

SB 2012 Budget Testimony

Senate Appropriations Committee

January 11, 2021



Agency Overview

NDDOT follows North Dakota Century Code Sections 24-01 through 24-15, 39-02 and 49-17.1-02.

- Originally called the State Highway Department, the North Dakota Department of Transportation (NDDOT) was established in 1917. The NDDOT is an innovative and progressive organization that has a great team of employees that work hard across the state to carry out the Department's mission to safely move people and goods.
- The NDDOT strives to build and maintain an efficient transportation system consisting of about 106,103 miles of roadways and 4,865 bridges. It oversees the development of surface transportation including highways, bridges, rail, transit, pedestrian and bicycle paths across the state.
- In addition, the Department processes over one million vehicle registrations every year and serves over 500,000 licensed drivers at offices located across the state.



North Dakota Department of Transportation

Mission

Safely move people and goods.

Vision

Mission

and

Vision

North Dakota's **Transportation Leader Promoting:**

Safe Ways **Superior Service Economic Growth**

Values

Professionalism Respect Integrity Dedication Excellence

Dakota | Transportation







Strategic Focus Areas and Goals



Safety

Provide a safe and secure transportation system and workplace.



Innovation

Promote a culture of innovation to enhance external and internal services, products, and programs.



Assets

Preserve and enhance assets managed by NDDOT.



Mobility

NDDOT works to improve access to our transportation system through multi-modal solutions to enhance the movement of people and goods, having a positive impact on the quality of life and the economic well-being of North Dakotans.



Leadership

We strive to position the NDDOT as a local, state, and nationally trusted leader. We value service, excellence and diversity, instilling a culture of leadership, which expands the problem-solving capacity of our organization.

Agency, Customers & Programs



We Serve in Three Ways:

Transportation Construction
Transportation System Operations
DMV, Highway Safety, & Fleet







Agency, Customers & Programs

We Serve Four Primary Customers:

- Citizens
- Tribal Nations
- Business
- Government











NDDOT Executive Staff

Bill PanosDirector



Ron HenkeDeputy Director



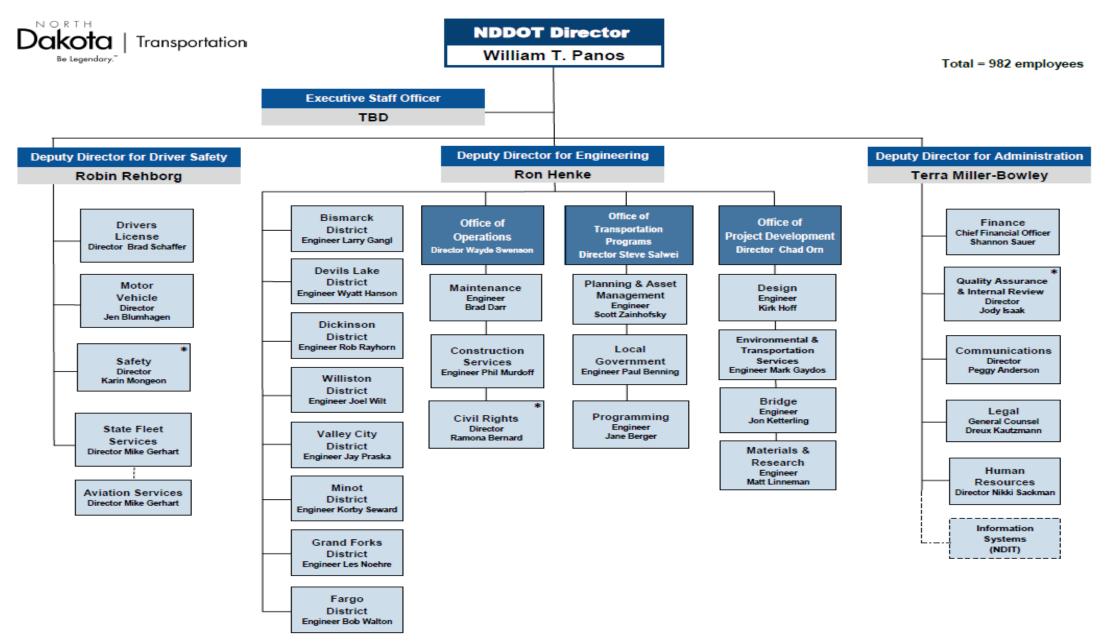
Terra Miller-BowleyDeputy Director



Robin RehborgDeputy Director







* Indirect report to the Director December 2020



Department of Transportation

Audit Report for the Biennium Ended June 30, 2019

Client Code 801



State Audit Report

No findings were reported in the latest NDDOT state audit The report can be found at this link:

https://www.nd.gov/auditor/sites/www/files/docume nts/Reports/Local%20Gov/2019%20DOT%20-%20Audit%20Report.pdf



NDDOT Never Closed

NDDOT never closed during the pandemic providing many services statewide.

Essential services included:

- Expanded online services for driver license and motor vehicle customers.
- CDL permits, renewals and knowledge tests continued to enhance services for trucking industry.
- Early road construction, snow removal and flood control.





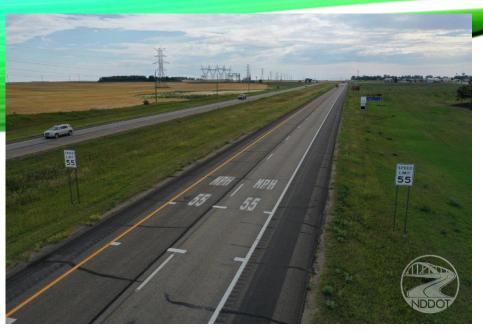
NDDOT Completed Major Projects

- Completed 345 construction projects
- Awarded \$15m in local transit grants
- New driver license offices in Williston and Minot
- Upgraded all Driver License/Motor Vehicle systems and established a Universal Service Delivery Platform
 - Used CARES Act funding to save \$
 - Combined motor vehicle and driver license data systems
 - 52 New Kiosks and a new Mobile App











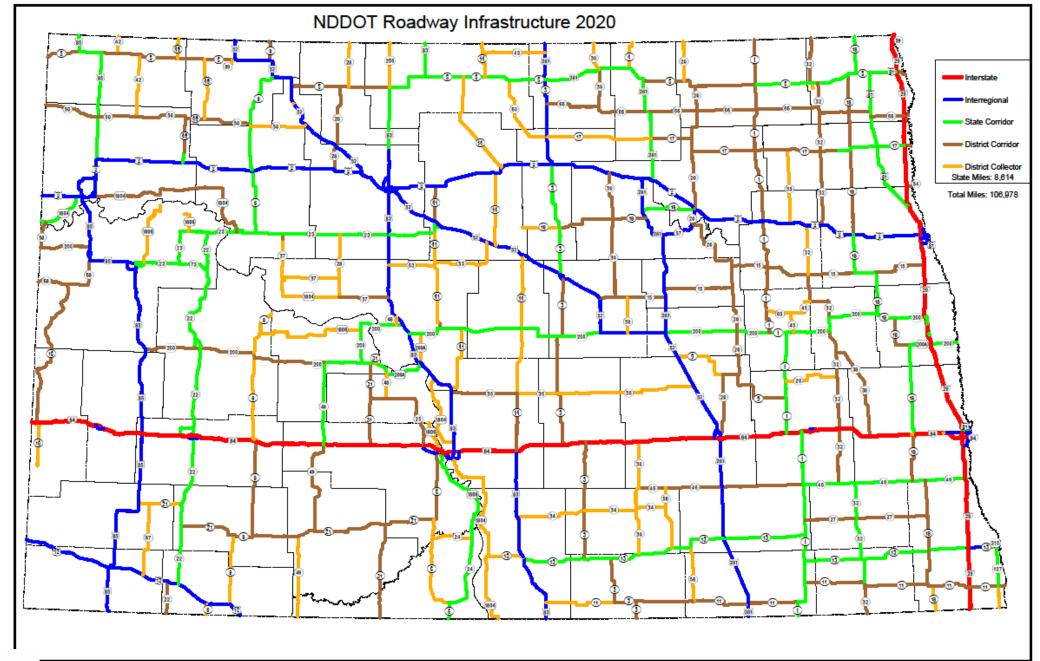
NDDOT Improved Customer Service and Safety

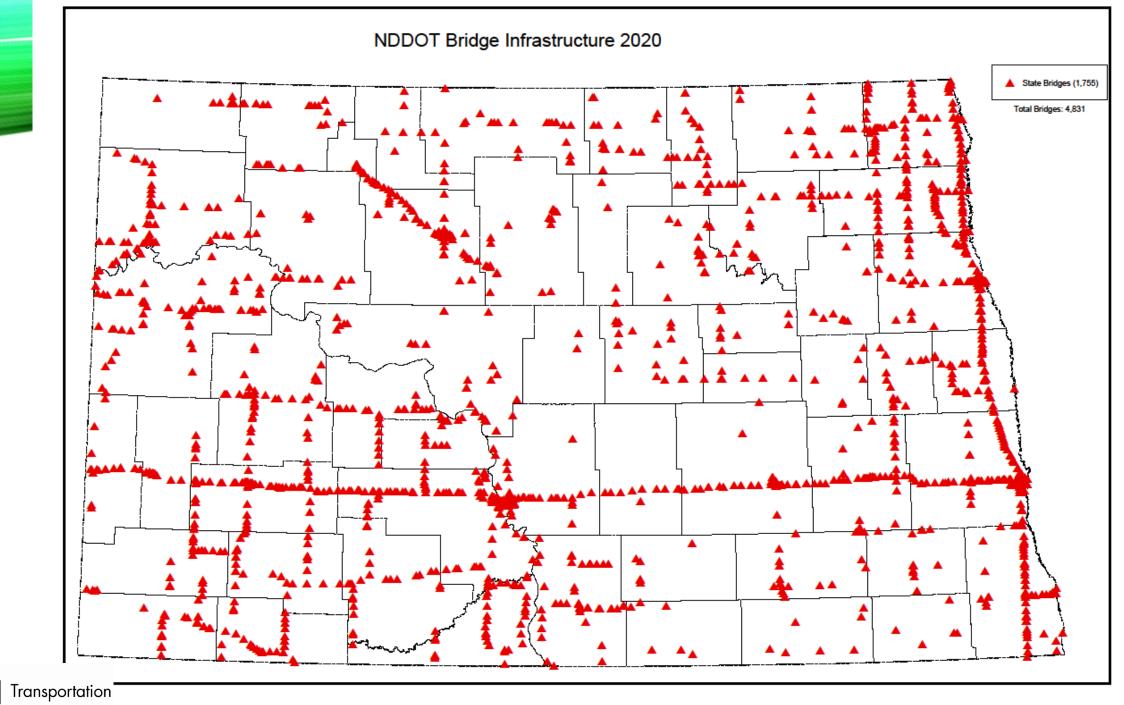
- Reduced Driver License and Motor Vehicle wait times
- Expanded appointment systems for driver license and motor vehicle customers
- Traveled to tribal reservations to provide Photo IDs for voting
- Motor Pool Pilot Project with Enterprise rental car company
- Launched virtual State Fleet auctions which included online bidding opportunities for customers
- Completed Vision Zero Highway Safety Corridors on three sections of highway across the state on US 52, US 85, and US 83

Challenges

- Saving Lives
- Modernized State Funding for ND Roads and Bridges
- Break Down Government Silos
- Reduce Transfers-Out of Highway Trust Fund
- Improve Maintenance of Existing Road and Bridges
- 24/7 Snow and Ice Control
- Install State-Wide Traffic Management Center
- Proper Staffing to Support Operations
- Secure More Federal Grant Funding

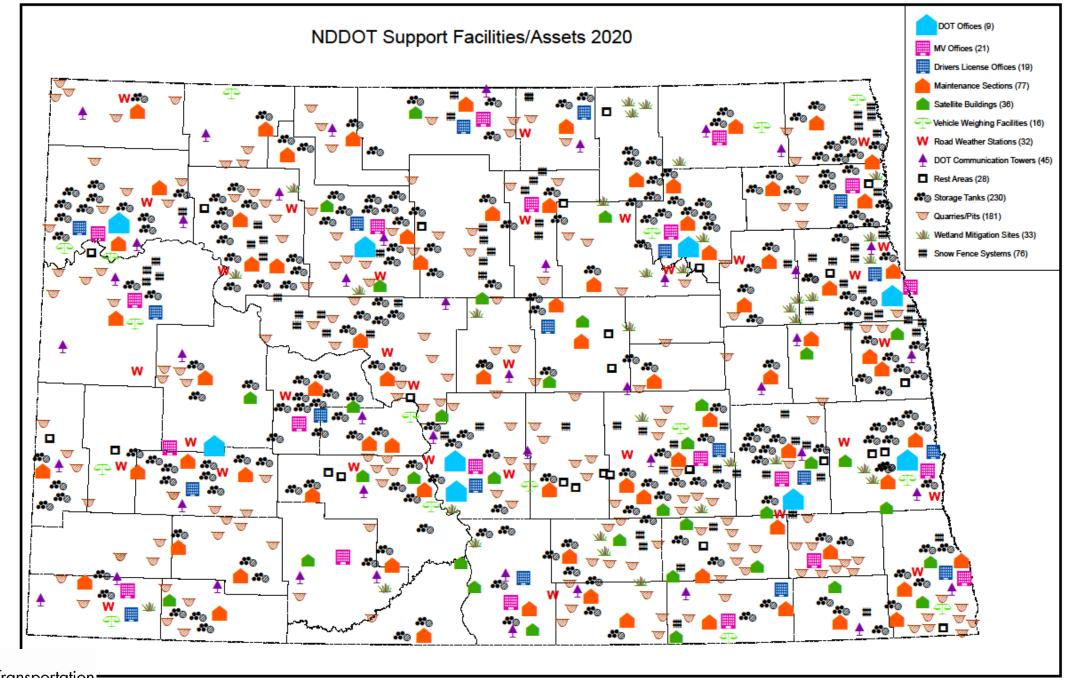






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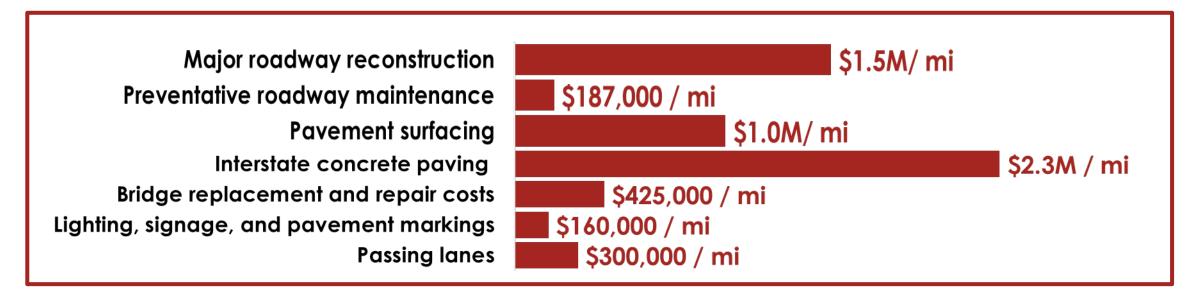
Be Legendary."



How much does it cost to maintain the system?

With rising costs of transportation services and construction materials, funding does not stretch as far as it used to. Since 2001, the relative cost of North Dakota construction projects – materials, equipment, and services – has increased by 131%.

Chart below shows current costs per mile:





How much does it cost for snow and ice control?

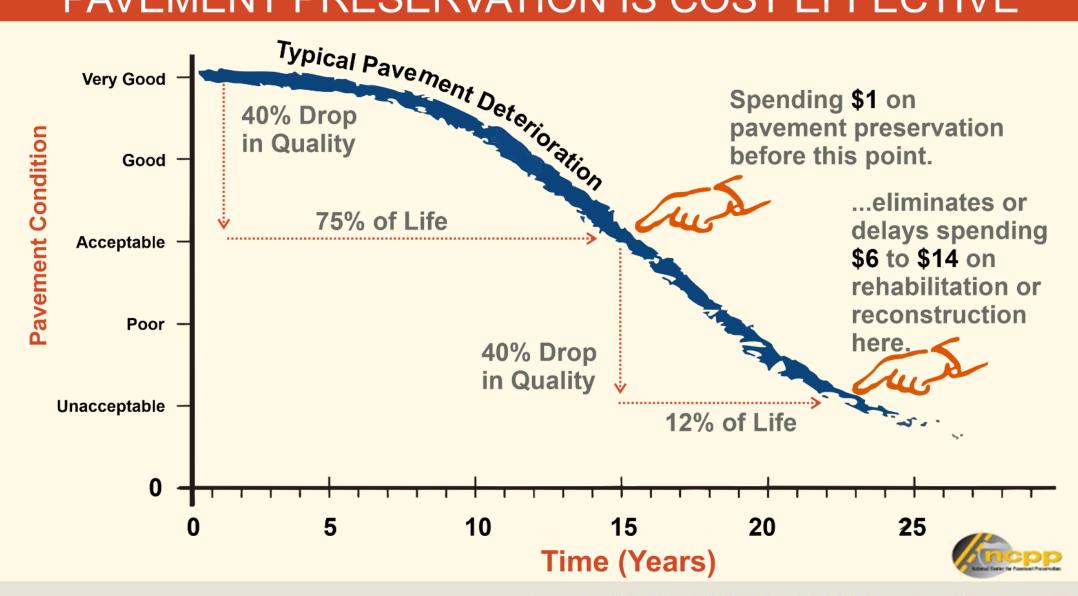
Snow and Ice Control costs = Approximately \$22.5 million/year

General statewide operations from 5 a.m. – 7 p.m. daily





PAVEMENT PRESERVATION IS COST EFFECTIVE





Where should we invest?

NDDOT measures performance on a regular basis so that we invest funds when and where it is needed to maintain the transportation system and meet travelers' expectations. Investments are made to preserve assets in good condition, to minimize future costs, to perform preventative maintenance that limits the risk of future wear-and-tear on asset condition, and to ensure that the system works for you.

The example below highlights the range of outcomes for maintenance and repair activities for state roads and bridges. NDDOT measures road and bridge condition on a regular basis and fixes these roads to maintain performance targets. Today, NDDOT invests enough funding to maintain roads and bridges in fair to good condition. But increased travel and decreased revenue from fuel taxes point towards a long-term decline in the condition and performance of our roads and bridges.

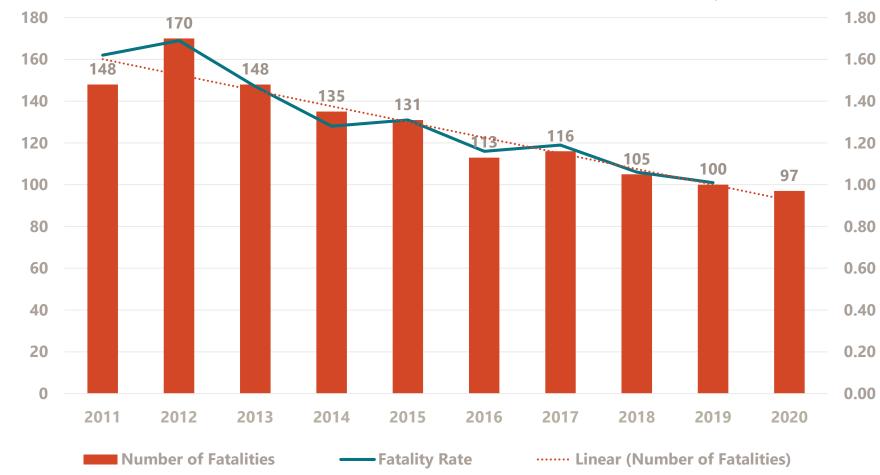
HOW SMOOTH OUR ROADS AND BRIDGES ARE





Safety is our top priority

ND motor vehicle crash fatalities to December 31, 2020





Zero fatalities. Zero excuses.



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:

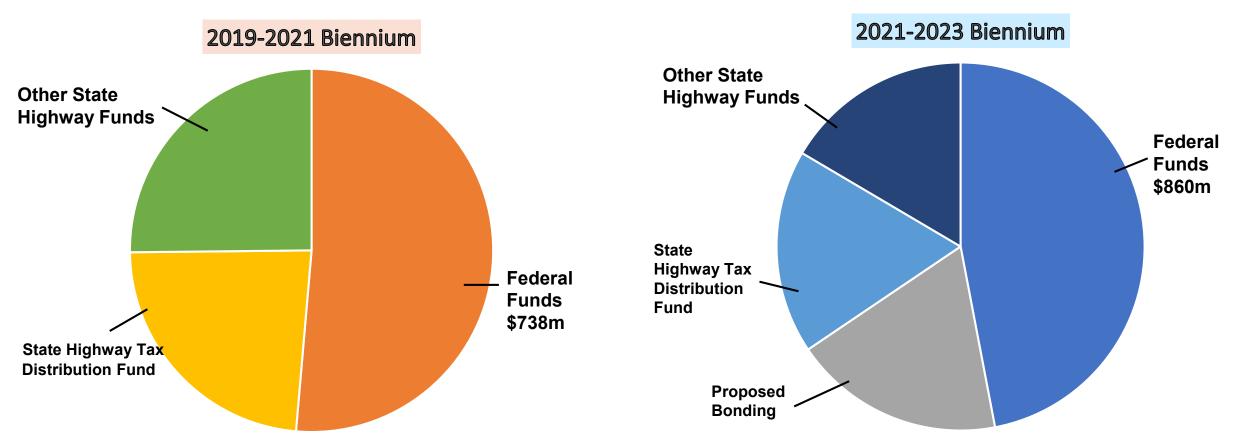
- \$860 million in federal funds
- \$638 million in state funds
- \$302 million in bond funds for transportation projects*
 - Bond funds include:
 - ✓ \$237 million for 10-year infrastructure projects
 - √ \$50 million for Highway 85
 - √ \$15 million for bridges



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

NDDOT Transportation Revenue

The primary sources of revenue provided to NDDOT are Federal Funds, State Funds from the Highway Tax Distribution Fund and Other state sources primarily Drivers License Fees and permits.



Transportation

Budget Comparison by Major Program

	2017-2019	2019-2021	2021-2023	2021-2023	2021-2023
Major Program	Original Appropriation	Original Appropriation	Beginning Budget	(Adjustments)/Enhancements	Governor's Budget
	(SB 2012 - Section 1)	(HB 1012 - Section 1)	(Legislative Base)		(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

	2017-2019	2019-2021	2021-2023	2021-2023	2021-2023
	Original Appropriation	Original Appropriation	Beginning Budget	(Adjustments)/Enhancements	Governor's Budget
Description	(SB 2012 - Section 1)	(HB 1012 - Section 1)	(Legislative Base)		(Executive Recommendation)
By Line Item					
Salaries and Wages	201,478,341	197,827,038	197,827,038	8,323,925	206,150,963
Operating Epenses	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



Governor's

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:

Coloriae and words	Base Level	Recommendation	Appropriation
Salaries and wages Operating expenses	\$197,827,038 235,037,785	\$206,150,963 281,943,887	\$197,827,038 235,037,785
Capital assets	859,725,944	1,228,772,420	859,725,944
Grants	<u>95,854,637</u>	<u>113,068,637</u>	95,854,637
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



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:

One-Time Funding Description	<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	\$73,800,000	<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.



Section 2 – One-Time Funding Update

The sixty-sixth legislative assembly approved a one-time funding item for maintenance to the Williston and Minot Driver License facilities for the 2019 – 21 biennium totaling \$1,300,000. The anticipated final costs for this one-time funding item is a follows:

Williston Driver License Building \$ 694,163
Williston Driver License Parking Lot \$ 40,000
Minot Driver License Building \$1,023,658
Total Anticipated Cost: \$1,757,821



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 advanced. 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.





Executive Budget Proposed Bonding

Governor's Executive Budget Proposed Bonding

Investing in Infrastructure - the executive budget proposes that the state will sell bonds in the amount of \$1.25 billion for the following infrastructure projects:

- \$700 million will be used for infrastructure revolving loan funds to be loaned out to political subdivisions for water, road, bridge and other projects under long-term, low-interest loans that will help keep property taxes low.
- \$323 million will go toward transportation, bridge and community project grants that can be undertaken now to see immediate improvements in communities and roadways.
- \$45 million will go into a cost-sharing match grant program to incentivize the expansion and opening of local career academies.
- \$182 million will be used to address maintenance and repair issues with state facilities that have gone unaddressed for too long.
- A portion of Legacy Fund earnings would be used to create a Legacy Bond Repayment Fund to make the debt payments on the \$1.25 billion in bonds.



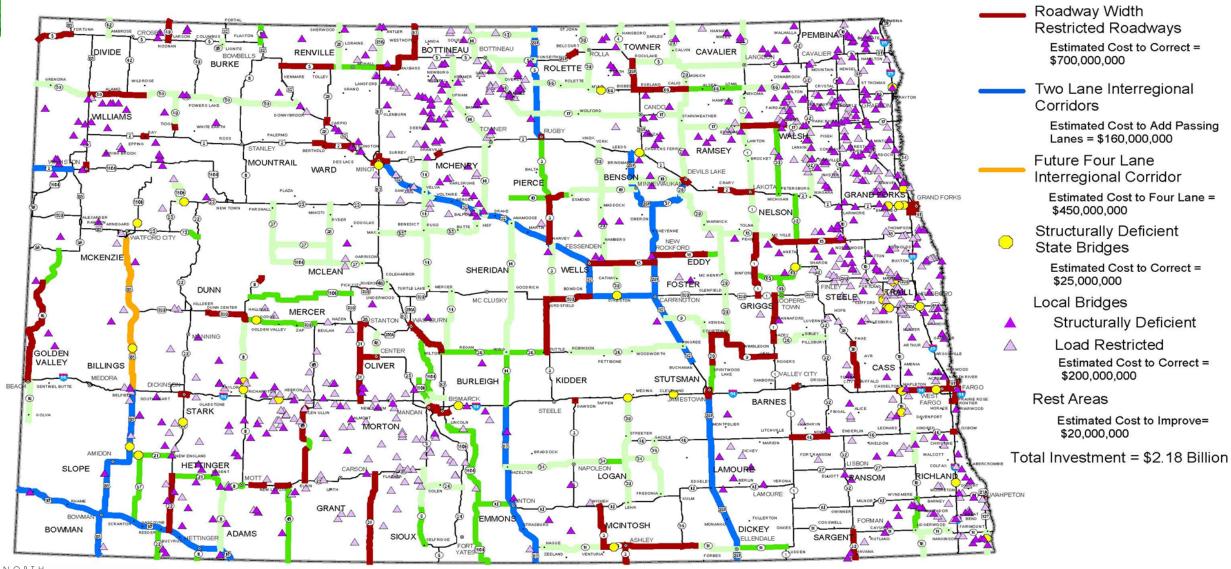
10-Year Infrastructure Plan

10-Year Infrastructure Plan - The proposed plan will provide dedicated state funding for transportation.

- There hasn't been a change in how ND invests in transportation for over 50 years.
- NDDOT has stretched every dollar as far as it can.
- A recent national report ranked North Dakota's transportation system 1st in the nation in overall cost-effectiveness and performance.
- But more work needs to be done, North Dakota ranked 42nd for bridges in the nation due to the number of our structurally deficient bridges.
- We need to improve our bridges on state and local roads so that we can reduce the need for load restrictions.



10-Year Infrastructure Plan

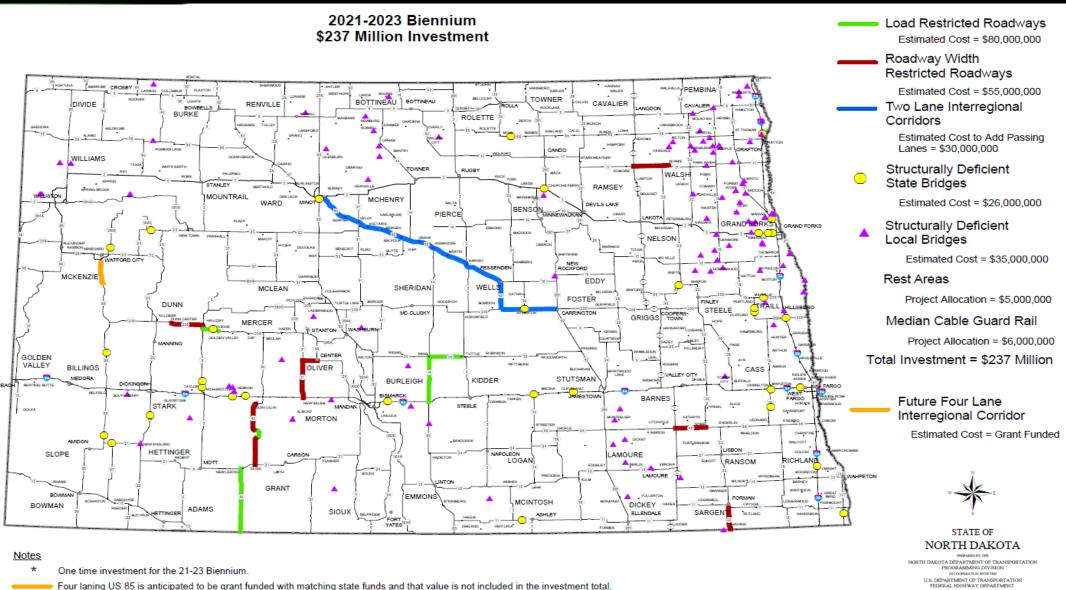


Load Restricted Roadways

\$625,000,000

Restricted by Classification
Other Load Restrictions
Estimated Cost to Correct =

First Phase of 10-Year Plan = \$237M



38

Proposed Revolving Loan Fund

Revolving Loan Fund Program

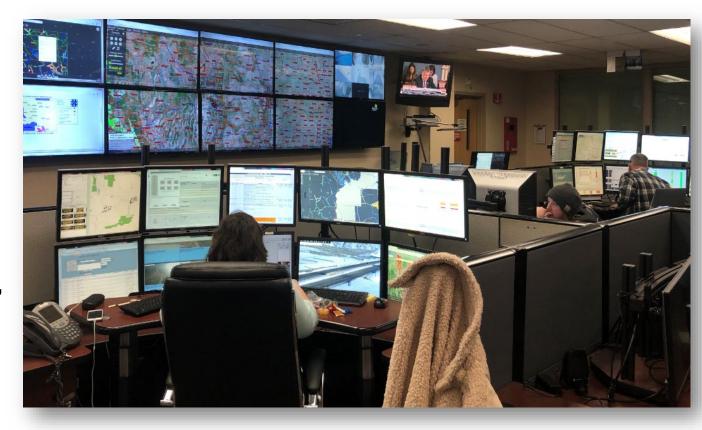
- As part of the Governor's Bonding program there is also a \$700 million proposal to utilize infrastructure revolving loan funds to be loaned out to political subdivisions for water, road, bridge and other projects.
 - Approximately \$250 million for roads and bridges.
 - Loans would be long-term and low-interest, which will help keep property taxes low.
 - This funding mechanism is revolving, it is perpetual, and it is a permanent gift to future generations of North Dakotans.



Transportation Management Center (TMC)

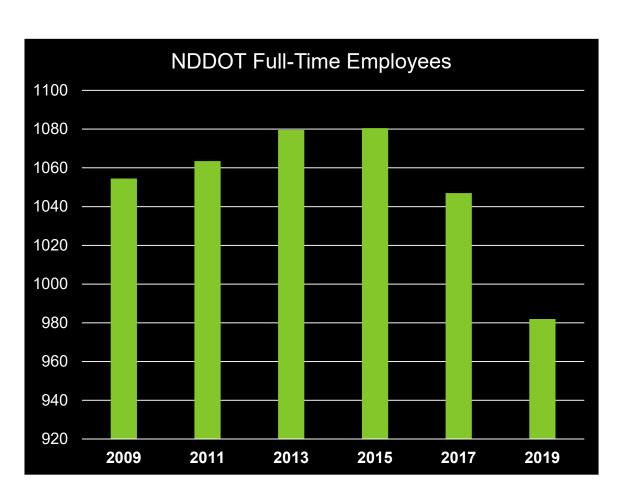
NDDOT is applying for a federal grant to develop a Transportation Management Center (TMC).

 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.



Other NDDOT Projects

Other NDDOT projects funded in the budget:

 Replacement of Road Information Management System (RIMS) software program with a new construction and materials management system = \$9 million (Highway Fund)



Reinventing Government Reprioritized/Repurposed > \$21 million

Reimagine State Fleet Services - Privatize Certain State Vehicles = NDDOT has been managing a unification business-model for state fleet. This model provides standardized specifications, bulk purchasing, cost-controlled maintenance, and bulk fueling for the state's fleet of 3,272 commercial and non-commercial vehicles. As part of this model a "motor pool" function (385 vehicles) was developed to cost-effectively replace older fleet vehicles assigned to agencies, provide resilient surge capacity for vehicle use, provide inexpensive (.40/mi) access to vehicles for smaller agencies, and avoid expensive (.57/mi) reimbursement rates for personal vehicle use.

Reimagine Mail and Printing Services – OMB Consolidation = NDDOT has been facilitating mail and printing services through a group of employees housed under our Civil Rights Division. This group provide mail delivery and pickup services, shipping services, mail processing and inserting services, and mainframe and custom printing. This group also serves as the NDDOT's liaison to the US Postal Services.

Enhanced Grant Acquisition Team - Aggressive Pursuit of Federal Infrastructure Grants.

Reprioritized positions create an interdisciplinary, enhanced grant team within NDDOT. Production requirement of \$50m - \$100m in grant applications per year. It is anticipated that this will translate into \$5m to \$10m in additional grant revenue per year or \$10m to \$20m in additional grant revenue per biennium. In most instances state funds would be required to leverage additional grant revenue; the percentage of required state matching funds would vary by grant.



2020 COVID Funding

Coronavirus Relief Funding (First Phase awarded in 2020):

Motor Vehicle, Drivers License, & Mobile App \$13,906,173 COVID project expenses \$763,933

The above COVID project dollars were spent on: Payroll including OT, Temp, and On-Call Pay that was not included in the current budget and occurred after March 1, 2020. Motor Pool/Equipment Rental/Travel, Miscellaneous and Cleaning Supplies & Safety Clothing, Road Maintenance Supplies and Materials, Additional Janitorial Contract Costs to enhance cleaning, setup of an online appointment application and scheduler for Motor Vehicle and Drivers License, and a grant to Upper Great Plains Transportation Institute for traffic data analysis.

Transit Funding = \$17,996,449

NDDOT requested increased spending authority of \$17,996,449 to accept federal funds being made available in the Coronavirus Aid, Relief, and Economic Security Act, H.R. 748 (CARES) through the Federal Transit Administration, Section 5311 program, for grants line (\$17,996,449) 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. No state or local match is required.



NDDOT Agency Bills

NDDOT is introducing nine Agency Bills during the upcoming legislative session. Here is a brief overview:

SB 2109 - No Human Trafficking on our Roads Act - To comply with 2019 Federal Motor Carrier Safety Administration (FMCSA) federal register rule change. This would add a felony conviction, involving a severe form of human trafficking, to the list of offenses that will lead to a lifetime disqualification of commercial driving privileges without the possibility of reinstatement.

HB 1100 - Leaving An Accident Scene - To comply with FMCSA's recent clarification on what is meant by leaving the scene of an accident when a commercial motor vehicle is involved. Leaving the scene of an accident which involves the striking of highway fixtures was previously not considered an offense which resulted in disqualification of commercial driving privileges, recently clarified guidance indicates otherwise.

HB 1072 - Mobile Driver License -Update state law that allows NDDOT to provide an option for a mobile credential in addition to a traditional printed driver's license.



NDDOT Agency Bills

SB 2110 - Authorization for Background/Criminal History Checks - Update state law to grant NDDOT the authority to conduct background/criminal history checks on employees, similar to the authority held by other state agencies.

SB 2112 - Update contracted motor vehicle service offices – Update to allow the contractors to conduct driver license services.

HB 1101 - Tribal Highway Safety Improvement Program - Update state law to allow NDDOT to enter into agreements with any one or more tribal governments for the purposes of developing and constructing highway safety projects on any public roadways within the boundaries of a reservation.



NDDOT Agency Bills

HB 1102 - Expansion Online Renewal Driver License Services – Update state law to change the current age of 65 to 70 years of age to allow those individuals to renew a driver license online.

SB 2113 - Online Implied Consent Hearings – Allow implied consent hearings for driver license to be conducted by electronic or virtual means in addition to in-person and via phone.

SB 2111 - NDDOT Radio Towers and Private/Public Partnerships - NDDOT, and the agency's radio towers, are a participating member in the Statewide Interoperable Radio Network (SIRN), which is a communication system for first responders to serve and protect citizens. SIRN would like to utilize the radio tower network owned by the NDDOT in a series of private/public partnerships intended to generate funds to cover maintenance and operation costs. No authority exists in state law which allows the NDDOT to form private/public partnerships for this purpose.



Summary

Built by generations of North Dakotans over that last 122 years, our transportation system is a key component to our economy and daily life.

To raise our families, support our businesses, and remain globally competitive, we'll need to maintain a sound and integrated transportation system.



Questions?

