



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #806

Departmental Operations Funding (Transportation -- Departmentwide)

[LFB 2023-25 Budget Summary: Page 661, #4 (a)]

CURRENT LAW

State agencies, including the Department of Transportation (DOT), utilize supplies and services funding to support numerous state operations expenses not related to personnel, permanent property, aids to individuals, local assistance, or debt service.

DISCUSSION POINTS

1. Agency appropriations have various allotment lines within each appropriation, which are used to delineate specific categories of expenditures. The state accounting manual identifies the following eight standard allotment lines for appropriations: (a) permanent and project position salaries; (b) limited-term employee and miscellaneous salaries; (c) fringe benefits; (d) supplies and services; (e) debt service; (f) local assistance and aids to individuals and organizations; (g) special purpose; and (h) cost allocations.

2. DOT's department management and operations SEG appropriation is the principal appropriation that provides state funds for the Department's agency-wide operations, including departmental planning, administrative activities, and the management of most departmental programs. Funding provided to the appropriation's supplies and services allotment line may fund a range of items, including: (a) general office supplies and operations; and (b) major contracted services or activities integral to DOT's overall mission, such as department planning and administration, and federal match funding. The larger supplies and services items in the latter category tend to be addressed separately during the biennial budget process. By contrast, supplies and services expenses from the former category are not typically addressed in the budget process. Rather, these costs are part of DOT's base budget and, to the extent that costs exceed budgeted amounts during a biennium, the Department may either reallocate resources from its existing base budget or lessen actual supplies

and services expenses, if possible.

3. In order to address the general "increased supplies and services costs related to the provision of current programmatic requirements," Assembly Bill 43/Senate Bill 70 included a recommendation to provide a 5% increase in supplies and services budgets to state agency GPR and SEG annual general operations appropriations that meet the following criteria: (a) in 2021-22, the agency expended 95% or more of the amount budgeted for supplies and services; and (b) for the 2023-25 biennium, no other additional supplies and services funding is being proposed for a similar purpose. However, the Committee removed the majority of these recommended increases from consideration under Motion #10, which was adopted on May 2, 2023.

4. The Committee did not remove the DOT component of the Administration's recommendation to provide a 5% increase to the supplies and services budgets for certain state agency annual general operations appropriations. This recommendation would provide DOT with \$1,418,100 annually in additional supplies and services funding for DOT's department management and operations appropriation. Due to inflation, the costs of supplies and services that support Department staff and programs have increased in recent years. In absorbing their cost increases to date, the Department has to reallocate funding from other lines of the Department's operations appropriation such as salary, fringe, and permanent property. Providing the recommended supplies and services funding would reduce the likelihood of the Department having to reallocate funding to fund any excess supplies and services costs in the 2023-25 biennium. The additional funding would be included in base level funding for DOT department management and operations for future years. [Alternative 1]

5. The Committee has already removed most of the Administration's recommendations to provide increased supplies and services funding to other state agencies, and may want to do the same for the DOT component of that recommendation. Further, DOT has maintained its operations under its existing budget. [Alternative 2]

ALTERNATIVES

1. Provide \$1,418,100 SEG annually to DOT's department management and operations appropriation for increased supplies and services costs associated with Department program efforts. This amount would be included in base level funding for DOT department management and operations for future years.

ALT 1	Change to Base
SEG	\$2,836,200

2. Take no action.

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