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*The 1930 lithograph of the Minnesota State Capitol used on the cover was originally created by Margaret Bradbury and reproduced with the permission of the Minnesota Historical Society*

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February 18, 2003

Dear 2003 Minnesota Legislature:

This is the submission of the Governor's recommendation of the 2004-2005 biennial budget for the Metropolitan Council. The regional bus transit system proposed FY 2004-05 total budget of \$578.1 million is funded through state General Fund appropriation (18.5%), Motor Vehicle Sales Tax (43%), Fares (26%), Federal (10%) and other (2.5%). Also included in this submission is a request for Light Rail operating costs. The \$13.4 million Light Rail Transit (LRT) subsidy for 2004 -2005 is proposed to be funded 40% from a state General Fund appropriation and 60% from local units of government in the alignment of the rail line. The total state funds (general fund appropriation and Motor Vehicle Sales Tax) proposed for bus and LRT is \$360.8 million for FY 2004-05.

The Council has developed a response to address funding reductions related to the 2004-2005 biennium. The Council has established principles to guide the development of the plan. These principles will ensure that our state appropriation remains targeted toward the Metropolitan Council's mission and strategic priorities. The principles are:

- ◆ provide a balanced solution to minimize the impact on transit riders;
- ◆ preserve the integrity of the regional transit system while recognizing economic realities;
- ◆ be ready to grow the system in better economic times; and
- ◆ all portions of the Council will share in the solution.

The Council's plan includes an \$18.866 million state General Fund appropriation reduction for the regional bus transit system. The Council will address this reduction through fare increases, service reductions, reductions in the cost of service, one-time use of federal capital funds for operating purposes and reductions in administrative costs.

**Fare Increases:** These increases have been targeted to specific parts of the system to minimize the impact on the overall system and ridership. The proposed increases will require public hearings. Metro Mobility constituent leaders have provided input on various cost reductions scenarios and have expressed a preference for fare increases over substantial route reductions.

- ⇒ Increased express fares for commuters, decrease discounts for pass programs, expanding the afternoon peak period by 1/2 hour
- ⇒ Increase Metro Mobility fares

**Service Reductions:** Service reductions will impact current riders. The proposals will be discussed in public hearings.

- ⇒ Reduce regular route service by 70,000 hours (about 3%).
- ⇒ Reduce Metro Mobility hours to the ADA minimum and reduce funding for the Taxi Ticket Program
- ⇒ Eliminate state funding for Metro Commuter Services (80% federally funded)

Minnesota Legislature  
February 18, 2003

**Reduced Cost of Service:**

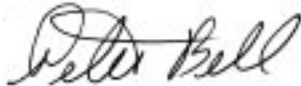
- ◆ Labor cost
- ◆ Restructure contracted transit
- ◆ Manage insurance costs

**One time Use of Federal Capital funds for Operating purposes:** Reduced funds available for capital funding could impact the quality of the transit infrastructure if the transfer became permanent.

**Reduce Administrative Costs throughout the Council**

The Council is committed to working with the Legislature to implement solutions to the budget challenge we all face. I look forward to working with you.

Sincerely,

A handwritten signature in cursive script that reads "Peter Bell".

Peter Bell  
Chair

**FY 2004-05 Expenditures (\$000s)**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2003 Funding Level</b>	130,772	248,543	379,315
Legislatively Mandated Base	-5,000	0	-5,000
<b>Adjusted Base Funding</b>	125,772	248,543	374,315
<b>Change Items</b>			
Rail Operations	5,360	0	5,360
Reduce Twin Cities Transit Funding	-18,866	0	-18,866
<b>Governor's Recommendations</b>	112,266	248,543	360,809
<b>Biennial Change, 2002-03 to 2004-05</b>	-26,221	124,891	98,670
<b>Percent Change</b>	-19%	101%	38%

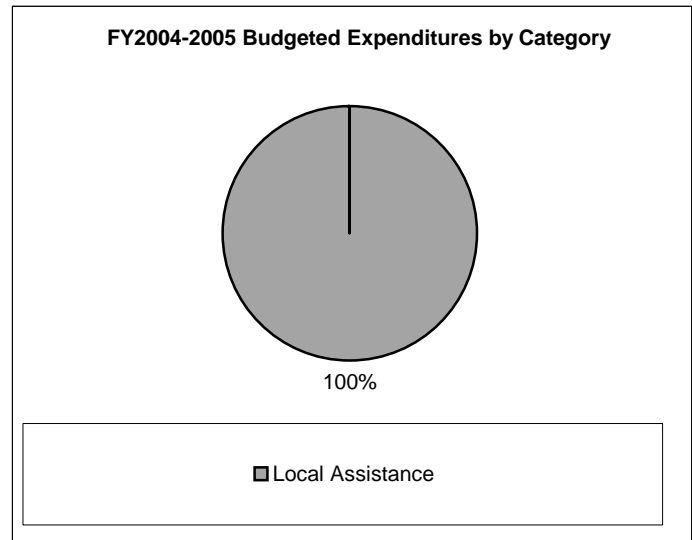
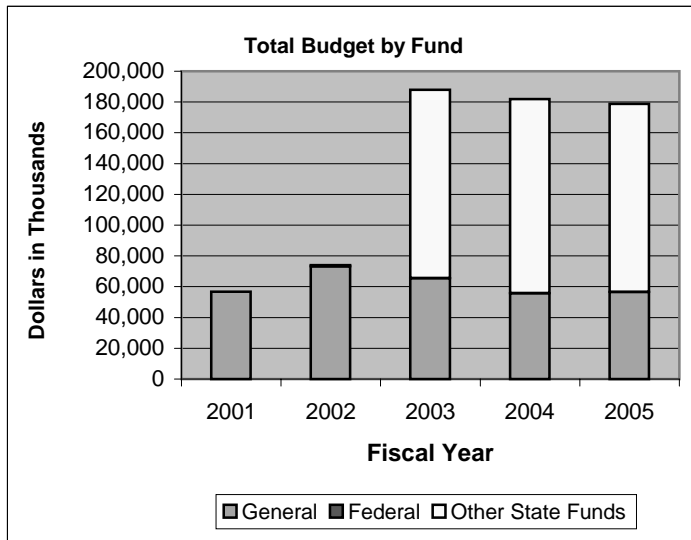
**Brief Explanation Of Budget Decisions:**

One-time funding of \$2,500,000 per year is removed from the base for 2004-05, as directed by the legislature in the 2002-03 budget session law.

Other funds are the 20.5% dedication of Motor Vehicle Sales Tax to the Metropolitan Area Transit Fund, which began on July 1, 2002. Thus Other Funds for 2002-03 represent one year of dedication; Other Funds for 2004-05 represent two years of dedication.

**FY 2004-05 Revenues (\$000s)**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY 2004-05 Current Law Revenues</b>	0	248,543	248,543
<b>FY 2004-05 Total Revenues</b>	0	248,543	248,543
<b>Biennial Change 2002-03 to 2004-05</b>	0	0	0
<b>Percent Change</b>	0%	0%	0%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	0	1,000	0	0	0	0
General	56,801	73,101	65,386	55,693	56,573	112,266
<b>Statutory Appropriations</b>						
Metro Area Transit	0	0	122,652	126,301	122,242	248,543
<b>Total</b>	<b>56,801</b>	<b>74,101</b>	<b>188,038</b>	<b>181,994</b>	<b>178,815</b>	<b>360,809</b>

<b>Expenditures by Category</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Local Assistance	56,801	74,101	188,038	181,994	178,815	360,809
<b>Total</b>	<b>56,801</b>	<b>74,101</b>	<b>188,038</b>	<b>181,994</b>	<b>178,815</b>	<b>360,809</b>

<b>Expenditures by Program</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Rail Operations	0	0	0	2,240	3,120	5,360
Met Council Transit	56,801	74,101	188,038	179,754	175,695	355,449
<b>Total</b>	<b>56,801</b>	<b>74,101</b>	<b>188,038</b>	<b>181,994</b>	<b>178,815</b>	<b>360,809</b>

<b>Revenue by Type and Fund</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Dedicated</b>						
Metro Area Transit	0	0	122,652	126,301	122,242	248,543
Subtotal Dedicated	0	0	122,652	126,301	122,242	248,543
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>122,652</b>	<b>126,301</b>	<b>122,242</b>	<b>248,543</b>

# METROPOLITAN COUNCIL

## Change Item: RAIL OPERATIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$2,240	\$3,120	\$3,240	\$4,240
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,240	\$3,120	\$3,240	\$4,240

### Recommendation

The Governor recommends direct General Fund appropriations of \$2,240,000 in FY 2004 and \$3,120,000 in FY 2005 to support the operations of the Hiawatha Light Rail line. The Governor also recommends funding of \$3,240,000 in FY 2006 and \$4,240,000 in FY 2007 to reflect the phase out of available federal CMAQ funds that can support the operations of the line for FY 2004-07.

The Governor's recommendation assumes that local funding in the amounts of \$3,360,000 in FY 2004, \$4,680,000 in FY 2005, \$4,860,000 in FY 2006, and \$6,360,000 in FY 2007 be provided by local units of government in the area benefited by the Hiawatha Light Rail line.

### Background

This proposal is to provide funding to operate Minnesota's first light rail transit (LRT) line with 40% from the state General Fund and 60% from county and municipal local funds.

In 1998 and 1999, the legislature authorized \$100 million as the direct state of Minnesota contribution to the capital costs of the Hiawatha Light Rail line. Local financial partners in the \$675 million project are Hennepin County and the Metropolitan Airports Commission. Federal funds are provided through the Federal Transit Administration (FTA). The Minnesota Department of Transportation (MnDOT) is overseeing construction of the LRT line. The Metropolitan Council will be the owner and operator of the rail service.

The Metropolitan Council executed a Full Funding Grant Agreement with the FTA that calls for revenue operation for the entire corridor to begin by December 31, 2004. Minnesota's first light rail line continues moving forward on schedule and on budget. The Hiawatha LRT line will be fully operational from Warehouse District/Hennepin Avenue Station to Mall of America Station by that date. A first phase operation is scheduled to begin serving passengers in April 2004 from Warehouse District/Hennepin Avenue Station to Fort Snelling Station.

The line will be fully integrated with bus lines in the corridor and will connect major traffic generators in the region including downtown and south Minneapolis, VA Hospital, airport, Mall of America, and University of Minnesota. This line is the first link in a network of dedicated transit ways that will also include bus rapid transit and commuter rail lines throughout the region. The line is expected to attract significant development and investment around the stations in both Minneapolis and Bloomington.

### Relationship to Base Budget

No base budget currently exists to finance the operation of rail service. The budget for rail operations includes a number of revenue sources as shown below.

Operating expenses begin as facilities are accepted from contractors and staff is hired and trained in preparation for revenue service commencing in April 2004. Three months of revenue service is reflected in the \$9.5 million operating cost for FY 2004. For FY 2005, there will be six months operation for service from downtown Minneapolis to Fort Snelling and six months revenue operation for the full alignment from downtown to the Mall of America.

Fares are expected to cover about one-third of expenses, similar to the bus system. The current fare level of \$1.75 during peak times and \$1.25 during off-peak periods is assumed. Ridership projections indicate that

3.6 million passengers will board trains in FY 2005 as the service extends from Fort Snelling to the airport and Mall of America. The third source of revenue is a federal Congestion Mitigation Air Quality (CMAQ) grant for Hiawatha LRT. It is a \$10 million grant to be spread over the first three calendar years of rail operation, covering portions of FY 2004-07. The remaining funding for rail operations presumes a cost-sharing ratio of 60% from new county and municipal funding and 40% from state funding.

<b>FUNDING PLAN</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Operating Expense	\$9,500	\$15,000	\$16,900	\$17,900
<b>Operating Revenues</b>				
Rail Activation	800			
Fares	800	4,300	5,600	5,700
CMAQ	2,300	2,900	3,200	1,600
Local Funding	3,360	4,680	4,860	6,360
State General Fund	2,240	3,120	3,240	4,240
<b>Total Revenues</b>	<b>\$9,500</b>	<b>\$15,000</b>	<b>\$16,900</b>	<b>\$17,900</b>

**Key Measures**

In the first year of full operation, the LRT line is expected to carry 19,300 passengers per day. About a third of those riders will be new to the transit system and will contribute to reducing congestion in the region.



<b>Fiscal Impact (\$000s)</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
General Fund Expenditures				
State Operations	(\$9,433)	(\$9,433)	(\$9,433)	(\$9,433)
Net Fiscal Impact (\$000s)	(9,433)	(9,433)	(9,433)	(9,433)
Total Reductions	(\$9,433)	(\$9,433)	(\$9,433)	(\$9,433)

**Recommendation:**

The Governor recommends a direct General Fund appropriation for Metropolitan Council Transit of \$53,453,000 each year for FY 2004-05. This appropriation represents a reduction of \$9,433,000 per year from the base for 2004-05.

**Strategies**

Five strategies are proposed to address the reduction in direct General Fund state appropriations and to address cost pressures within the transit budget.

Fare increases:

- ◆ regular route fare increase, possibly including express route increases, extension of peak time and decrease in discounts; and
- ◆ increase fares for Metro Mobility

Service reductions:

- ◆ reduce regular route service by as much as 70,000 service hours per year (3%);
- ◆ estimated revenue loss due to ridership decline from service reductions;
- ◆ reduce Metro Mobility service hours to ADA minimums and reduce Taxi Ticket program by 40%; and
- ◆ eliminate all state funding for Metro Commuter Services.

Substituting Capital Funds for Operating Funds:

- ◆ shift \$6.4 million of federal capital funding to operating.

Reductions in cost of service:

- ◆ improved labor productivity;
- ◆ restructure contracted transit services; and
- ◆ manage insurance costs.

Metropolitan Council administrative cost reduction:

- ◆ administrative cost reductions from the overall council budget.

If any of these strategies are not implemented as proposed, additional service cuts or fare increases may be necessary.

**Relationship to Base Budget**

The council is currently receiving \$133.5 million for transit operations during the 2002-2003 biennium. This appropriation reflects a reduction of \$2.715 million by the legislature in the 2002 session in each of FY 2003, FY 2004 and FY 2005. In addition, five million dollars was deemed one-time money, not included in the 2004-2005 base. These actions have changed the Met Council’s original appropriation from \$136.2 million in the 2002 - 2003 biennium to \$125.8 million for the 2004 - 2005 biennium.

**Key Measures and Impacts**

Ridership: Between 1996 and 2001, transit ridership increased 20.3%. The changes in this proposal could reduce transit ridership by up to one million rides per year, and could threaten the ridership gains of the last four years.

Access to transportation: This proposal will reduce the availability of transportation for many people. Some areas of the region may have a reduced transit alternative, leading to increasing reliance on automobiles. It will also reduce the hours that persons with disabilities will be able to access Metro Mobility.

Capital funding: The proposed strategy would reduce funding for capital replacement and repair by over \$3 million a year, or the equivalent of more than 10 buses each year. The result will be diminished service for transit riders as facility repair is delayed and the life of buses is extended beyond recommended limits.

Public reaction: Both service cuts and fare increases will require a public input process.

Fare affordability: Twin Cities transit users currently pay approximately one-third of the cost of a transit trip. Higher fares will limit transit usage, reduce the attractiveness of employer based transit programs, and impact regional mobility. These changes also raise fares for persons with disabilities, reducing their ability to get to jobs, doctor's appointments, and other life-sustaining needs

Business impacts: 80% of transit riders are going to and from work. Reduced transit service levels will make it harder for some persons to get to work. Businesses may have a harder time recruiting and retaining workers especially in locations like downtown Minneapolis where 40% of employees get to work using transit. There could be disincentives for employers to participate in programs to reduce congestion.

FTE Impact: Up to 110 positions could be eliminated among the Metropolitan Council and its various providers. It is anticipated that the majority of reductions may require layoffs.

**Alternatives Considered**

The proposed strategy provides a balanced response to this funding reduction. Some measured service cuts are proposed but balanced against measured revenue increases, cost efficiencies, and tradeoffs between capital and operating funds. It would be possible to provide all funding from service cuts or fare increases but it is proposed that a balanced approach is a better solution. If any of these strategies cannot be fully implemented, additional service reductions or fare increases may be necessary.

**Statutory Change:** None

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# MINNESOTA DEPARTMENT OF PUBLIC SAFETY



## Office of the Commissioner

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February 18, 2003

Dear 2003 Legislature:

This is the submission of the Governor's recommendation of the 2004-05 biennial budget for the Department of Public Safety (DPS). Developing a budget plan for the DPS reduction was a challenge. Our goal was to protect the core services of the department - keeping Minnesotans safe and providing quality service - while meeting our budgetary responsibility. Through teamwork and innovation, we've met this challenge and created opportunities to improve services.

The Department's budget request for the 2004-05 biennium is \$560.226 million. The budget breakdown consists of 34% Trunk Highway Funds, 6.6% Highway User Tax Distribution Funds, 24% Federal Funds, 28% in General Funds, 8% in Special Revenue Funds and .1% other funds.

For 2004-05, DPS proposes a reduction in the General Fund appropriation for the department of \$21.660 million for the biennium, as well as the transfer to the General Fund from the Special Revenue Fund\ Criminal Justice Project Account of up to \$2.170 million each year in revenue collections. In addition, with the Bureau of Criminal Apprehension (BCA) moving to a new building in the fall of 2003, the BCA will be paying an additional \$6.546 million in rent payments that will be offset by \$5.809 million in budget reallocations within the BCA base budget and by \$0.737 million in sub-leasing of office space to other agencies.

DPS began with reviewing a wide variety of alternatives, including the elimination of whole programs, divisions or service areas. The biggest cuts were to areas going through a period of reform, that also have additional funding sources.

First, DPS proposes a reduction to the Minnesota Center for Crime Victim Services (MCCVS) per diem budget by \$2 million. Per diem, once an entitlement program, will become a grant program on July 1, 2003. This change involved a great deal of staff time focused on the appropriate level of funding for per diem, the role of the state in program delivery and the effectiveness of the services.

Program changes will include the elimination of depreciation expenses (the state has no responsibility for shelter capital costs) and a new funding formula. These changes will minimize the impact of the cut and provide greater funding equity among the programs. The changes were developed with the input of all shelter programs in the state.

The second reduction in MCCVS was to crime victim assistance program grants. As a result of the cut, the Center will have a competitive grant process for the first time. This process will allow local communities to have more input into the way services are delivered in their communities, encourage programs to become more innovative and ensure greater equity in funding distribution. To further offset the cut, we will be focused on securing additional federal funds, as well as pursuing other alternative funding resources.

The next largest reduction was to the BCA programs. A total of \$5.809 million in program dollars had to be reallocated to offset the BCA rent differential for the new building. Although reductions were made in several general program areas, the most significant reduction was to the CrIMNet backbone in FY 2005.

As the CriMNet program evolves from concept to reality, DPS and other partners in CriMNet are developing a clearer vision of the program goals and the related funding strategy. Rather than a large, expensive, central office, the new vision of CriMNet is a decentralized model, focused on the delivery of service in local communities. In addition, we have recently developed new opportunities to leverage greater local support, increase private and federal partnerships, as well as increase the exchange with our internal governmental partners. All of these changes will offset the impact of the reduction, increase the support of the project, produce better decisions, create more stability and ensure the project's success.

DPS' last significant reduction involves the Division of Emergency Management. In past years, DPS worked to create a disaster assistance fund. During times of large surpluses, the legislature adopted funds in 2004-05 to provide the match money needed for federal dollars available to communities hit by a disaster. In these dire financial times, we suggest a reversion back to the former process.

Other smaller, but significant, program reductions included a reduction in staff and rent to Alcohol and Gambling Enforcement, a reduction in grants and staff to Law Enforcement and Community Grants. The Fire Marshall's office budget was also significantly reduced in the area of hotel, motel and resort fire safety inspections; however, DPS proposes that inspection fees be charged in the future to offset the budget reduction and to recover the cost of the inspections.

I believe the department has responsibly met the budget challenge. In addition, we've created an opportunity to strengthen our services so that we can more effectively and efficiently keep Minnesotans safe and provide quality customer service.

Sincerely,

A handwritten signature in black ink that reads "R.W. Stanek". The signature is written in a cursive, somewhat stylized font.

Rich Stanek, Commissioner  
Department of Public Safety

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	24,398	299,100	323,498
Agency Technical Reallocations	-2,668	0	-2,668
New Programs To Agency Base	0	4,024	4,024
One-Time Appropriations	-810	-400	-1,210
Open Appr. Forecast Adj.	0	2,885	2,885
<b>Adjusted Base Funding</b>	20,920	305,609	326,529
<b>Change Items</b>			
Budget Reduction Plan General Fund (trp)	-4,190	-1,076	-5,266
Admin & Related Services			
Peace Officer Death Benefit Acct (Trp)	83	0	83
Driver & Vehicle Services			
Administrative Penalty Authority-DVS	10	0	10
<b>Governor's Recommendations</b>	16,823	304,533	321,356
<b>Biennial Change, 2002-03 to 2004-05</b>	-1,542	20,464	18,922
<b>Percent Change</b>	-8%	7%	6%

**Brief Explanation Of Budget Decisions:**

A base adjustment for new programs to the agency base is \$2,012,000 each year in Trunk Highway Funds to annualize the cost of the state patrol program. Funding was provided in the 2002-03 biennium to maintain the number of state patrol troopers and to fund the recruit-training academy.

A one-time appropriation base reduction of \$200,000 per year from the Highway User Tax Distribution Fund was made in the state patrol, capitol security activity. A like adjustment was made to add \$200,000 each year to this activity from the General Fund. A one-time General Fund appropriation base reduction of \$605,000 per year was made in the state patrol, capitol security activity for anti-terrorism act funding.

Agency technical reallocations of appropriations were made in the base moving dollars from the Administration and Related Services program, Technical Support Services activity of \$1,496,000 in General Fund dollars to the Criminal Apprehension program, Criminal Justice Information Systems activity, and \$901,000 in Trunk Highway appropriations to the state patrol. This reallocation of appropriations was made as part of an overall reorganization effort to place the appropriate technology staff with the assigned information technology systems. A General Fund appropriation transfer of \$134,000 was made from Driver and Vehicle Services program to Administration and Related Services, Technical Support Services activity to support electronic government services for the agency. A General Fund appropriation transfer of \$162,000 from Crime Victim Services to Administration and Related Services was made to cover the cost of support services provided to the Crime Victim Services program.

Open appropriation forecast base adjustments of \$1,021,000 in FY 2004 and \$1,864,000 in FY 2005 were made to the motor vehicle plate account in the Highway User Tax Distribution Fund.

The 19% reduction in General Fund revenues from the FY 2002-03 to the FY 2004-05 biennium are due to a change in the distribution of Motor Vehicle Excise Tax collections. Under current law, in FY 2004-05 only 44.25% of the collections are deposited in the General Fund. The remaining collections are distributed among the following funds: 32% to the Highway User Tax Distribution (HUTD) Fund, 20.5% Metro Area Transit Fund, 1.25% Greater Minnesota Transit Fund, and 2% to the Metro Area Transit Account in the General Fund. Prior to FY 2002-03, 100% of Motor Vehicle Excise Tax collections were deposited in the General Fund. Starting in FY 2002, 30.86% of the collections were credited to the HUTD Fund. In FY 2003, 32% of the collections were credited to the HUTD Fund, 20% to Metro Area Transit Fund, and 1.25% to Greater Minnesota Transit Fund.

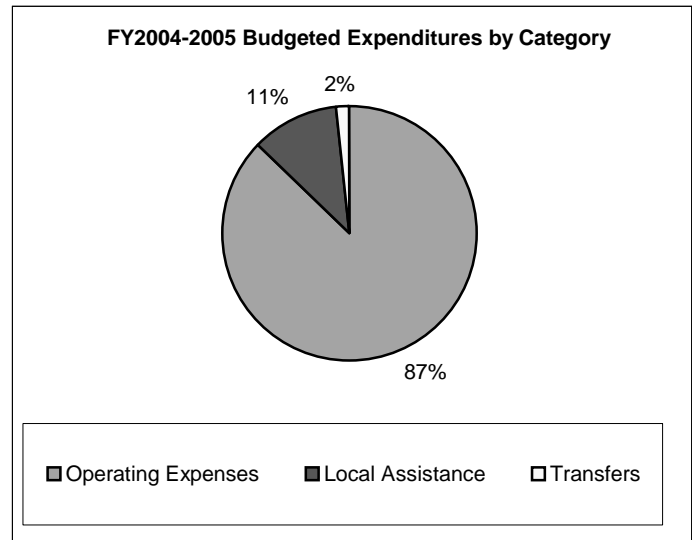
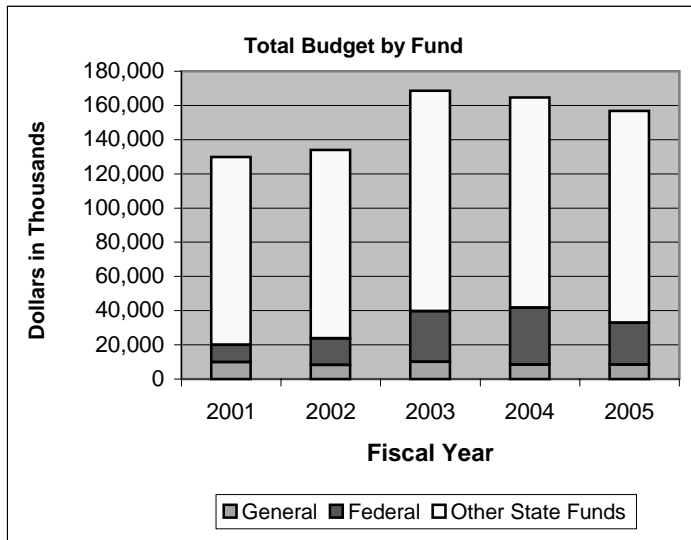
The increase in other revenues is primary due to a \$105 increase in FY 2002 and an additional increase of \$235 in FY 2003 in the surcharge on DWI Driver License Reinstatement Fees.

<b>FY 2004-05 Revenues (\$000s)</b>			
	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY 2004-05 Current Law Revenues</b>	589,664	1,626,609	2,216,273
<b>Change Items</b>			
Driver & Vehicle Services			
-Motor Vehicle Plate & Title Fee Increase	3,300	2,737	6,037
-Administrative Penalty Authority	10	0	10
-Motor Vehicle Transfer Fee to GF	9,226	(9,226)	0
<b>FY 2004-05 Total Revenues</b>	<b>602,200</b>	<b>1,620,120</b>	<b>2,222,320</b>
<b>Biennial Change 2002-03 to 2004-05</b>	<b>(127,278)</b>	<b>101,713</b>	<b>(25,565)</b>
<b>Percent Change</b>	<b>(19%)</b>	<b>7%</b>	<b>(1%)</b>

The budget includes recommends an increase in the motor vehicle plate and sticker fees and a \$1 increase on motor vehicle title fees, since current motor vehicle plate and sticker fees are not covering the cost of manufacturing and distributing motor vehicle plates and validation stickers.

The budget includes the development of a plan for the use of forgivable administrative penalty orders on Driver and Vehicle Services- (DVS) regulated industries and agents who violate certain statutory or rule requirements. Of the penalties collected, up to \$5,000 per fiscal year may be used by DVS to fund education and compliance activities related to the regulated parties.

The budget includes a proposal that the revenue from the motor vehicle transfer fee charged under M.S. 115A.908 from FY 2004 be deposited as non-dedicated receipts to the General Fund. Revenue from this fee is currently deposited in the motor vehicle transfer account in the environmental fund.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Carry Forward</b>						
General	0	0	0	30	0	30
<b>Direct Appropriations</b>						
General	9,511	7,798	9,746	8,156	8,161	16,317
Special Revenue	791	738	994	994	994	1,988
Trunk Highway	83,930	84,582	96,124	93,938	93,938	187,876
Highway Users Tax Distribution	15,089	8,960	11,396	11,061	11,061	22,122
<b>Open Appropriations</b>						
Highway Users Tax Distribution	0	6,220	7,194	6,987	7,830	14,817
<b>Statutory Appropriations</b>						
General	341	384	437	238	238	476
State Government Special Revenue	460	436	511	541	565	1,106
Special Revenue	8,123	9,033	12,410	9,269	9,236	18,505
Trunk Highway	1,358	117	92	80	75	155
Federal	10,173	15,618	29,454	33,263	24,585	57,848
Reinvest In Minnesota	5	6	8	8	8	16
Gift	73	45	131	50	50	100
<b>Total</b>	<b>129,854</b>	<b>133,937</b>	<b>168,497</b>	<b>164,615</b>	<b>156,741</b>	<b>321,356</b>

<b>Expenditures by Category</b>						
Operating Expenses	126,313	127,729	152,990	139,806	137,961	277,767
Payments To Individuals	680	1,006	1,401	1,204	1,204	2,408
Local Assistance	2,817	5,157	14,055	21,042	15,013	36,055
Other Financial Transactions	44	45	51	45	45	90
Transfers	0	0	0	2,518	2,518	5,036
<b>Total</b>	<b>129,854</b>	<b>133,937</b>	<b>168,497</b>	<b>164,615</b>	<b>156,741</b>	<b>321,356</b>



PUBLIC SAFETY DEPT

Fiscal Report

<i>Dollars in Thousands</i>						
<b>Expenditures by Program</b>	<b>Actual FY2001</b>	<b>Actual FY2002</b>	<b>Preliminary FY2003</b>	<b>Governor's Rec</b>		<b>Biennium 2004-05</b>
				<b>FY2004</b>	<b>FY2005</b>	
Admin & Related Services	11,526	8,931	10,792	11,528	11,533	23,061
State Patrol	71,191	73,845	86,536	80,556	80,495	161,051
Driver & Vehicle Services	40,690	41,527	51,214	46,750	44,927	91,677
Traffic Safety	4,815	7,964	17,830	23,676	17,685	41,361
Pipeline Safety	1,632	1,670	2,125	2,105	2,101	4,206
<b>Total</b>	<b>129,854</b>	<b>133,937</b>	<b>168,497</b>	<b>164,615</b>	<b>156,741</b>	<b>321,356</b>

**Revenue by Type and Fund**

<b>Non Dedicated</b>						
General	546,454	437,745	290,887	293,026	284,450	577,476
Cambridge Deposit Fund	12,187	0	0	0	0	0
Trunk Highway	30,459	29,406	30,544	31,500	32,503	64,003
Highway Users Tax Distribution	463,013	673,214	689,642	713,002	723,111	1,436,113
Environmental	4,417	4,728	4,545	0	0	0
Greater Minnesota Transit	0	0	7,479	7,701	7,454	15,155
Subtotal Non Dedicated	1,056,530	1,145,093	1,023,097	1,045,229	1,047,518	2,092,747
<b>Dedicated</b>						
General	349	402	444	12,560	12,164	24,724
Special Revenue	11,419	13,461	18,183	22,283	22,203	44,486
Trunk Highway	1,470	60	80	75	75	150
Highway Users Tax Distribution	482	-8	-474	0	0	0
Federal	10,192	15,586	29,359	33,224	24,489	57,713
Reinvest In Minnesota	1,085	1,254	1,200	1,200	1,200	2,400
Gift	52	53	95	50	50	100
Subtotal Dedicated	25,049	30,808	48,887	69,392	60,181	129,573
<b>Total Revenue</b>	<b>1,081,579</b>	<b>1,175,901</b>	<b>1,071,984</b>	<b>1,114,621</b>	<b>1,107,699</b>	<b>2,222,320</b>

**Full-Time Equivalents (FTE)**                      **1,574.3**                      **1,529.7**                      **1,568.9**                      **1,461.7**                      **1,426.0**

**PUBLIC SAFETY DEPT**

Change Item: 2% MVST TO GENERAL FUND

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures—Dedicated	(\$12,322)	(\$11,926)	(\$12,660)	(\$12,938)
Revenues—Dedicated	(12,322)	(11,926)	(12,660)	(12,938)
Revenues—Non-dedicated	12,322	11,926	12,660	12,938
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$12,322	\$11,926	\$12,660	\$12,938

**Recommendation**

The Governor recommends that the dedication of 2% of the sales tax on motor vehicles under M.S. 297B.09, subd. 1(c) to the metropolitan area transit appropriation account in the General Fund under 16A.88, subd. 3, scheduled to go into effect on July 1, 2003, be rescinded. These funds would continue to be deposited in FY 2004 as non-dedicated receipts to the General Fund.

**Background**

Under M.S. 297B.09, subd. 1(c), 2% of the sales tax on motor vehicles will be dedicated starting in FY 2004 to a metropolitan area transit account in the General Fund. This proposal would rescind the dedication and continue the current depositing of these funds in the General Fund as non-dedicated receipts. Under M.S. 16A.88, subd. 3, these funds would be available for expenditures in FY 2004-05, subject to legislative appropriation, so there are currently no appropriations in place for FY 2004-05.

**Statutory Change:** 297B.09, subd. 1(c), 16A.88, subd. 3.

**PUBLIC SAFETY DEPT****Change Item: BUDGET REDUCTION PLAN-GENERAL FUND**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(\$2,095)	(\$2,095)	(\$2,095)	(\$2,095)
Other Fund				
Expenditures-Trunk Highway	(538)	(538)	(538)	(538)
Revenues	0	0	0	0
Net Fiscal Impact	(\$2,633)	(\$2,633)	(\$2,633)	(\$2,633)

**Recommendation**

The Governor recommends a reduction in General Fund appropriations of \$2,095,000 each year for operating costs of the Transportation activities of the Department of Public Safety. The Governor also recommends a reduction of \$538,000 in Trunk Highway Fund appropriations each year for the Department of Public Safety.

**Relationship to Base Budget**

Direct appropriation expenditure reductions were made in the following programs:

- ◆ **Administration and Related Services** - \$581,000 each year and 8.0 FTE. Represents 20% of base level of funding. General Fund reductions of \$43,000 each year will be made in compensation and \$538,000 each year in the transfer amount to the Trunk Highway Fund. \$1,330,000 of the General Fund base is transferred each year to the Trunk Highway Fund to reimburse the Trunk Highway Fund for expenses not related to the fund. A like reduction of \$538,000 will be taken in the Trunk Highway Fund. The majority of the Trunk Highway Fund reductions will be made in staffing for a total of 7.0 FTEs.
- ◆ **State Patrol** - \$776,000 each year and 15.0 FTEs. 20% of base level of funding. These reductions are made in the capitol complex security activity. Security would be maintained at the State Capitol, State Office Building, and the Judicial Building.
- ◆ **Driver & Vehicle Services** - \$738,000 each year and 14.0 FTEs. 20% of base level of funding. Budget and staff reductions will be taken in motor vehicle title and registration activities.

**Key Measures**

**Administration and Related Services** - A total of eight positions would be eliminated in this program that supports the operating divisions of this agency. Response time to media requests would be impacted. State Fair costs would be eliminated. Rules reviews will be made at the program level. There would be delays in application programming and maintenance of agency programs. Web applications would also be delayed. Town Square facility management will be reduced as well as services provided by the Public Safety warehouse, distribution, and records center.

**State Patrol** - Eliminate the current level of security in all capitol complex buildings except for the State Capitol, State Office Building, and the Judicial Building. Agencies in the capitol complex could contract with Capitol Security or a private security firm. The Department of Administration could include security costs in their lease rates for state owned buildings. Capitol Security officer response time to requests for assistance may diminish, as fewer officers are available to response to an incident.

**Driver and Vehicle Services** - Budget and staff reductions of \$738,000 and approximately 14.0 FTE positions will adversely impact the title issuing process. The FY 2003 performance target is 10 days processing time for the issuance of vehicle titles.

Statutory Change: NA

**PUBLIC SAFETY DEPT**Change Item: **MOTOR VEHICLE TRANSFER FEE TO GF**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	4,590	4,636	4,636	4,636
Other Fund				
Expenditures	0	0	0	0
Revenues	(4,590)	(4,636)	(4,636)	(4,636)
<b>Net Fiscal Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Recommendation**

The Governor recommends that the revenue from the motor vehicle transfer fee charged under M.S. 115A.908 from FY 2004 be deposited as non-dedicated receipts to the General Fund. Revenue from this fee is currently deposited in the motor vehicle transfer account in the environmental fund.

**Background**

Under M.S. 115A.908, a fee of \$4 is charged on the initial registration and each subsequent transfer of title of a motor vehicle. These revenues are deposited in the motor vehicle transfer account in the environmental fund. As cash flow permits, the commissioner of finance currently must transfer (1) \$3,200,000 each fiscal year from the motor vehicle transfer account to the environmental response, compensation, and compliance account established in section 115B.20; and (2) \$1,200,000 each fiscal year from the motor vehicle transfer account to the general fund.

More information on this initiative is included in the Pollution Control Agency's budget.

**Statutory Change:** 115A.908, subd. 2.

**PUBLIC SAFETY DEPT****Program: ADMIN & RELATED SERVICES****Change Item: PEACE OFFICER DEATH BENEFIT ACCT.**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures—(Transp)	\$39	\$44	\$49	\$54
Expenditures—(Crim. Justice)	(39)	(44)	(49)	(54)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

**Recommendation**

The Governor recommends the reallocation of \$39,000 FY 2004 and \$44,000 FY 2005 in crime prevention grant money from the Law Enforcement and Community Grants program (DPS—Criminal Justice) to the Administration and Related Services program (DPS—Transportation) to increase the base level of funding for the Peace Officer Death Benefit Account. This program pays out a set amount of money to the dependents of peace officers/fire fighters killed in the line of duty as authorized under M.S. 299A.44.

**Background**

The current rate that is paid out to dependents upon the death of a peace officer/fire fighter killed in the line of duty as of 10-1-02 is \$118,816.92. This rate is adjusted each October based on the annual percentage change in the Consumer Price Index for all urban consumers. When the program began, the \$326,000 annual appropriation was sufficient to cover the death of three peace officers/fire fighters. With the annually adjusted increase in the payment, the appropriation needs to be adjusted to cover the death of three peace officers/fire fighters.

**Relationship to Base Budget**

The requested change would increase the base budget appropriation to the Peace Officer Death Benefit Account.

**Key Measures**

This change item would ensure that the appropriation would be enough to cover the deaths of three peace officers/fire fighters killed in the line of duty in Minnesota.

**Alternatives Considered**

The alternative would be to leave the appropriation at \$326,000 and pay out for the deaths of only two peace officers/fire fighters killed in the line of duty.

**PUBLIC SAFETY DEPT****Program: DRIVER & VEHICLE SERVICES****Change Item: ADMINISTRATIVE PENALTY AUTHORITY-DVS**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	\$5	\$5	\$5	\$5
Revenues	5	5	5	5
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

**Recommendation**

The Governor recommends developing a plan for the use of forgivable administrative penalty orders on Driver and Vehicle Services—(DVS) regulated industries and agents who violate certain statutory or rule requirements. The Governor recommends that, of the penalties collected, up to \$5,000 per fiscal year may be used by DVS to fund education and compliance activities related to the regulated parties.

**Background**

The administrative penalty order authority (APO) would give DVS an administrative remedy to gain compliance with programs administered by the division. It would not apply to individual drivers or vehicle owners. DVS regulates various industries and agents including: motor vehicle dealers, deputy registrars, driver's license agents, driver education programs, third party driver examiners, and commercial holders of disability parking certificates. Under existing law, the only recourse available to DVS when a regulated agent does not comply with rules or statutes is the Chapter 14 contested case administrative hearing process. Possible outcomes of an administrative hearing are no action or suspension or revocation of a license or privilege. In some cases, the seriousness of the violation may warrant suspension or revocation of a license or privilege; however, the costs of a hearing process are high, and in many cases, the infractions are of a nature that would warrant less severe action. Use of forgivable, monetary administrative penalties would provide DVS with more tools to promote compliance and deterrence.

A plan would be developed to establish criteria for forgivable administrative penalty orders. The affected parties would participate in the APO plan development and the establishment of criteria. Other state agencies utilize administrative penalty orders to gain compliance; the Minnesota Pollution Control Agency was granted authority for administrative penalty orders in 1992, and the Department of Health has had this authority since 1993. While administrative penalty authority is typically granted to regulators of health and environmental programs, it is used by other states as a compliance tool in areas such as motor carrier safety regulation.

**Relationship to Base Budget**

This change would have a marginal impact on the DVS budget. The amount of revenue that would be generated by this proposal is unknown, but is estimated to be \$5,000 annually. The intent is not to raise revenues but rather to provide additional compliance tools. Up to \$5,000 per year would be authorized for use by the division for compliance and training activities.

**Key Measures**

DVS-regulated industries and agents would be better informed and educated about Minnesota laws and rules relating to their particular sect, and DVS would attain a higher compliance rate from these industries and agents.

Less DVS staff time and resources would be expended in the administrative hearing process.

**Statutory Change:** M.S. 299A

**PUBLIC SAFETY DEPT****Program: DRIVER & VEHICLE SERVICES****Change Item: MOTOR VEHICLE PLATE & TITLE FEE INCREASE**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	\$1,600	\$1,700	\$1,700	\$1,700
Highway User Tax Dist. Fund				
Expenditures	0	0	0	0
Revenues	1,342	1,395	1,395	1,395
Net Fiscal Impact	\$2,942	\$3,095	\$3,095	\$3,095

**Recommendation**

The Governor is recommending an increase in the motor vehicle plate and sticker fees and a \$1 increase on motor vehicle title fees.

**Background**

Current motor vehicle plate and sticker fees are not covering the cost of manufacturing and distributing motor vehicle plates and validation stickers.

**Relationship to Base Budget**

Revenue estimates under current law for plate and sticker fees are \$4.996 million in FY 2004 and \$5.180 million in FY 2005. Projected costs of manufacturing and distributing motor vehicle plates and validation stickers in FY 2004 are \$5.619 million in FY 2004 and \$6.007 million in FY 2005. Proposed plate and sticker fee increases range from a \$1.25 increase in the current \$3 passenger plate fee to a \$3 increase in the current \$4 sequenced special plate fee. Revenues are projected to increase by \$1.342 million in FY 2004 and \$1.395 million in FY 2005 under the proposed fee increases.

Revenue estimates under current law for motor vehicle titles are \$5.513 million in FY 2004 and \$5.568 million in FY 2005. This proposal would raise the current fee for the issuance of an original certificate of title from \$2 to \$3. The \$2 fee for each security interest on the title will remain the same. Revenues are projected to increase by \$1.6 million in FY 2004 and \$1.7 million in FY 2005.

**Key Measures**

The fee increases are needed to cover the costs of manufacturing and distributing of motor vehicle plates and stickers. Processing time for vehicle registrations and titles is dependent on having sufficient inventory of motor vehicle plates\stickers and titles on hand.

**Statutory Change:** M.S. 2002, 168.12, 168.54, and 168A.29. MN Rules 7403.1300

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**Minnesota Department of Transportation**

**Transportation Building**

395 John Ireland Boulevard  
Saint Paul, Minnesota 55155-1899

February 18, 2003

The 2003 Minnesota Legislature:

This is the submission of the Governor's recommendation of the 2004-2005 biennial budget for the Department of Transportation. The total request for funding for 2004-05 is \$3.812 billion. Base spending reductions for the biennium have been identified of \$84 million for general support, operations and maintenance from the Trunk Highway Fund (THF) and \$3.6 million from the General Fund (GF) for rural transit.

The focus of the 2004/2005 budget request is to meet the current financial resource needs of the department and identify additional revenues to support future transportation investments. Also, this budget is based upon a product and service based budgeting structure, which is a departure from the appropriation/organizational structure used in previous bienniums. The goal is to display the financial resource needs in a structure that links directly to what customers will receive in exchange for the funds appropriated.

At the funding level requested Mn/DOT will continue to provide core transportation services, including delivery of our construction program and essential highway maintenance and operations activities, assisting with rail crossing safety, regulatory compliance of commercial vehicles, supporting airport improvements, and providing assistance to rural transit providers.

Outlined in the budget is a reduction for the biennium of \$3.6 million in GF expenditures for rural transit providers and administration. This reduction will result in a decrease in funding to support rural transit services, however the impact will be distributed broadly and a significant commitment to rural transit remains in place.

Also outlined in this budget are THF base reductions for the biennium of \$84 million that reflect an aggressive effort to realign spending priorities in the department. Emphasis is on significantly decreasing administration and overhead costs throughout the agency while preserving the department's ability to develop and deliver construction projects. Some of the proposed reductions will be to maintenance and operations, though the impact of these reductions will be offset by increased productivity or eliminating lower priority activities. However, historic levels of service in this area may decrease modestly as a result of these spending changes.

Increased efficiency and improved communication in the department will also be achieved through a change to a simpler organization, focused on Mn/DOT's core activities. This reorganization reduces the number of layers in the department organizational structure, clarifies reporting roles and relationships, and enhances accountability.

This budget proposal is a reflection of our commitment to being accountable and focused on the department's core business of improving the state's transportation infrastructure. An additional benefit is the releasing of resources to support future transportation investment strategies. The Governor in his recommendation is proposing that these savings will provide the resources to allow a transportation investment package to be proposed at a later time that will address the substantial transportation needs of the state. Mn/DOT remains committed to delivering the highest quality and cost effective transportation system to the citizens of Minnesota.

Sincerely,

A handwritten signature in black ink that reads "Carol Molnau".

Carol Molnau  
Lt. Governor/Commissioner

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	36,046	3,843,252	3,879,298
One-Time Appropriations	0	-1,050	-1,050
Open Appr. Forecast Adj.	0	21,259	21,259
<b>Adjusted Base Funding</b>	36,046	3,863,461	3,899,507
<b>Change Items</b>			
Agency Operations Reductions	0	-84,000	-84,000
Multimodal System			
Transit General Fund Reduction	-3,605	0	-3,605
<b>Governor's Recommendations</b>	32,441	3,779,461	3,811,902
<b>Biennial Change, 2002-03 to 2004-05</b>	-259,146	-557,297	-816,443
<b>Percent Change</b>	-89%	-13%	-18%

**Brief Explanation Of Budget Decisions:**

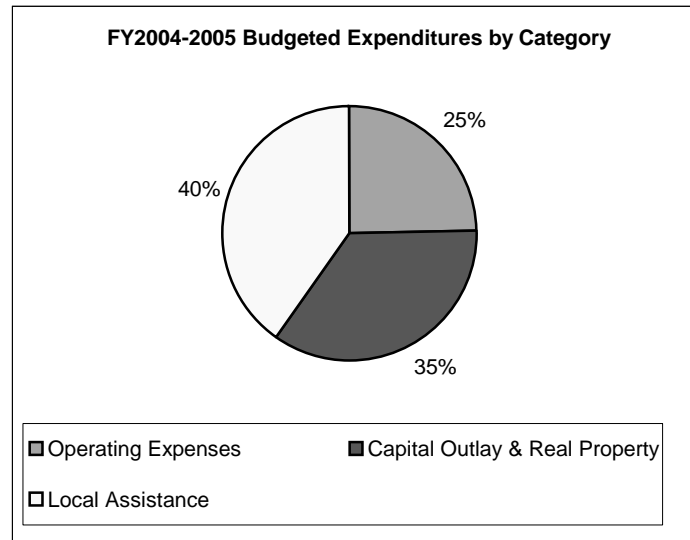
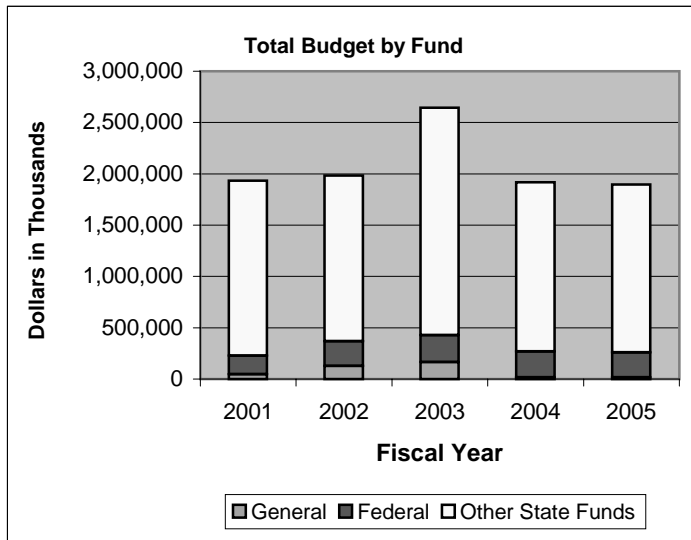
The two adjustments to the base funding shown are as follows:

- ◆ decreases to the base for one-time appropriations from FY 2002-03 for implementation of an Aeronautics GPS navigation system and a Commercial Vehicles Information System totaling \$525,000 per year or \$1,050,000 for the biennium; and
- ◆ open appropriation forecast adjustments of a negative (from the base) \$14.525 million for debt service for existing bond obligations, as well as a positive adjustment of \$35.784 million to state aid accounts to reflect changes to forecast revenue from the Highway Users Tax Distribution Fund - these forecast adjustments net to \$21.259 million for the biennium.

The negative changes in General Fund and Other Funds budgeted from the previous biennium represent decreases because of one-time appropriations and revenue. These items were one-time General Fund appropriations for bottleneck removal and interregional corridors, one-time federal advance construction funds, and federal and local funds for the Hiawatha light rail project.

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
<b>FY 2004-05 Current Law Revenues</b>	582	1,355,348	1,355,930
<b>Change Items</b>			
No Revenue Change Items	0	0	0
<b>FY 2004-05 Total Revenues</b>	582	1,355,348	1,355,930
<b>Biennial Change 2002-03 to 2004-05</b>	0	0	0
<b>Percent Change</b>	(24%)	(28%)	(28%)



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	75	0	0	0	0	0
General	46,121	126,747	164,840	16,220	16,221	32,441
State Government Special Revenue	24	0	0	0	0	0
State Airports	20,675	15,125	26,130	20,148	20,148	40,296
Municipal State Aid Street	87,482	109,115	112,227	112,290	114,661	226,951
County State Aid Highway	375,485	362,942	415,713	426,020	433,631	859,651
Trunk Highway	1,151,960	1,019,409	1,491,364	1,016,199	1,016,484	2,032,683
Greater Minnesota Transit	0	0	6,875	7,264	7,264	14,528
<b>Open Appropriations</b>						
State Airports	80	57	71	71	71	142
Municipal State Aid Street	2,066	1,932	2,242	2,292	2,340	4,632
County State Aid Highway	6,291	5,808	8,536	10,194	11,792	21,986
Trunk Highway	8,448	6,455	7,879	7,879	7,879	15,758
Highway Users Tax Distribution	590	410	504	504	504	1,008
<b>Statutory Appropriations</b>						
Special Revenue	44,981	89,884	137,233	37,477	14,389	51,866
State Airports	1,426	1,970	2,297	1,604	1,604	3,208
Trunk Highway	735	1,217	3,090	2,728	2,728	5,456
Federal	182,554	241,558	263,743	253,456	243,014	496,470
Miscellaneous Agency	4,194	405	2,567	2,413	2,413	4,826
<b>Total</b>	<b>1,933,187</b>	<b>1,983,034</b>	<b>2,645,311</b>	<b>1,916,759</b>	<b>1,895,143</b>	<b>3,811,902</b>

<b>Expenditures by Category</b>						
Operating Expenses	570,833	519,159	578,925	466,386	463,326	929,712
Capital Outlay & Real Property	738,062	796,178	1,271,222	673,151	650,091	1,323,242
Payments To Individuals	120	68	85	85	85	170
Local Assistance	613,121	663,018	764,315	759,514	763,733	1,523,247
Other Financial Transactions	10,774	4,611	30,764	17,623	17,908	35,531
Non-Cash Transactions	277	0	0	0	0	0
<b>Total</b>	<b>1,933,187</b>	<b>1,983,034</b>	<b>2,645,311</b>	<b>1,916,759</b>	<b>1,895,143</b>	<b>3,811,902</b>

TRANSPORTATION DEPT

Fiscal Report

<i>Dollars in Thousands</i>						
<b>Expenditures by Program</b>	<b>Actual FY2001</b>	<b>Actual FY2002</b>	<b>Preliminary FY2003</b>	<b>Governor's Rec</b>		<b>Biennium 2004-05</b>
				<b>FY2004</b>	<b>FY2005</b>	
Multimodal System	160,615	230,438	326,653	207,651	177,201	384,852
State Roads	1,095,851	1,073,019	1,566,622	972,354	969,560	1,941,914
Local Roads	580,782	615,316	663,718	675,796	687,424	1,363,220
General Support And Svcs	95,939	64,261	88,318	60,958	60,958	121,916
<b>Total</b>	<b>1,933,187</b>	<b>1,983,034</b>	<b>2,645,311</b>	<b>1,916,759</b>	<b>1,895,143</b>	<b>3,811,902</b>

**Revenue by Type and Fund**

<b>Non Dedicated</b>						
General	135	483	281	291	291	582
Cambridge Deposit Fund	169	0	0	0	0	0
State Airports	17,544	16,396	15,608	16,400	16,500	32,900
Municipal State Aid Street	7,583	5,131	6,000	6,000	6,500	12,500
County State Aid Highway	17,672	11,391	12,000	13,000	14,000	27,000
Trunk Highway	351,302	318,051	664,283	342,338	341,363	683,701
Highway Users Tax Distribution	2,160	1,670	1,380	1,450	1,521	2,971
Subtotal Non Dedicated	396,565	353,122	699,552	379,479	380,175	759,654
<b>Dedicated</b>						
Special Revenue	46,337	91,214	128,773	37,437	14,349	51,786
State Airports	1,303	1,003	1,593	1,593	1,593	3,186
Trunk Highway	18,755	17,921	48,849	20,004	20,004	40,008
Federal	182,242	242,069	261,079	253,456	243,014	496,470
Miscellaneous Agency	4,195	448	2,413	2,413	2,413	4,826
Subtotal Dedicated	252,832	352,655	442,707	314,903	281,373	596,276
<b>Total Revenue</b>	<b>649,397</b>	<b>705,777</b>	<b>1,142,259</b>	<b>694,382</b>	<b>661,548</b>	<b>1,355,930</b>
<b>Full-Time Equivalents (FTE)</b>	<b>5,435.0</b>	<b>5,198.0</b>	<b>5,170.5</b>	<b>4,875.5</b>	<b>4,875.5</b>	

# TRANSPORTATION DEPT

## Change Item: AGENCY OPERATIONS REDUCTIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	(42,000)	(42,000)	(42,000)	(42,000)
Revenues	0	0	0	0
Net Fiscal Impact	(42,000)	(42,000)	(42,000)	(42,000)

### Recommendation

The Governor recommends reductions in base appropriations from the Trunk Highway Fund for agency operations within the Department of Transportation. These reductions reflect an aggressive effort to realign spending priorities in the department. Emphasis is on significantly decreasing administration and overhead costs throughout the agency while preserving the department's ability to develop and deliver construction projects.

The Governor intends that these savings will provide the resources to allow a transportation investment package to be proposed at a later time that will address the substantial transportation needs of the state.

### Background

Most of the Minnesota Department of Transportation's (Mn/DOT) funding is from the trunk highway fund, which is dedicated by the Minnesota Constitution to trunk highway purposes. Based upon customer and stakeholder input, Mn/DOT has revised its historical hierarchical appropriation structure to a budget structure that aligns with activities within product and service lines familiar to our customers and stakeholders.

Product and service lines affected by this change item include multimodal, state roads and general support and services. State roads includes the state road construction program and supporting investment, design and planning activities, operations and maintenance, and electronic communications. The state road construction program is not affected by this budget initiative. The general support program provides leadership, general management and specialized support services including finance and administrative services, human resources, information technology, communications and building services.

### Relationship to Base Budget

A reduction in agency operations of \$42 million per year is proposed in a number of programs and budget activities:

	<u>Base Reductions</u>
Multimodal System	
Transit	\$200,000
Freight	175,000
Commercial Vehicles	375,000
State Roads	
Infrastructure Investment & Planning	8,750,000
Infrastructure Operations & Maintenance	17,500,000
Electronic Communications	500,000
General Support and Services	
Department Support	13,750,000
Buildings	<u>750,000</u>
TOTAL	\$42,000,000

Reductions were focused on administration and overhead costs throughout Mn/DOT, as well as fleet management practices, information technology staff and spending levels, human resources and other areas of potential administrative redundancies.

The reduction will provide additional funds in the trunk highway fund balance. These resources will allow a transportation package to be developed and presented at a later time.

Significant cost savings and increased efficiency will be achieved through a new, simpler organizational structure that reduces the number of layers within Mn/DOT, while clarifying reporting roles, improving communications and access, and enhancing accountability.

### **Key Measures**

This level of reductions cannot be completely achieved without impacting the delivery of programs, including revising targets upward for snow and ice "time to bare pavement," road repair and deterioration, and traffic and congestion management. Key measures to be monitored include the ability to achieve targets for snow and ice removal, congestion growth rate/traffic management, safety and timely lettings, and monitoring of construction contracts.

The time to get bare pavement will increase following snow events; incident management response may deteriorate and contribute to higher levels of traffic delay; project letting dates will not be evenly distributed; our ability to field inspect and manage multiple construction projects will be impacted, which may result in project start and completion delays. Overall, though, a majority of the reductions will not significantly impact key performance targets.

### **Alternatives Considered**

All areas of the department were reviewed to identify where adjustments could be made to institute greater operating efficiencies without detrimental effects to Mn/DOT's various programs.

**Statutory Change:** Not Applicable

**TRANSPORTATION DEPT**Program: **MULTIMODAL SYSTEM**Change Item: **TRANSIT GENERAL FUND REDUCTION**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(\$1,803)	(\$1,802)	(\$1,802)	(\$1,802)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$1,803)	(\$1,802)	(\$1,802)	(\$1,802)

**Recommendation**

The Governor recommends a direct General Fund appropriation for Greater Minnesota Transit Assistance of \$15,698,000 in FY2004 and \$15,699,000 in FY2005. This appropriation represents a reduction of \$1,803,000 in FY2004 and \$1,802,000 in FY2005.

**Background**

The Office of Transit administers state and federal funds that support public transit systems in Greater Minnesota. These funds are distributed in the form of grants to cities, counties, and other eligible recipients for the purpose of providing public transit. Systems range in size from Duluth, with 90 vehicles, to Pelican Rapids with one small bus. Many transit patrons are persons without alternative transportation, whose ability to access work, school, and other activities in the community may be affected by a reduction in service levels. Greater Minnesota transit systems are working with limited budgets already impacted by increased insurance costs and unstable fuel prices.

**Relationship to Base Budget**

State transit funds are used mostly for operations, and any reduction may translate into reduced service. A 10% General Fund reduction will result in transit service reductions on the street—estimated at 52,000 hours. This translates to approximately 500,000 trips.

The larger transit providers have indicated that they may cut routes or reduce the frequency of service. Adjustments will be made in evening, weekend, and midday service because they tend to be the least used; however, a many riders during those times are transit dependent persons who may not have other options. Smaller systems will modify segments of their services and, in some cases, may have to stop the use of a vehicle. The more rural areas could possibly lose service. Providers will address staffing reductions, where possible, and look for administrative efficiencies. The Minnesota Department of Transportation (Mn/DOT) will continue to provide technical assistance to transit systems as adjustments are considered.

**Alternatives Considered**

Public transit systems are funded through a grant program. The only other resources available to the state to support Greater Minnesota Transit Assistance is the Greater Minnesota Transit Fund, which is funded by 1.25% of Motor Vehicle Sales Tax collections.

**Technology Funding Detail**

Not Applicable

**Office of Technology Analysis**

Not Applicable

**Statutory Change:** Not Applicable