



## MINNESOTA DEPARTMENT OF TRANSPORTATION

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395 John Ireland Blvd  
St. Paul, Minnesota 55155

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December 15, 2004

The Honorable Steve Murphy, Chair  
Senate Transportation Policy & Budget Division  
306 Capitol  
St. Paul, Minnesota 55155

The Honorable Ron Erhardt, Chair  
House Transportation Policy Committee  
591 State Office Building  
St. Paul, Minnesota 55155

The Honorable Mary Liz Holberg, Chair  
House Transportation Finance Committee  
349 State Office Building  
St. Paul, Minnesota 55155

Dear Senator Murphy, Representative Erhardt and Representative Holberg:

In compliance with Minnesota Session Laws 2003 First Special Session, Chapter 19, Article 1, Sec. 2, Subd. 9, I am submitting this report.

This report identifies the impact of budget reallocations on the department's performance measures and provides detailed information about the impact of personnel reductions on certain employee groups.

Please contact me or Scott Peterson (651-296-1363), Mn/DOT's Office of Finance Director, if there are questions about this report.

Sincerely,

A handwritten signature in cursive script that reads "Carol Molnau".

Carol L. Molnau  
Lt. Governor/Commissioner

Attachment

cc: Secretary of the Senate  
Chief Clerk of the House  
Legislative Reference Library

## Budget Base Reduction Report

This report is submitted in response to the requirements specified in Article 1, Section 2, Subdivision 9, Laws of 2003.

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

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

These reallocations will provide positive impacts on: Safety, Air Quality, Interregional Corridor Travel Speeds, and Congestion Relief. At this time there is no reason to expect significant service level downgrades in the areas where budgets were reduced. Those operations will be closely monitored to determine the overall effect the changes might have on our operations and on customer satisfaction.

The information in Table 1, Fiscal Year '04 Reductions, provides detail on the magnitude of the reductions in specific operational areas.

**Table 1 – Reallocation of Operating Dollars to Finance Construction (\$000)**

	Reallocation	% of Direct Appropriation
<b>Administration &amp; Overhead</b>	\$ 15,775	
<b>Information Technology</b>	\$ 10,075	
<b>Research</b>	\$ 500	
<b>Sub-total</b>	\$ 28,350	6.6%
<b>Fleet and Facilities</b>	\$ 3,150	
<b>Road Maintenance</b>	\$ 2,350	
<b>Snow &amp; Ice</b>	\$ 950	
<b>Striping</b>	\$ 800	
<b>Landscaping</b>	\$ 500	
<b>Sub-total Operations Reduction</b>	\$ 7,750	1.8%
<b>Total Funds Reallocated</b>	\$ 36,100	8.4%

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

### Personnel Impacts

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

**Table 2 – Layoff Information by Bargaining Unit**

<u>Bargaining Unit</u>	<u>Positions Eliminated</u>	<u>Involuntary Layoff</u>	<u>Voluntary Layoff</u>
	<u>04/14/2003</u>	<u>06/30/2003</u>	<u>06/30/2003</u>
AFSCME	64	48	39
Commissioner's Plan	10	8	3
MAPE	76	47	3
MGEC	2		9
Manager's Plan	1	1	6
MMA	11	5	10
<b>Total</b>	<b>164</b>	<b>109</b>	<b>76</b>

The information in Table 3 shows how personnel reductions affected women and minority employees. Although the seniority rules that govern layoffs caused these groups to be disproportionately affected, steps were taken to mitigate the overall impacts on these employee groups through reassignments.

**Table 3 – Managed Employee Reductions Through Attrition and Layoffs**

Reason	Total	Female		Minority	
Reassign in lieu of layoff	52	29	56%	2	4%
All Layoffs	195	76	39%	24	12%
Terminated w/o rights (Excludes Student workers & seasonals)	58	14	24%	5	9%
<b>Total Layoffs and Terminations</b>	<b>253</b>	<b>90</b>	<b>36%</b>	<b>29</b>	<b>11%</b>

While layoffs decreased minority and female employee counts, Mn/DOT's mitigation efforts, as Table 4 indicates, resulted in a 2% increase, from 7% in '03 to 9% in '04, for minority counts while the female percentage remained at 22% of Mn/DOT's total employee count.

**Table 4 – Employee Count by Total, Female, and Minority**

	<b>Total</b>	<b>Female</b>		<b>Minority</b>	
Employee Count 2002 (6/30/02)*	5,417	1,206	22 %	383	7%
Employee Count 2003 (6/30/03)	4,876	1,036	21 %	355	7%
Employee Count 2004 (6/30/04)	4,880	1,066	22 %	443	9%

(\*Employee count 2002 is prior to Employee Reductions)

**Administrative and Overhead**

Reallocation – (\$15,775,000)

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

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"> <li>● Reduced 2-layers of management between the Deputy Commissioner and eight district engineers.</li> <li>● Simplified the organization and established clearer lines of authority and accountability, including elimination of all assistant division /group director and most assistant office director positions.</li> </ul>	<ul style="list-style-type: none"> <li>● One level eliminated for the 7 outstate districts.</li> <li>● Most assistant office director and all assistant division director positions eliminated.</li> </ul>
<ul style="list-style-type: none"> <li>● Significant reduction in personnel and eliminated some funded vacancies.</li> </ul>	<ul style="list-style-type: none"> <li>● Employee count reduced by approximately 540 positions from 06/30/03 to 06/30/04.</li> </ul>
<ul style="list-style-type: none"> <li>● Combined like transactional-functions to reduce duplication by building on earlier consolidation of shared business services (finance, human resources, and payroll).</li> </ul>	<ul style="list-style-type: none"> <li>● Eleven additional positions were consolidated into the shared services function, of this eleven, eight were eliminated and two were transferred to another area.</li> <li>● Functions have been combined and activities reassigned.</li> <li>● Several business forms have been automated to improve efficiency and services streamlined and like functions co-located to better meet the needs of customers.</li> <li>● Developed a web site with business forms and processes for easy access by customers.</li> <li>● Employees' skills have increased as they learn new functions.</li> </ul>

## Information Technology

Reallocation – (\$10,075,000)

Technology continues to be used to improve operational efficiencies and improve the quality of management information provided. This management information will continue to be important to managers at all levels of Mn/DOT to find and maintain operational efficiencies and to monitor the overall performance of Minnesota's transportation infrastructure.

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"> <li>● Eliminated the Division IR Consultant Role, a layer of IT management between Central IT Office and the Offices.</li> </ul>	<ul style="list-style-type: none"> <li>● Simplified the organization and established clearer lines of authority and accountability.</li> </ul>
<ul style="list-style-type: none"> <li>● Defined areas to centralize in IT, Program Management, IT Infrastructure Planning/Design Functions and the Application Development areas.</li> </ul>	<ul style="list-style-type: none"> <li>● More streamlined IT project processing and Division Director selection process to deliver a smaller portfolio of higher priority projects such as workflow improvements and e-government.</li> </ul>
<ul style="list-style-type: none"> <li>● Reduced IT Salary Costs.</li> </ul>	<ul style="list-style-type: none"> <li>● Eliminated 13 positions in the Central IT office and moved 12 positions from other offices centrally to match new roles and reduce redundancy. The office was reorganized, eliminating manager positions and reclassifying existing unit and section supervisors.</li> </ul>
<ul style="list-style-type: none"> <li>● Reduced IT Infrastructure Investments.</li> </ul>	<ul style="list-style-type: none"> <li>● Stopped Network Operation Center expansions by consolidating servers.</li> <li>● Significantly reduced licensing costs across the department.</li> <li>● Lengthened equipment replacement cycles on desktops and servers.</li> <li>● Evaluated and implemented lower cost but effective technical solutions.</li> </ul>

## Research

Reallocation – (\$500,000)

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

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"> <li>● Reduction of eight projects per year anticipated.</li> </ul>	<ul style="list-style-type: none"> <li>● In 2003, 35 projects were initiated; in 2004, 27 projects were initiated.</li> <li>● The loss of three positions in the research section resulted in reduced services and loss of expertise at district, state, and national levels. Our ability to fund research projects that focus on operational efficiencies has been reduced.</li> </ul>
<ul style="list-style-type: none"> <li>● While the quantity of research projects will be reduced, we will continue to improve the quality of each project and link to operational use.</li> </ul>	<ul style="list-style-type: none"> <li>● Each research project is monitored for quality and is linked to a specific goal of the Mn/DOT Strategic Plan.</li> </ul>

## Fleet and Facilities

Reallocation – (\$3,150,000)\*

As noted above, we are monitoring closely the condition of our fleet and facilities. We understand that these represent a substantial investment of taxpayer dollars and we will assure that these assets are properly utilized and maintained; however, with reduced funding levels, meeting performance targets will continue to be a challenge.

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"> <li>● Revised fleet usage and deployment policies – significantly reduced the number of permanently assigned vehicles resulting in fewer vehicles in the fleet.</li> </ul>	<ul style="list-style-type: none"> <li>● The number of take-home vehicles was reduced by approximately 100 vehicles. The take-home vehicle policy was rewritten to better define criteria for take-home vehicles. Now the focus is on managing or further reducing take-home vehicles.</li> </ul>
<ul style="list-style-type: none"> <li>● Improved fleet management system and cost management.</li> </ul>	<ul style="list-style-type: none"> <li>● Several districts are realizing operations savings from reducing the age and size of their fleets. The statewide 70% life cycle target for 2003 has been met. Current efforts are to refine and reduce total fleet size by rotating out, out of life cycle equipment.</li> </ul>
<ul style="list-style-type: none"> <li>● Increased emphasis on preventive maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>● Mn/DOT established its current fleet performance measures (life cycle, utilization, preventive maintenance) in July 2002. With current funding levels, strategies for achieving performance targets will have to be continually reviewed to determine the most cost effective options for ensuring the availability of equipment when needed. The average age of equipment is increasing and more aggressive preventive maintenance is required to control the level of reactionary maintenance.</li> </ul>

\* Reductions to the Facilities Maintenance Program meant less funding allocations available to each category of maintenance to each district. As a result, some maintenance projects have been delayed. However, all projects required for health and safety reasons are being funded. These delayed projects perpetuate functional limitations in those locations. Staff reductions in this section have reduced the capacity and expertise to review and deliver plans, requiring additional contracting with consultants.

## Road Maintenance

Reallocation – (\$2,350,000)

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

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"><li>● Focus more on relatively low-cost preventive maintenance and innovative surface maintenance techniques and on higher volume roads.</li></ul>	<ul style="list-style-type: none"><li>● Lower priority maintenance activities were reduced or deferred. Those included: brush and tree removal, shoulder repairs (other than safety related), material purchases, fence repairs, drainage repairs, cleaning and shaping ditches, sweeping, landscape and building maintenance functions.</li><li>● Although pavement performance targets (Ride Quality, Remaining Service Life, and Preventive Maintenance) have not been achieved and continue a three-year decline, districts are developing investment proposals to reach these pavement targets.</li><li>● Thin, one lift overlays are being used more frequently to provide a smooth surface on roads with significant pavement condition deterioration.</li></ul>
<ul style="list-style-type: none"><li>● Mowing will be targeted for safety and high visibility areas, but customer satisfaction with roadside maintenance, planting, spraying, mowing, litter, etc. may be affected. (Consistent with market research supporting this activity as a low priority.)</li></ul>	<ul style="list-style-type: none"><li>● In addition to roadside mowing, weed spraying, roadside landscaping, litter pick-up, equipment and building maintenance has been reduced.</li></ul>

## Snow and Ice

Reallocation – (\$950,000)

Snow and ice operation expenditures are dependent on the severity of the winter. District snow and ice operations will devote necessary resources to achieve performance targets and provide a consistent level of services with our focus on safety. Mn/DOT considers snow and ice removal to be an emergency operation, and will devote sufficient resources to maintain a level of service consistent with our focus on safety. If there is a severe winter, resources will be directed from other services to ensure that roads are cleared in an acceptable timeframe.

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"> <li>● Snow plow routes and work-shift times have been revamped to provide coverage and reduce overtime and other labor costs.</li> </ul>	<p><b>Comments – Winter 2003-04</b></p> <ul style="list-style-type: none"> <li>● Materials, equipment and labor were consumed to meet Department Target Regain Times for the five maintenance roadway classes: Super Commuter 1 to 3 hours, Urban Commuter 2 to 5 hours, Rural Commuter 6 to 9 hours, Primary 6 to 12 hours, and Secondary 9 to 36 hours. These times are measured from the end of a storm event to the time “bare lanes” are regained.</li> <li>● The bare lane criterion was established using customer market research which determined that drivers felt comfortable maintaining posted speeds when the driving lanes were clear, even though the center line and edge lines were covered with small amounts of snow.</li> <li>● Adequate labor, equipment and materials were used to attain bare “pavement” where all snow and ice were removed from all driving surfaces and pavement markings and to complete storm cleanup. District work plans addressed the procedures for meeting these goals.</li> </ul>
<ul style="list-style-type: none"> <li>● Continue implementation of technology, including anti-icing technology, plowing techniques, fleet management, chemical use, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Continued implementation of technologies such as RWIS, anti-icing, salt pre-wetting, plowing techniques, bridge de-icers, and new chemical research have led to more effective and efficient snow and ice removal operations.</li> </ul>

## Striping

Reallocation – (\$800,000)

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

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"><li>● Striping applications will be focused on centerline stripes and higher volume roads.</li></ul>	<ul style="list-style-type: none"><li>● The measures for 2002 were for percent of latex and epoxy completed. The measures for 2003 were: 1) Initial Minimum Retroreflectivity, and 2) Maintenance Indicators – the percent of miles above performance values used to schedule maintenance or replacement.</li><li>● Results for 2003: Overall Statewide 94%</li></ul>
<ul style="list-style-type: none"><li>● New materials and application methods will be used to extend useful life.</li></ul>	<ul style="list-style-type: none"><li>● A reduction in applied thickness for both epoxy and latex paint lines from 15 mils to 12 mils; a reduction of the glass beads applied to epoxy lines from 25 lbs/gal. to 10 lbs/gal.</li></ul>
<ul style="list-style-type: none"><li>● Actual effect this will have on performance will be evaluated in the spring of 2004 to determine the performance of the markings after winter operations and any increased maintenance costs due to decreased performance of long-term epoxy markings.</li></ul>	<ul style="list-style-type: none"><li>● There is a concern that thinner epoxy lines will result in shorter life cycles. The reduction in glass beads has reduced the initial retro-reflectivity of the lines. Further study is incomplete at this time.</li></ul>

## Landscaping

Reallocation – (\$500,000)

Landscaping activities are focused in those areas required for erosion control and other environmental and community considerations critical to community and stakeholder consent in highway project development. The state-wide landscaping programs have been reduced by at least one-third in most Mn/DOT Districts based on historical program comparisons. Priorities have been realigned so that landscaping is now a lower priority. Cities and counties are being asked to agree to maintain landscaping as a part of landscape project development commitments in some Districts.

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

<b><i>Actions Taken Include:</i></b>	<b><i>Results:</i></b>
<ul style="list-style-type: none"> <li>● Incorporate landscaping design and review functions into road improvement project plans.</li> </ul>	<ul style="list-style-type: none"> <li>● Districts have increasingly involved landscape architecture staff earlier and more continuously in project development to accomplish cost-effective and context-sensitive streamlining and efficiencies.</li> <li>● Districts are working with landscape architectural staff to build in landscape plan base mapping as part of the engineering consultant's scope of services so that they can set-up CADD files and base maps in a more efficient and cost-effective manner for later landscape project design development.</li> </ul>
<ul style="list-style-type: none"> <li>● Use more standard plans and purchase consultant services where necessary.</li> </ul>	<ul style="list-style-type: none"> <li>● An on-line plant selection expert system is available for internal and consultant use in developing Mn/DOT landscape plans.</li> <li>● Standard Plans and Special Provisions for landscaping are available on-line for consultants to download for incorporation in road improvement plans.</li> </ul>

### **Summary**

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

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