

Transportation

METROPOLITAN COUNCIL

TRANSPORTATION DEPT

PUBLIC SAFETY DEPT

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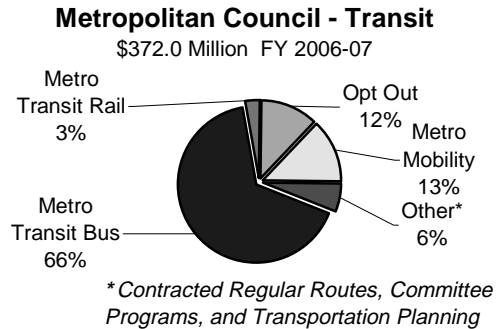
Metropolitan Council

January 25, 2005

To the 2005 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Metropolitan Council's recommendation for metropolitan transit operations for the FY 2006-07 budget.

This budget consists of \$106.906 million from the state's General Fund for bus transit; \$255.721 million from the state Motor Vehicle Sales Tax (MVST) for bus transit; and \$9.350 million from the state's General Fund for light rail transit. This includes a 40% increase (\$2.65 million) for the recently opened Hiawatha Light Rail line. The Governor is not recommending any changes to these current law funding levels. State funds represent approximately 62% of the total operating funds used for metropolitan transit programs, with fares comprising 24%, and other sources making up the balance.



As the graphic indicates, there are six transit programs in the Twin Cities, which provided over 73.1 million rides in 2003. These programs:

- Provide access to jobs, primarily during peak traffic periods, as 80% of riders are going to or from work.
- Mitigate congestion in heavily traveled corridors during peak traffic, carrying the equivalent of up to one and a half lanes of traffic on key congested highways at peak periods.
- Provide mobility for citizens regardless of economic status or physical ability.
- Support disabled and elderly persons living outside of institutional settings.

We look forward to working with the legislature in the coming months.

Sincerely,

Peter Bell
Chair, Metropolitan Council

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	56,810	57,910	57,910	57,910	115,820
Recommended	56,810	57,910	57,503	58,753	116,256
Change		0	(407)	843	436
% Biennial Change from 2004-05					1.3%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	55,893	56,173	57,503	58,753	116,256
Statutory Appropriations					
Metro Area Transit	127,672	123,281	124,614	131,107	255,721
Total	183,565	179,454	182,117	189,860	371,977
 <u>Expenditures by Category</u>					
Local Assistance	183,565	179,454	182,117	189,860	371,977
Total	183,565	179,454	182,117	189,860	371,977
 <u>Expenditures by Program</u>					
Met Council Transit	183,565	179,454	182,117	189,860	371,977
Total	183,565	179,454	182,117	189,860	371,977

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
<i>Fund: GENERAL</i>				
FY 2005 Appropriations	57,910	57,910	57,910	115,820
Technical Adjustments				
Current Law Base Change		(407)	843	436
Subtotal - Forecast Base	57,910	57,503	58,753	116,256
Total Governor's Recommendations	57,910	57,503	58,753	116,256
<i>Fund: METRO AREA TRANSIT</i>				
Planned Statutory Spending	123,281	124,614	131,107	255,721
Total Governor's Recommendations	123,281	124,614	131,107	255,721

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Minnesota Department of Transportation

Transportation Building
395 John Ireland Boulevard

St. Paul, Minnesota 55155-1899

January 25, 2005

To the 2005 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Minnesota Department of Transportation (Mn/DOT) budget recommendation for the FY 2006-07 budget for total spending of \$4.153 billion.

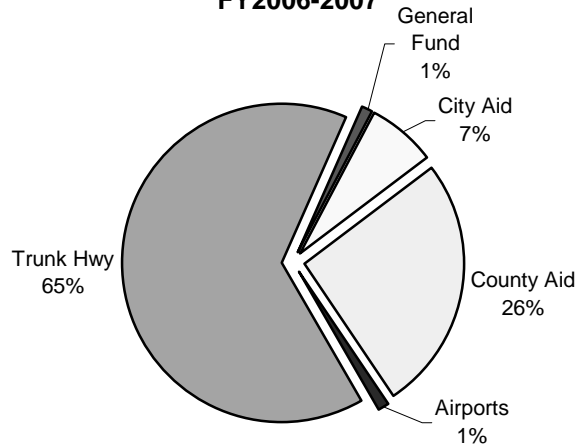
The largest appropriation is from the Trunk Highway Fund. Legislative appropriations of constitutionally dedicated motor fuel tax revenues and other sources in the Trunk Highway Fund represent approximately 65% of total state resources directly appropriated to support transportation. Appropriations of general tax revenues and other sources from the state's General Fund amount to less than 1% of total direct appropriations.

By far the largest portion of the Agency's budget is spent on building and preserving the state's transportation infrastructure. As mentioned above, over the past several years, the Agency has used a combination of bond funding and other resources to advance the construction of important roads, bridges, and other transportation assets. The 2003 financing package, the largest in Minnesota's history, is on course to deliver 17 major highway construction and safety/preservation projects more than 60 years ahead of their original schedules. A large part of the 2003 bonding/advance construction initiative is currently underway or nearing completion. Included in this recommendation is a discussion of a new investment initiative that will continue to accelerate transportation investments to meet the needs of all Minnesotans.

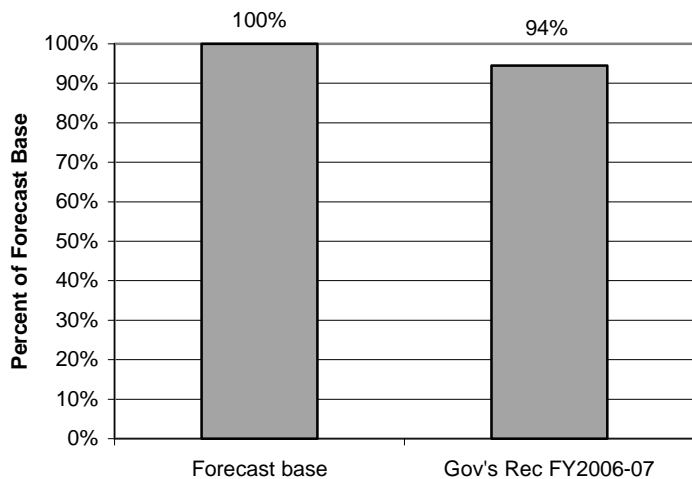
This proposal recommends adjusting the direct Trunk Highway appropriation to reflect current financial circumstances as they relate to Federal, Advance Construction and other funding. This recommendation includes direct Trunk Highway appropriations of approximately \$2.3 billion. The recommended level is approximately \$133 million less than the FY 2006-07 forecast base appropriation.

No change is recommended in appropriations of general tax revenues and other sources accounted for in the General Fund for FY 2006-07.

**Mn/DOT Direct Appropriations by Fund
FY2006-2007**



**Gov's Recommended Direct Trunk Hwy
Appropriation as Percentage of
FY 2006-2007 Forecast Base**



Significant Trunk Highway appropriation changes included in this recommendation for FY2006-2007 are:

Change	Change from Trunk Highway Forecast Base (\$ millions)	Comment
Decrease road construction	(163.0)	Primarily a result of using \$825 million to accelerate construction projects and adjusting advanced construction financing to fit current plans for road construction.
Increase small buildings	8.0	Small buildings appropriation formerly part of department biennial budget. Proposed in 2004 capital request that did not pass. Deferred maintenance makes this an important item.
Increase debt service	3.308	Debt service on bonds used to accelerate building projects in Governor's 2005 Capital Bonding bill.
Increase Maintenance and Operations	17.25	Key safety and maintenance and operations investments to preserve the value of the state's existing investments in infrastructure.
Increase Electronic Communications	1.75	To fulfill the Agency's commitment to provide a statewide (800 Mhz) communication system for public safety agencies and others.
Total appropriation change	(\$132.692)	

This budget proposal is the result of a continuous strategic planning process that begins with the Pawlenty administration principles of accountability and cost effectiveness. The Mn/DOT Strategic Plan guides investment decisions. The strategic plan, combined with extensive public input, guided development of the outcomes described in the performance based Statewide Transportation Plan and the Highway Systems Operations Plan. The budget recommendations included in our proposal are the short-term specific recommendations that result from this comprehensive planning process.

At the recommended levels, Mn/DOT will continue to provide core transportation services including delivery of our construction program and essential highway maintenance and operations, assisting with rail crossing safety, regulatory compliance of commercial vehicles, supporting airport improvements and providing transit assistance. Mn/DOT is committed to delivering the highest quality and cost effective transportation system to the citizens of Minnesota.

Sincerely,



Carol Molnau
 Lt. Governor and Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	16,220	16,221	16,221	16,221	32,442
Recommended	16,220	16,221	16,221	16,221	32,442
Change		0	0	0	0
% Biennial Change from 2004-05					0%
State Airports					
Current Appropriation	19,408	19,408	19,408	19,408	38,816
Recommended	19,408	17,508	19,408	19,408	38,816
Change		(1,900)	0	0	0
% Biennial Change from 2004-05					5.1%
Municipal State Aid Street					
Current Appropriation	112,290	114,661	114,661	114,661	229,322
Recommended	112,290	114,661	117,048	120,841	237,889
Change		0	2,387	6,180	8,567
% Biennial Change from 2004-05					4.8%
County State Aid Highway					
Current Appropriation	433,312	433,631	433,631	433,631	867,262
Recommended	433,312	433,631	441,335	453,948	895,283
Change		0	7,704	20,317	28,021
% Biennial Change from 2004-05					3.3%
Trunk Highway					
Current Appropriation	1,107,574	1,173,558	1,173,558	1,173,558	2,347,116
Recommended	1,107,574	1,173,558	1,074,539	1,189,195	2,263,734
Change		0	(99,019)	15,637	(83,382)
% Biennial Change from 2004-05					-0.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	15,258	17,145	16,221	16,221	32,442
State Airports	14,462	22,454	19,408	19,408	38,816
Municipal State Aid Street	134,642	114,661	117,048	120,841	237,889
County State Aid Highway	403,331	433,631	441,335	453,948	895,283
Trunk Highway	1,014,844	1,282,332	1,074,539	1,189,195	2,263,734
Open Appropriations					
State Airports	52	51	51	51	102
Municipal State Aid Street	2,318	2,628	2,389	2,467	4,856
County State Aid Highway	7,694	8,908	9,007	10,680	19,687
Trunk Highway	5,567	5,289	5,289	5,289	10,578
Highway Users Tax Distribution	472	621	621	621	1,242
Greater Minnesota Transit	8,146	9,067	8,460	8,720	17,180
Statutory Appropriations					
Special Revenue	81,448	53,715	34,871	15,953	50,824
State Airports	793	2,078	1,203	1,203	2,406
Trunk Highway	1,841	26,340	21,177	21,177	42,354
Federal	229,673	321,326	267,248	267,963	535,211
Miscellaneous Agency	248	2,794	301	301	602
Total	1,920,789	2,303,040	2,019,168	2,134,038	4,153,206

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Category</u>					
Total Compensation	309,479	318,099	321,894	321,363	643,257
Other Operating Expenses	188,854	230,102	175,079	176,389	351,468
Capital Outlay & Real Property	658,500	827,394	637,707	723,618	1,361,325
Payments To Individuals	61	60	60	60	120
Local Assistance	758,526	862,751	825,179	842,703	1,667,882
Other Financial Transactions	5,618	64,634	59,249	69,905	129,154
Non-Cash Transactions	(249)	0	0	0	0
Total	1,920,789	2,303,040	2,019,168	2,134,038	4,153,206
<u>Expenditures by Program</u>					
Multimodal Systems	215,667	269,461	207,884	190,084	397,968
State Roads	974,784	1,279,298	1,049,821	1,164,334	2,214,155
Local Roads	673,861	689,851	699,779	717,936	1,417,715
General Support & Services	56,477	64,430	61,684	61,684	123,368
Total	1,920,789	2,303,040	2,019,168	2,134,038	4,153,206
Full-Time Equivalents (FTE)	4,690.8	4,789.7	4,634.8	4,525.0	

TRANSPORTATION DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
Fund: GENERAL				
FY 2005 Appropriations	16,221	16,221	16,221	32,442
Subtotal - Forecast Base	16,221	16,221	16,221	32,442
Total Governor's Recommendations	16,221	16,221	16,221	32,442
Fund: STATE AIRPORTS				
FY 2005 Appropriations	19,408	19,408	19,408	38,816
Subtotal - Forecast Base	19,408	19,408	19,408	38,816
Change Items				
State Airports Fund Reduction	(1,900)	0	0	0
Total Governor's Recommendations	17,508	19,408	19,408	38,816
Fund: MUNICIPAL STATE AID STREET				
FY 2005 Appropriations	114,661	114,661	114,661	229,322
Technical Adjustments				
Forecast Open Appr Adjustments		2,387	6,180	8,567
Subtotal - Forecast Base	114,661	117,048	120,841	237,889
Total Governor's Recommendations	114,661	117,048	120,841	237,889
Fund: COUNTY STATE AID HIGHWAY				
FY 2005 Appropriations	433,631	433,631	433,631	867,262
Technical Adjustments				
Forecast Open Appr Adjustments		7,704	20,317	28,021
Subtotal - Forecast Base	433,631	441,335	453,948	895,283
Total Governor's Recommendations	433,631	441,335	453,948	895,283
Fund: TRUNK HIGHWAY				
FY 2005 Appropriations	1,173,558	1,173,558	1,173,558	2,347,116
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		25,000	25,000	50,000
February Forecast Adjustment		(4,493)	3,803	(690)
Subtotal - Forecast Base	1,173,558	1,194,065	1,202,361	2,396,426
Change Items				
Debt Service Increase-2005 TH Bonding	0	474	2,834	3,308
Electronic Communications Increase	0	875	875	1,750
Maintenance Operations Increase	0	8,625	8,625	17,250
Small Buildings Request	0	4,000	4,000	8,000
State Road Construction Decrease	0	(133,500)	(29,500)	(163,000)
Total Governor's Recommendations	1,173,558	1,074,539	1,189,195	2,263,734

TRANSPORTATION DEPT

Change Summary

	<i>Dollars in Thousands</i>			Biennium 2006-07
	FY2005	Governor's Recomm. FY2006	FY2007	
Fund: STATE AIRPORTS				
Planned Open Spending	51	51	51	102
Total Governor's Recommendations	51	51	51	102
Fund: MUNICIPAL STATE AID STREET				
Planned Open Spending	2,628	2,389	2,467	4,856
Total Governor's Recommendations	2,628	2,389	2,467	4,856
Fund: COUNTY STATE AID HIGHWAY				
Planned Open Spending	8,908	9,007	10,680	19,687
Total Governor's Recommendations	8,908	9,007	10,680	19,687
Fund: TRUNK HIGHWAY				
Planned Open Spending	5,289	5,289	5,289	10,578
Total Governor's Recommendations	5,289	5,289	5,289	10,578
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Planned Open Spending	621	621	621	1,242
Total Governor's Recommendations	621	621	621	1,242
Fund: GREATER MINNESOTA TRANSIT				
Planned Open Spending	9,067	8,460	8,720	17,180
Total Governor's Recommendations	9,067	8,460	8,720	17,180
Fund: SPECIAL REVENUE				
Planned Statutory Spending	53,715	34,871	15,953	50,824
Total Governor's Recommendations	53,715	34,871	15,953	50,824
Fund: STATE AIRPORTS				
Planned Statutory Spending	2,078	1,203	1,203	2,406
Total Governor's Recommendations	2,078	1,203	1,203	2,406
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	26,340	21,177	21,177	42,354
Total Governor's Recommendations	26,340	21,177	21,177	42,354
Fund: FEDERAL				
Planned Statutory Spending	321,326	267,248	267,963	535,211
Total Governor's Recommendations	321,326	267,248	267,963	535,211
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	2,794	301	301	602
Total Governor's Recommendations	2,794	301	301	602

TRANSPORTATION DEPT**Program: GENERAL SUPPORT & SERVICES****Change Item: Small Buildings Request**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	\$4,000	\$4,000	\$4,000	\$4,000
Revenues	0	0	0	0
Net Fiscal Impact	\$4,000	\$4,000	\$4,000	\$4,000

Recommendation

The Governor recommends an additional \$4,000,000 per year be included in this Program to support the construction, replacement or upgrading of small facilities (those less than \$1,000,000). This additional funding will allow these facilities to be completed in a planned, effective and efficient manner.

Background

Facilities need to be routinely maintained, repaired, constructed and/or upgraded to provide support for the Minnesota Department of Transportation (Mn/DOT). Space is required for administration, vehicle storage and repairs, ancillary equipment, installed facility-supporting equipment, and office space at effective locations for operations so Mn/DOT employees can efficiently and promptly respond to the highway users needs. These facilities are constructed to program requirements; new equipment demands or are regulatory or building code driven. Mn/DOT facilities are built and maintained to support and meet transportation system user needs, and to respond to environmental and safety concerns.

Older, inefficient buildings are currently a drain on existing operating budgets. Higher funding levels than normal are required to maintain old equipment, upgrade existing systems to accept new equipment, to address new codes, regulatory, and facility requirements. For instance, snowplow trucks are larger and require a larger bay to store inside and keep the newer hydraulic and computer equipment ready for emergency use.

Every year, Mn/DOT uses the building budget process to review and plan with building users and division staff, in order to determine the deficiencies and needs for immediate and future building space and renewals.

A detailed Facilities Assessment is performed every biennium to determine facility conditions. On site, physical plant personnel are aware of any crisis problem areas and respond accordingly. Facility Assessments are gathered, analyzed and facilities are listed in priority order for replacement. Other factors are also considered, such as functionality, site availability, partnerships, sustainable building criteria, life cycle costing, best engineering practices, and maintenance requirements, all for keeping facilities in service for its design life or longer. The following projects top the priority list for replacements, additions or have a partnership planned.

FY 2006 Planned Construction

Fergus Fall Building Addition
 Lakeville Truck Station
 Faribault Truck Station
 Ivanhoe Truck Station
 Drivers License Vehicle Services Roads/Curbs
 Design Fees
 Salt Storage Facilities

FY 2007 Planned Construction

Paynesville Truck Station
 Cambridge Truck Station
 Warren Truck Station
 Baudette Truck Station
 Litchfield Truck Station
 Waseca Truck Station
 Design Fees
 Salt Storage Facilities
 Cold Storage Facilities

Wherever and whenever possible, Mn/DOT partners with local government subdivisions to construct facilities that will provide savings in effort, methods of operation, efficiencies of manpower and taxpayer monies. Mn/DOT also partners with other state agencies in providing expanded services to the motoring public. For example, the State Highway Patrol is co-located in most Mn/DOT Headquarters facilities, and where space permits, in Truck Stations, Rest Areas, and Travel Information Centers. Current funding uncertainties do not allow Mn/DOT to take financial advantage of all these relationships.

Mn/DOT has a limited in-house architectural design and construction staff, capable of producing project documentation, bidding, construction supervision, and inspection. When in-house service capabilities are reached, projects are reviewed and grouped for efficiencies and locations, then contracted with consultants for design, and limited construction services. Mn/DOT staff continues to provide facility standards, equipment requirements, and specification details. Further, this staff supervises and coordinates consultant services as project managers, and also provides planning and facilities management services.

Relationship to Base Budget

The 1996 Governor's recommendations for the Capital Building Budget (Executive Summary) included the following: "...In order to provide a more streamlined and efficient budget process by including the smaller ongoing building projects in the operating budget and concentrating in the Capital Budget on larger projects."

A steady, dependable funding stream is required for planning facility development and replacements. Mn/DOT received appropriations of \$7.50 million for the FY 2000-01 biennium from the Trunk Highway Fund for smaller projects. Mn/DOT received \$7.06 million in FY 2002-03 for these smaller projects. Mn/DOT received \$-0- in FY 2004-05.

Restoring a base budget allows Mn/DOT flexibility in planning and construction of these small facilities.

Key Measures

Mn/DOT has established a number of key measures to assess status of this program as well as to provide performance measurement.

Building Adequacy - % of buildings meeting functional needs.

⇒ Based on the Facilities Assessment Report developed by Mn/DOT Facilities Management Services and performed by the District Physical Plant Supervisors. The number of facilities scoring a certain number of points determines the %. These assessments provide Mn/DOT facility planners with information concerning each buildings primary and secondary systems, site conditions, safety concerns, functional standards, energy conservation, barrier free access, and environmental conditions.

Building Improvement and Replacement - % of Design and Construction schedule complete.

⇒ Using the current biennium, approved and funded construction plan, design and construction project schedules are developed and tracked monthly to ensure remedial action can be taken to produce plans, specifications, and construction of a facility on time and on budget.

Alternatives Considered

Mn/DOT continually reviews facility locations for partnership and consolidation opportunities.

TRANSPORTATION DEPTProgram: **MULTIMODAL SYSTEMS**Change Item: **State Airports Fund Reduction**

Fiscal Impact (\$000s)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
General Fund					
Expenditures		0	0	0	0
Revenues		0	0	0	0
State Airports Fund					
Expenditures	(\$1,900)	0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact	(\$1,900)	0	0	0	0

Recommendation

The Governor recommends reducing the current Airport Development and Assistance portion of the Aeronautics allotment by \$1,900,000 in FY 2005. This will defer proposed FY 2005 airport construction projects to 2006.

Background

Mn/DOT budget forecasts indicate the State Airport Fund Revenues will not support current funding levels in FYs 2006 and 2007. The Governor's recommendation reduces spending in 2005 to maintain adequate funds for projected base level spending in the next biennium. Keeping the current base budget levels preserves Mn/DOT's ability to provide grants and services to communities to maintain safe operations at airports.

This budget change request does not imply there is a reduced need for airport funding. In fact this reduction will defer \$1,900,000 in funding at seven airports until July 2005. Airports have also identified an additional need of \$3,123,000 for airport improvement projects they would like to complete in 2005 if state funds were available. These projects were identified on their five-year capital improvement programs they submitted to the Mn/DOT Office of Aeronautics in December 2004. This information is available on the Office of Aeronautics web site at <http://www.dot.state.mn.us/aero/avoffice/airportdevelopment/cip.html>

Unallotting funds is an effective strategy because the impact on airports is short term (six months). The municipalities immediately affected will need only to delay their airport projects until July 2005. Access to current state funding levels will continue to be available throughout the FY 2006-07 biennium.

Relationship to Base Budget

The base budget for Aeronautics will not be affected.

The Airport Development and Assistance portion of the Aeronautics budget is used to fund construction grants, maintenance grants, air service grants, the maintenance of navigational aid systems, and the Pinecreek Airport. The Aviation Support and Services portion of the Aeronautics budget is used for salaries, operating expenses and maintenance of the state's aircraft.

Key Measures

This will allow Mn/DOT to meet its airport pavement performance measure by maintaining current funding levels through FY 2007. Airport improvement projects during the next two years will, in part, be used on pavement rehabilitation or replacement projects. Pavement improvements made at critical times during the pavement's life reduce long-term pavement costs while providing safer pavement surfaces for aircraft.

Alternatives Considered

Request a budget reduction for Airport Development and Assistance. This would reduce Aeronautics base budget, reduce funding available for airport improvements, and negatively affect performance measures.

TRANSPORTATION DEPTProgram: **STATE ROADS**Change Item: **Debt Service Increase-2005 TH Bonding**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	\$474	\$2,834	\$2,868	\$2,859
Revenues	0	0	0	0
Net Fiscal Impact	\$474	\$2,834	\$2,868	\$2,859

Recommendation

The governor recommends that Mn/DOT's debt service budget be increased in the amounts shown above to fund debt service for Trunk Highway bonds for building projects recommended to the 2005 legislature in the Governor's Capital Bonding Bill.

Background

Recommended building projects which this request supports are as follows:

Project	Amount	Requesting Agency
Exterior Repair of Transportation Building	\$9,342,000	Administration
District Headquarters-Mankato	\$16,620,000	Transportation
Mn/DOT Small Capital Projects	\$4,128,000	Transportation
Bond Sales Expenses	\$20,000	Finance

Relationship to Base Budget

Mn/DOT's current base budget for debt service is \$64.386 million. This request funds projects (shown above) with a useful life of 20-30 years.

Key Measures

Key measures are addressed in the justifications for the individual projects above.

Alternatives Considered

Mn/DOT's buildings budget activity is completely zero-based for actual project costs; no projects were approved in the 2004 legislative session. Therefore, it was not possible to reduce other projects. Because operating budgets that plan, design, and support such projects have already taken major cuts, no savings could be found in this area to fund debt service.

TRANSPORTATION DEPT

Program: STATE ROADS

Change Item: Electronic Communications Increase

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	\$875	\$875	\$875	\$875
Revenues	0	0	0	0
Net Fiscal Impact	\$875	\$875	\$875	\$875

Recommendation

The Governor recommends an increase of \$875,000 to the operations and maintenance budget of the Office of Electronic Communications (OEC). This increase is needed to meet the growing obligations for system software support, and maintenance of the 800 MHz Shared Public Safety radio system, and other new communications technologies statewide. Mn/DOT has taken on significant additional ownership and maintenance responsibilities for these multiagency shared systems. This increase will allow Mn/DOT to meet its statutory and contractual obligations to its partner agencies by maintaining current levels of operations and maintenance support.

Background

The communication systems used by state government are going through a time of transition. They are migrating from stand-alone single agency conventional systems, to shared multi-agency networked systems. They are also migrating from 30-year old analog technology to current digital, software-driven technology. Mn/DOT, by statute and through agreements, has responsibility to own, operate, and maintain the various two-way radio systems used by agencies of the state of Minnesota including the Metro Regional 800 MHz radio communications backbone. Mn/DOT OEC works closely with the Department of Public Safety, the Statewide Radio Board, subsystem owners, and all state agencies to make modifications, additions, and repairs to the various systems.

Mn/DOT, in partnership with the other system owner agencies on the Metro 800 MHz system, has a software subscription technical support contract in place with the system vendor. Mn/DOT had initial project money to cover the first year of this contract to allow time to get educated on the system and to evaluate the need for the support contract. The system owners and the Metro Radio Board feel this contract must continue. OEC will require additional funding to support Mn/DOT's share of this support contract.

With the additional responsibility for the metro system, the OEC budget for maintenance and operation has not been adequate to cover the growth in vendor software subscription and support services. Increased lease, utilities, and maintenance labor costs are also beyond the current funding level supported by OEC.

With the continued growth of the ARMER system and other technology recently implemented such as Mobile Data Computers and Digital Microwave links the state has also increased the number of communications tower sites in its network. These additional technologies and supporting infrastructure facilities require additional staff resources and operating costs to maintain. The legacy systems along with the new systems place additional workloads on OEC's maintenance staff and operations budget. It is recommended that OEC add an additional 4 radio technician FTE's to its current statewide staffing of 39 radio technicians.

Agencies using the statewide services of this activity are the Mn/DOT, Department of Natural Resources (DNR), Department of Public Safety (DOP), Department of Administration (DOA), Department of Agriculture (DOA), Department of Corrections (DOC) and Department of Health (DOH); also state universities, hospitals and the Metropolitan Council Transit Operations. The Metro Regional 800MHz system serves state agencies and local government agencies in the nine-county metro area (seven counties plus Isanti and Chisago).

Relationship to Base Budget

The OEC base budget is used for ongoing maintenance and operation of existing public safety radio infrastructure. The base budget does not fund significant equipment change-outs or upgrades and has not kept pace with the added roles and responsibilities Mn/DOT has accepted as Owner-Operator of the shared Metro

800MHz radio system. This change initiative is a permanent base adjustment to cover ongoing operational and maintenance costs of the existing communication system infrastructure. In terms of the scope of this increase, \$875,000 represents a 17% increase over the current \$5 million statewide OEC operating budget.

Key Measures

The Office of Electronic Communications uses two measures that provide overall performance indicators for the electronic communications activity – *Electronic Communications Coverage* and *Electronic Communications Reliability/Maintenance*.

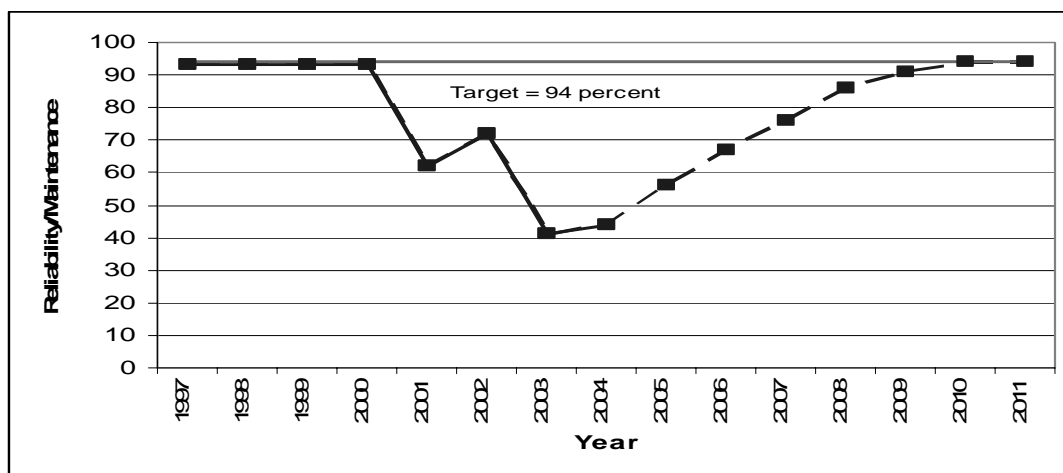
Electronic Communications Reliability/Maintenance

System reliability/maintenance is measured in terms of *the percent of maintenance activities completed within the required time frames*. Factors contributing to the reliability/maintenance of the system are:

- ◆ Mobile Equipment Installation – The primary users of mobile equipment include Mn/DOT, State Patrol, and DNR.
- ◆ Stationary Radio Equipment Installation – Stationary radio equipment, also known as fixed equipment, includes base stations and antennas for VHF, 800 MHz, MDC, and microwave systems, and communications consoles.
- ◆ Electronic Equipment Repair – This service includes the repair of all mobile, portable, base station, microwave, and console radio equipment.
- ◆ Preventive Maintenance – This is a critical component to maintaining a high system performance. Each major component of each radio system must be checked annually to detect problems before they occur. Components that receive annual preventive maintenance (PM) include all fixed radio equipment, and microwave stations.
- ◆ Equipment Replacement – All electronic equipment eventually wears out. Aging equipment is the largest contributor to system failures and failures lessen the reliability and performance capability of the system(s).

All factors are weighted equally and rating for the entire system maintenance is calculated based on the percent of target maintenance conducted. Historic as well as projected percentages (with this change level) of these maintenance activities are shown in the Figure below.

Historic and Projected System Reliability/Maintenance (Percent)



Source: Office of Electronic Communications, Mn/DOT

Alternatives Considered

Other alternatives considered include:

- ◆ re-negotiating with partner agencies the percentage of operating costs borne by Mn/DOT;
- ◆ requesting additional 911 revenue to cover operations and maintenance costs; and
- ◆ discontinuing vendor software and maintenance support services.

TRANSPORTATION DEPTProgram: **STATE ROADS**Change Item: **Maintenance Operations Increase**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	\$8,625	\$8,625	\$8,625	\$8,625
Revenues	0	0	0	0
Net Fiscal Impact	\$8,625	\$8,625	\$8,625	\$8,625

Recommendation

The Governor recommends the appropriation of \$8.625 million per year to "State Roads Operations and Maintenance" to preserve the investment in bridges and pavement infrastructure and to provide increased safety for the traveling public.

Background

Operational investments in the transportation system are critical to providing effective transportation services. Investments in preventative maintenance of highways and bridges are essential to preserving Minnesota Department of Transportation's (Mn/DOT) infrastructure and lowering life cycle costs. Investments for signing, lighting, guardrail materials, and accident/incident prevention also are effective tools for safety and congestion management.

Relationship to Base Budget

The direct appropriation base amount for FY 2006-07 for State Roads-Infrastructure Operation and Maintenance is \$196.121 million.

Key Measures

Key measures for this change item relate to:

Pavements – Customer Ride Quality = PSR

This measure is a percentage of pavement miles meeting good and poor performance. Overall goal is to achieve a greater than 70% pavement mile rating of good and less than 2% pavement miles of poor. The 2003 level was 63.6% good and 2.6% poor. This measure is in a three-year decline.

Bridges - Structural Condition of Bridges (PA)

This measures the percentage of all bridges meeting a good and poor target. Mn/DOT – 20-year goal is to improve the structural condition of bridges so that 65% or greater are in good condition and 2% or less are in poor condition. In 2003 52% were good and 4.2% were poor.

Safety

Signing, striping and guardrail are some of the most beneficial maintenance activities that are targeted directly at safety. They guide and direct motorists to minimize vehicle conflicts and they reduce the severity of crashes. Measure for these activities are in the developmental stage at the federal and state level.

TRANSPORTATION DEPT

Program: STATE ROADS

Change Item: Trunk Highway Appropriation Reduction

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	(\$133,500)	(\$29,500)	(\$13,500)	(\$13,500)
Revenues	0	0	0	0
Net Fiscal Impact	(\$133,500)	(\$29,500)	(\$13,500)	(\$13,500)

Recommendation

The Governor recommends that the base State Road Construction appropriation be reduced in the amounts shown. This reduction adjusts the base appropriation for construction to match current plans for construction spending, as well as provide for relatively small increases in Infrastructure Operations and Maintenance budgets requested elsewhere.

Background

The 2003 legislature approved an \$825 million construction financing program that added \$125 million to 2006 and 2007 base level spending authority for road construction. This spending authority assumed use of federal advanced construction financing. Since that time, delays in the receipt of federal funds and increases in project costs have resulted in revisions to the construction schedules. As a result, the current spending plan for this program does not require most of this additional spending authority for advanced construction financing in 2006 and 2007. This request adjusts the budget authority to match the current project financing plan.

In addition, Minnesota Department of Transportation (Mn/DOT) is requesting an additional reduction that will fund an increase in operating budgets for specific priority activities. The department used the priorities laid out in the Highway Systems Operating Plan (HSOP), a medium-range plan developed by Mn/DOT management and its local partners to identify actions needed to build, maintain, and operate the state highway system. The priorities in the HSOP include:

- ◆ infrastructure Maintenance and Preservation;
- ◆ infrastructure Management; and
- ◆ infrastructure Safety Activities.

In keeping with these priorities, Mn/DOT has made the decision to address priorities in operations and maintenance activities that are essential to preserving the infrastructure and minimizing life cycle costs. These include bridge and pavement maintenance, lighting, guardrail improvements, incident management and other cost effective tools to improve safety and congestion management.

Relationship to Base Budget

The State Road Construction direct appropriation for 2006-07 is currently \$710.45 million annually, and will change to \$564.7 million in 2008-09, to reflect the end of the four-year Bond Accelerated Package appropriations. The impact of this proposal beyond 2007 is a reduction of \$13.5 million per year.

Key Measures

This request may cause some increase in the percentage of urban freeways experiencing congestion. However, it is difficult to measure the results of this specific request because of the number of other major projects (both regular and bond funded) that will be underway in the FY 2006-07 period.

Alternatives Considered

Because of the need to preserve Mn/DOT's ability to plan, design, construct, and operate future projects, as well as preserve the system, as it exists now, the decision was made to request this change in the construction spending rather than endanger Mn/DOT's ability to deliver future projects, as well as operate and maintain the existing highway system.

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MINNESOTA DEPARTMENT OF PUBLIC SAFETY



Office of the Commissioner

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January 25, 2005

To the 2005 Legislature:

I submit the 2006-2007 biennial budget for your consideration with confidence and look forward to discussing these budget proposals with you during the upcoming budget deliberation process. These are challenging times to govern in the State of Minnesota, but challenge breeds opportunity. This budget proposal provides the opportunity to build on past successes while making a strong commitment to future public safety enhancements. Although we have met the challenge of doing more with less, our budget recommendations propose important future investments in the Department's core function of protecting Minnesotans.

Regardless of where you are in Minnesota, our dedicated public servants, who are your friends, neighbors and constituents, work to keep you safe. They are committed to executing our mission of protecting citizens and communities through prevention, preparedness, response, recovery, education, and enforcement.

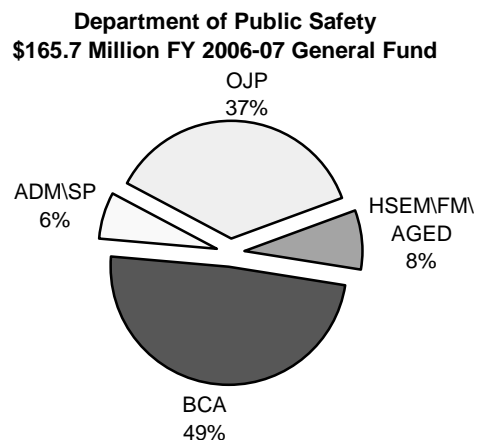
The Governor's budget recommendation for the Department of Public Safety for the 2006-07 biennium is \$800,077,000. This budget consists of \$165,699,000 from the state's General Fund and \$634,378,000 from all other funds, and is a 3.1 % decrease from FY 2004-05 spending. The funding for DPS is comprised of 18% in Trunk Highway Funds, 21% State General Funds, 31% Federal Funds, 27% in Special Revenue Funds, 2% Highway User Tax Distribution Funds and 1% other funds.

During the budget process, DPS began by assessing the importance of every program to ensure that the core services remained effective and that inefficiencies were eliminated.

The Department proposes to consolidate the 24-hour Emergency Management Centers in the divisions of Homeland Security and Emergency Management and Bureau of Criminal Apprehension (BCA). This will reduce the Department's budget by \$618,000 for the biennium. Other adjustments, reorganizations and consolidations will save DPS an additional \$4 million.

In addition to funding recommendations for the important day-to-day programs at the Department, this budget proposes funding and policy enhancements in the following key public safety areas:

- Special Agents at the BCA for enhanced monitoring of sexual predators and policy changes to close court identified loopholes with regard to homeless predators.
- Policy and personnel enhancements help to answer the pleas from our greater Minnesota officials for assistance with the methamphetamine crisis. This budget includes 10 BCA Special Agents to assist local law enforcement with investigations and arrests of Meth users and producers and the violent crimes associated with this drug.



- A new business-like funding mechanism for the state's largest customer service division; Drivers and Vehicle Services (DVS). This funding change directly ties fees paid to services provided. Enhanced fee revenue will allow for expanded web-based services and new technology aimed at reducing wait times and improving customer service.
- 911/ARMER program funding that allows for the implementation of short term and long term strategies for paying off past obligations, developing a more cost effective way of maintaining the 911 system and takes another important step toward the development of a statewide interoperability network for our local law enforcement partners.

I believe this budget addresses the concerns of public safety officials and citizens throughout Minnesota. It provides for the improved monitoring of dangerous sexual predators, addresses the growing methamphetamine epidemic, increases customer service at Driver Vehicle Services, sustains the 911 network, enhances the inspection of facilities for fire safety, creates a statewide interoperable communication network, provides for the analysis of DNA samples of felony offenders, and promotes homeland security.

I welcome the opportunity to provide you with more detail about any of the initiatives highlighted in this letter or any division or program at the Department of Public Safety.

Sincerely,



Michael Campion
Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,006	7,011	7,011	7,011	14,022
Recommended	7,006	7,011	5,242	5,247	10,489
Change		0	(1,769)	(1,764)	(3,533)
% Biennial Change from 2004-05					-25.2%
Special Revenue					
Current Appropriation	994	994	994	994	1,988
Recommended	994	994	994	994	1,988
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Trunk Highway					
Current Appropriation	97,533	97,693	97,693	97,693	195,386
Recommended	97,533	97,693	73,346	73,337	146,683
Change		0	(24,347)	(24,356)	(48,703)
% Biennial Change from 2004-05					-24.9%
Highway Users Tax Distribution					
Current Appropriation	12,211	12,211	12,211	12,211	24,422
Recommended	12,211	12,211	8,443	8,513	16,956
Change		0	(3,768)	(3,698)	(7,466)
% Biennial Change from 2004-05					-30.6%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,680	6,988	5,242	5,247	10,489
Special Revenue	817	994	994	994	1,988
Trunk Highway	91,297	97,454	73,346	73,337	146,683
Highway Users Tax Distribution	10,470	11,300	8,443	8,513	16,956
Open Appropriations					
Highway Users Tax Distribution	7,051	8,462	0	0	0
Statutory Appropriations					
General	776	892	878	878	1,756
State Government Spec Revenue	722	979	0	0	0
Special Revenue	10,102	12,824	56,013	55,377	111,390
Trunk Highway	68	177	55	55	110
Federal	31,577	44,104	33,800	27,031	60,831
Reinvest In Minnesota	9	8	8	8	16
Gift	60	52	45	45	90
Total	158,629	184,234	178,824	171,485	350,309
<u>Expenditures by Category</u>					
Total Compensation	95,558	102,706	105,017	104,482	209,499
Other Operating Expenses	42,873	62,590	51,133	47,739	98,872
Payments To Individuals	1,174	1,322	1,298	1,298	2,596
Local Assistance	18,969	17,564	16,875	16,872	33,747
Other Financial Transactions	55	52	45	45	90
Transfers	0	0	4,456	1,049	5,505
Total	158,629	184,234	178,824	171,485	350,309

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Program</u>					
Admin & Related Services	9,324	10,170	11,516	11,526	23,042
State Patrol	83,015	99,535	91,697	85,704	177,401
Driver & Vehicle Services	43,963	53,334	54,774	53,373	108,147
Traffic Safety	20,467	19,098	18,776	18,821	37,597
Pipeline Safety	1,860	2,097	2,061	2,061	4,122
Total	158,629	184,234	178,824	171,485	350,309
Full-Time Equivalent (FTE)	1,485.8	1,514.8	1,491.5	1,440.3	

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
Fund: GENERAL				
FY 2005 Appropriations	7,011	7,011	7,011	14,022
Technical Adjustments				
Current Law Base Change		5	10	15
Subtotal - Forecast Base	7,011	7,016	7,021	14,037
Change Items				
Driver Services Operating Acct.	0	(56)	(56)	(112)
Vehicle Services Operating Acct.	0	(1,718)	(1,718)	(3,436)
Total Governor's Recommendations	7,011	5,242	5,247	10,489
Fund: SPECIAL REVENUE				
FY 2005 Appropriations	994	994	994	1,988
Subtotal - Forecast Base	994	994	994	1,988
Total Governor's Recommendations	994	994	994	1,988
Fund: TRUNK HIGHWAY				
FY 2005 Appropriations	97,693	97,693	97,693	195,386
Technical Adjustments				
Current Law Base Change		69	55	124
Subtotal - Forecast Base	97,693	97,762	97,748	195,510
Change Items				
Driver Services Operating Acct.	0	(24,416)	(24,411)	(48,827)
Total Governor's Recommendations	97,693	73,346	73,337	146,683
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2005 Appropriations	12,211	12,211	12,211	24,422
Technical Adjustments				
Current Law Base Change		8	6	14
Subtotal - Forecast Base	12,211	12,219	12,217	24,436
Change Items				
Vehicle Services Operating Acct.	0	(3,776)	(3,704)	(7,480)
Total Governor's Recommendations	12,211	8,443	8,513	16,956
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Planned Open Spending	8,462	8,462	8,462	16,924
Change Items				
Vehicle Services Operating Acct.	0	(8,462)	(8,462)	(16,924)
Total Governor's Recommendations	8,462	0	0	0

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm. FY2006	FY2007	Biennium 2006-07
Fund: GENERAL				
Planned Statutory Spending	892	878	878	1,756
Total Governor's Recommendations	892	878	878	1,756
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	979	0	0	0
Total Governor's Recommendations	979	0	0	0
Fund: SPECIAL REVENUE				
Planned Statutory Spending	12,824	11,610	11,619	23,229
Change Items				
Driver Services Operating Acct.	0	28,006	26,965	54,971
Vehicle Services Operating Acct.	0	16,417	16,813	33,230
Repeal of Bicycle Registration	0	(20)	(20)	(40)
Total Governor's Recommendations	12,824	56,013	55,377	111,390
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	177	55	55	110
Total Governor's Recommendations	177	55	55	110
Fund: FEDERAL				
Planned Statutory Spending	44,104	33,800	27,031	60,831
Total Governor's Recommendations	44,104	33,800	27,031	60,831
Fund: REINVEST IN MINNESOTA				
Planned Statutory Spending	8	8	8	16
Total Governor's Recommendations	8	8	8	16
Fund: GIFT				
Planned Statutory Spending	52	45	45	90
Total Governor's Recommendations	52	45	45	90
Revenue Change Items				
Fund: GENERAL				
Change Items				
Driver Services Operating Acct.	0	(16)	(16)	(32)
Motor Vehicle Transfer & DL Record Fee	0	6,200	6,200	12,400
Fund: SPECIAL REVENUE				
Change Items				
Driver Services Operating Acct.	0	28,006	27,605	55,611
Vehicle Services Operating Acct.	0	16,666	16,832	33,498
Repeal of Bicycle Registration	0	(40)	(40)	(80)
Fund: TRUNK HIGHWAY				
Change Items				
Driver Services Operating Acct.	0	(24,631)	(24,196)	(48,827)
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Change Items				
Vehicle Services Operating Acct.	0	(11,834)	(11,952)	(23,786)

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Driver Services Operating Acct.**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$56)	(\$56)	(\$56)	(\$56)
Revenues	(16)	(16)	(16)	(16)
Other Fund				
Expenditures-Sp Rev.	28,006	26,965	27,058	27,154
Revenues-Sp Rev.	28,006	27,605	27,854	27,888
Expenditures-THF	(24,416)	(24,411)	(24,411)	(24,411)
Revenues-THF	(24,631)	(24,196)	(24,411)	(24,411)
Net Fiscal Impact	\$175	(\$895)	(\$836)	(\$774)

Recommendation

The Governor is recommending that all costs of testing for and issuing of driver's licenses, endorsements, and permits as well as all driver compliance-related activities be paid from the revenues generated from the Minnesota driver license and license endorsement fees collected. The Governor's recommendation includes the establishment of the Driver Services Operating Account in the Special Revenue Fund. All fees collected and deposited under current law in the Trunk Highway Fund would under this recommendation be directed to this new account in the Special Revenue Fund. This recommendation also includes a \$3 increase in the fee for a driver's license, a multiple road test fee of \$20, a multiple written test fee of \$10, and a \$5 increase in the fee for the retrieval of paper documents. The additional revenues will support initiatives aimed at improving customer service by expanding service options available to customers through availability of web-based services. A total of \$833,000 in FY 2006 and \$1,523,000 in FY 2007 in fee collections will continue to be deposited as non-dedicated receipts to the Trunk Highway Fund to ensure that there will be no net loss to the Trunk Highway Fund.

Background

Under current law, drivers' license fees are deposited in the Trunk Highway Fund as non-dedicated receipts. Appropriations have been made each biennium from the Trunk Highway Fund to cover the operational costs of the driver services program area, including the costs associated with drivers' licenses card production.

The revenues collected from driver license fees and other related endorsements are not constitutionally dedicated to the Trunk Highway Fund as are the motor vehicle tax and fuel tax. Moving non-dedicated receipts and spending out of the Trunk Highway Fund simplifies DVS' funding stream and ties the receipts directly to the services provided to the residents of Minnesota. DVS has not been able to readily adjust its budget to absorb cost increases without seeking supplemental appropriations. DVS has no control over many costs because demand-driven fluctuations occur between forecasted and actual activity volumes or with cost increases such as postal rates. In previous years, DVS had to seek a supplemental appropriation if demand exceeded inventories. Projections cannot always accurately anticipate changes in state economic conditions, spending habits, the rate of new immigration into the state and increased migration from bordering states. Minnesota remains one of the fastest growing states in the Midwest and Great Plains, according to new estimates by the U.S. Bureau of the Census. Further, the State Demographic Center notes between 1995 and 2000 there was net in-migration of 17,500 foreign born people coming to Minnesota from other states, and in addition more than 85,000 people moved to Minnesota from another country during that same time period. These trends are expected to continue.

In an effort to address the issue of demand-driven fluctuations, the 2000 legislature created a contingency fund for driver's license production-related expenses. This contingency fund assisted the division in managing its budget over the past four years, since it was no longer necessary to redirect resources from other needed services to production-related activities.

This past year, Driver and Vehicle Services completed a value chain analysis in collaboration with a representative of 3M Corporation to determine the actual costs associated with the driver's license application process. DVS staff and Driver's License Agent representatives participated in this analysis. This analysis provided information that the fees collected do not cover all the costs associated with issuing a driver's license to a Minnesota resident (including printing of applications and manuals, administering tests, and the card issuance

process). For this reason, DVS has requested both an increase in the fee for a driver's license and the service fee associated with this application process. The total cost for a Class D (regular) driver's license application would increase from \$18.50 to \$21.50. All driver's license and Identification Card fees would increase \$3.

DVS is also requesting the ability to charge a fee for every driver exam after the applicant fails the first two. This proposed change would require that for every road test taken after failing the second exam, the driver would pay \$20.00 per road test. For every knowledge test taken after failing two tests, the knowledge test fee would be \$10.00. These fees have been introduced in order to prevent applicants from taking the tests without proper preparation and to more efficiently use exam staff in the testing process.

Record fees have not increased since 1983; this \$5 increase pays for the technology to support the scanning and storage associated with maintaining records to respond to legal requests as well as requests from customers. (Copies are provided to law enforcement and prosecuting attorneys at no fee.)

This initiative allows DVS to establish a "fee for service system" that is more responsive to the needs of customers by adjusting to price and volume changes without compromising core customer services.

Relationship to Base Budget

This initiative requires all drivers' license fees and related endorsement revenues be deposited in a dedicated account in the Special Revenue Fund. DVS' expenditures would continue to receive legislative scrutiny in the budget process. DVS would be able to draw upon revenue generated above projections to meet the increased service demands associated with the revenue and business increases. However, the agency is accountable for taking appropriate action to meet projections should the demand for services, and thus revenue decrease. DVS is estimating a four percent increase in the number of cards produced during this next biennium.

Key Measures

This initiative ties directly to DVS goals to provide fair, accurate, secure and timely (FAST) service to Minnesota residents and DVS business partners. In order to reduce wait times for service and improve access to service and information, DVS must be able to respond to changes in volume and demand which can affect the ability to issue driver's licenses, identification cards, and instruction permits and to deliver services. Increased agency accountability for activities contributes to the efficient and productive management of services and related deliverables.

Alternatives Considered

A special revenue account gives DVS flexibility to adjust funding to address current market needs, without limiting other customer services to keep the budget balanced while seeking supplemental appropriations.

Without increases in the fees to support the driver services required by Minnesotans throughout the state, road test appointment wait times could increase to 30 days or longer, driver's license turnaround could increase to three weeks or longer, and wait time for evaluation services throughout the state could be increased from every two weeks to once every five weeks.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Driver Services Operating Acct.****Technology Funding Detail** (Dollars in Thousands)

Funding Distribution	2006-2007 Biennium		2008-2009 Biennium		2010-2011 Biennium	
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personnel	\$75	\$82	\$82	\$82	\$82	\$82
Supplies	0	0	0	0	0	0
Hardware	675	0	0	0	0	0
Software	120	20	20	20	20	20
Facilities	0	0	0	0	0	0
Services	650	333	350	366	383	390
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	\$1,520	\$435	\$452	\$468	\$485	\$492

Office of Technology Analysis

The Office of Technology recommends this work proceed in collaboration with the Drive to Excellence's work related to Sourcing. This work should be carefully coordinated to address the enterprise approach.

Statutory Change: M.S. 171, 299A.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Vehicle Services Operating Acct.**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$1,718)	(\$1,718)	(\$1,718)	(\$1,718)
Revenues	0	0	0	0
Other Fund				
Expenditures-Sp Rev.	16,417	16,813	16,851	16,893
Revenues-Sp Rev.	16,666	16,832	16,929	17,093
Expenditures-HUTD	(12,238)	(12,166)	(12,166)	(12,166)
Revenues-HUTD	(11,834)	(11,952)	(12,072)	(12,193)
Net Fiscal Impact	(\$2,371)	(\$1,951)	(\$1,890)	(\$1,891)

Recommendation

The Governor recommends that costs for all vehicle service related activity be paid from the revenues generated from fees collected for motor vehicle transactions. The Governor's recommendation includes the establishment of the Vehicle Services Operating Account in the Special Revenue Fund. All fees collected and deposited under current law in the Highway User Tax Distribution Fund would under this recommendation be directed to this new account in the Special Revenue Fund. This recommend also includes a \$2.50 increase for vehicle title transactions, a filing fee increase of \$1.50, a salvage inspection fee increase of \$15, a new \$20 fee for expedited service, a dealer license fee increase of \$50, and a \$5 increase in the fee for the retrieval of paper documents. The additional revenues will support initiatives aimed at improving customer service by expanding service options available to customers through the availability of web-based services. In addition, the Governor is recommending that \$6,966,000 in FY 2006 and \$7,036,000 in FY 2007 of direct appropriations from the Highway User Tax Distribution Fund be transferred to the Vehicle Services Operating Account in the Special Revenue Fund to cover the costs associated with the collection of the Motor Vehicle Tax.

Background

This proposal would move non-dedicated fee revenues and spending out of the Highway User Tax Distribution Fund into a special revenue account, to simplify DVS' funding stream and tie the receipts directly to the services provided to the citizens of Minnesota. This proposal would not change the depositing of any revenues that are constitutionally dedicated, or dedicated to existing special revenue accounts. General Fund revenue would be kept whole.

This past year, Driver and Vehicle Services completed a value chain analysis in collaboration with a representative of 3M Corporation to determine actual costs associated with title exam, entry, audit and issuance. DVS staff and Deputy Registrar representatives participated in this analysis. This analysis demonstrated that the current fee did not cover all the costs associated with issuing a title. The DVS' Title Certification project requires dealer staff and Deputy Registrar staff to perform the examination and entry to more quickly issue titles. DVS staff will then perform the audit functions associated with the title transaction. The \$4.00 increase in the title fee includes a \$2.50 fee to cover costs of the issuance process and a \$1.50 fee for DVS' business partners who perform many functions of this process. This project assists DVS in meeting its goal for issuing titles within 10-14 days.

A \$50 increase in the dealer license fee and in the renewal fee is being proposed because the current fee does not support the number of dealer inspections staff must do to enforce dealer regulations throughout the state. This fee has not been increased since 1985.

The \$15 increase proposed for the salvage inspection fee is necessary to cover staff costs associated with these required inspections as well as the costs to cover inspection facilities throughout the state. The fee was enacted in 1993 and has never been increased.

Motor vehicle record fees have not increased since 1993; this increase pays for the technology to support the scanning and storage associated with maintaining records to respond to legal requests as well as requests from customers.

This initiative allows DVS to establish a “fee for service system” that is more responsive to the needs of customers by adjusting to price and volume changes without compromising core customer services. The fees charged relate directly to the services provided and can be justified and easily explained to the state residents receiving these services.

Through its activities, DVS generates \$1.5 billion in revenue each year, with an operating budget of \$42.4 million, representing less than 3.69% of the revenue generated. Under current law, DVS deposits fees for motor vehicle title and registration into the Highway User Tax Distribution Fund and the General Fund. Appropriations are made each biennium from these funds to cover the operational costs of the vehicle registration and title program area, including the costs associated with motor vehicle registration renewals, and the issuance of vehicle certificates of title, and licensing of motor vehicle dealers.

DVS has not been able to readily adjust its budget to absorb cost increases without seeking supplemental appropriations. DVS has no control over many costs because demand-driven fluctuations occur between forecasted and actual activity volumes or with cost increases such as postal rates. In previous years, DVS had to seek a supplemental appropriation if demand exceeded inventories. For example, the 2000 Legislature authorized an open appropriation for costs associated with the issuance of motor vehicle license plates.

Relationship to Base Budget

This initiative requires a portion of the non-dedicated fee revenues to be deposited in a dedicated account in the Special Revenue Fund. DVS’ expenditures would continue to receive legislative scrutiny in the budget process. DVS would be able to draw upon revenue generated above projections to meet the increased service demands associated with the revenue and business increase. However, the agency is accountable for taking appropriate action to meet projections should the demand for services, and thus revenue decrease.

Key Measures

This initiative ties directly to DVS goals to provide fair, accurate, secure and timely (FAST) service to Minnesota residents and DVS business partners. In order to reduce wait times for service and improve access to service and information, DVS must be able to respond to changes in volume and demand which can affect the ability to issue motor vehicle registrations and certificates of title. Increased agency accountability for activities contributes to the efficient and productive management of services and related deliverables.

Alternatives Considered

A special revenue account gives DVS flexibility to adjust funding to address current market needs, without limiting other customer services to keep the budget balanced while seeking supplemental appropriations.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Vehicle Services Operating Acct.****Technology Funding Detail** (Dollars in Thousands)

Funding Distribution	2006-2007 Biennium		2008-2009 Biennium		2010-2011 Biennium	
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personnel	\$160	\$176	\$176	\$176	\$176	\$176
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	35	65	87	100	126	140
Facilities	0	0	0	0	0	0
Services	333	672	683	705	716	727
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	\$528	\$913	\$946	\$981	\$1,018	\$1,043

Office of Technology Analysis

The Office of Technology recommends this work proceed in collaboration with the Drive to Excellence's work related to Sourcing. This work should be carefully coordinated to address the enterprise approach.

Statutory Change: M.S. 168, 168A, 299A.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Motor Vehicle Transfer & DL Record Fee**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	6,200	6,200	6,200	6,200
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$6,200)	(\$6,200)	(\$6,200)	(\$6,200)

Recommendation

The Governor recommends a Motor Vehicle Transfer fee increase from \$4 to \$8 and a Driver License Records fee increase from \$2.50 to \$5.00 per transaction for electronic retrieval of records. The additional revenue will be deposited in the General Fund as non-dedicated receipts.

Background

In 1984, the Minnesota Legislature established the Motor Vehicle Transfer Fund (MVTf) to pay for environmental issues involved with motor vehicles, such as waste tire management and cleanup of tire dumps. A \$4 fee on initial vehicle registration and at transfer of a vehicle is collected by the motor vehicle registrar and was deposited in the Motor Vehicle Transfer Account in the Environmental Fund. Effective 7-1-03, the \$4 fee is deposited into the General Fund through 6-30-07. Under current law revenue from the existing \$4 fee returns to the environmental fund 7-1-07.

Relationship to Base Budget

Current revenue collection estimates for the Motor Vehicle Transfer Fee in FY 2006-07 is \$4,700,000 per year. Driver License Record Fee collections for electronic access to records are estimated to be \$600,000 per year for the FY 2006-07 biennium. Fifty cents of the current \$2.50 fee is a surcharge collected under M.S. 171.12, subd. 8. The 50¢ surcharge is credited to the General Fund as a non-dedicated receipt. The disposition under current law of the \$2.00 fee has 90% of the revenues credited to the Trunk Highway Fund and 10% to the General Fund.

Statutory Change: M.S. 115A.908, subd. 1 and M.S. 170.23.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Repeal of Bicycle Registration**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures at DPS	(\$20)	(\$20)	(\$20)	(\$20)
Expenditures at Mn/DOT	(20)	(20)	(20)	(20)
Revenues	(40)	(40)	(40)	(40)
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor is recommending the repeal of M.S. 168C Bicycle Registration Program.

Background

Bicycle registrations have decreased significantly since program inception in 1976. Current registration numbers are below the number needed to cover minimum operating costs. Registration has not proven to be a theft deterrent for bike users. One half of the annual revenue collections are transferred to Mn/DOT for the development of bicycle transportation and recreational facilities.

Current registration numbers are below 15,000 preventing the program from covering minimum operating costs. Only 21 bicycle deputy registrars are operating independently statewide and sponsors of non-profit bicycle events like the St. Paul Classic which drew 8,000 participants in 2003 have not expressed an interest in becoming bicycle registrars despite promotion of the program and discussion with bicycle safety and bicycle use advocates in 2003 and 2004. Repeal would not impact trail development funded separately through the Department of Natural Resources, local, or county trail systems. Hennepin County and Minneapolis have dropped mandatory bicycle registration programs. Repeal would not preclude any local jurisdiction from enacting its own registration ordinances or preclude entities that operate or maintain bicycle trails from charging a trail use fee.

Relationship to Base Budget

The program is not able to cover minimum operating costs. The repeal of this program would eliminate expenditures to administer this program. The bicycle program was designed to support itself through the collection of fees. One half of the fees go to the department of public safety for the administration of the program, while the other half is allocated to the department of transportation for the development of bicycle transportation.

The decrease of registration in recent years has resulted in a decline in revenue. This decline is anticipated to continue. It is projected that in FY 2005 funds from other sources will have to be used to supplement its operation.

Key Measures

This proposal would maintain DVS' focus on core services and allow for the local governments to regulate and collect revenue if desired.

Statutory Change: M.S. 168C