

# Preliminary

Consolidated Fiscal Note

2015-2016 Legislative Session

**HF1780 - 0 - "Trunk Highway System Performance"**

Chief Author: **Connie Bernardy**  
 Committee: **Transportation Policy and Finance**  
 Date Completed:  
 Lead Agency: **Transportation Dept**  
 Other Agencies:  
 University Of Minnesota

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Transportation Dept</b>					
Trunk Highway	-	-	5,512	4,012	3,912
<b>State Total</b>					
Trunk Highway	-	-	5,512	4,012	3,912
<b>Total</b>	-	-	5,512	4,012	3,912
<b>Biennial Total</b>			5,512		7,924

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Transportation Dept</b>					
Trunk Highway	-	-	21.3	21.3	21.3
<b>Total</b>	-	-	21.3	21.3	21.3

**Lead Executive Budget Officer's Comment**

EBO Signature:      Date:  
 Phone:              Email

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## State Cost (Savings) Calculation Details

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\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	
<b>Transportation Dept</b>						
Trunk Highway	-	-	5,512	4,012	3,912	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>5,512</b>	<b>4,012</b>	<b>3,912</b>	
<b>Biennial Total</b>			<b>5,512</b>		<b>7,924</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Transportation Dept</b>						
Trunk Highway	-	-	5,512	4,012	3,912	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>5,512</b>	<b>4,012</b>	<b>3,912</b>	
<b>Biennial Total</b>			<b>5,512</b>		<b>7,924</b>	
<b>2 - Revenues, Transfers In*</b>						
<b>Transportation Dept</b>						
Trunk Highway	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>		<b>-</b>	

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 Agency: **University Of Minnesota**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-

**Executive Budget Officer's Comment**

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Biennial Total	-	-	-	-	-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Total	-	-	-	-	-
Biennial Total	-	-	-	-	-
<b>2 - Revenues, Transfers In*</b>					
Total	-	-	-	-	-
Biennial Total	-	-	-	-	-

## Bill Description

House File 1780 requires the commissioner of transportation to develop a performance, stewardship, and sustainability plan for the trunk highway system, requires a performance report, creates the Office of Innovative Projects and Asset Management, and requires a review and assessment of the department's organizational structure through a partnership between the University of Minnesota and the University of Wisconsin.

## Assumptions

Any cost related to the review and assessment completed by the partnership between the University of Minnesota and the University of Wisconsin will be addressed by the Department of Transportation.

## Expenditure and/or Revenue Formula

None.

## Long-Term Fiscal Considerations

None.

## Local Fiscal Impact

NA

## References/Sources

None.

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<b>Total</b>	-	-	<b>21.3</b>	<b>21.3</b>	<b>21.3</b>

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## State Cost (Savings) Calculation Details

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<b>Biennial Total</b>			<b>5,512</b>		<b>7,924</b>
<b>2 - Revenues, Transfers In*</b>					
Trunk Highway	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>			<b>-</b>		<b>-</b>

## Bill Description

House File 1780 is described below, by section:

Section 1 would require MnDOT to develop an annual performance, stewardship, and sustainability plan for the trunk highway system. The plan would include all modes and all infrastructure assets within the trunk highway corridor right-of-way. At a minimum, the plan would include:

- Quantity and quality of assets
- Predictive and consequential measures of performance
- Annual performance targets to be achieved by each district
- Identification and explanation of the performance gap
- Life cycle, risk, and health impact assessments for projects in each district, including expected and potential material and energy inputs and outputs
- Annual investment plan for each district for 10 years
- Sustainability plan for each district to add or remove segments from the trunk highway system to optimize financial sustainability

This report would be annually submitted to the legislative transportation committees by December 15, beginning December 15, 2016 (fiscal year 2017).

Section 2 would reallocate 20% of all engineering and planning management positions to non-management, non-supervisory positions within 6 months if the annual performance targets were not met, in positions to directly support the areas not achieving the performance targets. Prior to this reallocation, a report would be required to the legislative transportation committees describing the actions MnDOT would take to enhance effectiveness and achieve the performance targets.

Section 3 would create an Office of Innovative Projects and Asset Management. This office would perform a variety of work relating to pursuing innovations, implementing technology, and establishing successful employee/stakeholder/public engagement. A public oversight panel would be established to oversee all office activities. The office would be responsible for a variety of outcomes relating to employees, including systems, recruitment practices, organizational structure, and

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training. Additional revenue from the Trunk Highway and General Funds would be appropriated by statute.

Section 4 would require a review and assessment of MnDOT's organizational structure. The review and assessment would be completed by the Humphrey School of Public Affairs, Carlson School of Management, and the Center for Transportation Studies at the University of Minnesota, and the State Smart Transportation Initiative at the University of Wisconsin. The review and assessment would include:

- The relationship of each district, division, office, and section of MnDOT to the states transportation goals, MnDOT mission and duties, and annual performance targets in Minnesota Statutes 174.01-03
- The budget and ratio of employees to supervisors in each district, division, office, and section
- Identifying best practices and comparisons to other state DOTs
- Recommendations on the appropriate ratio of employees to supervisors
- Recommendations on the appropriate increase in operations resulting from increases in capital investments
- Recommendations on the appropriate fiscal responsibility assigned to construction inspectors and engineers
- Recommendations on the appropriate, fiscally constrained size of the trunk highway system and how to achieve that size

If MnDOT did not promptly supply information necessary for the report, then within 6 months MnDOT would be required to reallocate a sufficient number of engineering and planning management positions to non-management and non-supervisory positions to achieve an agency wide employee-to-supervisor ratio of 10 to 1.

A preliminary report of this review would be submitted to the legislative transportation committees by December 15, 2105, and a final report would be submitted by June 30, 2016.

**Note: we assume all dates will change to one year later.**

## Assumptions

### Section 1 Trunk Highway System Performance, Stewardship, and Sustainability Plan

Many of the requirements that would be included in the new annual plan are already included in a variety of existing MnDOT plans and reports, including the Annual Performance Report, Statewide Multimodal Transportation Plan (SMTP), 20-Year State Highway Investment Plan (MnSHIP), 10-Year Capital Work Plan, and the Transportation Asset Management Plan. However, the primary reports that include the related information (SMTP and MnSHIP) are only updated every 4 years. There are also some requirements that are either don't currently exist or are expanded.

The existing 4-year plans require significant staff time for districts, subject matter experts in support offices, and upper level management for input, discussion, and review. This plan would require similar effort, now on an annual basis. We assume that in total, this plan would require an additional 2,000 hours of staff time each year from all impacted offices, at an average blended hourly rate of \$40/hour, plus an additional 50% to account for overhead costs including fringe.

Two new positions would be required to oversee the annual preparation of this plan. These positions would be filled as Principal Planners, at an average hourly wage rate of \$30/hour, plus an additional 50% to account for overhead costs including fringe.

Consultants would be utilized in the first two years to assist in defining and establishing parameters, public outreach, etc. These consultants would cost an estimated \$100,000 in each of the two years.

The major impact of this bill would be the requirements in Subd 12 (c) (5), which would require for each project an assessment of the life cycle, risk, and health impacts including the identification of expected and potential material and energy inputs and outputs. Estimating these impacts on each project would require substantial analysis above and beyond the work that is currently done comprehensively statewide for all projects. The on-going effort to do that work is estimated to cost an additional \$10,000 per project. This \$10,000 per project estimate is based on the costs per project for recent programs with similar requirements, such as Corridor Investment Management Strategy (CIMS) and Metropolitan Councils regional solicitation. There are an estimated 300 projects per year. We are assuming these requirements only apply to

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Trunk Highway projects, so local projects have not been included in any estimates. The additional work required for each project, above and beyond the current requirements, would be accomplished through a combination of hiring additional MnDOT staff and using consultants. For the purpose of the fiscal note, we will assume that the additional work would be performed equally by new MnDOT staff and consultants. Assuming an average annual salary of \$70,000 plus an additional 50% for overhead, this would translate to requiring about 14.3 additional FTEs.

To accurately report on the quality and quantity of all assets, MnDOT would have to accelerate existing asset management systems for 6 asset classes. Based on the completed plans for other asset classes, each system would cost approximately \$200,000, and would occur in fiscal year 2017. In addition, to maintain this information for all asset classes, 5 FTEs would be required, at an annual average annual salary of \$70,000 plus an additional 50% for overhead.

A comprehensive Jurisdictional Realignment study was recently completed, which satisfies most of the requirements in paragraph 7. To maintain and update this data annually in order to identify road segments to be added or removed from the trunk highway system would cost an estimated \$80,000. This is based on the recent report costing about \$530,000, and the assumption that the ongoing annual update would cost about 15% of this amount.

All costs are assumed to occur beginning in fiscal year 2017, and would be paid from the Trunk Highway Fund.

## Section 2 Performance Achievement Required

MnDOT believes that due to existing personnel statutes and current State collective bargaining rules, this section could not be implemented as written.

## Section 3 Office of Innovative Projects and Asset Management

MnDOT is not able to determine a reasonable estimate of the cost for this section, as it is not possible to determine from the language what the scope and breadth of the Office is, what level and number of staffing would be needed, and other variables. In addition, subdivisions (c) (2) and (3) would require exceptions from existing personnel statutes and the authority delegated to Minnesota Management and Budget to establish plans and contracts, and an exception to the recognition of the state to exclusive representation by state unions for the purpose of collective bargaining.

## Section 4 Enhanced Organizational Effectiveness and Innovation Review

Based on a variety of studies of similar magnitude that have been performed in the past few years, led either by the University of Minnesota or consultants, it is assumed that this review would cost approximately \$300,000. This cost would include both the work performed by the two universities as well as MnDOT internal staff time to assist in providing the required information. All costs would occur in fiscal year 2017, and would be paid from the Trunk Highway Fund. It is assumed that all information requested of MnDOT would be promptly provided, and that the reallocation of staff would not occur.

## Expenditure and/or Revenue Formula

A summary of the expenditures are summarized by section below (all amounts in thousands):

	Hours	Wage	Wage + 50%	FY 2017	FY 2018	FY 2019
<b>Section 1 - Trunk Highway System Performance, Stewardship, and Sustainability Plan</b>						
Staff Time - meetings, review, etc.	2,000	\$40.00	\$60.00	120	120	120
2 New Principal Planners	4,160	\$30.00	\$45.00	187	187	187
Consultants				100	100	
Lifecycle, Risk, Health Impact Assessments (300 projects at \$10k each)				3,000	3,000	3,000
Asset Management Plans (6 assets at \$200k/each, + 5 ongoing FTEs)				1,725	525	525



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	Hours	Wage	Wage + 50%	FY 2017	FY 2018	FY 2019
Jurisdictional Transfer Analysis				80	80	80
<b>Total</b>				<b>5,212</b>	<b>4,012</b>	<b>3,912</b>
<b>Section 4 - Enhanced Organizational Effectiveness and Innovation Review</b>						
Costs for Review and Assessment				300		
<b>Total Costs</b>				<b>5,512</b>	<b>4,012</b>	<b>3,912</b>
FTEs				21.3	21.3	21.3

**Sections 2 and 3** Not Available

## Long-Term Fiscal Considerations

The additional costs related to the annual reporting would continue in future years

## Local Fiscal Impact

None

## References/Sources

MnDOT Office of Chief of Staff

MnDOT Office of Financial Management

MnDOT Office of Human Resources

MnDOT Office of Transportation System Management (OTSM)

### **Agency Contact:**

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