

**Interim Budget Committee**  
**Thursday, March 3, 2016**  
**North Dakota Department of Transportation**  
**Grant Levi, Director**

Mr. Chairman and members of the committee, I am Grant Levi, Director of the North Dakota Department of Transportation. Per your request I am here to discuss the Department's budget.

**The North Dakota Department of Transportation (NDDOT) receives funding from three different sources:**

- ✦ State Funds – an allocation of state funds are distributed to be spent on road projects, as well as allocations to county and transit programs. These funds consist of one-time General Funds and Strategic Investment and Improvement Funds (SIIF).
- ✦ Federal Funds – this federal funding is utilized for federal road projects, transit and safety initiatives.
- ✦ State Transportation User Revenues -include a portion of the state's fuel taxes and motor vehicle registrations as well as state truck regulatory fees. This is primarily used for Department operations including motor vehicle, driver's license, maintenance work, salaries and state match for federal projects.

**State Funds**

Governor Dalrymple informed all state agency directors on Feb.1, 2016 that each agency needs to reduce its current state General Fund budget by 4.05% to cover a \$1 billion revenue shortfall. The 4.05% allotment means NDDOT will need to adjust its state General Fund expenditures on road construction projects, and allocations to counties and transit providers by \$26.58 million. The chart below illustrates impacts of the 4.05% allotment.

| <b>NDDOT State Funds</b>          |                                   |                  |
|-----------------------------------|-----------------------------------|------------------|
| Revenue                           | Dollar Amount                     | 4.05% Reduction  |
| General Fund = SIIF               | \$450.0 M                         | \$0              |
| General Fund = Road Projects      | \$541.1 M                         | \$21.91 M        |
| General Fund = Motor Coach        | \$1.0 M                           | \$40,500         |
| General Fund = Special Roads Fund | \$2.0 M                           | \$81,000         |
|                                   | <b>Subtotal Reduction</b>         | <b>\$22.03 M</b> |
| <b>County</b>                     |                                   |                  |
| Revenue                           | Dollar Amount                     | 4.05% Reduction  |
| SIIF Funding                      | \$240 M                           | \$0              |
| General Fund                      | \$112 M                           | \$4.54 M         |
| SIIF Funding                      | \$112 M                           | \$0              |
|                                   | <b>Subtotal Reduction</b>         | <b>\$4.54 M</b>  |
| <b>Transit</b>                    |                                   |                  |
| Revenue                           | Dollar Amount                     | 4.05% Reduction  |
| General Fund                      | \$200,000                         | \$8,100          |
|                                   | <b>Subtotal Reduction</b>         | <b>\$8,100</b>   |
|                                   | <b>Total State Fund Reduction</b> | <b>\$26.58 M</b> |

**Effects of 4.05% State Fund Allocation**

| Line Item Number | Line Item Name                    | Amount of Reduction |
|------------------|-----------------------------------|---------------------|
| 80130            | Operating Expenses                | \$2,430             |
| 80155            | Enhanced State Highway Investment | \$810,000           |
| 80160            | Grants                            | \$40,500            |
| 80166            | Non-Oil Producing Counties        | \$4,536,000         |
| 80178            | General Fund Transfer             | \$21,194,280        |
| <b>TOTAL</b>     |                                   | <b>\$26,583,210</b> |

The Department’s 4.05% general fund reduction of \$26.58 million occurred in the following areas:

- \$4.54 million reduction in distribution of funds for County Program – Funding utilized for local roadway construction projects in non-oil producing counties. The NDDOT has notified county officials of the reduction and is working with the counties to adjust their road projects that will be constructed in 2016 and 2017.
- The majority of the additional reduction in other NDDOT programs occurred in the highway construction program as follows:
  - Cost savings achieved through receiving lower bids on projects due to lower energy prices.
  - Changed projects in western North Dakota to reduce costs, for example:
    - \* Changed US 85 Highway project in Watford City from concrete to asphalt.
    - \* Adjusted ND 42 Highway project south of Crosby from reconstruction to an overlay.
    - \* Adjusted project work on other urban projects in Minot and Williston areas.
    - \* These adjustments are for projects to be bid for construction in 2016 and 2017.

**Federal Funds**

Fortunately a federal transportation bill called Fixing America’s Surface Transportation Act (FAST Act) was passed recently. It is the first law enacted in over ten years that provides long-term funding certainty for transportation. The Department utilizes these funds for federal road projects, transit and safety initiatives.

| Apportionment Funding  | FY 2016    | FY 2017    | FY 2018    | FY 2019    | FY 2020    |
|------------------------|------------|------------|------------|------------|------------|
| North Dakota           | \$251.83 M | \$257.03 M | \$262.59 M | \$268.51 M | \$274.94 M |
| Obligational Authority | FY 2016    | FY 2017    | FY 2018    | FY 2019    | FY 2020    |
| North Dakota           | \$239 M    | \$?        | \$?        | \$?        | \$?        |

**State Transportation User Revenues**

When preparing the Department budget for this biennium, state transportation user revenue numbers were projected based on several factors, including past revenue trends and anticipated economic activity in the state. The state’s economy is slowing, which has also resulted in a decrease in truck traffic. Fewer trucks means less diesel fuel sold, less motor carrier fees, fewer motor vehicle registrations and less truck regulatory fees. Consequently, NDDOT is projecting the 2015-17 Biennium revenue to be approximately 13% below the enrolled budget revenue projections. The chart on the next page illustrate impacts as a result of revised revenue projections.

| <b>NDDOT Transportation User Revenue Changes for 2015-2017 Biennium</b> |                   |                   |                  |
|---|-------------------|-------------------|------------------|
| Revenue Source  | 2015-17 Enrolled  | 2015-17 Revised   | Difference       |
| NDDOT Share of State Highway Tax Distribution Fund                      | \$ 382.4 M        | \$ 332.8 M        | \$ 49.6 M        |
| Other State Highway Fund Revenues                                       | \$ 154.8 M        | \$ 135.2 M        | \$ 19.6 M        |
| <b>TOTAL</b>  | <b>\$ 537.2 M</b> | <b>\$ 468.0 M</b> | <b>\$ 69.2 M</b> |

The counties, cities, townships, and transit providers also receive a portion of the state fuel taxes and motor vehicle registration fees. Just as NDDOT's state transportation user revenues are impacted by the reduced traffic volumes, so are the state transportation revenues distributed to these local entities. The following chart depicts the revenue impact to the local entities.

|          | State Highway Tax Distribution Fund |               | Non-State Agency Comparison |  |
|----------|-------------------------------------|---------------|-----------------------------|--|
|          | Enrolled 15-17                      | Revised 15-17 | Difference                  |  |
| County   | \$137.2 M                           | \$119.4 M     | \$17.8 M                    |  |
| City     | \$78 M                              | \$67.9 M      | \$10.1 M                    |  |
| Township | \$16.8 M                            | \$14.7 M      | \$2.1 M                     |  |
| Transit  | \$9.4 M                             | \$8.1 M       | \$1.3 M                     |  |

The NDDOT needs to make budget adjustments to address the \$69.2 M State Transportation User Revenue shortfall. Please note the adjustments are not a result of the 4.05% allotment. We will utilize an unencumbered cash balance of \$22.6 M and make budget adjustments, some of which are listed below:

**Salaries = \$6.8 M**

- Holding 20 unfilled FTE positions - \$3.5M
- Reduced oil patch add-on - \$1.9 M
- Reducing budget line for temporary employees - \$1.4 M

**Travel = \$432,800**

**Buildings = \$2.12 M**

**Information Technology = \$5.76 M**

**State Fleet = \$6.95 M**

**District Operations = \$19.6 M**

- Pavement Marking Program - \$12 M
- District Roadway Maintenance - \$7.5 M
- Closing five rest areas - \$70,000+ because we won't have to repair or maintain them. The rest areas include: Norwich, Finnish, Pleasant Lake, Germantown and Sykeston.

**Equipment = \$2.05 M**

**Professionals not classified (Public Information Consultants, Architects) = \$2.61 M**

**Training = \$203,000**

Mr. Chairman, that concludes my testimony and I will be happy to answer any questions the committee may have.