

GOVERNMENT FINANCE COMMITTEE

September 10, 2014

11 a.m. Roughrider Room

North Dakota Department of Transportation**Grant Levi, P.E., Director**

Mr. Chairman and members of the committee, I'm Grant Levi, Director of the North Dakota Department of Transportation (DOT.)

When the DOT develops its budget many different factors are considered, some of them are listed below:

- Revenue - Federal and State funding
- Infrastructure condition
- Transportation Needs Studies
- Federal rules and regulation changes
- Staffing needs.

Revenue***Federal Funding:***

- The usual source of revenue, the Federal Highway Trust Fund has not kept pace with expenditures due to increased fuel efficiency of vehicles, a nationwide drop in Vehicle Miles Travelled (VMT) due to the recession and the increasing use of non-gasoline powered vehicles such as hybrid and electric cars. Please see Attachment 1.
- The Federal Highway Administration will continue to reimburse states for transportation projects this year without anticipated reductions after Congress passed legislation on July 31st. The bill provides approximately \$10.8 billion to fund the Federal Highway Trust Fund. This will put enough resources into the highway trust fund to reimburse states for current projects through May of 2015.
- Congress also extended the current transportation funding MAP-21 program expiration date from September 30, 2014 to May 31, 2015. Unfortunately until Congress passes an appropriations bill, the DOT has no funding for Fiscal Year 2015.
 - Congress needs to pass an appropriations bill by Sept. 30, 2014 or government agencies may be shut down.
- As a result of the uncertainty of federal funding we are still in the process of discussing the Department's overall budget needs.

State Funding:

- The state has experienced unprecedented growth in revenues from fuel tax collections and motor vehicle registration fees over the last several bienniums. This is attributed to the strong oil development activity in western North Dakota as well as the strong activity in other sectors of our economy.
- However, as expected, we have recently seen a significant slowing of this growth trend. What this means is that, while we are still realizing high revenues from these sources, growth is happening at a rate more consistent with pre oil boom years. For example, the

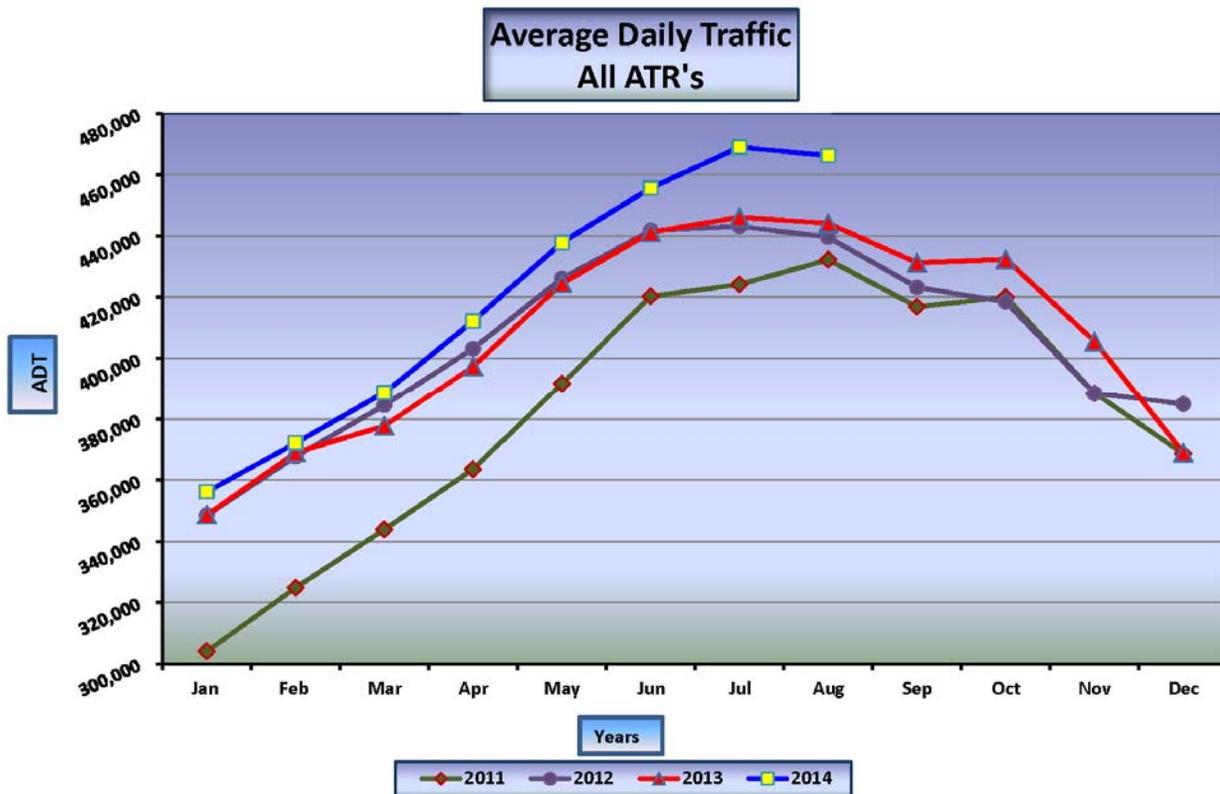
growth rate experienced by the Highway Tax Distribution fund for fiscal year 2014 was approximately 1.7 percent as compared to growth of approximately 7 percent per year during the previous two bienniums.

- This slowing of the growth trend should not be viewed as an indicator of decreased revenues; we fully expect that fuel tax collections and motor vehicle registration fees will continue to be healthy for the foreseeable future. We believe this slowing of the growth trend simply reflects the tapering down of the unprecedented growth to a more normal rate of growth, while overall activity levels remains at a high level.

In addition to federal funding unknowns, we are also looking at other components such as increased construction costs. Attachment 2 illustrates how costs have gone up, for example, what cost \$1.00 in 2001; now cost \$2.83 for North Dakota construction in 2014.

Infrastructure Condition

The number of miles driven on State highways has increased. From 2010-2012 North Dakota saw a 22% increase in traffic statewide and a 53% increase in traffic in western North Dakota. Traffic growth remains at high levels in 2013 and 2014. The following chart shows the traffic trend from daily traffic counters January 2011 to August 2014.



Increased traffic has an impact on the life of all roadways. The road design for city streets, county roads or highways is based on amount of traffic the road carries.

Transportation Needs Studies

The DOT is working with Upper Great Plains Transportation Institute on several needs studies which include:

- County Transportation Needs
- State and City Needs
- Transit Needs
- Short line Railroad Needs.

Federal Rules and Regulations

We are working hard to meet demands of the largest construction program in state history. To deliver our program, the DOT must comply with federal rules and regulations.

- DOT projects undergo numerous inspections by many agencies including the Environmental Protection Agency, U.S. Fish and Wildlife, U.S. Corp of Engineers and other federal agencies. A number of federal rules and regulations have changed over the years.
- Due to the type of work being conducted such as widening roadways, building bypasses off the roadway, projects need a great deal of work in the cultural resources area.
 - The Department just re-signed the Programmatic Agreement with tribal governments last week. This should help expedite the process.

Complying with federal rules and regulations increases costs and the time it takes to deliver projects, which is taken into consideration as we develop the Department's proposed budget.

Staffing

The DOT received 16 additional full-time employee positions last session to work in western North Dakota and various areas of the Department including engineering, motor vehicle and driver's license.

Even with the additional staffing we are also outsourcing much of our work to help meet the demands for services during the state's tremendous growth.

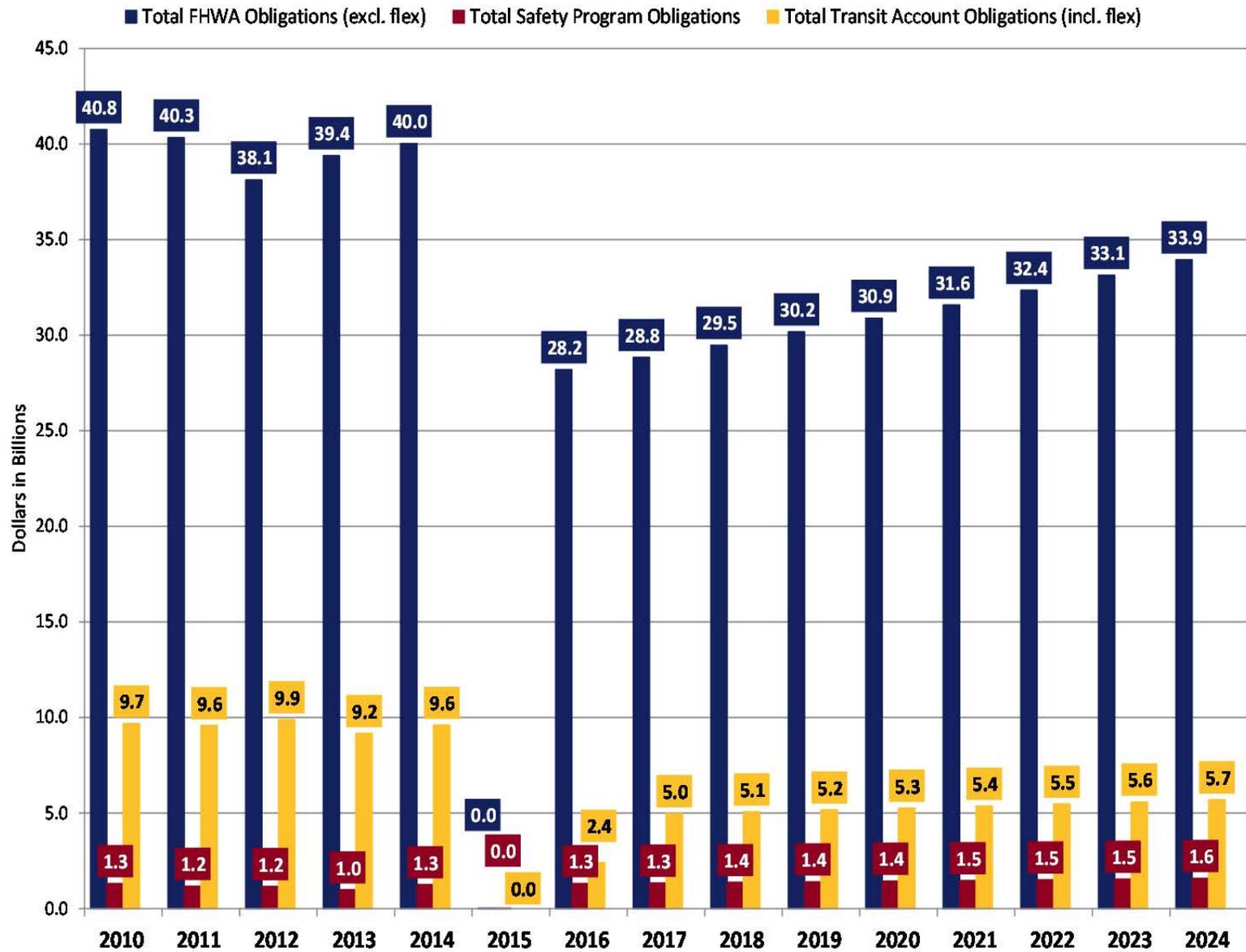
- Currently outsourcing 65-75% of engineering work.
- Temporarily reassigned employees to western North Dakota to provide added support.
- Implemented a Motor Vehicle contract with a consultant to assist with services.

The DOT is working on our biennium budget request, we currently have an extension until October 3, and we may need to request an additional extension.

Due to the potential changes in federal funding and other budget components that we have discussed, we are unable to provide specifics about our budget at this time.

Thank you Mr. Chairman, this concludes my testimony.

Estimated Federal Highway and Transit Obligations With No Net New Revenue



If no new revenues are found, federal highway obligations will fall by almost 100% in FY 2015

Attachment 1 – Federal Funding Chart

Attachment 2 – Construction Cost Index

