

1-28-2021

Chair Holmlund and members of the Section C Subcommittee,

Attached is a short document that outlines MDT's approach to project selection and program delivery, especially as it relates to the recently received COVID Response and Relief Funding.

There are a number of key points to consider in regards to this funding:

- 1) MDT's project selection is based on a robust, data-driven, policy centric approach to optimize investment strategies by delivering the right fix at the right time rather than a "worst-first" approach
- 2) While we do have a backlog of projects identified to meet the system needs in various stages of the development process, these projects take many years to develop and deliver. Those that are ready will be brought into the tentative construction program as project development schedules and funding availability allow. The stimulus money will support this approach given a longer period in which to obligate (2024). Best estimates by our Engineering staff is that it is unlikely that stimulus funded projects will be delivered within the 2023 biennium. Our budget request already plans to deliver a higher level of construction projects than in any previous biennium. The more likely scenario is that projects will be delivered in the 3-5 year timeframe.
- 3) Our experience shows that infusing this level of additional funding into a short time frame is challenging for the contracting community to absorb, leading to an over-reliance on out of state contractors (if available), artificially high bid prices, and possibly reduced quality control during construction.

As always, we welcome the chance to discuss this further with you and are available at your convenience. I can be reached through this email or at 459-3048. Thank you for your time and attention.

MDT COVID Response and Relief Funding – Strategy

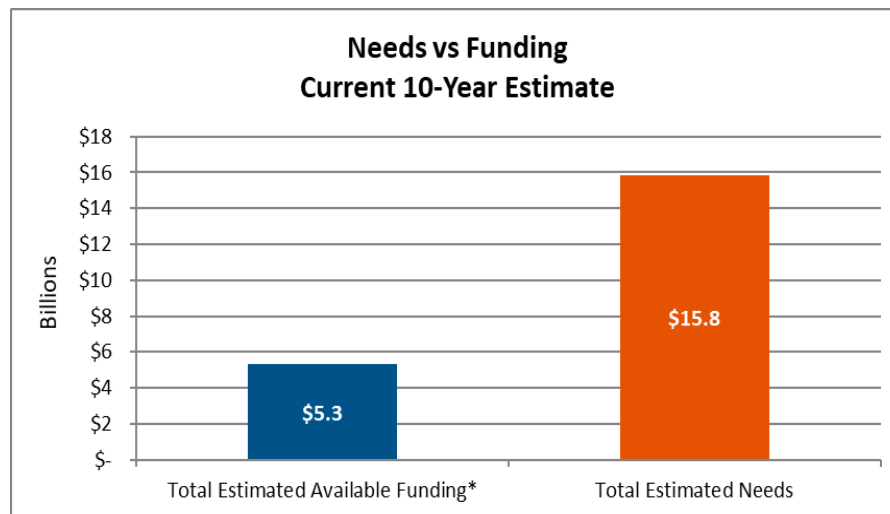
Coronavirus Relief and Response Act – 2021

Intent: Highway Infrastructure Program Funds to prevent, prepare for, and respond to Coronavirus.

- Congress provided additional eligibilities for the use of these funds, though more sideboards than many of the other categories of Covid Relief funds.
- Funds used for highway construction and improvement projects carry all of the same requirements as MDT’s federal aid highway program.
 - Must comply with the requirement of Title 23 USC
 - Subject to approval from the Transportation Commission (MCA 60-2-110/111)
 - Select and prioritize projects
 - Awarding monthly contracts
 - Apportioning Federal-aid highway funds
- The additional eligible uses allow more flexible use than usual, but those uses are limited to costs for Preventative and Routine Maintenance, Personnel including Salaries, Debt Service Payments, and coverage for Revenue Loss due to the corona virus.

Montana roadway infrastructure has considerable unmet needs.

- Combined - increased costs, insufficient revenue, an aging system and increasing travel demands means needs are dramatically outpacing funding – nearly 3 to 1.
- Over ten years, available funds will cover \$5 billion of the projected \$16 billion in needs.
- The consistent rise in national roadway construction costs, about 20% in the last 10 years, reinforces the importance of timely preventative maintenance.

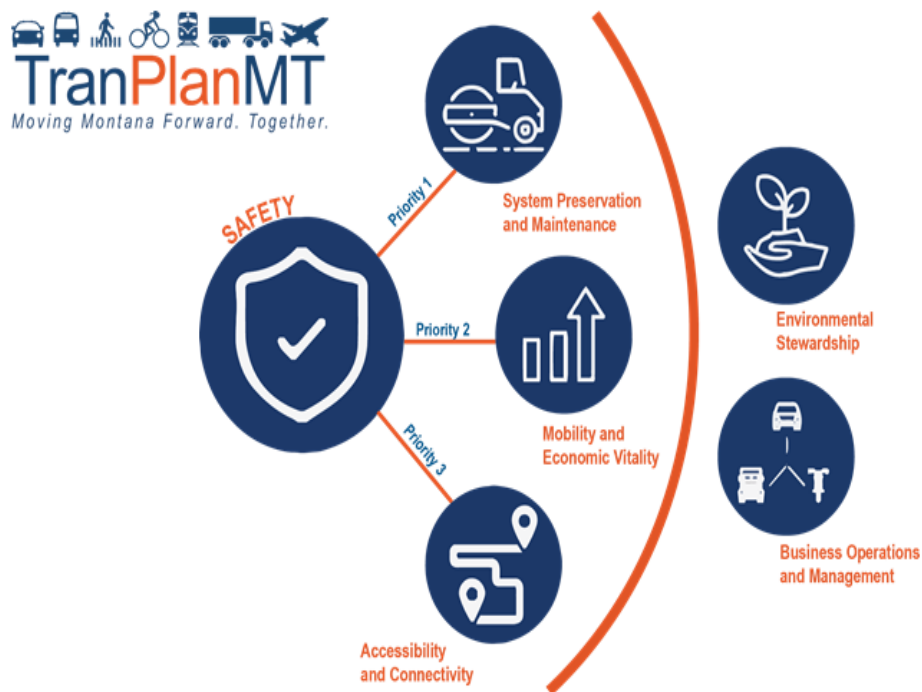


Mission

- The Montana Department of Transportation (MDT) uses state-of-the-practice data driven asset management processes to achieve the agency Mission and goals for infrastructure investment decision making.

Our guiding mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality and sensitivity to the environment.

- Building on the Mission, MDT relies on the policy guidance provided through the statewide long-range transportation plan – TranPlanMT to guide investment processes and priorities.

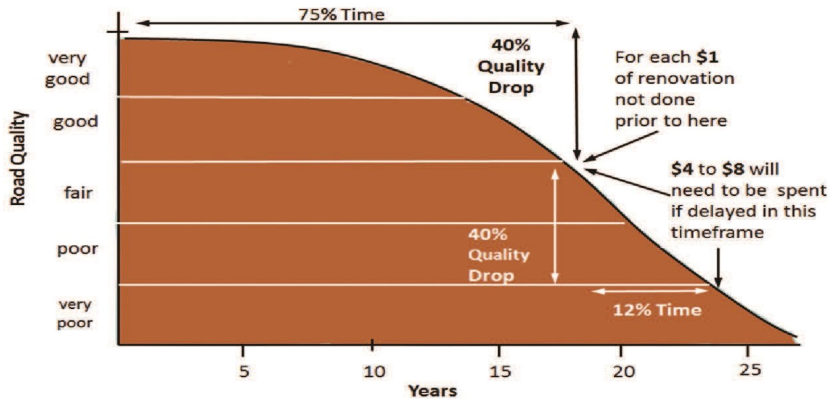


Strategy – TranPlanMT Goals and Investment Priorities

- To make the most effective use of these additional program funds – MDT will look to our Mission and long-range Transportation Plan, TranPlanMT, goals and actions to direct the investment of these funds.
- TranPlanMT, developed and directed thru considerable public and stakeholder involvement – is MDT’s linkage to Montana’s citizens, traveling public, and transportation stakeholders to direct the priority for the use of these funds.
- Congress has provided us the time needed - these funds are available for obligation thru September of 2024, to identify the immediate and lasting impacts related to the Coronavirus, this allows us to make informed rather than hasty decisions for the use of these funds.



- MDT will continue long established business practices related to asset management, while aligning with new Federal requirements and maintaining FHWA's annual consistency determinations for operating and investing consistent with the federally required Transportation Asset Management Plan(TAMP).
- MDT's 5-year Tentative Construction Plan, where program managers match funding available to the construction schedule of projects under development for a 5-year period. For a project to be included in the TCP, it has to be "ready" for construction and funding available in the year where it is placed. Ready means that project development will have progressed to a point where the project will be able to be certified to receive federal funds for construction. Depending on the complexity of the project, getting it ready can take months (simple chip seal) to many years (reconstruction/bridge replacement). This is consistent with the Transportation Commission authority to:
 - It can take 8 years to complete a major road/bridge project, with long range planning starting 20-years prior.
 - The strategy supported by processes and data analysis consider life cycle planning, existing conditions, rates of deterioration, risks, and projected revenues to achieve the optimal investment with the available resources. MDT asset management investment strategies are:
 - Right Treatment at the Right Time — focusing on preventative and rehabilitative efforts to cost effectively manage existing infrastructure and avoid expensive deferred maintenance.
 - Preservation — focusing on preserving and maintaining the existing infrastructure.
 - Targeted Assets — targeting certain asset categories for increased investment to address current condition deficiencies and to mitigate risks.



PRIORITIES

Based on the Mission, TranPlanMT, MDT's TAMP, National Performance Goal criteria, and state performance metrics, the following factors in priority order will be considered for evaluating needs/projects.

1. Preservation & Maintenance
 - NHS Pavements and NHS SD Bridges highest priority –
2. Safety
 - HSIP projects and Safety related Maintenance Activities
3. Bridge improvements to correct structurally deficient bridge deck -other than NHS routes
4. Preservation and Maintenance– other than NHS routes
5. Projects with committed Environmental mitigations
6. Reconstructs of pre-WWII designs (no shoulders, safety issues) or roads experiencing excessive maintenance costs
7. New construction/expanded infrastructure last

Risks

- MDT's top identified risk in the Transportation Asset Management Plan is project prioritization outside of the asset management recommendations, resulting in sub-optimal project prioritization.
- Sub-optimal project prioritization and selection
 - the most common impact of this risk is taking a worst first approach to project identification for infrastructure investment. Worst first results in re-directing funding from the optimal approach of preservation to focus on the worse segments of infrastructure. Worst first ultimately results in overall system condition decline, with infrastructure that could have been preserved falling in condition to needing much more costly rehabilitation or reconstruction treatments.
- MDT estimates that a dollar of preservation treatments missed, result in the need for 4 to 5 dollars in future investment to correct.

Asset Management
 – Systematic and ongoing process that seeks to maximize the life of the asset in the most cost-effective way.