

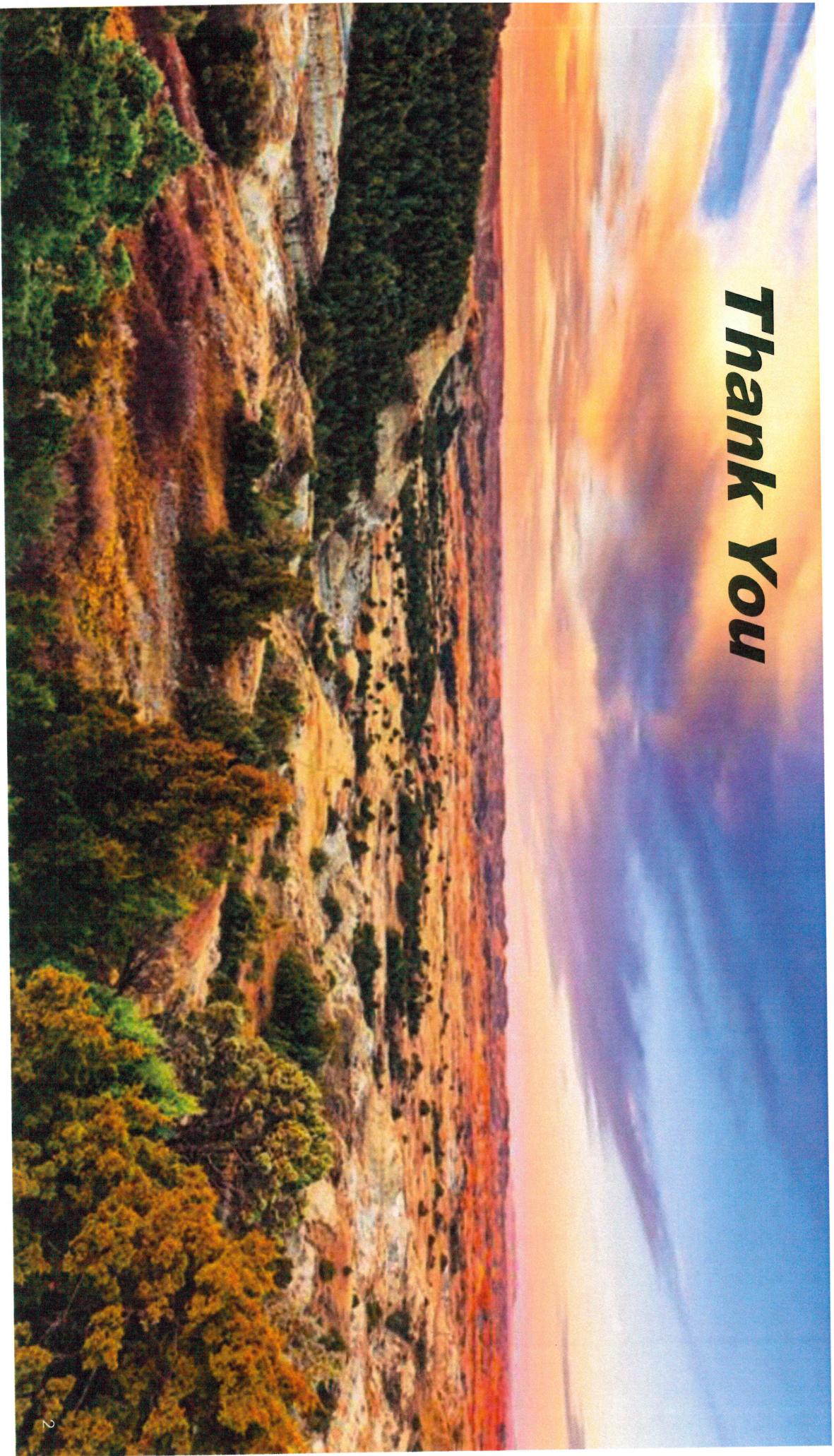
SB 2012

Budget Testimony

Senate Appropriations Sub Committee
January 28, 2021



Thank You



NDDOT Budget Bill Details

SB 2012



NDDOT'S Proposed Budget

The Governor's proposal contains a budget for NDDOT = \$1.8 billion.

- 2019-2021 budget = \$1.4 billion

The budget recommendation includes:

- \$860 million in federal funds
- \$638 million in state funds
- \$302 million in bond funds for transportation projects*
 - Bond funds include:
 - ✓ \$237 million for 10-year infrastructure projects
 - ✓ \$50 million for Highway 85
 - ✓ \$15 million for bridges

** Bond funds will be paid back through state Legacy Fund earnings.*

Budget Comparison by Major Program

Major Program	2017-2019	2019-2021	2021-2023	2021-2023	2021-2023
	Original Appropriation (SB 2012 - Section 1)	Original Appropriation (HB 1012 - Section 1)	Beginning Budget (Legislative Base)	(Adjustments)/Enhancements	Governor's Budget (Executive Recommendation)
Administration	\$40,415,590	\$62,256,296	\$44,703,726	\$11,480,797	\$56,184,523
Driver & Vehicle Services	48,323,835	53,521,346	48,353,903	6,664,158	55,018,061
Highways	1,109,644,570	1,225,561,241	1,224,312,292	427,246,374	1,651,558,666
Fleet Services	71,105,873	70,906,521	71,075,483	(3,900,826)	67,174,657
Total Major Programs	\$1,269,489,868	\$1,412,245,404	\$1,388,445,404	\$441,490,503	\$1,829,935,907
Total FTE	1,047.0	982.0	982.0	5.0	987.0

Budget Comparison by Appropriation Line

Description	2017-2019	2019-2021	2021-2023	2021-2023	2021-2023
	Original Appropriation (SB 2012 - Section 1)	Original Appropriation (HB 1012 - Section 1)	Beginning Budget (Legislative Base)	(Adjustments)/Enhancements	Governor's Budget (Executive Recommendation)
By Line Item					
Salaries and Wages	201,478,341	197,827,038	197,827,038	8,323,925	206,150,963
Operating Expenses	229,381,646	257,537,785	235,037,785	46,906,102	281,943,887
Capital Assets	771,101,851	861,025,944	859,725,944	369,046,476	1,228,772,420
Grants	67,528,030	95,854,637	95,854,637	17,214,000	113,068,637
Total Line Items	1,269,489,868	1,412,245,404	1,388,445,404	441,490,503	1,829,935,907
By Funding Source					
General Fund	0	0	0	0	0
Federal Funds	673,484,369	738,914,475	738,914,475	121,385,744	860,300,219
Special Funds	596,005,499	673,330,929	649,530,929	320,104,759	969,635,688
Total Funding Source	1,269,489,868	1,412,245,404	1,388,445,404	441,490,503	1,829,935,907
Total FTE	1,047.0	982.0	982.0	5.0	987.0



Agency Appropriation Bill

Section 1 - Appropriation

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from federal funds and other income, to the department of transportation for the purpose of defraying the expenses of the department of transportation, for the biennium beginning July 1, 2021, and ending June 30, 2023, as follows:

	Governor's		
	<u>Base Level</u>	<u>Recommendation</u>	<u>Appropriation</u>
Salaries and wages	\$197,827,038	\$206,150,963	\$197,827,038
Operating expenses	235,037,785	281,943,887	235,037,785
Capital assets	859,725,944	1,228,772,420	859,725,944
Grants	<u>95,854,637</u>	<u>113,068,637</u>	<u>95,854,637</u>
Total special funds	\$1,388,445,404	\$1,829,935,907	\$1,388,445,404
Full-time equivalent positions	982.00	987.00	982.00



Agency Appropriation Bill

Section 2 – One-Time Funding

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-sixth legislative assembly for the 2019-21 biennium:

<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
Driver's license system project	\$22,500,000	\$0
Minot and Williston driver's license facility maintenance	\$1,300,000	\$0
Short line railroad program	\$2,500,000	\$0
Contingent Bank of North Dakota loan	<u>\$50,000,000</u>	<u>\$0</u>
Total all funds	\$76,300,000	\$0
Less estimated income	<u>\$73,800,000</u>	<u>\$0</u>
Total general fund	\$2,500,000	\$0

Note: The North Dakota Department of Transportation generally funds one-time items identified in section 2 of the agency appropriation bill with Highway Tax Distribution Funds. Highway Tax Distribution funds are a recurring funding source.



Agency Appropriation Bill

Section 3 – Line Item Transfers

SECTION 3. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the director of the office of management and budget shall transfer appropriation authority among the salaries and wages, operating expenses, capital assets, and grants line items in section 1 of this Act as requested by the director of the department of transportation when it is cost-effective for construction and maintenance of highways. The department of transportation shall notify the legislative council of any transfers made pursuant to this section.

Proposed Amendments

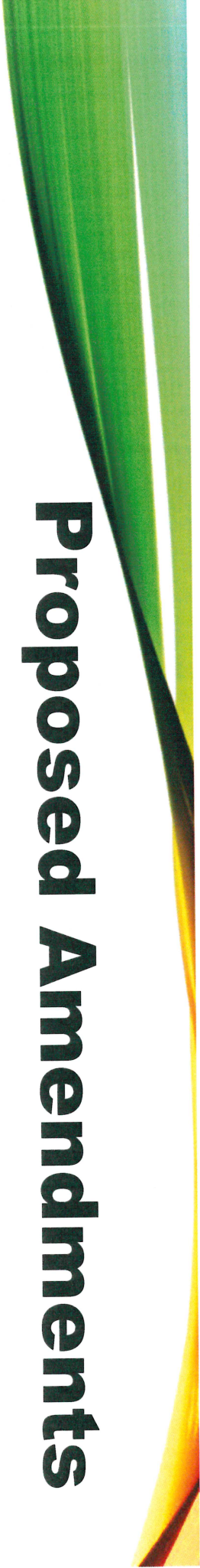


Proposed Amendments

SECTION 4. EXEMPTION - ENHANCED STATE HIGHWAY INVESTMENTS.

Section 54-44.1-11 does not apply to funding of \$503,115,558 in the capital assets line item relating to enhanced state highway investments in section 1 of chapter 12 of the 2015 Session Laws. Any funds continued into the 2021-23 biennium but not spent by June 30, 2023, must be continued into the biennium beginning July 1, 2023, and ending June 30, 2025, and may be expended only for enhanced state highway investments.

Note: The North Dakota Department received an infusion of funds to be used in oil impact areas for infrastructure projects during the oil boom. Projects of this magnitude require time to complete given the need for design, engineering, permits, and construction. The last of these oil impact projects are scheduled to be closed out this biennium. If for some reason a delay is experienced during closeout this section allows those projects to be finalized in the 21 – 23 biennium. This section will not be needed after the 21-23 biennium.



Proposed Amendments

SECTION 5. APPROPRIATION – DEPARTMENT OF TRANSPORTATION.

In addition to the amounts appropriated to the department of transportation in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available beginning January 1, 2021 and ending June 30, 2023.

Note: This section allows any additional federal funding received by the North Dakota Department of Transportation over the 21 -23 biennium to be automatically appropriated. This provision is especially critical in that federal funding, in particular discretionary federal funding, is often unpredictable and cannot be adequately estimated in advance. The North Dakota Department of Transportation intends to aggressively pursue any and all discretionary federal funding which becomes available.

SECTION 6. EXEMPTION – DRIVERS LICENSE SYSTEM PROJECT.

The amount appropriated for the drivers license system project, as contained in section 1 of chapter 12 of the 2019 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available for continued drivers license system project costs during the biennium beginning July 1, 2021 and ending June 30, 2023

Note: The Driver License System Project approved by the sixty-sixth legislative assembly will not be completed by the close of the 19 – 21 biennium. Therefore the North Dakota Department of Transportation will need permission to carry forward the remaining portion of the \$22.5 million to ensure successful completion of this project by the close of 2022.

SECTION 7. EMERGENCY. Section 5 of this Act is declared to be an emergency measure.

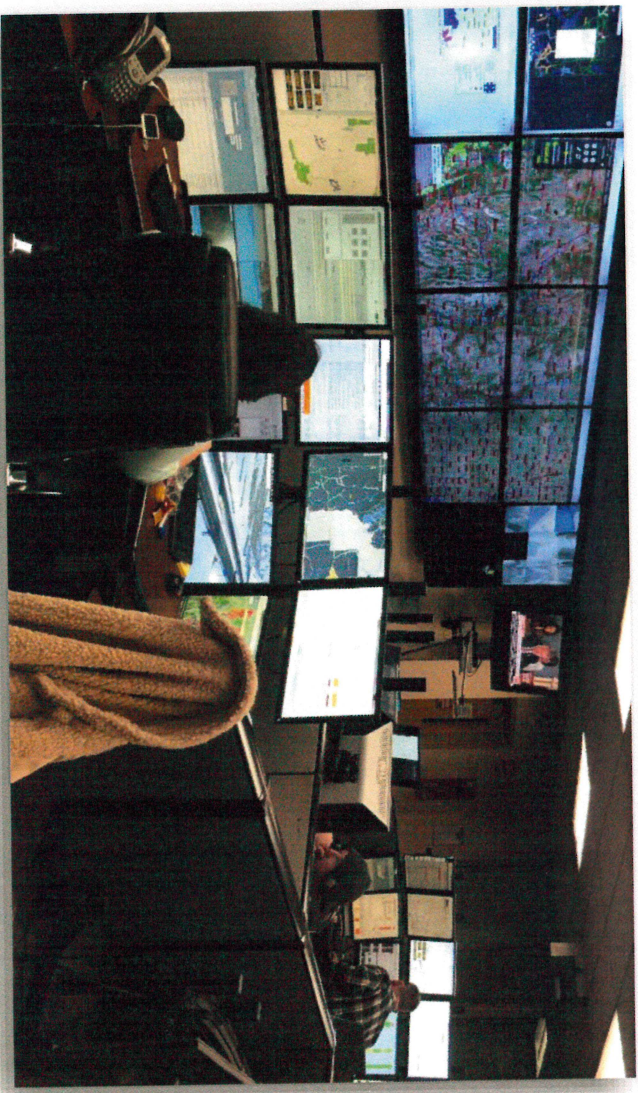
Transportation Management Center



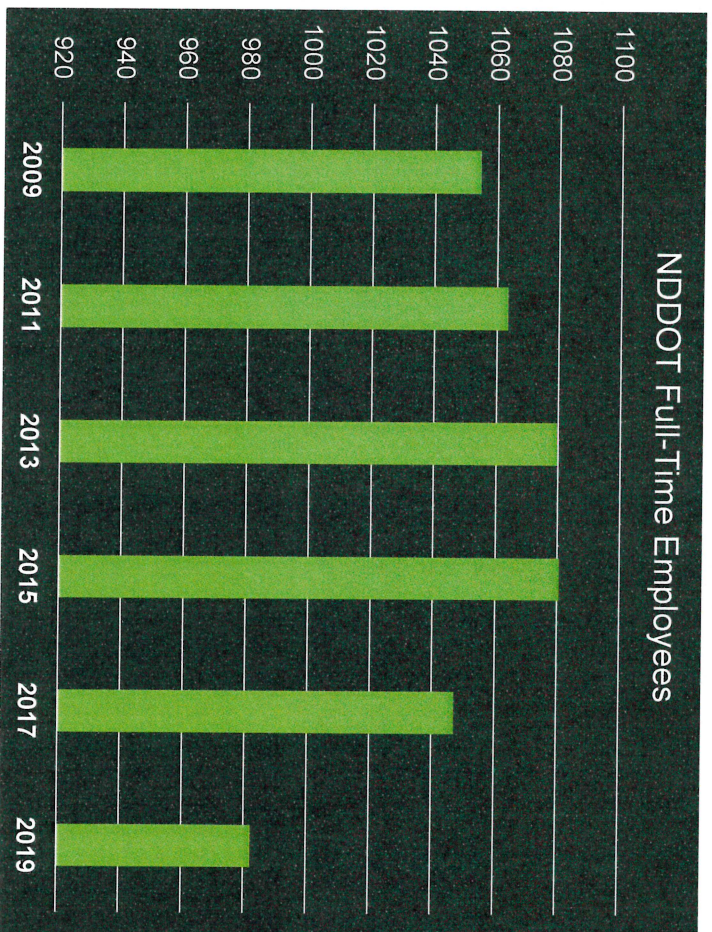
Transportation Management Center (TMC)

NDDOT is applying for a federal grant to develop a Transportation Management Center (TMC).

- TMCs are an established element of a state DOT to improve safety, roadway operations and maintenance, coordinating traveler information, and inter-jurisdictional cooperation with partner agencies (HP, DES, ND Sheriffs, State Radio and Counties).



NDDOT Employee Numbers



NDDOT employee numbers proposed to increase by 5 team members.

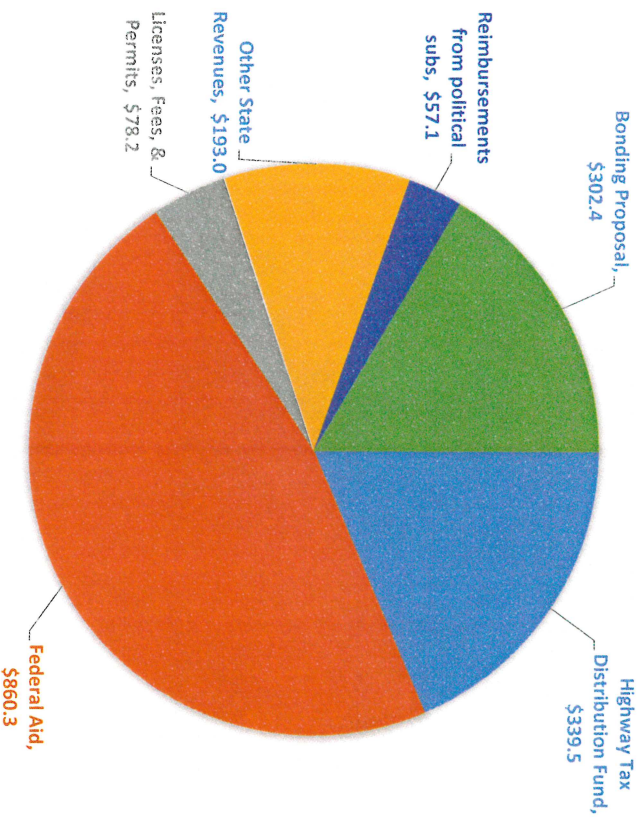
- Raising the number of Full-Time Employees from 982 to 987.
- The 5 new FTE's are designated to be a part of the new Transportation Management Center.

2021 - 2023 Revenue and Expenditures

NDDOT Revenues (millions)

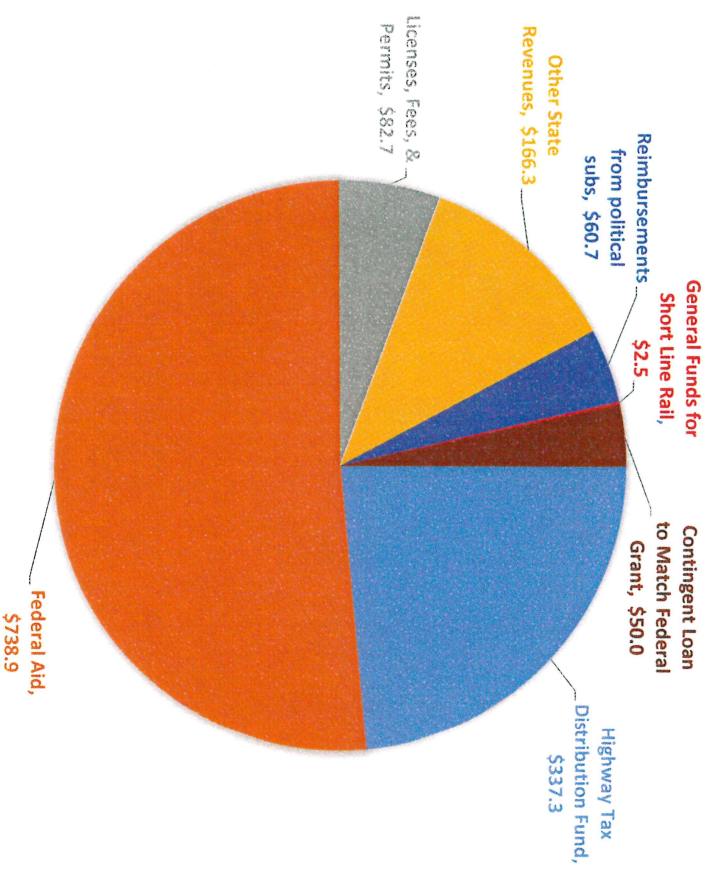
2021-2023

\$1.83 billion total



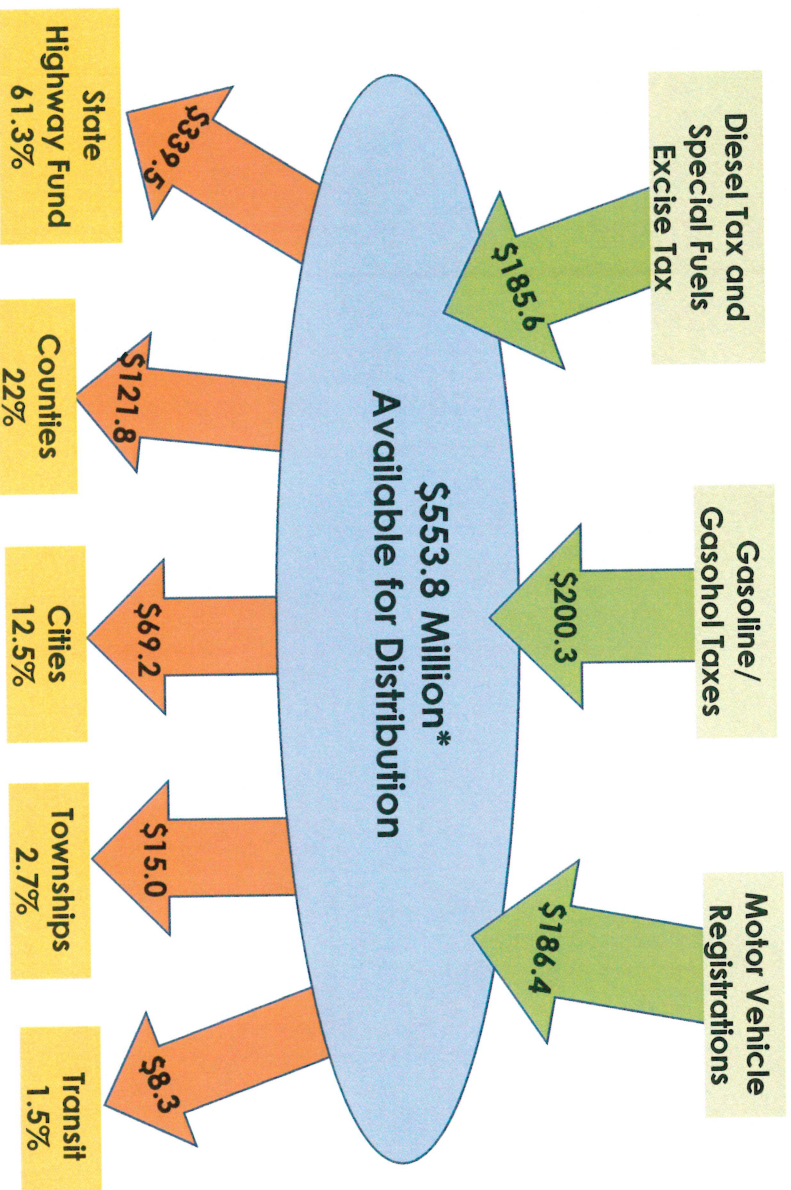
2019-2021

\$1.44 billion total



Highway Tax Distribution Fund

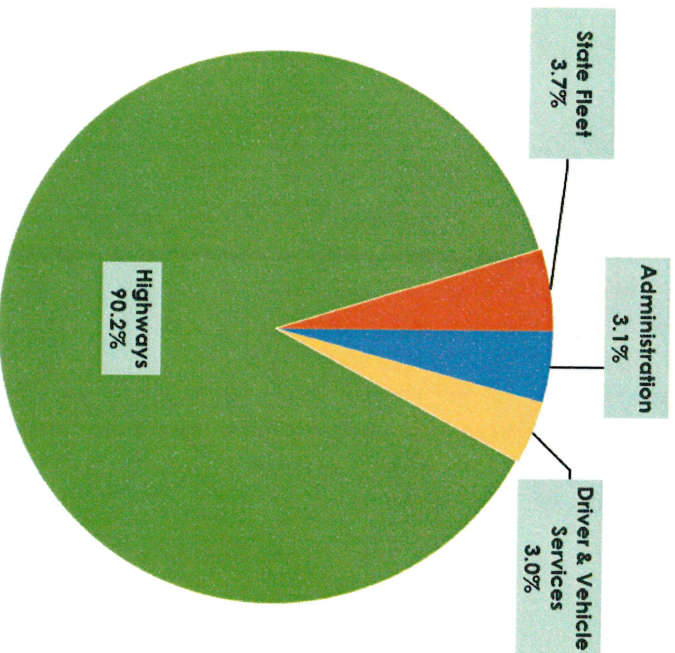
2021-2023 (millions)



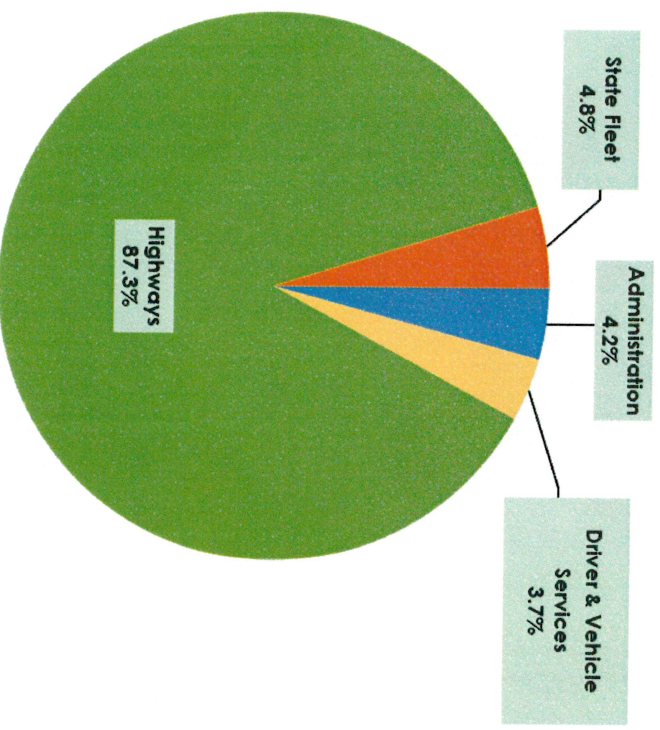
*\$18.5 million was withheld prior to distribution for allocation to the Highway Patrol (\$8.3), to the Ethanol Subsidy Fund (\$4.7) and to the NDDOT for administrative assistance to other transferees (\$5.5)

Biennial Budget Comparison By Program

2021-2023
\$1.83 billion total



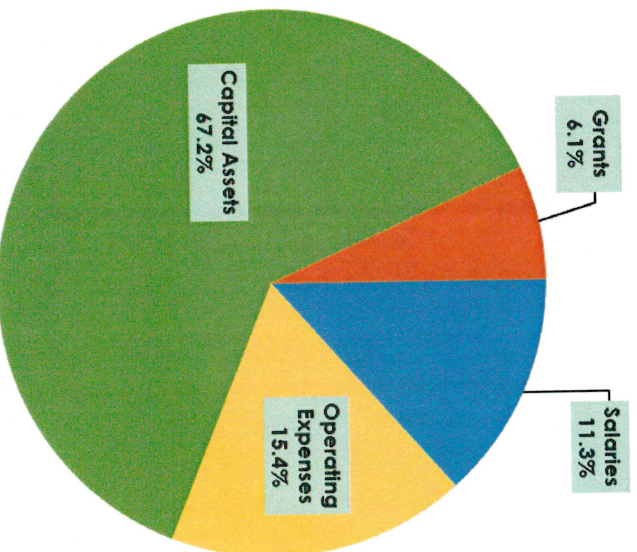
2019-2021
\$1.44 billion total



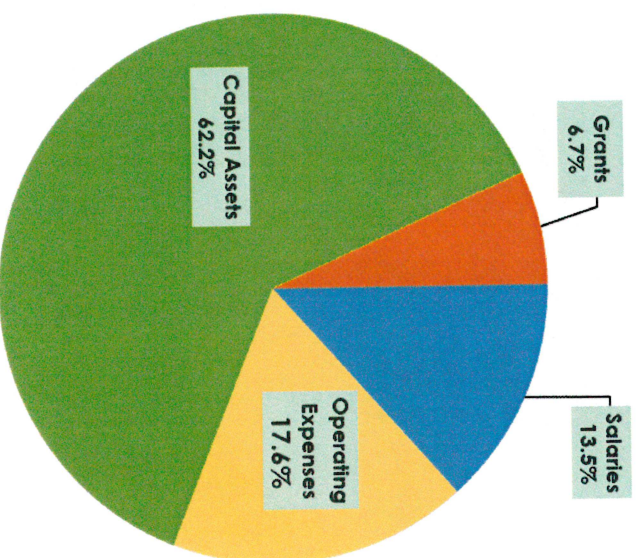
Biennial Budget Comparison

By Expenditure Type

2021-2023
\$1.83 billion total

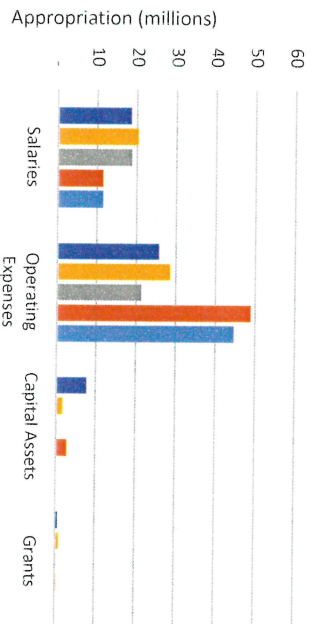


2019-2021
\$1.44 billion total

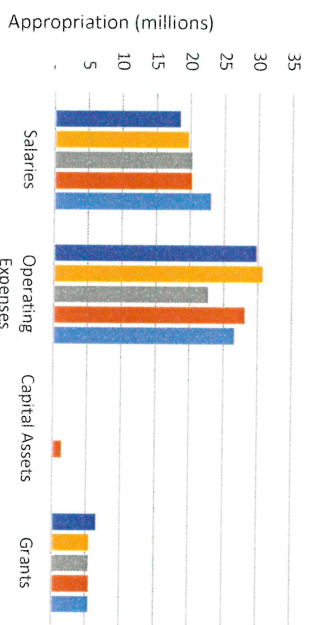


Appropriation Comparison by Line

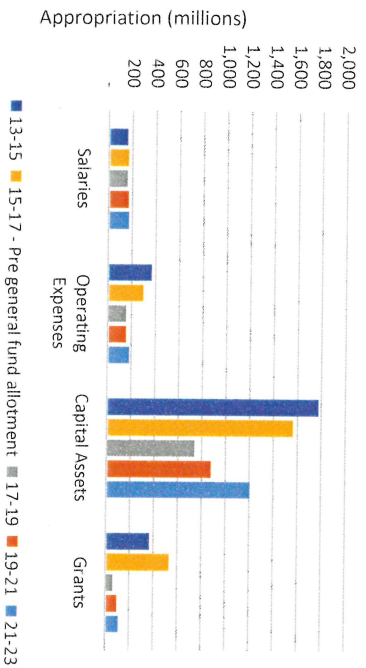
Administration Program
(millions)



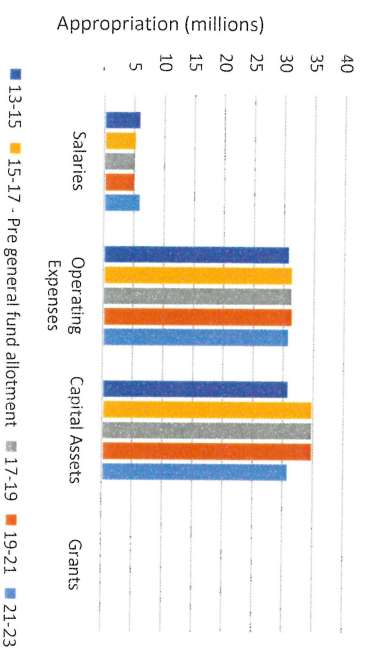
Driver and Vehicle Services Program
(millions)



Highways Program
(millions)



State Fleet Program
(millions)





Summary

- The Executive Budget recommendation leaves NDDOT with a projected unencumbered cash balance of only \$600,000 at the end of the 2021-2023 Biennium.
- Current Transportation Revenue patterns are very flat with no anticipated growth for the foreseeable future.
- At the conclusion of the 2021 – 2023 biennium the NDDOT will have no unencumbered cash balance. A shortfall of approximately \$55 million will occur in the 2023 – 2025 biennium which will impact the NDDOT's ability to provide essential basic services.
- The NDDOT Executive budget proposal includes \$302 million of bond funding for:
 1. A 10-year infrastructure program - \$237 million
 2. Highway 85 - \$50 million
 3. Bridges - \$15 million

CARES Act Funding



CARES Act Funding

- **Coronavirus Aid, Relief, and Economic Security Act via the Federal Transit Administration Section 5311 Program - \$17,996,449 approved, \$6,918,202 expended**
 - Grants to support public transportation in rural areas with populations of less than 50,000 where residents rely on public transit to travel to destinations and for training and technical assistance through the Rural Transportation Assistance Program. Funds do not have an expiration date and are available for use until expended.
- **Coronavirus Aid, Relief, and Economic Security Act - \$763,933 approved, \$763,933 expended**
 - Includes purchase of personal protective equipment for employees (masks, barriers, gloves, etc.), additional janitorial services (offices and rest areas), equipment rental, public outreach, facility safety enhancements, etc. Funds have been fully expended.
- **Coronavirus Aid, Relief, and Economic Security Act - \$13,906,173 approved and available after turn-back; \$272,437 remaining to be expended**
 - Funds for Motor Vehicle and Driver License technology enhancements including expansion of current Driver License software rewrite project to include merged Motor Vehicle and Driver License software systems to facilitate universal service delivery platform, self-service kiosks, and support for contracted motor vehicle offices. Funds have an expiration date of June 30, 2021.

Federal Match Breakdown



Federal Match Breakdown

- The anticipated highway tax distribution fund revenue should cover the state matching funds needed to match the planned federal formula funding and known federal discretionary funding that is expected to be received within the 21-23 biennium.
 - Estimated state funds required to match the anticipated federal funds for the 21-23 biennium is \$249.3M.
 - Includes \$57.1M of appropriation authority for state funds needed by counties and cities for their share of construction costs.
- NDDOT plans to pursue additional federal discretionary funds as they become available, but the current highway tax distribution fund revenues would not be adequate to match these additional federal discretionary funds.
 - The exact amount of additional discretionary grants that may become available in the 21-23 biennium is unknown at this time.
 - Securing these grants generally requires a state match commitment upwards of 50%.

KIOSK PROJECT



Kiosk Information

- ITI is the vendor for the 52 kiosks contract. This Self-Service Terminal Expansion Project includes a full turnkey solution, as the current machines do, and will be serviced by the same ITI technicians across North Dakota, with a 4-8-hour Service Level Agreement (SLA). The Project also includes all hardware and software upgrades, including change requests and fixes, as well as all consumable replenishment such as paper and ink.
- ITI uses a ND based third party service vendor (Liberty Business Systems, Inc.) with locations in Fargo, Bismarck, Grand Forks and Minot for related maintenance and service.
- Total cost of Kiosks was \$6.9M and includes the cost of the first year of maintenance.
- Any approved change request or upgrade will be included in the “annual software license, maintenance and field service fee”. The cost of the annual software license, maintenance and field service \$1,000/unit/mo starting in year two (-66%).
- Kiosks will be located at all 5 reservations and will function just as the other kiosks. (see map)
- Not all kiosks will have 24/7 access. Not all locations/cities had businesses which run 24/7.



Kiosk Location Map

[illegible]



eDealer Information

North Dakota Auto Dealers Association was awarded a contract to conduct Electronic Vehicle Licensing services (eDealer) for NDDOT. There will be a pilot program based out of Bismarck. This pilot is not expected to begin until after the MV/DL software upgrade is complete in May of 2022.

Questions?

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