



Transportation Subcommittee FY 2011-13 Budget Highlights

Fiscal Brief

February 2012

The North Carolina General Assembly House and Senate Appropriations Subcommittees on Transportation (Transportation Subcommittee) determine the budgets for the Department of Transportation, the State Highway Patrol Division of the Department of Crime Control and Public Safety, 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 Certified Highway and Highway Trust Fund Expenditures and Receipts ¹

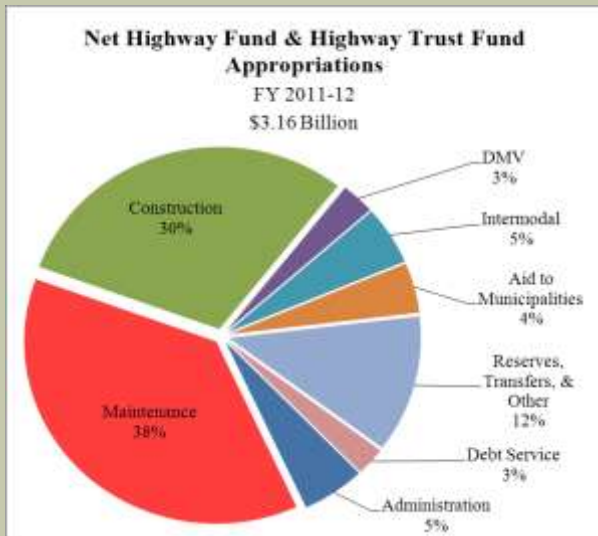
	<u>Actual FY 2009-10</u>	<u>Actual FY 2010-11 ²</u>	<u>Certified FY 2011-12</u>	<u>Certified FY 2012-13</u>
Expenditures	3,534,575,736	3,902,913,030	4,470,269,036	4,503,716,307
Less: Receipts	983,210,939	1,469,630,895	1,305,659,036	1,282,646,307
Net Appropriations	\$2,551,364,797	\$2,433,282,135	\$3,164,610,000	\$3,221,070,000
Positions (FTE)	13,915.0	13,470.0	13,135.5	13,071.5

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

² Actual FY 2010-11 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 Certified FY 2011-12 Net Highway Fund and Highway Trust Fund Appropriations total \$3.16 billion. This is an increase of 15.5% from the Continuation Budget. Combined Highway Fund and Highway Trust Fund Appropriations support 13,135.50 full-time equivalent positions (FTE) within the Department of Transportation, 2.7 percent fewer than the Continuation Budget FTE. The chart below shows the subcommittee budget by purpose.



S.L. 2011-145, Appropriations Act of 2011 (H.B. 200), as amended by S.L. 2011-391, 2011 Budget Technical Corrections (H.B. 22), appropriates \$2.05 billion from the Highway Fund and \$1.12 billion from the Highway Trust Fund in FY 2011-12. Maintenance is the largest category of spending in the Highway Fund, comprising 57.8 percent of the FY 2011-12 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 2011-12. In addition, 4.3 percent of the Highway Fund budget is designated for construction in FY 2011-12.

The FY 2011-12 Continuation Budget was \$1.81 billion for the Highway Fund and \$933.8 million for the Highway Trust Fund. Increased budgeted spending in FY 2011-12 is due to an automatic adjustment to the State’s gasoline and diesel tax rate, and the appropriation of unencumbered fund balance previously allocated for administration of Highway Trust Fund programs and matching of federal grants for intermodal projects that were not awarded.

The Transportation Subcommittee discussed budgetary options, focusing its attention on gaining efficiencies and streamlining operations to increase funding for roadway maintenance, and prioritizing construction needs statewide. This Fiscal Brief provides a summary of the FY 2011-13 Transportation Budget.

Funding Highway Maintenance

The Department of Transportation's (DOT) "2010 Report on the Condition of the State Highway System" identified a funding shortfall between projected maintenance costs and spending of \$330 million for FY 2011-12, which increases to \$706 million by FY 2017-18. In order to maximize Highway Fund resources to close this shortfall, the Transportation Subcommittee examined options to reduce agency administration, streamline operations and prioritize program funding. The Subcommittee also considered strategies to increase public-private participation and evaluated alternate sources of revenue to offset service costs. Identified savings were then redirected to maintenance programs that enable DOT to target funding to meet the greatest roadway needs.

Reducing Administration and Streamlining Operations

Through directed internal consolidations, outsourcing, and program eliminations, the Transportation Subcommittee identified a total reduction of 423.5 full time equivalent positions by FY 2012-13. While administration, general services, and pre-construction functions were principally targeted, DOT was given flexibility to manage phased reductions in force of filled positions. The Subcommittee also evaluated programs with overlapping missions or functions and those that were not cost-effective. DOT was directed to consolidate call center services, close the Morehead City Ferry Division Field Office and consolidate operations, and restructure the DMV Emissions Inspection Program auditing process.

The Transportation Subcommittee also prioritized Highway Fund programs and evaluated options to increase program efficiency. Funding for public transportation and aviation grant programs was reduced by \$9.0 million, and the Ferry Division was directed to achieve an additional \$4.1 million in operational efficiencies. Highway Fund transfers to programs administered by other State agencies were also reduced by \$25.4 million through FY 2012-13, largely due to reductions to the Department of Public Instruction for high-school driver education (\$5.3

million) programs and the State Highway Patrol Division of the Department of Crime Control and Public Safety (\$16.6 million).

S.L. 2011-391, 2011 Budget Technical Corrections (H.B. 22) directed the State Highway Patrol to reduce administration and identify operational efficiencies resulting in budget reductions of \$13.2 million by FY 2012-13. To minimize the impact on field operations, the State Highway Patrol was authorized to consolidate units, freeze positions, and reassign personnel. The Transportation Subcommittee also transferred the budget for the State Highway Patrol to the General Fund, merging the budgeting and oversight functions of the General Assembly under the Justice and Public Safety appropriations and oversight committees, consistent with the creation of the consolidated Department of Public Safety.

Privatization and Funding Alternatives

To promote private sector collaboration, the Transportation Subcommittee removed the statutory cap on public-private partnerships for litter removal and rest area operations. DOT was also directed to examine the feasibility of sponsorships for visitor centers, welcome centers, rest areas, ferries and Incident Management Assistance Patrols to assist in offsetting service costs. In addition, the Transportation Subcommittee directed DOT to increase its outsourcing of design and engineering work, where cost-effective. By removing the cap on design-build contracts and authorizing expanded use of multiple award contracts, DOT was afforded additional flexibility in contracting to achieve cost savings and expedite project completion.

Based on the 2010 Continuation Review of the Driver Education Program and the Office of State Budget and Management study pursuant to S.L. 2010-31, the Transportation Subcommittee reduced Highway Fund transfers for the driver education program and authorized a new fee based on participation. Local education agencies may assess a fee of up to \$45.00 per program participant to offset the reduction in State funding. Prior to enactment, North Carolina was the only state to fully fund driver education through its Highway Fund without a dedicated revenue source.

Consistent with the findings of the "Benchmarking and Optimization of the North Carolina Ferry System" study conducted by the Institute for Transportation Research and Education at N.C. State University in 2009, the Transportation Subcommittee directed DOT to increase

toll revenues to improve the financial sustainability of ferry operations. By April 2012, the Board of Transportation must implement tolls on all ferry routes, excluding the Currituck/Knotts Island and Hatteras/Ocracoke routes, to achieve an additional \$2.5 million in annual toll revenues by FY 2012-13. New fares will be established for the Bayview/Aurora and Cherry Branch/Minnesott Beach routes, and fares will be adjusted for the three routes that are currently tolled. In addition, the Transportation Subcommittee enacted a new Division of Motor Vehicles fee of three cents per partial data record downloaded by third parties for unofficial use. Records subject to this fee include partial vehicle registration, driver license, and crash report data maintained within DMV databases.

Target Funding to Maintenance Needs

In order to direct maintenance funds to roadways with the greatest needs, the Transportation Subcommittee reduced funding to programs that dictate the type of roadway to be maintained and shifted those funds to more flexible programs. Two specific maintenance programs were targeted – system preservation and contract resurfacing. The Subcommittee increased system preservation funds by \$135.9 million in FY 2011-12 and directed DOT to utilize all system preservation funds, totaling \$214.4 million in FY 2011-12, to improve structurally deficient bridges. In addition, contract resurfacing funding was increased by \$132.4 million to lessen future maintenance demands and to avoid more costly repairs due to delayed maintenance. The Subcommittee also increased funding for the general maintenance reserve by \$78.2 million, affording DOT additional flexibility to prioritize maintenance expenditures according to need.

Prioritizing Construction Funding

The Transportation Subcommittee frequently discussed the construction progress of the intrastate, urban loop, and secondary road systems since the inception of the Highway Trust Fund in 1989. Based on presentations which indicated lagging completion rates for urban loops relative to secondary roads and the intrastate system, the Transportation Subcommittee made several changes within the Highway Trust Fund to accelerate urban loop construction. By notwithstanding G.S. 136-176(b)(4) and G.S. 136-176(b), the Subcommittee overrode statutory formulas dictating the amount of funds dedicated to secondary roads and administration of Highway Trust Fund

activities. Funds associated with the projected increases for secondary roads and administration, per statutory formulas and revenue projections, were redirected to urban loop projects. In addition, \$17.5 million in funding for secondary road projects was redirected to urban loops, along with \$25 million from an accumulated unencumbered fund balance previously allocated for administration. The Subcommittee also removed specific urban loop projects from statute and directed DOT to designate and prioritize urban loop funding.

Debt service and related financing costs for the Garden Parkway were delayed by one year and reduced by \$17.5 million in FY 2012-13. Due to project delays, the Transportation Subcommittee also reallocated unencumbered prior year funding for the Garden Parkway and Mid-Currituck Bridge projects, totaling \$50 million. The Garden Parkway and Mid-Currituck Bridge projects are toll projects managed by the North Carolina Turnpike Authority. Prior year funding for the Mid-Currituck Bridge was transferred to the General Fund to purchase replacement school buses for local school systems, and funding for the Garden Parkway project was reallocated to urban loops.

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. The Transportation Subcommittee discussed the initial requirement that gave preferential treatment to intermodal projects and directed DOT to revise the formula based on travel time savings. Funds earmarked to the Mobility Fund for FY 2011-12 were maintained to complete construction of Phase Two of the Yadkin River Bridge project. However, funds earmarked in FY 2012-13 were placed within a Prioritization Reserve, pending revision of the Mobility Fund formula and selection of the next series of projects for completion.

Within the Highway Fund, the Transportation Subcommittee reduced secondary road construction funding by \$35 million and Access and Public Service Roads funding by \$101,115. Three million dollars was redirected to the Spot Safety program, and the remaining funding was redirected to roadway maintenance.



For additional information, please contact:

Transportation/Information Technology

<i>Anna 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 FY 2009-10	Actual FY 2010-11	Certified FY 2011-12	Certified FY 2012-13
Expenditures				
Construction	1,494,516,664	1,688,697,249	1,847,125,064	1,821,462,721
Maintenance	843,229,408	1,022,557,780	1,185,080,215	1,249,514,751
Powell Bill / Aid to Municipalities	131,769,820	134,288,958	140,589,957	144,230,656
Administration	193,397,596	195,427,326	199,857,166	202,690,658
Division of Motor Vehicles	113,980,288	119,967,833	130,944,523	83,625,927
Debt Service (inc. GARVEE**)	127,145,805	146,007,908	119,766,728	123,856,543
Intermodal Divisions:				
Public Transportation	91,235,385	107,281,875	129,351,575	129,351,575
Ferry Operations	40,354,706	33,514,075	38,689,589	48,538,132
Airports Program	47,205,418	39,621,748	38,401,413	42,311,031
Rail Services	37,642,820	30,453,760	242,414,561	210,100,864
Reserves, Transfers, & Other	414,097,826	385,094,518	398,048,245	448,033,449
Less: Receipts (Federal & Other)	983,210,939	1,469,630,895	1,305,659,036	1,282,646,307
Net Appropriations	\$2,551,364,797	\$2,433,282,135	\$3,164,610,000	\$3,221,070,000
Positions (FTE)	13,915.0	13,470.0	13,135.5	13,071.5

* Actual FY 2009-10 and FY 2010-11 expenditures, receipts and participation revenues reported for certified fund codes.

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

Change in FTE, FY 2011-12

	Vacant	Filled	Receipts	New	Transfers	Net Change
Transportation Subcommittee						
Transportation - Highway Fund	(161.0)	(179.0)	(1.5)	-	-	(341.5)
Transportation - Highway Trust Fund	(12.0)	(6.0)	-	-	-	(18.0)
Total Transportation Subcommittee	(173.0)	(185.0)	(1.5)	-		(359.5)