



Transportation Subcommittee FY 2012-13 Budget Highlights

Fiscal Brief

October 2012

The North Carolina General Assembly House and Senate Appropriations Subcommittees on Transportation (Transportation Subcommittee) determine the budgets for the Department of Transportation (DOT) and certain transportation-related programs and services administered by other State agencies. Development and maintenance of the State's transportation system are supported by the Highway Fund and Highway Trust Fund, which are mostly comprised of revenues from the motor fuels tax, highway use tax, Division of Motor Vehicles fees, and federal assistance.

Actual and Enacted Expenditures and Receipts¹

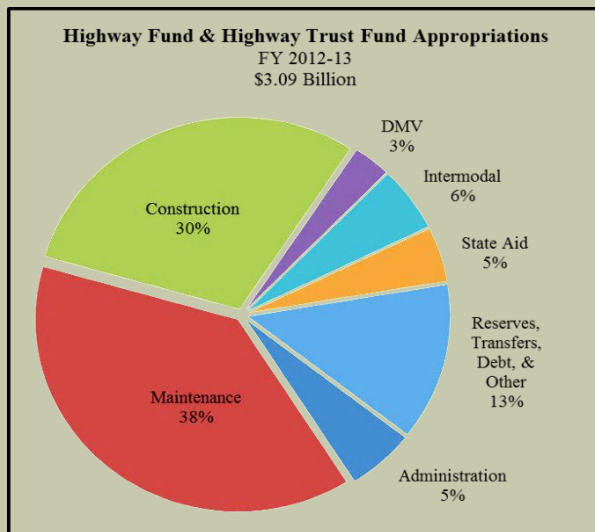
| | Actual FY 2009-10 | Actual FY 2010-11 | Actual FY 2011-12 | Enacted FY 2012-13 |
|---------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|
| Expenditures | 3,534,575,736 | 3,982,732,203 | 4,042,178,431 | 4,371,996,307 |
| Less: Receipts | 983,210,939 | 1,551,071,206 | 1,426,883,890 | 1,282,646,307 |
| Net Appropriations | \$2,551,364,797 | \$2,431,660,998 | \$2,615,294,541 | \$3,089,350,000 |
| Positions (FTE) | 13,915.0 | 13,470.0 | 13,154.0 | 13,017.5 |

¹ Department or Division level budget and FTE information is provided in tables at the end of this budget brief.

² Actual expenditures, receipts and participation revenues reported for certified fund codes. Highway Fund expenditures and revenues include transfers from the Highway Trust Fund.

Budget Overview

The enacted FY 2012-13 Net Highway Fund and Highway Trust Fund Appropriations total \$3.09 billion. This is a reduction of 4.1% from the Certified FY 2012-13 Budget. Combined Highway Fund and Highway Trust Fund Appropriations support 13,017.5 full-time equivalent positions (FTE) within the Department of Transportation. The chart below shows the subcommittee budget by purpose.



S.L. 2012-142, Modify 2011 Appropriations Act (H.B. 950), as amended by S.L. 2012-145, Modifications/2012 Appropriations Act (S.B. 187), appropriates \$2.02 billion from the Highway Fund and \$1.07 billion from the Highway Trust Fund for FY 2012-13. Legislative adjustments to the FY 2012-13 budgets for the Highway Fund and Highway Trust Fund reduced spending by \$149.7 million, in accordance with projected revenues and a one-year cap of the motor fuels excise tax at 37.5 cents per gallon.

Maintenance is the largest category of spending in the Highway Fund, comprising 58.8 percent of the FY 2012-13 budget. The Highway Trust Fund primarily funds construction activities, including intrastate, urban loop, and secondary road projects. These three construction categories total 68.9 percent of the Highway Trust Fund budget in FY 2012-13.

The Joint Conference Report focused on funding highway maintenance, advancing information technology, and prioritizing transit capital and construction funding. This Fiscal Brief provides a

summary of the adjusted FY 2012-13 Transportation Budget.

Funding Highway Maintenance

The revised forecast reduced Highway Fund revenues by \$71.8 million in FY 2012-13. Three additional changes further reduced transportation revenues: 1) a one-year motor fuel excise tax cap reduced revenues by \$46.7 million, 2) S.L. 2012-145, Modifications/2012 Appropriations Act, postponed new and increased tolls on ferries until FY 2013-14, resulting in \$2.5 million in foregone revenue, and 3) a change in accounting procedure reduced civil penalty revenues by \$22 million. However, a corresponding reduction in budgeted transfers from the Highway Fund offsets this procedural change.¹

To offset potential reductions to maintenance and construction programs, the Transportation Subcommittee reallocated \$22 million of accumulated unencumbered funds within the Contingency Fund and \$5 million within the Inspection Program Account. Additional savings totaling \$3.5 million were achieved through administrative efficiencies, reductions to public transportation and rail program grants, and other adjustments.

Bridge and Contract Resurfacing Program Preserved

Consistent with the philosophy and resulting funding in the 2011 transportation budget, the primary goal of the Transportation Subcommittee was to preserve \$235 million in funding to improve the State's structurally-deficient bridges and \$407 million to resurface and repair existing roadways. The two-year bridge program, funded with system preservation funds, will repair half of all structurally-deficient bridges in the State, affecting bridges in every county. The two-year contract resurfacing program will resurface over 10%, or 8,000 road miles, of State maintained roadways.

Remaining reductions were made to two maintenance programs and one construction program: primary

¹ Civil penalties collected by DOT for liability insurance and vehicle size/weight infractions are transferred to the Civil Penalty and Forfeiture Fund, pursuant to G.S. 115C-457.1 and Article IX, Sec. 7 of the North Carolina Constitution. Civil penalties were previously budgeted as revenues and appropriated as a transfer from the Highway Fund. To establish procedural consistency and better account for annual fluctuation, civil penalties are now treated as receipts instead of appropriated transfers.

maintenance was reduced by \$43.8 million, secondary maintenance was reduced by \$17.5 million, and secondary construction was reduced by \$26.3 million. Additionally, S.L. 2012-145, Modifications/2012 Appropriations Act, reduced maintenance reserves by \$500,000.

G.S. 119-18(b) credits net gasoline inspection tax proceeds to the Highway Fund for system preservation activities within the highway maintenance program. Administrative efficiencies and the elimination of ten positions within the Department of Revenue generated \$520,014 in additional proceeds for system preservation in FY 2012-13. These savings will augment funding for the state-funded bridge improvement program that expires June 30, 2013.²

Advancing Information Technology

S.L. 2005-294 (HB 1779) directed the Department of Revenue and the Division of Motor Vehicles to develop a vehicle registration and tax collection system which integrates combined assessment, billing, and collection of vehicle property taxes and registration fees. In order to meet the July 1, 2013 implementation deadline, S.L. 2012-142 appropriates \$18.3 million in receipts reserved for project development and implementation. Associated costs are supported by a portion of the interest collected on unpaid vehicle property taxes.

In addition, 49 new positions are created within the Division of Motor Vehicles and DOT Fiscal Section to perform training and other pre-implementation activities in advance of the "go-live" date. S.L. 2012-142, Sec. 24.10, also authorizes the creation of additional receipt-supported positions during FY 2012-13 based on justification and approval from the Office of State Budget and Management, and it establishes reporting requirements to monitor project progress.

Prioritizing Transit Capital Funding

The 2012 Budget continues the State's financial commitment to construct a 9.3 mile extension to the Charlotte Area Transit System's LYNX Blue Line light rail line by appropriating \$25 million recurring for the duration of the project, and by allocating \$37.9 million

² Funding for system preservation projects during the FY 2011-13 Biennium is dedicated to the replacement, rehabilitation, and preservation of bridges statewide. System preservation activities typically include sealing, waterproofing, painting, joint replacement, and other treatments that prolong the useful life of infrastructure assets.

in unreserved funds to the project. However, S.L. 2012-142, Sec. 24.19, adjusts future funding for fixed guideway transit³ projects by discontinuing the dedicated Regional New Starts & Capital grant program within the Highway Fund, and by authorizing the use of Highway Trust Fund allocations for the Intrastate System, Aid to Municipalities, and Secondary Roads programs to fund such projects, effective FY 2013-14. Fixed guideway transit projects remain eligible for funding through the Mobility Fund, subject to individual project rankings based on calculated travel time savings and multimodal characteristics.

Prioritizing Construction Funding

The revised forecast and one-year motor fuels excise tax cap reduced Highway Trust Fund revenues by \$31.6 million in FY 2012-13. G.S. 136-176(b) dictates the formula for funding distributions to DOT Administration and to the Highway Trust Fund's four construction programs: Intrastate System, Urban Loops, Aid to Municipalities, and Secondary Roads. The 2012 Budget maintained the redistributions made in the 2011 Budget for FY 2012-13 that reallocated funds from Secondary Roads to Urban Loops. Reductions made to the five formula-based categories were based on the percentages designated in statute.

S.L. 2012-142, Sec. 24.15, requires DOT to prioritize funding for unpaved secondary roads, affecting both the Highway Trust Fund allocation and the Secondary Road construction fund within the Highway Fund. The two construction funds may be used for three purposes: for paving unpaved roads, for other construction-related projects, or for maintenance activities. DOT is required to prioritize eligible unpaved secondary roads and fund only those roads that rank highest statewide. All counties will continue to receive secondary road funding based on formula distributions for other construction-related projects and for maintenance activities. Only those counties with the highest prioritized unpaved road needs will receive funds in this category. DOT will determine the percentage of funds received by each of the three categories.

The Mobility Fund was created by S.L. 2010-31, Sec. 28.7.(a), to fund large construction projects of statewide and regional significance that relieve congestion and enhance mobility across all modes of transportation.

³ Fixed guideway transit projects utilize exclusive rights of way or rails, and include: light rail, heavy rail, commuter rail, monorail, trolleybus, cable car, ferryboat, and busway/high occupancy vehicle (HOV) facilities.

S.L. 2011-145, Sec. 28.33, directed DOT to revise the project ranking formula and withheld FY 2012-13 funding pending revision. S.L. 2012-142, Sec. 24.8, codifies the required changes, which remove the preference for intermodal projects and emphasize travel time savings to prioritize Mobility Fund projects. In addition, reserved funds were transferred to the Mobility Fund based on project submission rankings completed by DOT in late Spring of 2012. It is estimated that the 20 highest ranked projects will be funded over the next ten years.

Debt service and related financing costs for the Garden Parkway and Mid-Currituck Bridge projects were delayed by one year. These projects are planned as toll projects managed by the North Carolina Turnpike Authority. Prior year funding for the Mid-Currituck Bridge was used to offset potential reductions to the four formula-based construction programs. FY 2012-13 non-recurring gap funding was transferred to the Mobility Fund.

S.L. 2012-142, Sec. 24.21, directs DOT to conduct a comprehensive Interstate 95 (I-95) corridor study that examines the economic impact of tolling, examines the impact to alternative routes, analyzes alternative routes, and studies non-toll options to make critical repairs. It prohibits DOT from establishing or collecting tolls on I-95 prior to July 1, 2014. This provision is in response to DOT's I-95 Corridor Planning and Finance study, released in January 2012. The study recommended tolling I-95 from the Virginia border to the South Carolina border. DOT received a "conditional reservation" from the Federal Highway Administration, available under the Interstate System Reconstruction and Rehabilitation Pilot Program, which authorizes three pilot projects nationwide to toll existing interstate highways.

For additional information, please contact:

Transportation/Information Technology

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|------------------------------|---------------------------|
| <i>Amna Cameron</i> | <i>amnac@ncleg.net</i> |
| <i>Bryce Ball</i> | <i>bryceb@ncleg.net</i> |
| <i>Karlynn O'Shaughnessy</i> | <i>karlynno@ncleg.net</i> |

*Fiscal Research Division
NC General Assembly
300 N. Salisbury St., Room 619
Raleigh, North Carolina 27603-5925
(919) 733-4910
<http://www.ncleg.net/fiscalresearch>*

Actual and Certified Transportation Expenditures and Receipts by Purpose
Department of Transportation - Highway Fund (84210) & Highway Trust Fund (84290)

| | Actual* <u>FY 2009-10</u> | Actual* <u>FY 2010-11</u> | Actual* <u>FY 2011-12</u> | Enacted <u>FY 2012-13</u> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Expenditures | | | | |
| Construction | 1,494,516,664 | 1,696,186,658 | 1,620,400,906 | 1,824,075,006 |
| Maintenance | 843,229,408 | 1,026,508,168 | 1,124,197,279 | 1,188,182,509 |
| Powell Bill / Aid to Municipalities | 131,769,820 | 134,288,958 | 138,340,337 | 142,338,263 |
| Administration | 193,397,596 | 195,055,051 | 186,874,905 | 202,605,777 |
| Division of Motor Vehicles | 113,980,288 | 120,094,490 | 121,455,537 | 133,778,270 |
| Debt Service (inc. GARVEE**) | 127,145,805 | 146,007,908 | 119,766,728 | 123,856,543 |
| Intermodal Divisions: | | | | |
| Public Transportation | 91,235,385 | 153,018,220 | 151,780,532 | 123,443,069 |
| Ferry Operations | 40,354,706 | 36,215,437 | 37,711,303 | 46,038,132 |
| Airports Program | 47,205,418 | 55,789,101 | 75,379,717 | 42,311,031 |
| Rail Services | 37,642,820 | 32,495,172 | 48,172,152 | 209,600,864 |
| Reserves, Transfers, & Other | 414,097,826 | 387,073,040 | 418,099,035 | 335,766,843 |
| Less: Receipts (Federal & Other) | 983,210,939 | 1,551,071,206 | 1,426,883,890 | 1,282,646,307 |
| | | | | |
| Net Appropriations | \$2,551,364,797 | \$2,431,660,998 | \$2,615,294,541 | \$3,089,350,000 |

| | | | | |
|-----------------|----------|----------|----------|----------|
| Positions (FTE) | 13,915.0 | 13,470.0 | 13,154.0 | 13,017.5 |
|-----------------|----------|----------|----------|----------|

* Actual expenditures, receipts and participation revenues reported by the North Carolina Accounting System (NCAS) for certified fund codes.

** Grant Anticipation Revenue Vehicle (GARVEE) bonds are debt instruments backed by future Title 23 Federal-aid funding.

Change in FTE, FY 2012-13

| | Vacant | Filled | Receipts | New | Transfers | Net Change |
|--|---------------|---------------|-----------------|-------------|------------------|-------------------|
| <u>Transportation Subcommittee</u> | | | | | | |
| Transportation - Highway Fund ¹ | (9.0) | (13.0) | (69.0) | 49.0 | - | (42.0) |
| Transportation - Highway Trust Fund ² | - | - | (12.0) | - | - | (12.0) |
| Transportation - Turnpike Authority ³ | - | - | (3.0) | - | - | (3.0) |
| Total Transportation Subcommittee | (9.0) | (13.0) | (84.0) | 49.0 | - | (57.0) |

¹ The Conference Report eliminates 69 receipt-supported, vacant field positions and creates 49 new, receipt-supported positions to administer the Combined Vehicle Registration and Tax System.

² The Conference Report eliminates 12 receipt-supported, vacant positions within the Highway Trust Fund.

³ The Conference Report eliminates 3 receipt-supported, vacant positions within the Turnpike Authority.