancements, and intersection modifications to address substandard performance and safety concerns on the interstate system and priority interregional corridors.

These reallocations will provide positive impacts on:

- Safety
- Air quality
- IRC travel speeds
- Congestion relief
- Construction project delivery (projects delivered earlier)
- Construction costs (reduced inflationary impact)

These system improvements will provide real economic benefits to travelers and shippers many years earlier than would have been possible without the budget reallocations.

At this time, there is no reason to expect significant service-level downgrades in the areas where budgets were reduced. Those operations will be monitored closely to determine the overall effect the changes might have on our operations and on customer satisfaction.

The information in Table 1 provides detail on the magnitude of the reductions in specific operational areas.

TABLE 1

Reallocation of Operating Dollars to Finance Construction (\$000)

Total Direct Appropriation (trunk highway less construction & debt service)	\$ 430,468	Percent of Direct Appropriation
Administration and Overhead	\$ 15,775	
Information Technology	10,075	
Research	500	
Total Admin & Overhead Reduction	\$ 28,350	6.6%
Fleet and Facilities	3,150	
Road Maintenance	2,350	
Snow & Ice	950	
Striping	800	
Landscaping	500	
Total Operations Reduction	\$ 7,750	1.8%
Total Funds Reallocated	\$ 36,100	8.4%

An important strategic business direction for Mn/DOT is our focus on preserving what exists. For the most part, our emphasis is on the transportation infrastructure; however, we are also aware that we must maintain the operating assets needed to accomplish this. We acknowledge that it is our responsibility to maintain our long-term operating capabilities. To this end, we will monitor closely the affect these changes have on our facilities and fleet equipment.

Personnel Impacts

Personnel reductions were necessary to accomplish the budget reallocations. The information in Table 2 shows the number of positions eliminated by bargaining unit. The total number of layoffs (voluntary plus involuntary) exceeds the number of positions eliminated because some of the voluntary layoffs were from positions that were not eliminated. Those voluntary layoffs did help reduce the total number of involuntary layoffs necessary to reach the staffing levels required to achieve the budget reallocations.

TABLE 2
Mn/DOT Layoff Information by Bargaining Unit

Bargaining Unit	4/14/03 Position Elimination Numbers	6/30/03 Involuntary LO Numbers	6/30/03 Voluntary LO Numbers
AFSCME	64	48	39
Commissioner's Plan	10	8	3
MAPE	76	47	9
MGEC	2		9
MGR Plan	1	1	6
MMA	11	5	10
Totals	164	109	76

The information in Table 3 shows how the personnel reductions affected women and minority employees at Mn/DOT. Although specific rules related to classifications and seniority govern layoffs, steps were taken, where possible, to mitigate overall impacts on employees through reassignments.

TABLE 3
Managed Employee Reductions Through Attrition and Layoffs:

Reason	Total	Female	Minority
Reassignment in Lieu of Layoff (bumps)	52	29	56%
All Layoffs	195	76	39%
Terminated without rights (excluding student workers & seasonal)	58	14	24%
Total Layoffs and Terminations	253	90	36%

Short Measurement Period

Because there has been very little time to actually operate with these budget changes in place, we have little to report on actual performance impacts that would be noticeable to our customers. Explained below are the actions we have taken and some of the anticipated results.

Details of The Reallocation

Administrative and Overhead (\$15,775,000)

Overall, 27 percent of all central office administrative and overhead expenditures have been redirected to fund construction projects. Managers in these areas continue to find and eliminate low value-added activities, while continuing to take care not to overburden operating areas with administrative activities.

Actions taken include:

- Reduced layers of management
 - Eliminated two levels of management between the deputy commissioner and the eight district engineers (our field operational units of 300-1400 employees)
 - Simplified the organization and established clearer lines of authority and accountability, including the elimination of all assistant division/group director and assistant office director positions
 - Reduced managerial plan complement from over 170 to approximately 140 managers
- Reduction in personnel and elimination of funded vacancies
- Combined like functions to reduce duplication by building upon earlier consolidation of shared business services (finance, HR, purchasing, payroll at the transactional level)

Information Technology (\$10,075,000)

Significant operational efficiencies have been realized as a result of IT projects. Also, the quality of management information has improved. This management information will be important to managers at all levels of Mn/DOT to find operational efficiencies and to monitor the overall performance of Minnesota's transportation infrastructure.

Actions taken include:

- Centralized functions to improve efficiency,
- Personnel reductions,
- Reduction in the number of non-E-Government projects,
- Targeted investment in application development efforts,
- Optimizing use of consultants and outsourcing.

Research (\$500,000)

Every research project must have the actual and documented potential to impact a specific Mn/DOT performance measure. Continuing investment in research is essential to finding future operational efficiencies.

Actions taken include:

- Reduction of eight (8) projects per year anticipated.
- While the quantity of research projects will be reduced, we will continue to improve the quality of each project and link to operational use.

Fleet and Facilities (\$3,150,000)

As noted above, we are closely monitoring the condition of our fleet and facilities. We understand that these represent a substantial investment of taxpayer dollars, and we will assure that these assets are properly utilized and maintained.

Actions taken include:

- Revised fleet usage and deployment policies – reduced the number of permanently assigned vehicles, resulting in fewer vehicles in the fleet;
- Improved fleet management system and cost management; and
- Increased emphasis on preventive maintenance for both equipment and buildings.

Road Maintenance (\$2,350,000)

Road maintenance deals with paving, drainage repair, shoulder repair and surface repair to ensure a smooth ride. Roadways represent a significant investment of taxpayer dollars. We acknowledge that it is our responsibility to maximize the value of and return on this investment.

Actions taken include:

- Focus more on relatively low-cost preventive maintenance and innovative surface maintenance techniques, and on higher-volume roads.
- Mowing will be targeted for safety and high-visibility areas.

Snow and Ice (\$950,000)

We consider snow and ice removal to be an emergency operation, and we will devote sufficient resources to it in order to maintain a level of service consistent with our focus on safety. If we get a severe winter, we will redirect resources from other services to make sure the roads are cleared in an acceptable timeframe.

Actions taken include:

- Snowplow routes and work-shift times have been revamped to provide coverage while reducing overtime and other labor costs;
- Continue implementation of technology including anti-icing technology, plowing techniques, fleet management, chemical use, etc.

Striping (\$800,000)

Striping is an important safety enhancement, and our target is to have visible roadway markings 365 days a year. We have made significant progress in improving the efficiency of this operation but continue to look for improvements.

Actions taken include:

- Striping applications will be focused on centerline stripes and higher volume roads.
- New materials and application methods will be used to extend useful life.
- Actual effect this will have on performance will be evaluated in the spring of 2004 to determine the following:
 - Performance of the markings after winter operations,
 - Any increased maintenance costs due to decreased performance of long term epoxy markings.

Landscaping (\$500,000)

Landscaping activities will be focused in those areas required for erosion control and other environmental considerations.

Actions taken include:

- Incorporate landscaping design and review functions into road improvement project plans;
- Use more standard plans, and purchase consultant services where necessary.

Summary

It is worth emphasizing that changes were targeted to delivering more value to customers for the dollars invested while freeing up funds to finance the acceleration of highway construction projects. Like all such efforts, it is acknowledged that there will most likely be a need for “fine-tuning” as more information becomes available.

Performance will continue to be measured carefully and we will watch closely for any signs that corrective action is needed. The department is dedicated to sustaining the efforts for continuous process improvement and to measuring the satisfaction of our customers. The focus of efforts at Mn/DOT will continue to be to improve operational efficiency and to increase the value delivered for each taxpayer dollar invested in transportation.