Joint Appropriations Subcommittee on Transportation

Funding Overview
February 21, 2013

H. Tasaico, PE

NCDOT Funding Overview - Agenda

- **State Transportation Comparative Data**
- **Transportation Funding Sources & Uses**
- **Cash Management Systems**

Transportation Challenges

Protect and Enhance NC's Largest Economic Asset

- Prioritized Performance Outcomes
  - Address Mobility Needs
  - Preserve Transportation Infrastructure
  - Anticipate Freight Movement and Logistics Needs
  - Link Economic Goals and Infrastructure Planning

Financial Sustainability

- Revenue Uncertainty
- Construction Inflation

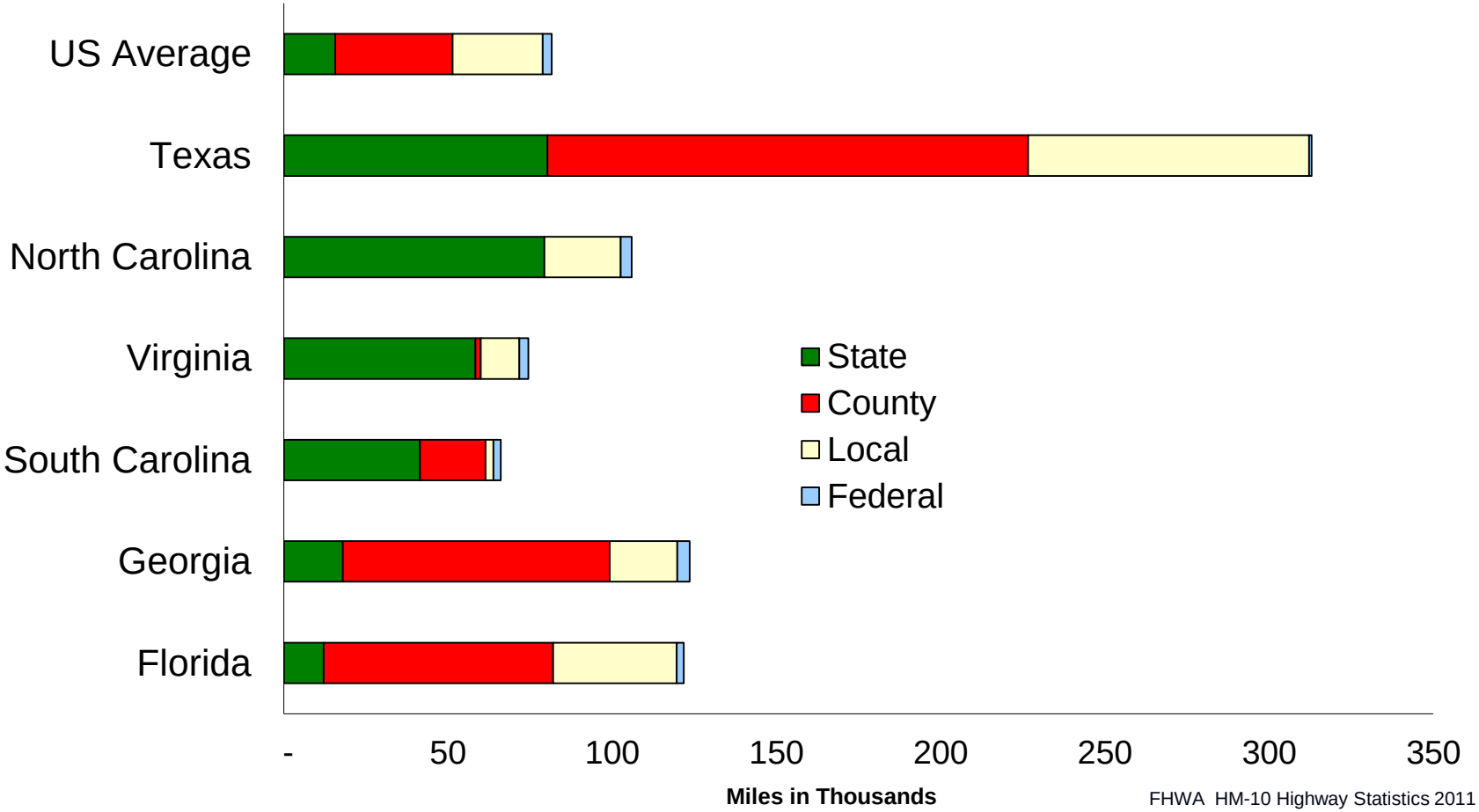
Environmental Responsibility

Environmental Lawsuits

State Transportation System

- Largest Capital Asset
- Per State CAFR - Over $44B Invested
- Replacement Value - $450B
- Economic Value - $$$$$$$
    - Commerce
    - Jobs (Direct / Indirect)
    - Lifestyle

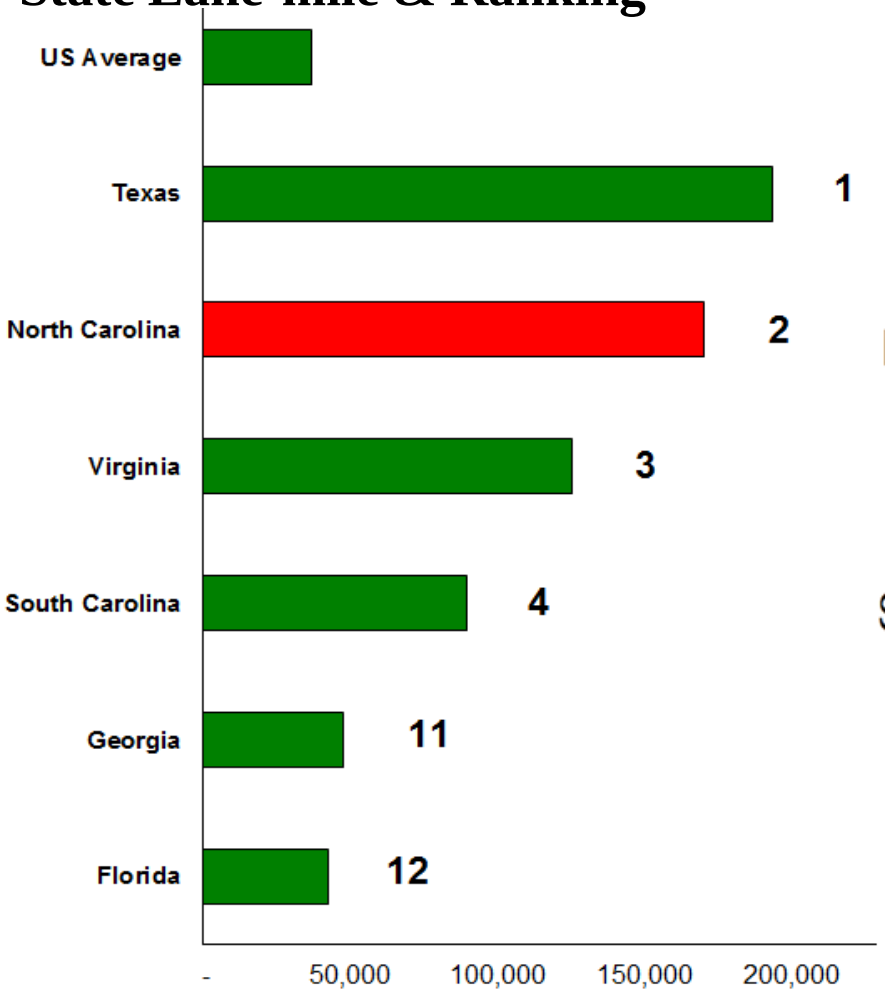
Public Road Ownership



FHWA HM-10 Highway Statistics 2011

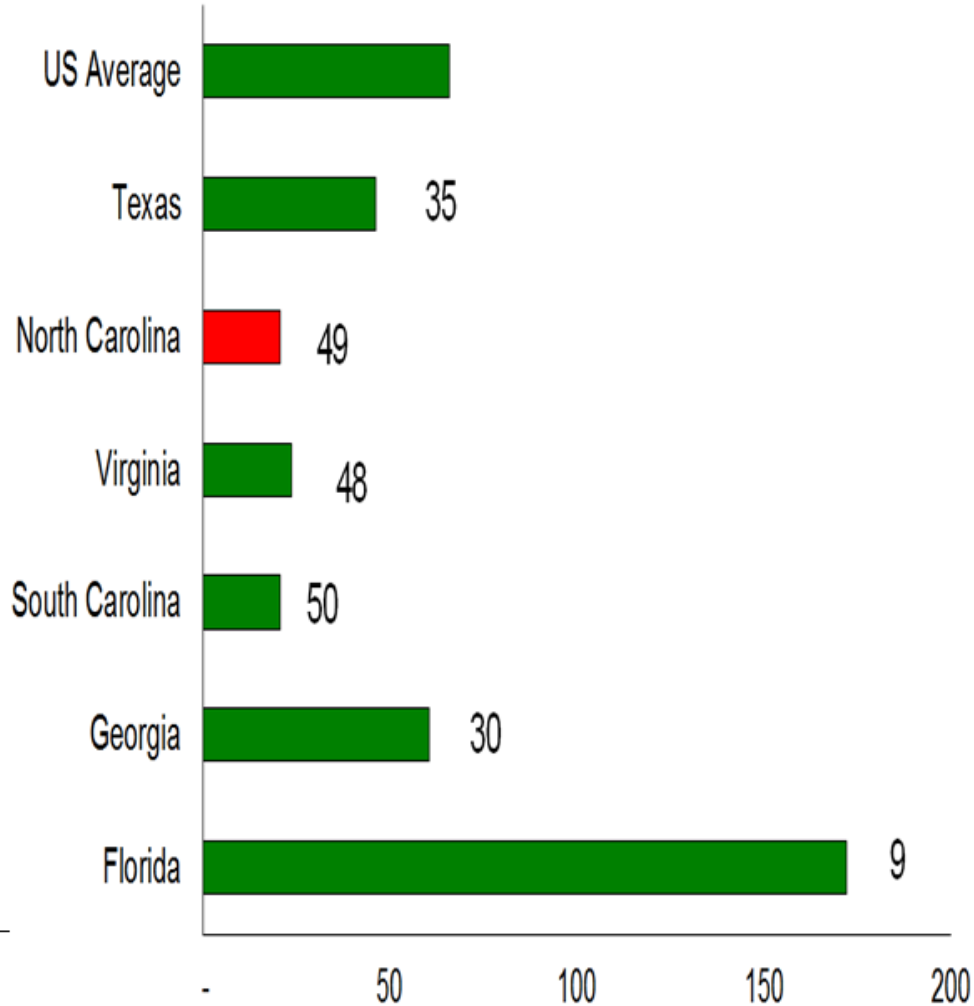
System Responsibility

State Lane-mile & Ranking



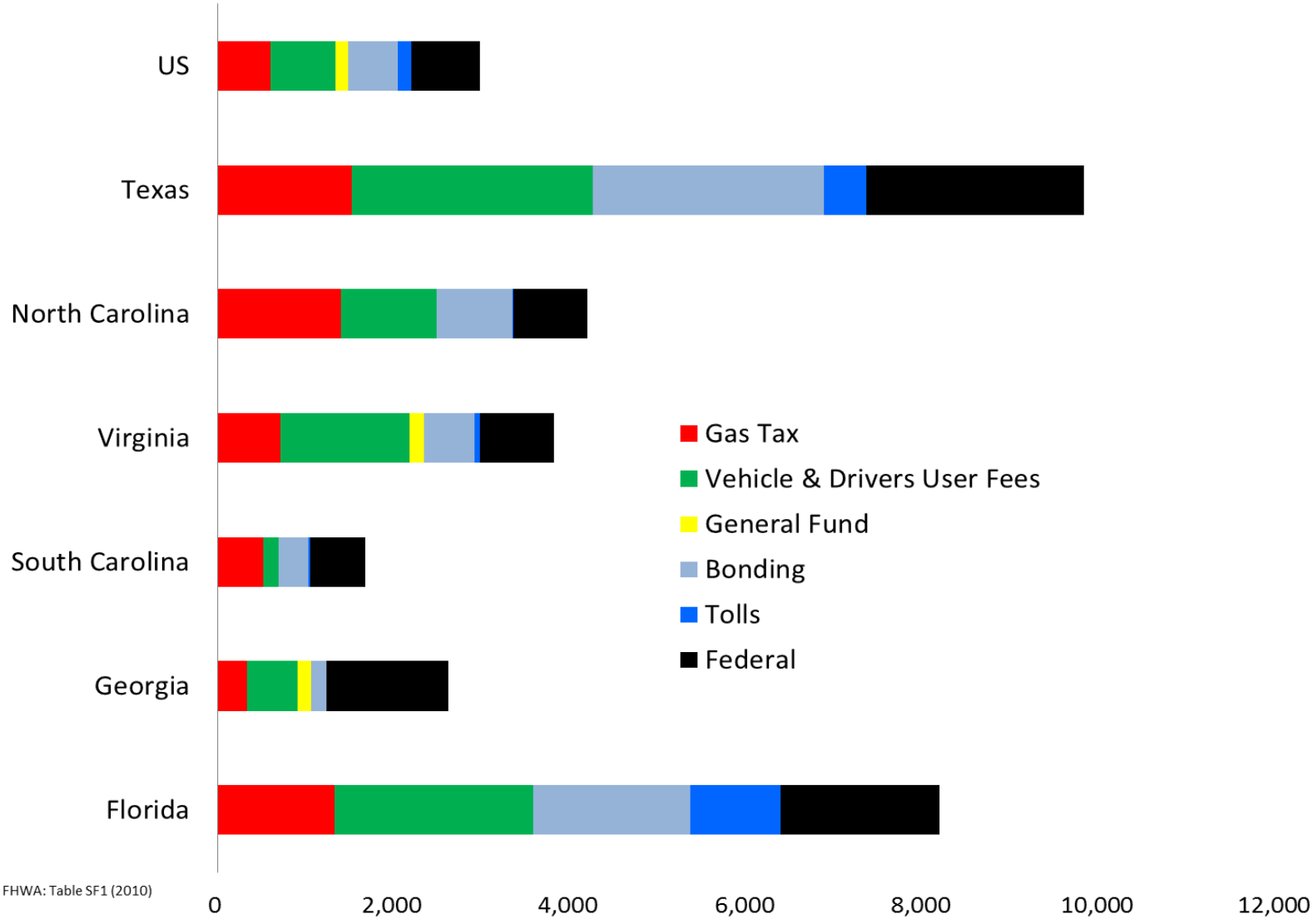
FHWA HM-81 Highway Statistics 2008

Total Disbursements: Lane-mile & Ranking



FHWA HM-81, SF-3, SF-4 Highway Statistics 2010

State Funding Sources Including Federal - ($ in millions)



FHWA: Table SF1 (2010)

2011 Transportation Texas Institute (TTI)

Urban Mobility Report - National Statistics

Congestion Costs

1982 - $24 billion
2011 - $121 billion

Wasted Fuel

2011 - 2.9 B gallons equal to 4 New Orleans Superdomes

U.S. Commuter Delay (hours)

1982 – 16
2011 – 38

U.S. Commuter Cost (annual $)

1982 - $342
2011 - $818

NC Commuter Delay (hours)

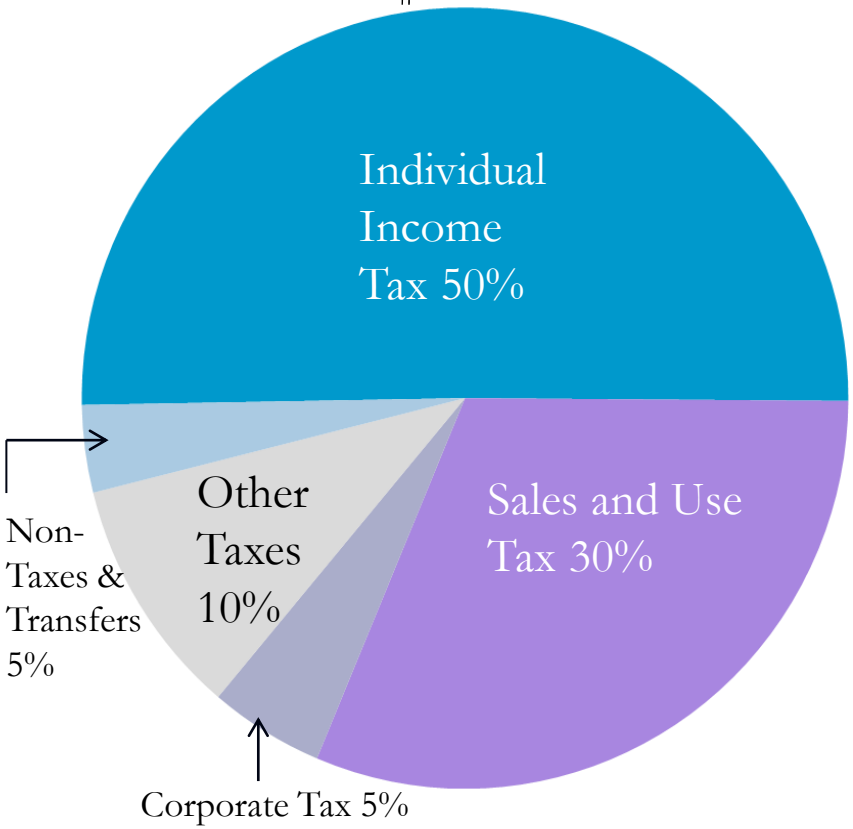
1982 – 5
2011 – 27
Charlotte NC,SC - 41
Raleigh Durham - 23
Greensboro - 27
Winston-Salem - 20

NC Commuter Cost (annual $)

1982 - $78
2011 - $605
Charlotte NC,SC - $898
Raleigh Durham - $502
Greensboro - $588
Winston-Salem - $435

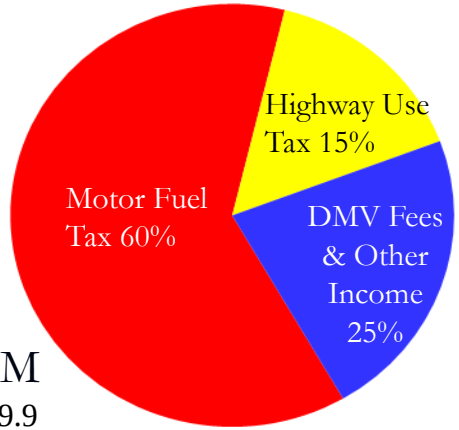
State Revenues Sources (SFY 2013)

General Fund $19.6B



NCDOT $3.1B

(Highway and Trust Funds)

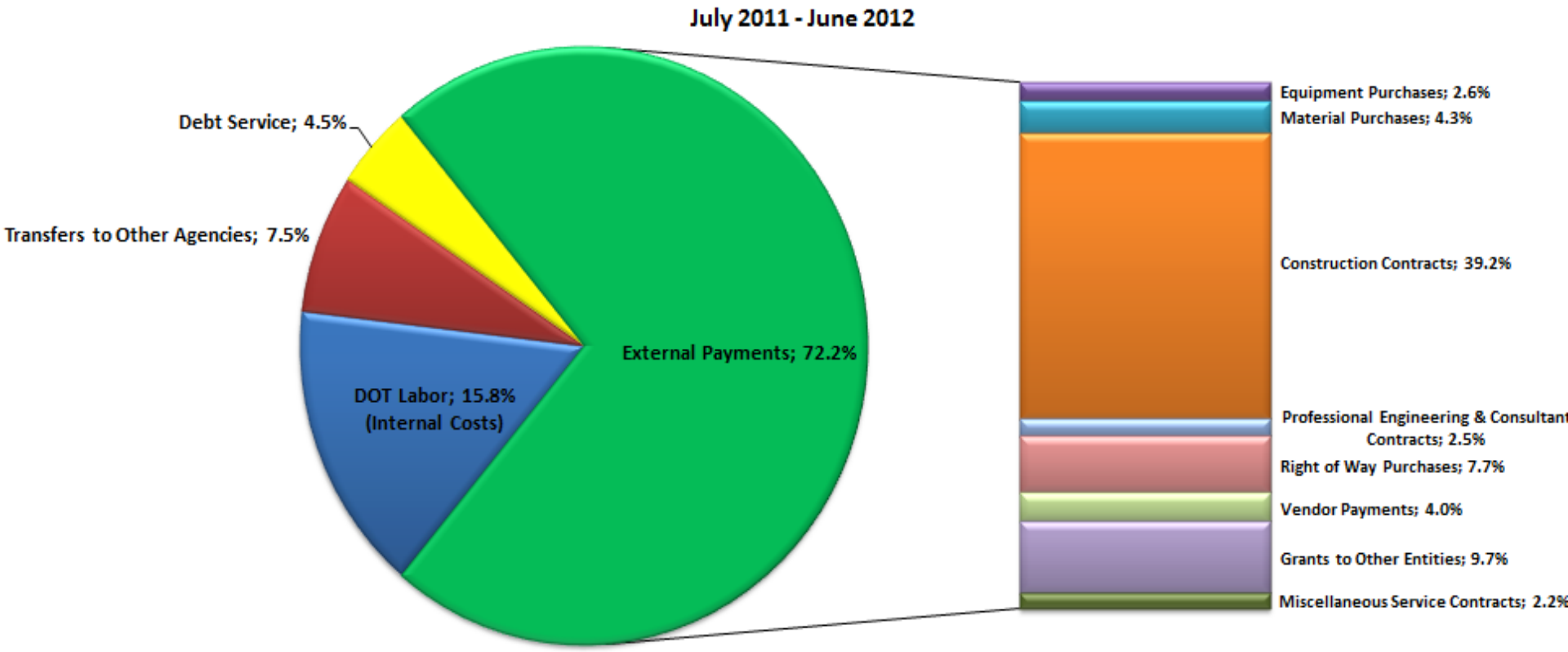


Transfer $288.3M

General Fund	249.9
Public Instruction	26.7
Other Agencies	11.7

Total NCDOT Expenditures - $4.7 Billion

State Fiscal Year 2012



NCDOT Funding Resources

- State - (Motor Fuels tax, Highway Use tax, DMV fees)
- Federal - (Motor Fuels tax, fees, Grants)
- Tolls & Fees - (NCTA, Ferry, DMV, local participation)
- Cash - (Timing)
- Debt - (Timing)

Present Revenues (State & Federal Sources)

State Funding

Motor Fuel Tax 60%

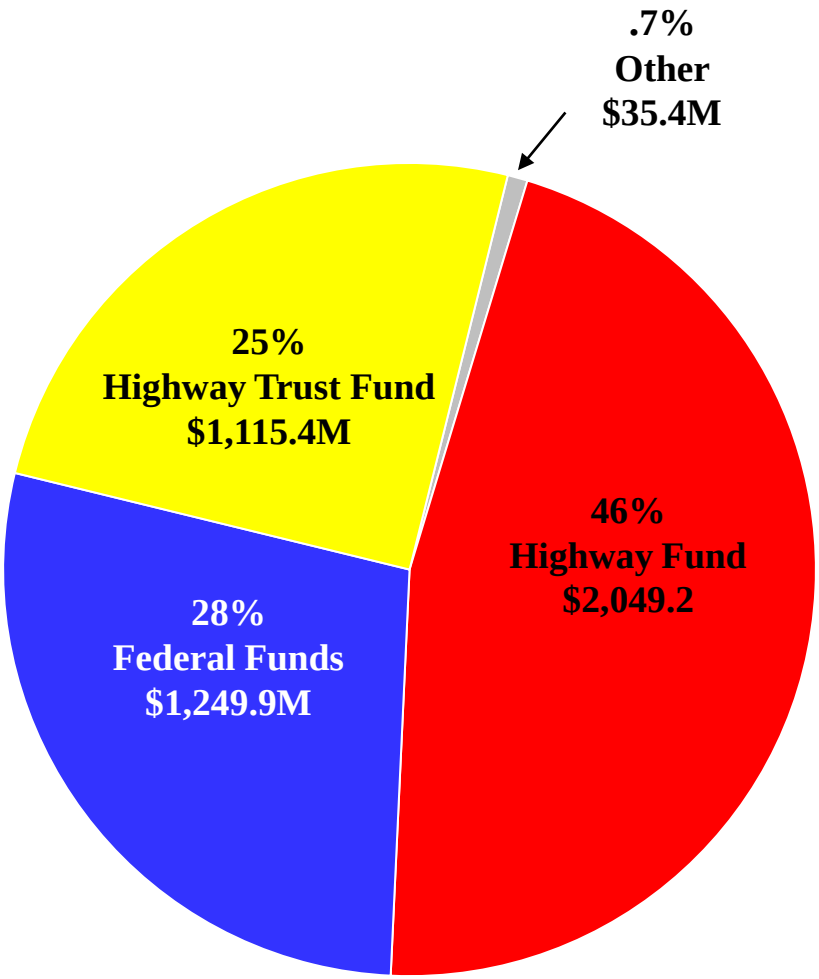
Highway Use Tax 15%

Fees 25%

Federal Funding

Motor Fuel Tax 92%

Fees 8%



Projected Uses of NCDOT Appropriations 2012-13

Total Funding = $5.2 Billion

Administration

DOT	105.9
DMV	129.4
DOH	36.4
Trust Fund	42.3

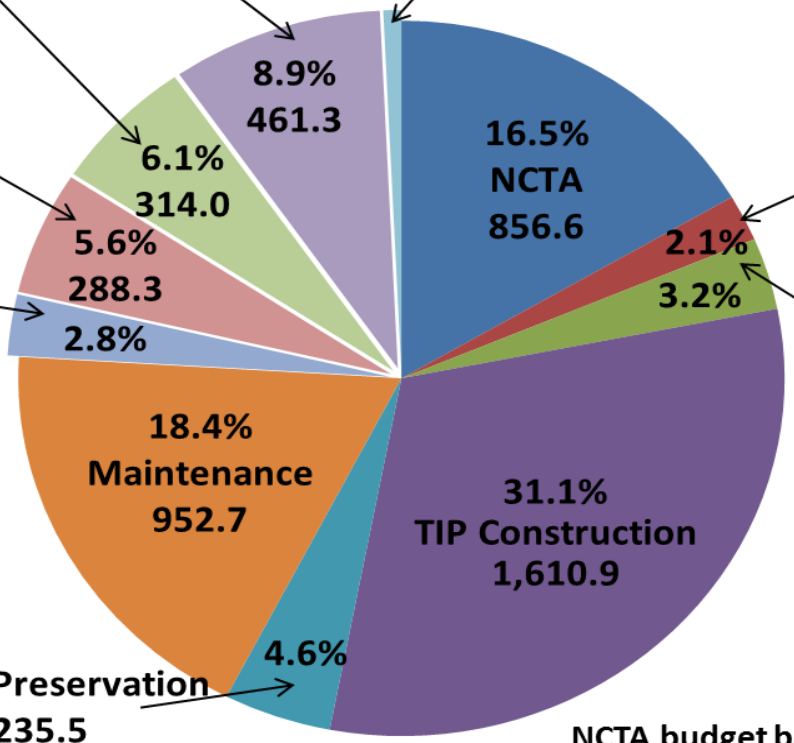
Other Modes

Aviation	42.3
Rail	209.6
Public Transit	123.4
Ferries	46.0
Bike & Ped	40.0

State Agency Transfers

General Fund	249.9
Public Instruction	26.7
Other Agencies	11.7

Municipal Aid
142.3



Bridge Preservation
235.5

Other Construction
108.4

Secondary Roads	75.5
Discretionary Funds	12.0
Spot Safety	12.1
Public Service Roads	1.8
Small Urban	7.0

Debt Service
167.8

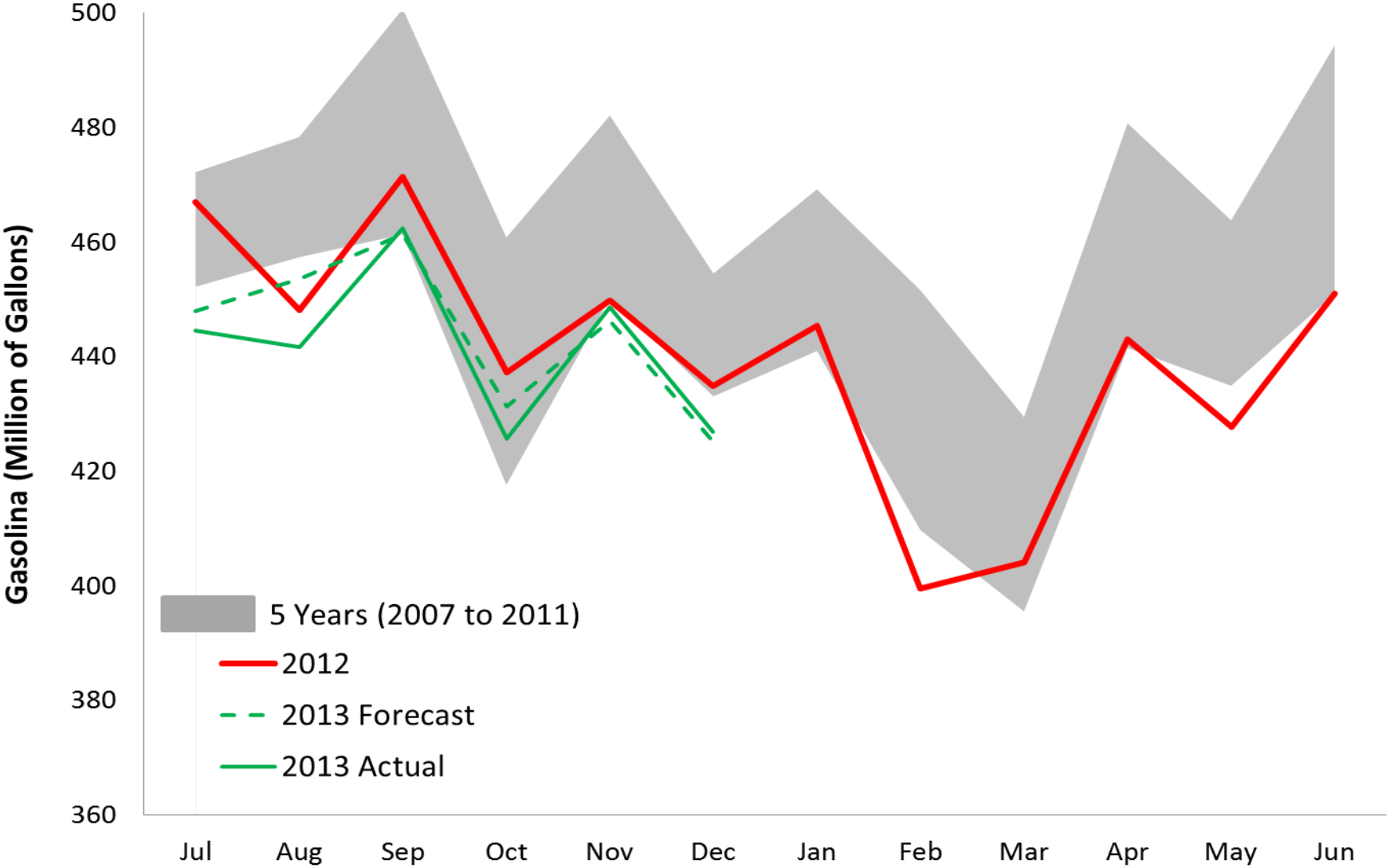
GO Bonds	81.5
GARVEE Bonds	86.3

NCTA budget based on successful financing
GARVEE bond debt service includes 2007-2012 issues

State Revenue Sources

Motor Fuel Tax	Highway Use Tax	Fees
55%	15%	25%
MFT Rate & Fuel Consumption	Vehicle Prices, Units Sold & Rate	Fee Rates & Transactions

North Carolina - Monthly Fuel Consumption



State Sources, Funds, Allocation & Distribution

MFT Rate & Fuel Consumption

Fee Rates & Transactions

Vehicle Prices, Units Sold & Rate

75%

25%

≈90%

≈10%

100%

Highway Fund ≈ 2/3 Total State Revenues

Highway Trust Fund ≈ 1/3 Total State Revenues

1¾ Cent of MFT to:

- Secondary Roads
- Powell Bill

Remainder through Appropriations

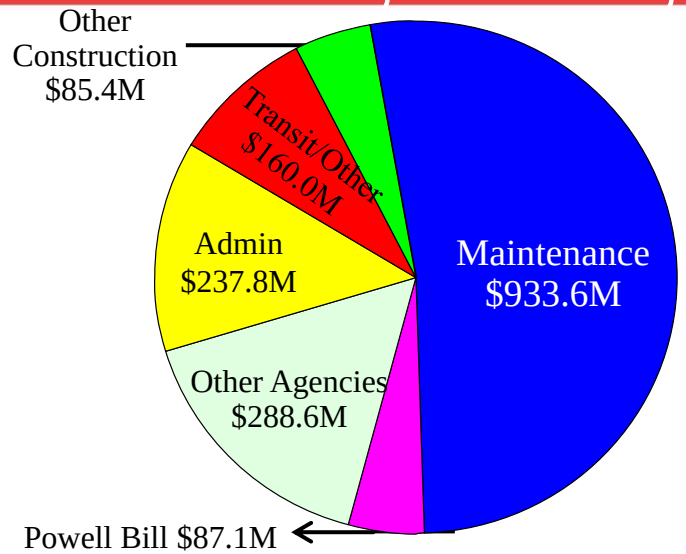
Transfers to General Fund, Turnpike & GAP (≈79.9M)
Mobility Fund ($75.5M)
Administration ($42M)
Remaining:

- 61.95% Intrastate*
- 25.05 Urban Loops*
- 6.5% Secondary Roads
- 6.5% Powell Bill

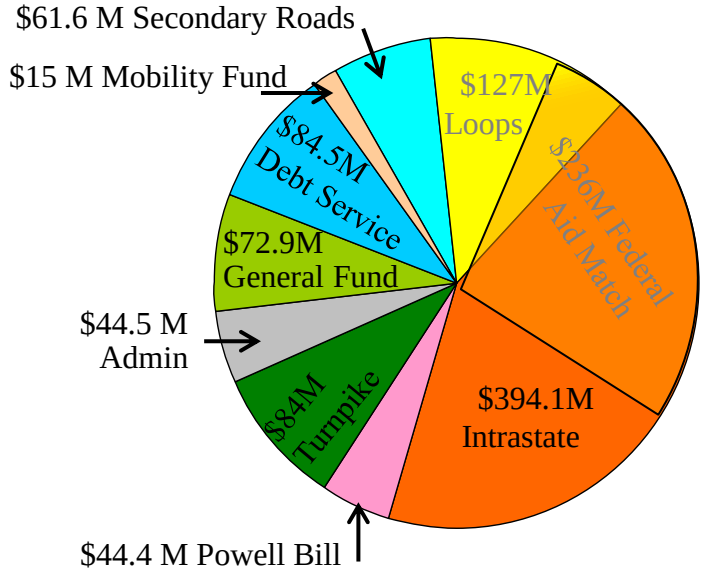
*Federal-Aid Match ($233M) & Debt Service ($82M) funded from these programs

Sources, Funds, Allocation & Distribution

Highway Fund



Highway Trust Fund



Distribution

Maintenance
90% Mileage + 10% Population

Contract Resurfacing
50% Needs + 37.5% Mileage + 12.5% Population

Secondary Road Construction
County Mileage/Statewide Population

Powell Bill
75% Population + 25% Mileage

Equity Formula*
50% Population + 25% Remaining Mileage + 25% Equal Share

*Exemptions: Loops , CMAQ, Competitive Federal Grant Funds, Appalachian Development, Mobility Fund Excluded & Yadkin River Bridge Phase 1 “GARVEE” Bonds

1989 Equity Formula

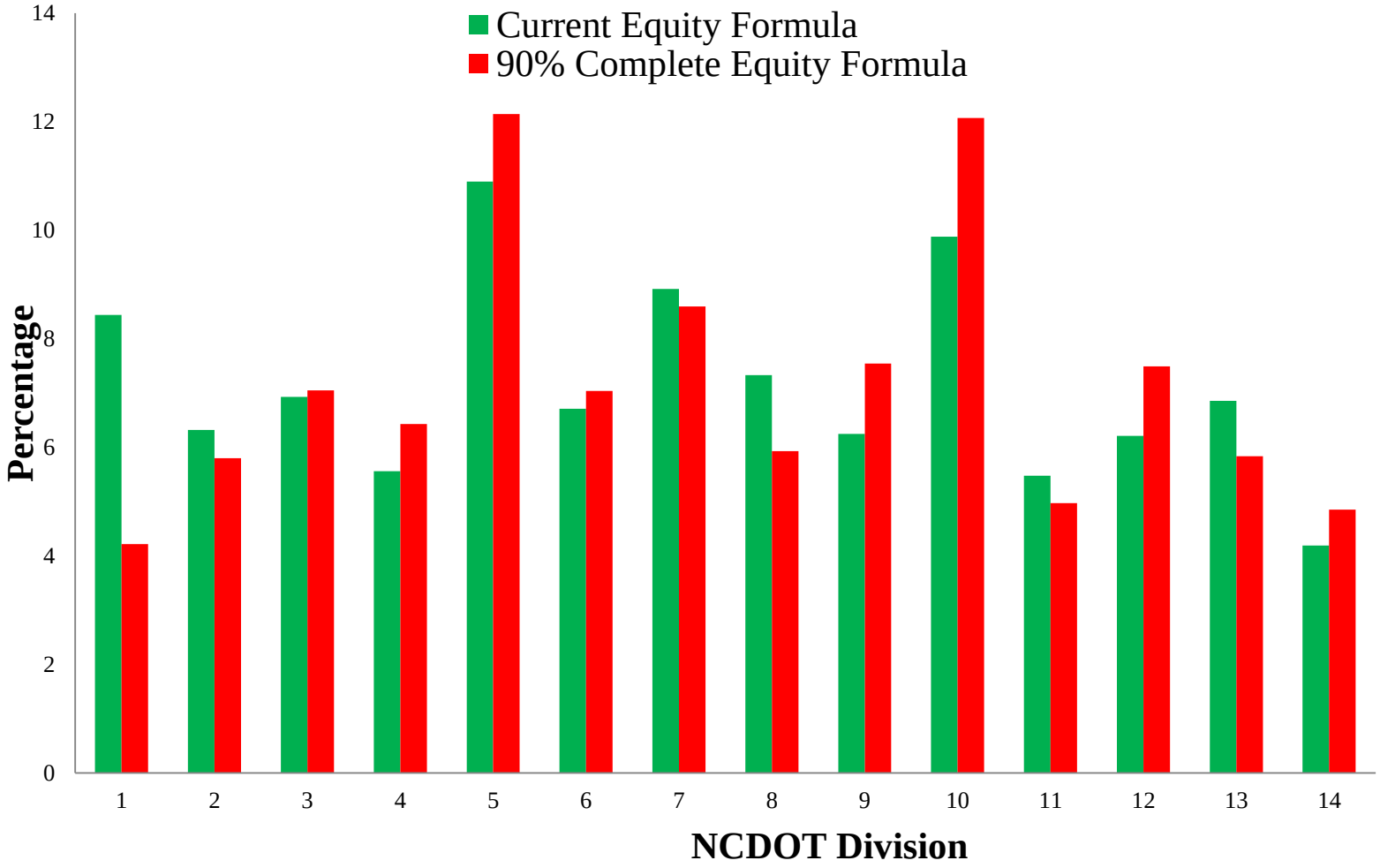
- Established Seven Regions Within the State
- Applies To All Funds in TIP
- Distributed as follows

Current at 78%

	Completed Intrastate System Mileage	
	Until 90%	After 90%
Population[1]	50%	66%
Equal Share	25%	34%
Remaining Miles to Complete	25%	-

[1] As Certified by the State Demographer

Equity Formula Comparison



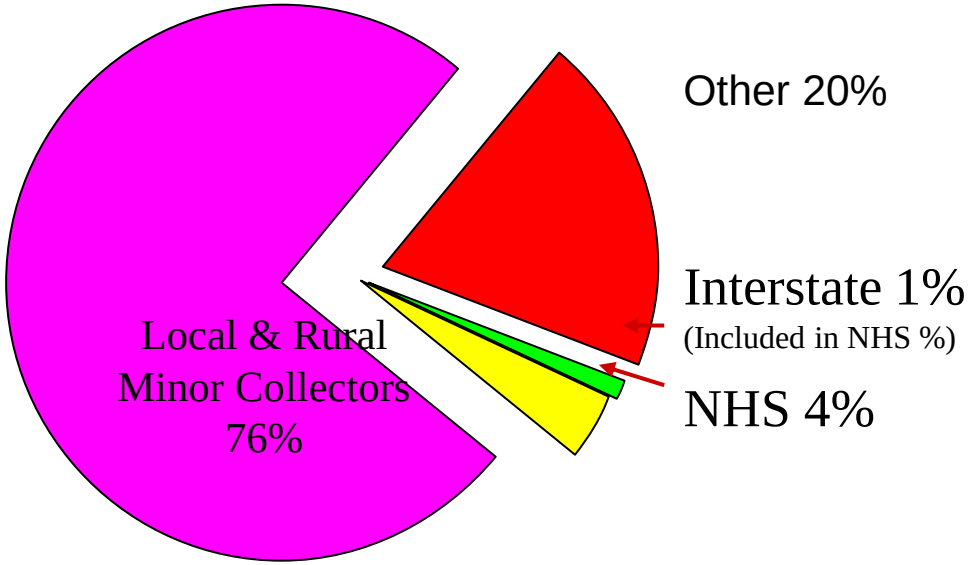
Federal Transportation Revenues

Motor Fuel Tax 92%

Fees 8%

Characteristics of the Federal-aid Highway Program

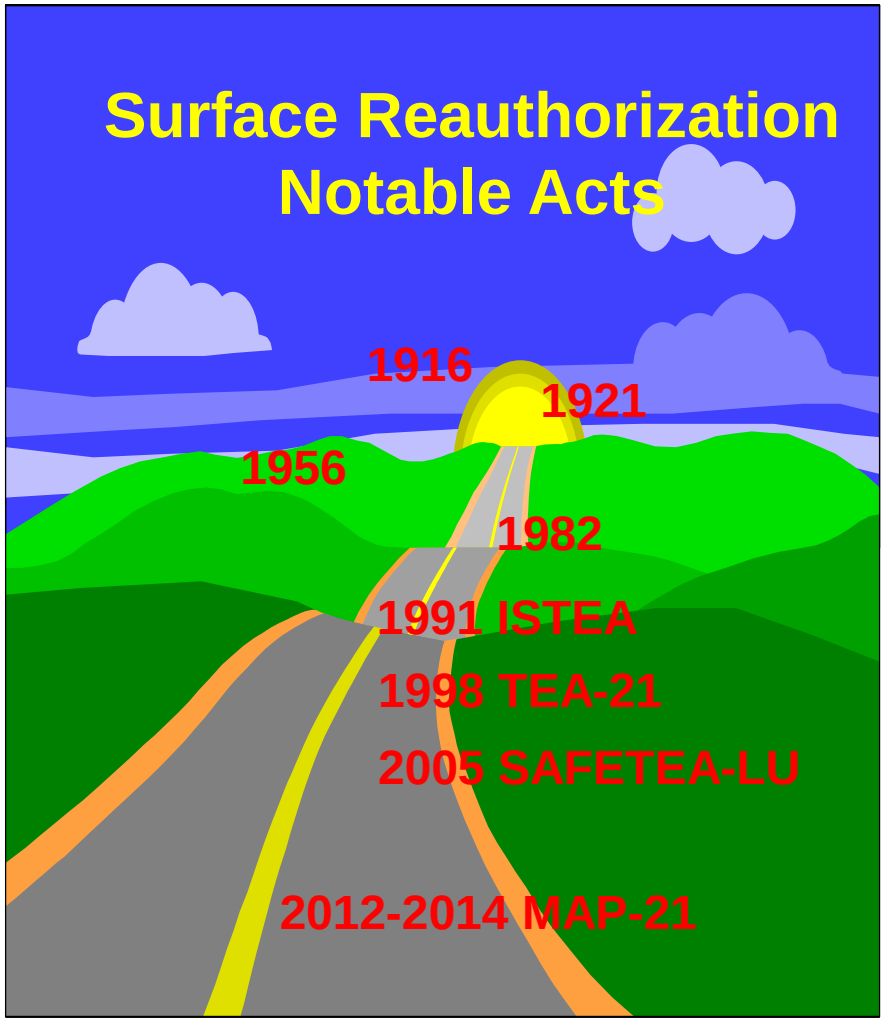
- Reimbursement Program
- Matching requirements
- Specific Systems Funding



Ineligible

Eligible

Nationally - 4 million miles of public roads total



MAP-21 (Moving Ahead for Progress in the 21st Century Act)

Timeline

- Signed by President July 6, 2012
- 10 Extensions
- Extended SAFETEA-LU to 9/2012
- 27 Months (until 9/30/2014)

Financing

- FFY 2012 level plus 1.4% per year
- SFY 2012 ≈ 5% less than SFY 2011
- Offset needed to balance ≈ 21B
- Extends HTF taxes through 9/2016

Funding

- Maintains 80%/20% (Highway/Transit)
- State Funding based on FFY 2012 (eliminating traditional formulas)
- No Earmarks
- TIFIA Program
  - SFY 2013 ($0.75B)
  - SFY 2014 ($1B)
  - Maximum TIFIA project share 49%

MAP-21 (Moving Ahead for Progress in the 21st Century Act)

Key Highlights

Funding

- FFY 2014 States Guaranteed 95% HTF Returns
- >92% Highways Funding to Core Highway Programs

Program Consolidation

- Consolidates >100 programs by 2/3
- Two New Programs
  - ✓ National Highway Performance
  - ✓ Transportation Alternatives
- Focuses on Freight

MAP-21 (Moving Ahead for Progress in the 21st Century Act)

Key Highlights - Continued

Performance and Accountability

- Seven National Goals
  - ✓ Safety
  - ✓ Congestion
  - ✓ System Reliability
  - ✓ Economic Vitality
  - ✓ Reduced Project Delays
  - ✓ Infrastructure Condition
  - ✓ Congestion
  - ✓ Freight Movement
  - ✓ Environmental Sustainability

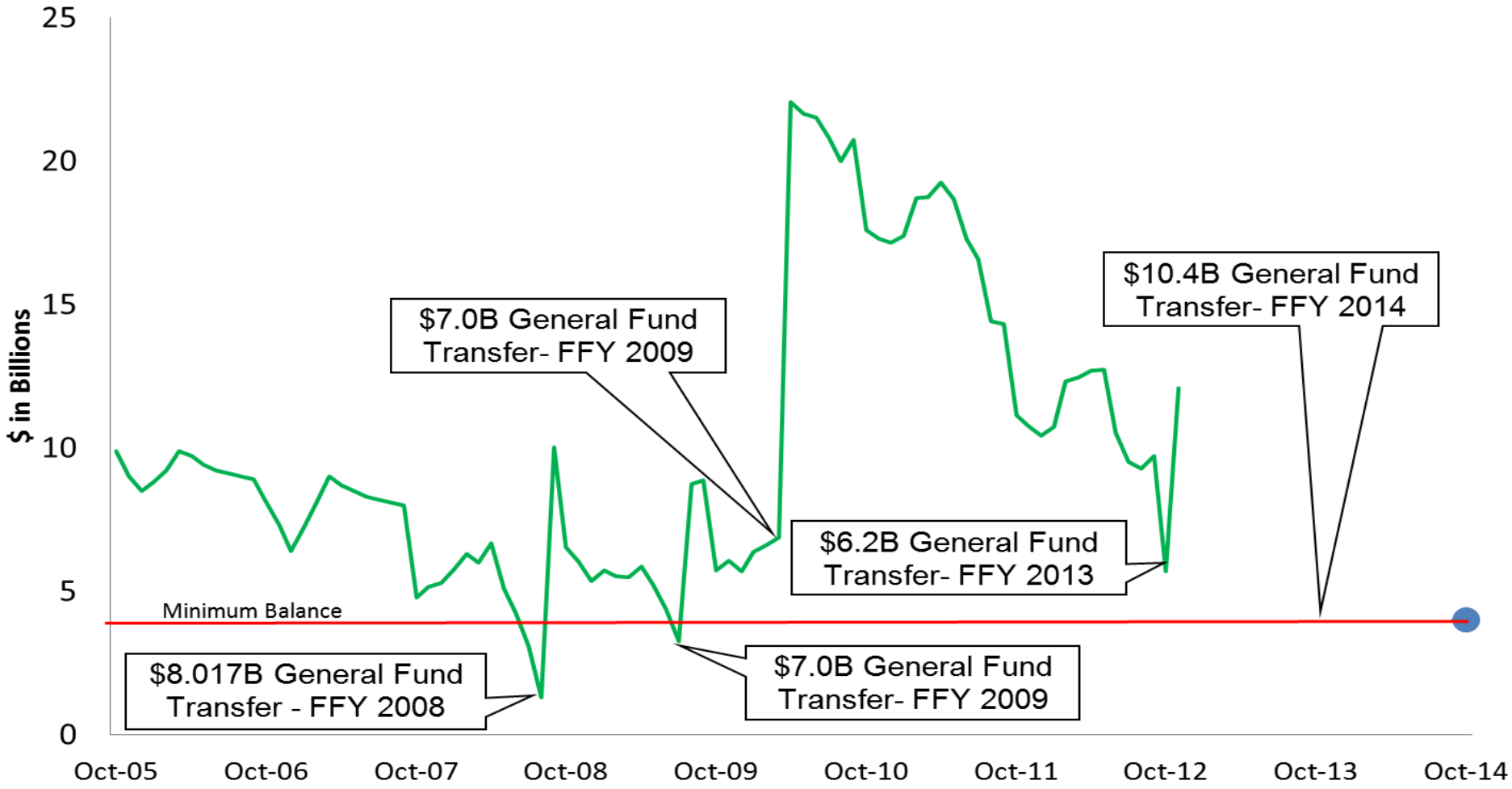
Accelerate Project Delivery

- Expands Flexibility to Undertake Activities Prior to NEPA Completion
- New Categorical Exclusions
- Support for Programmatic Approaches
- Further Process Reforms

Consolidation Highway Program Structure

Current Program Structure	MAP-21 Core Program Structure
Interstate Maintenance National Highway System Highway Bridge Program	National Highway Performance Program (NEW) $43.7 billion
Off-System Bridges Surface Transportation Program	Surface Transportation Program $20.1 billion
Congestion Mitigation and Air Quality	Congestion Mitigation & Air Quality Program (CMAQ) $4.4 billion
Highway Safety Improvement Program	Highway Safety Improvement Program (HSIP) $4.8 billion
Metropolitan Planning	Metropolitan Planning $626 million
Recreational Trails Safe Routes to Schools Transportation Enhancements	Transportation Alternatives (NEW) $1.6 billion

Federal Highway Trust Balance and Transfers



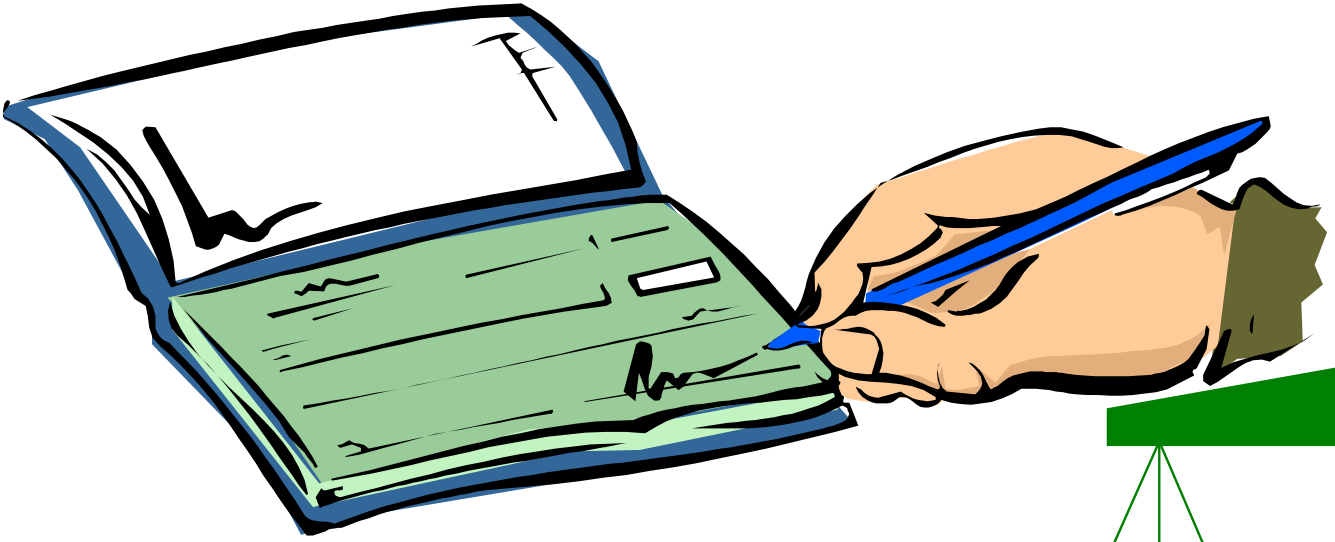
Federal Funding Status

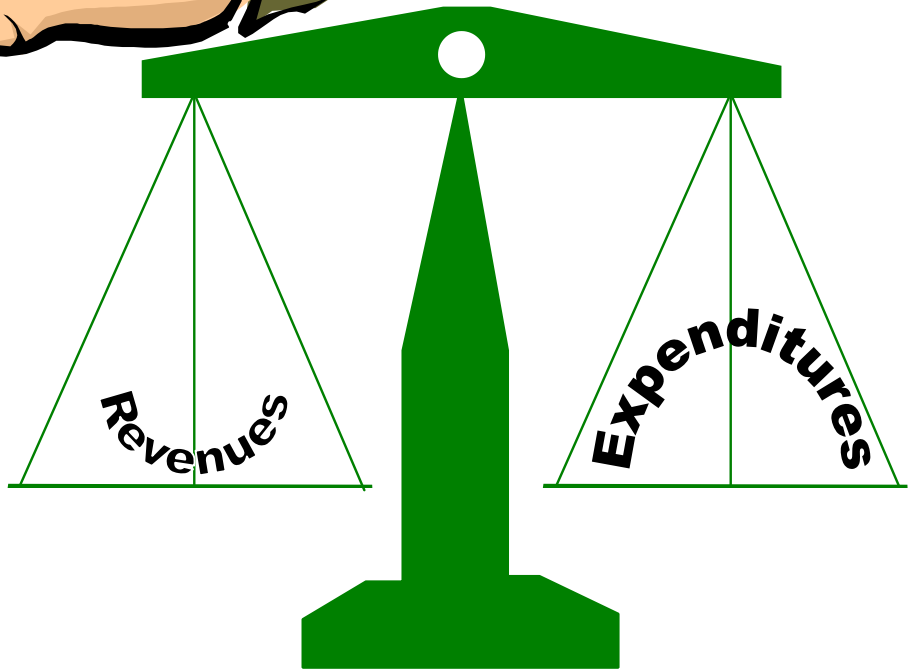
- Annual Appropriations
  - SFY 2013 - 1st CR Expires March 27, 2013
  - SFY 2014 - Presidential Budget – February ??, 2013

- Sequestration
  - Original Deadline January 2, 2103
  - Postponed to March 1, 2013

- Reauthorization
  - Expires September 30, 2014

What is Cash Management?





Cash Management

- SB1005 created financial management policies 2002 Session
  - Authorized combining of Highway Fund & Highway Trust
  - dollars to maximize program delivery
  - Cash flow basis authorized projects to be programmed, awarded, and paid over time
  - Required the establishment of management controls & forecasting procedures
  - Established cash target equivalent to 12% of anticipated revenues plus estimated Powell Bill allocation

- NCGS §143C-6-11
  - Established cash balance floor (approximately 5% of revenues)
  - Report Annually to Joint Legislative Transportation Oversight

Why Cash Flow NCDOT Budget?

Follows Best Business Practice

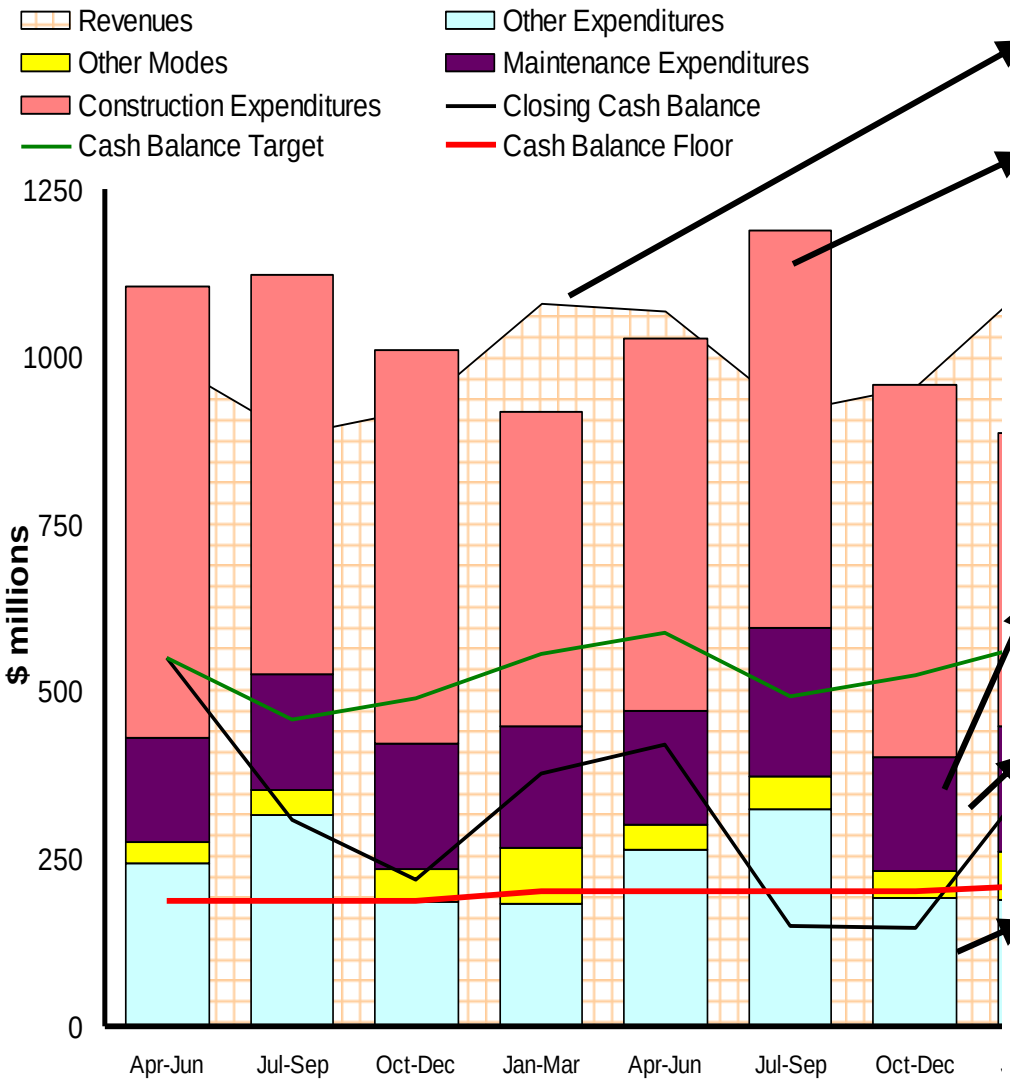
- Accelerates Project Delivery of Public Good
- Reduces Cost
- Provides Flexibility to Substitute Projects
- Stabilizes Construction Contact Award Schedule
- Great Control over Timing of Contact Awards
- Reduces Deferral of Lifecycle Maintenance
- Optimizes Return of Scarce Cash Capital
- Scenario Analysis

State DOT's Using Cash Flow Budgeting – Virginia, Maryland, Florida, Texas South Carolina

State DOT's Moving to Cash Flow Budgeting – Georgia, Colorado

USDOT Promotes Cash Flow Project Delivery – Advance Construction, Transportation Infrastructure Finance and Innovation Act (*TIFIA*) Credit, Grant Anticipation Revenue Vehicles (*GARVEE*) Bonds, '*Private Activity Bond* (*PAB),* State Infrastructure Banks (*SIB*)

Cash Model - Legend



REVENUES

State Revenues, Federal Aid, ARRA, GARVEE & Turnpike Authority

CONSTRUCTION EXPENDITURES

GARVEE Expenditures & Debt Service
Ecological Enhancement Program
NC Moving Ahead & SB 1005
TIP (PE, ROW, Construction)
Small Construction (SR Const., SS, Contingency, etc)
Turnpike Authority
Internal Orders
CMAQ
Bike and Pedestrian Transportation

MAINTENANCE EXPENDITURES

Primary & Secondary Systems
Contract Resurfacing
System Preservation & Disaster Funding

OTHER MODES

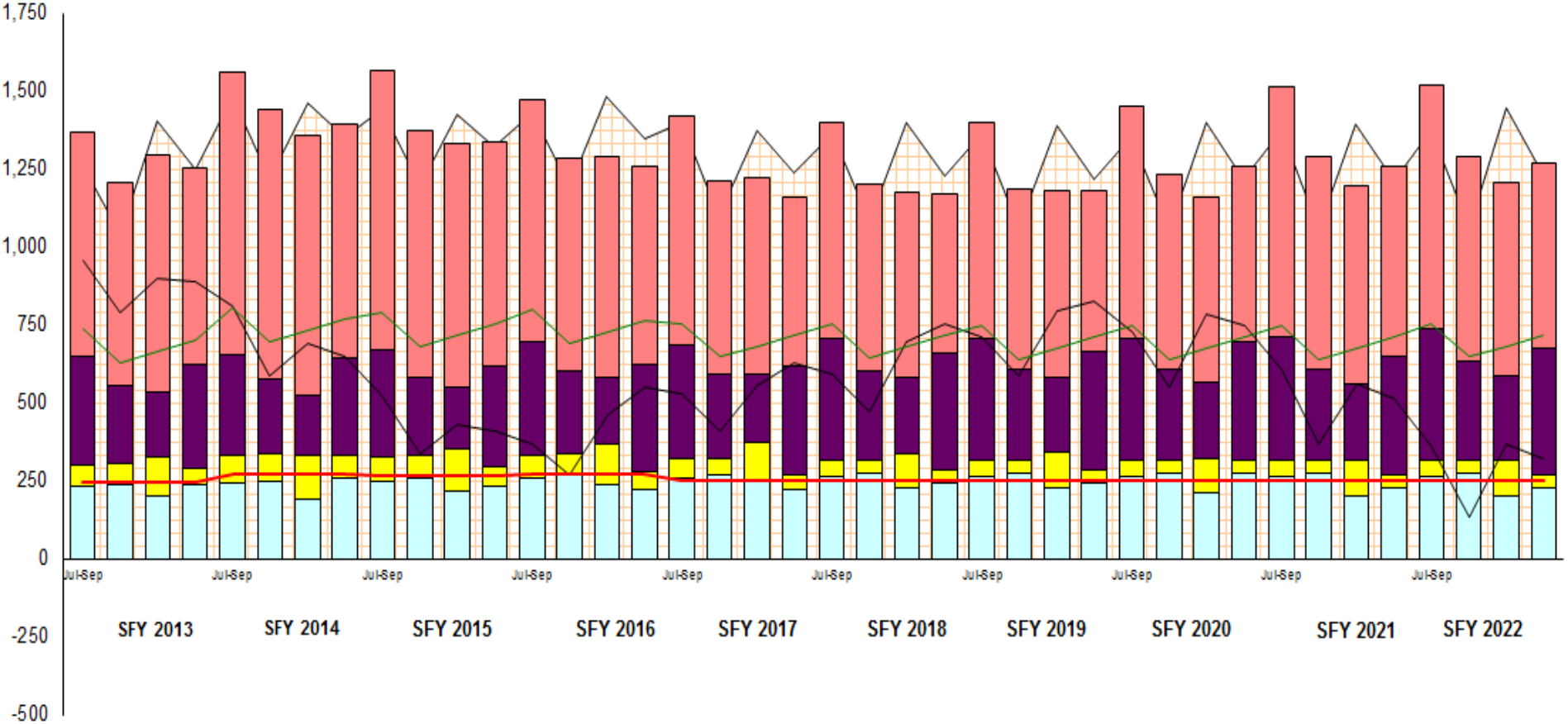
Public Transportation & New Starts
Ferry, Railroad and Airports

OTHER EXPENDITURES

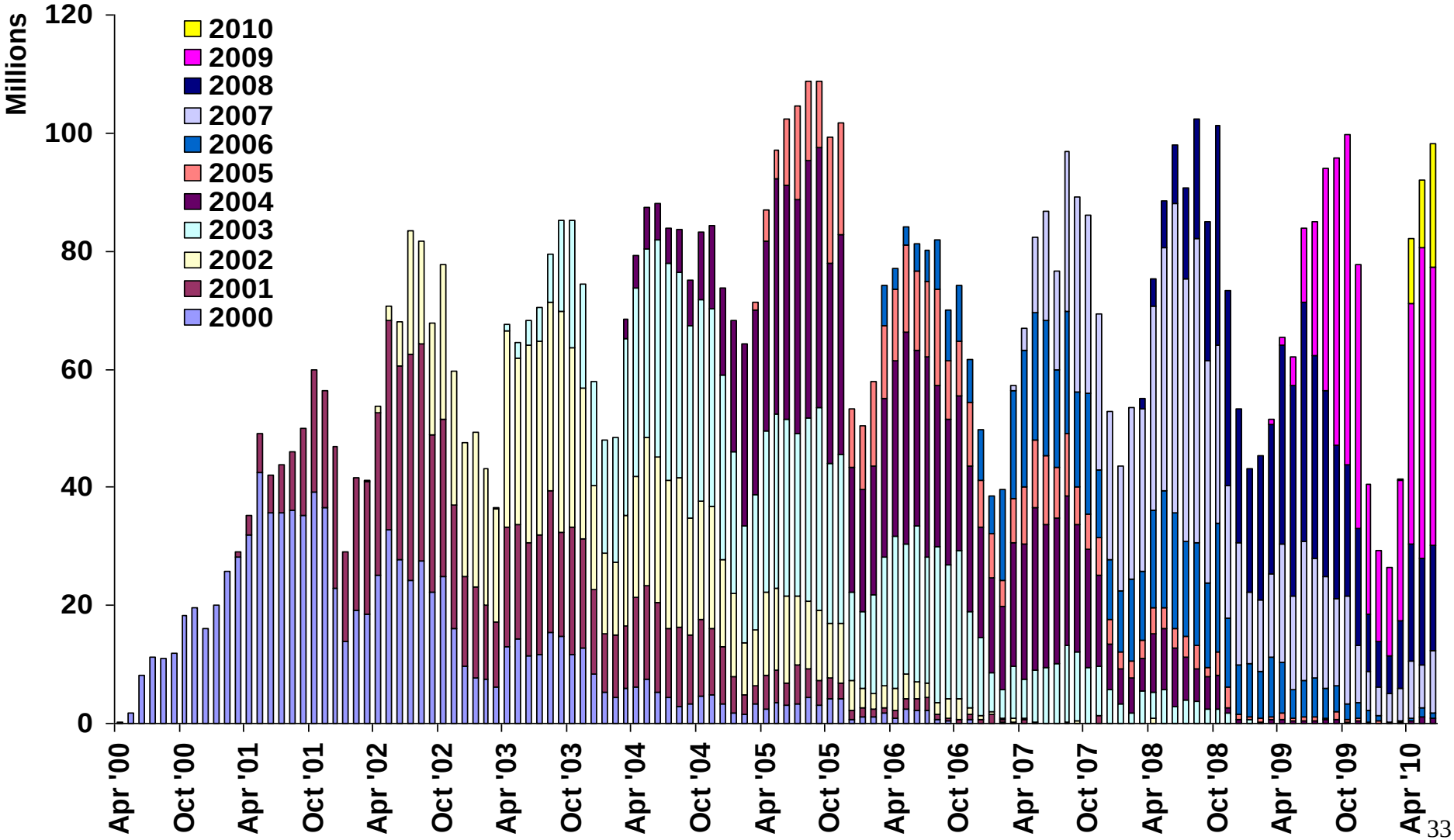
Administration
State Agencies, General Fund & NCTA Transfers
State aid to municipalities
Debt Service
Other Programs – GHSP, Visitor's Center, etc.

Cash Model - 10 Year Work Program

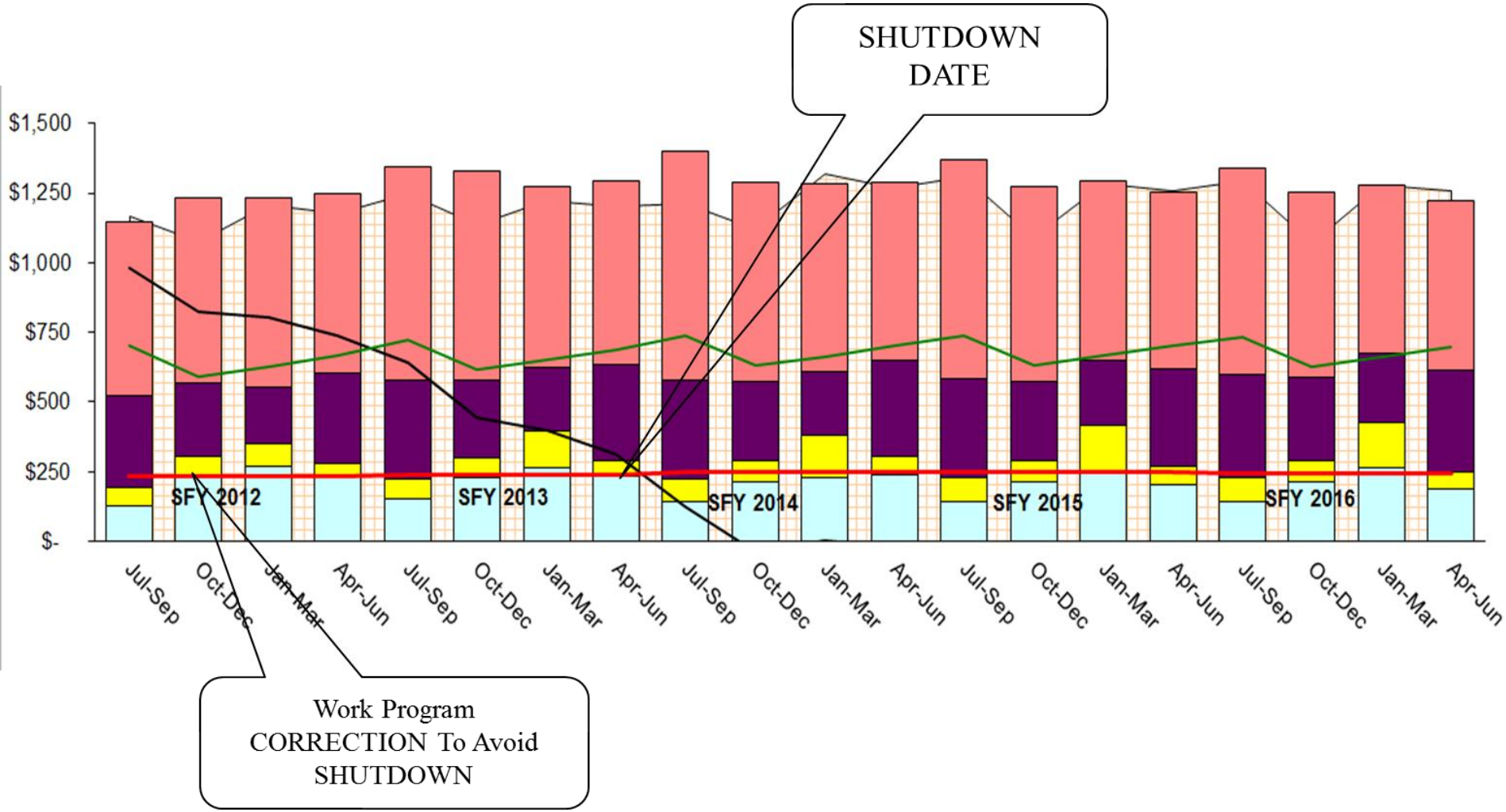
SFY 2013 - SFY 2022



Construction - Payment History by Let Year

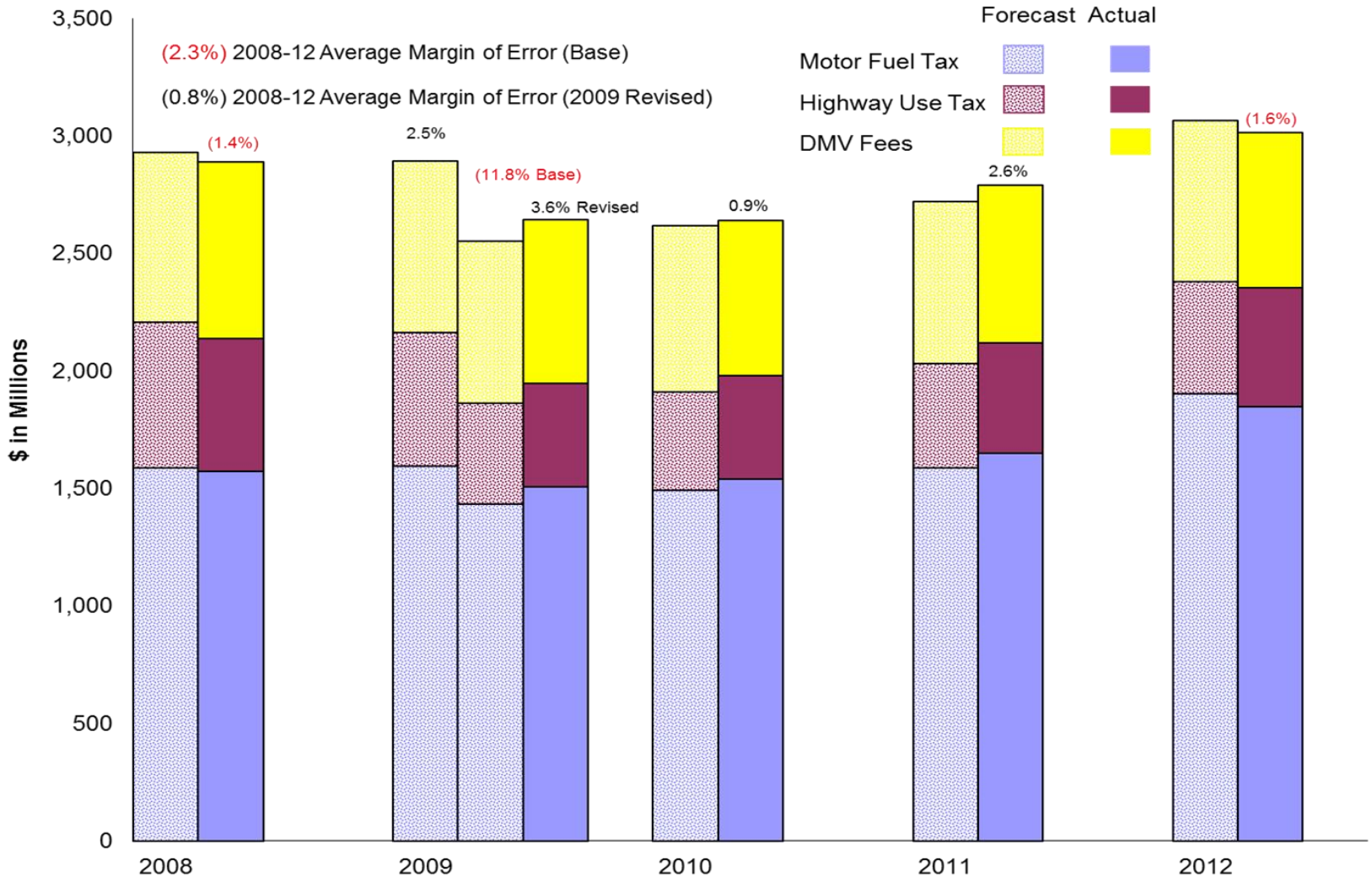


Update to Federal 35% Reduction



Comparison State Transportation Revenues

5 Year Forecast vs Actual



NCDOT Finances SFY 2012

Mark Foster
Chief Financial Officer

Planned to Actual Receipts	
Planned	$4,907.9
Actual	$4,657.1
Variance	-5.1%
Forecast adjusted for NCTA	-3.5%

Planned to Actual Expenses	
Planned	$4,824.8
Actual	$4,573.0
Variance	-5.2%
Forecast adjusted for NCTA	3.8%

Forecast to Actual

Receipts		Expenses	
State	$3,017,664,918	Construction	$1,849,974,234
Federal	1,028,097,403	Construction Stimulus	110,471,618
Federal Stimulus	136,258,421	Construction NCTA	258,283,288
Local	36,742,207	Maintenance	1,141,305,732
Grants	72,261,423	Transit	212,267,318
Debt - GARVEE	134,781,626	Transit Stimulus	25,491,895
Debt - NCTA	230,854,249	Debt Service	139,074,780
Toll Rev./Int.	398,539	Finance Cost - NCTA	48,742,566
		Admin	236,032,669
		Admin - NCTA	1,238,110
		Agency Transfers	389,702,351
		State Aid Municipalities	138,340,337
		Other Programs	22,075,139
Total	**$4,657,058,786**	**Total**	**$4,573,000,037**
Forecast	**4,907,935,024**	**Forecast**	**4,824,798,011**
Variance	**$(250,876,238)**	**Variance**	**$(251,797,974)**
Variance %	**-5.1%**	**Variance %**	**-5.2%**
Variance % (Forecast adjusted for NCTA)	**-3.5%**	**Variance % (Forecast adjusted for NCTA)**	**3.8%**

www.ncdot.gov/performance/reports/

Cash Model as a Performance Tool

- ARRA & Maintenance of Effort
- Operations Spend Plan
- Bridge Program
- GARVEE Bond Program
- Project Capacity
- Debt Affordability

The American Recovery and Reinvestment Act of 2009

Provides Additional Infrastructure Funding - ***time limited !***

- $735M Highways — Funding must be authorized Feb 2009 to Sept 2010
- $103M Transit — Rural / Urban sub-allocation
- $545M High Speed Rail — Active Raleigh to Charlotte projects by 9/2017
- $10M TIGER Discretionary Grant — Immediate funding of Yadkin River Bridge I-85

NCDOT Delivery to date

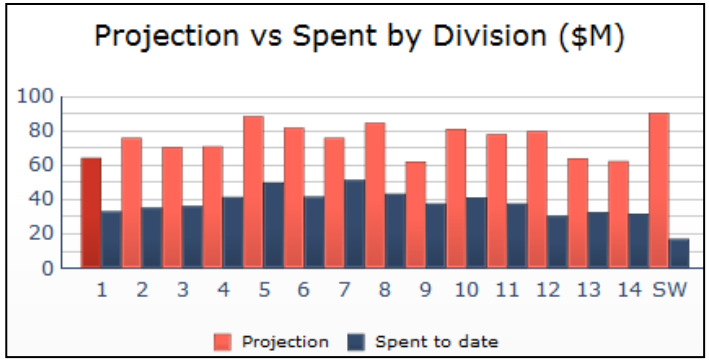
- 402 Highway Projects Currently Certified (454 WBS Projects Authorized)
- 103 Additional Highway Projects identified after Sept ’09 due to low bids (avg. -18%)
- Created/ sustained 1900 Highway, Transit and Rail related jobs
- Transit Funds 100% allocated to 62 sub-recipient providers

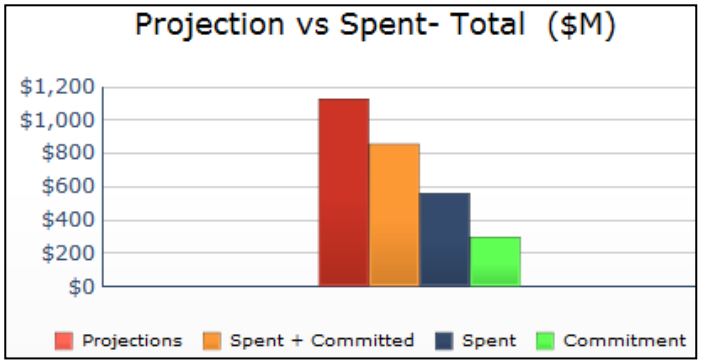
Maintenance of Effort Requirements (MOE)

- NC Certification $1.5 billion; accomplished $2.1 billion
- Penalty for States not meeting MOE
- NCDOT’s 2011 August Redistribution $40.5M
- Additional Reporting, Accountability, & Oversight

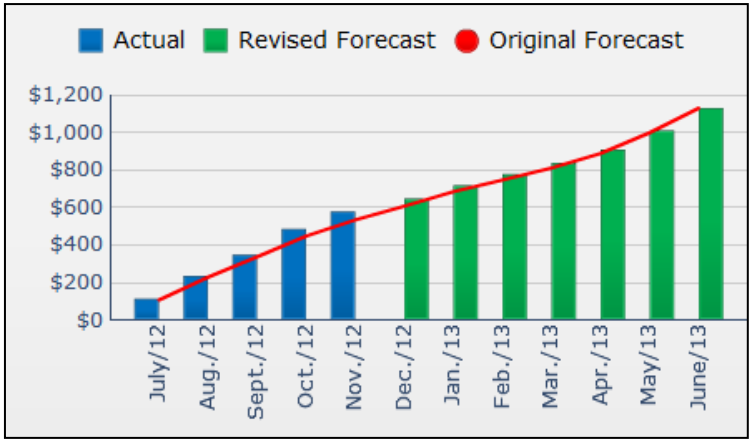
Operations FY 2012 Spend Plan Report

(Through Nov 26, 2012)

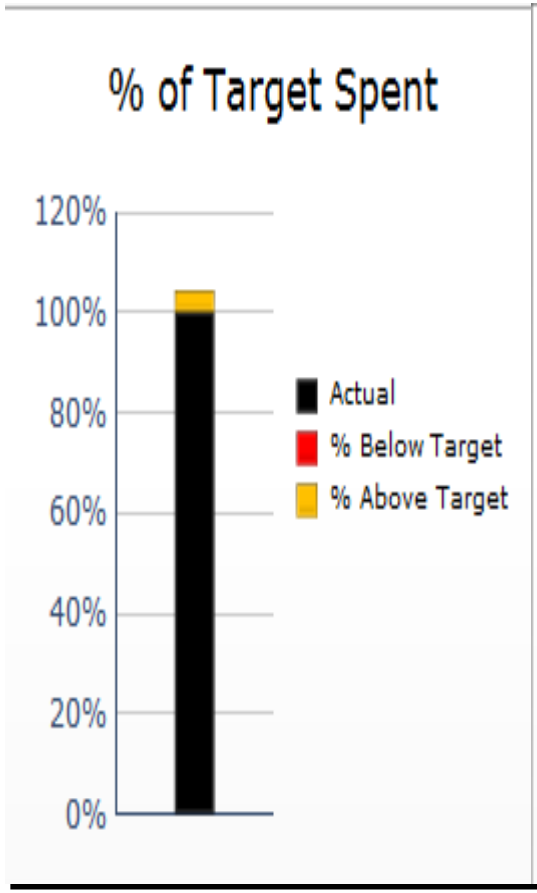


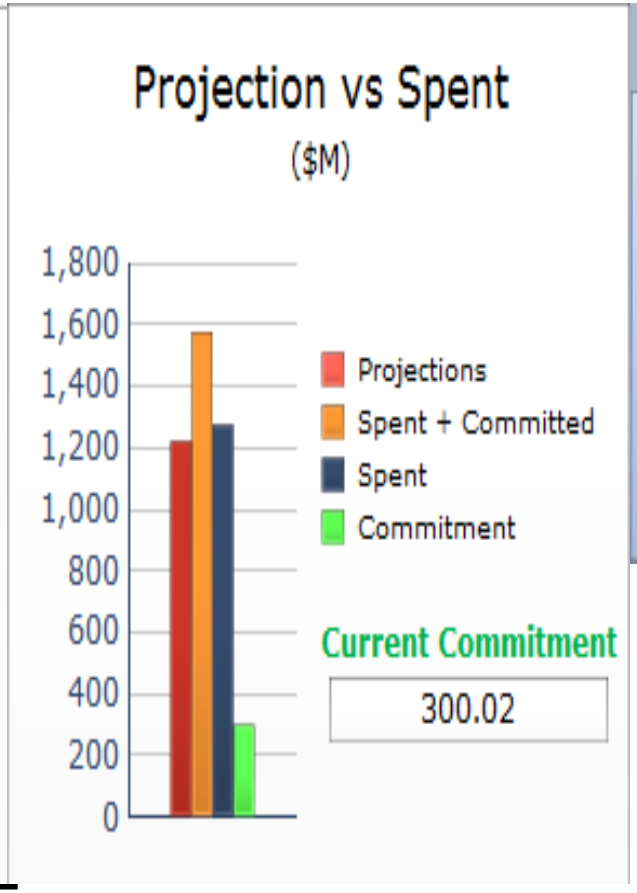


Total Summary	
Total Projections	1128.51
Total Spent to Date	561.02
Left to Spend	567.49
Percent Spent	50%
Commitments	297.81
% Spent & Committed	76%



Operations Spend Plan Targets - 2012





Total Summary

Total Projections	1221.28
Total Spent to Date	1274.86
Left to Spend	(53.58)
Percent Spent	104%
Commitments	300.02
% Spent & Committed	129%

State Funded Bridge Improvement Program

2011 Legislative Initiative

Legislature Budgeted $450M in state funds for Bridge Improvement

Legislative Initiative - Funding to address structurally deficient bridges

- $215M for State Fiscal Year 2012
- $235M for State Fiscal Year 2013

$450M in funding to be committed by June 2013

Current Program Scope: Bridge Replacement 650 Structures
Rehabilitation 50 Structures
Preservation 500 projects

Accomplished State Fiscal Year 2012

- $268M Total Committed Funds
- $220M contracts awarded to 42 different Construction Firms
- $32M contracts awarded to 58 different Private Engineering Firms

Bridge Improvement Program

(all funding types)

Map Legend

- TIP Bridge Rehabilitation
- TIP Bridge Replacement
- TIP Bridge Preservation
- BD Low Impact Replacement
- BP Bridge Preservation
- BK Bridge Replacement
- ST Bridge Preservation
- ST Bridge Rehabilitation
- ST Bridge Replacement
- Maintenance - Other State Funds (ST)

GARVEE: Inflation and Toll Financing Savings

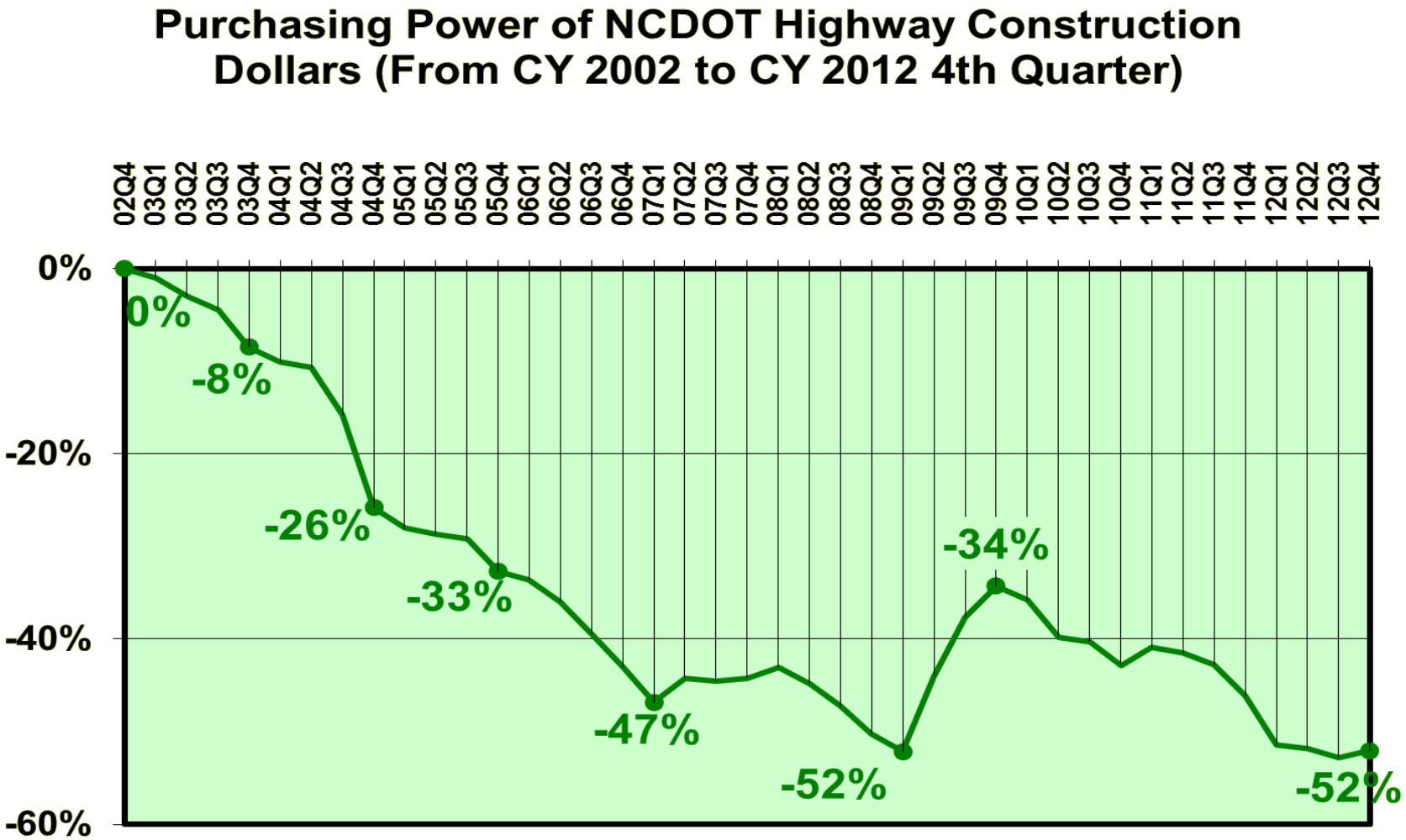
Inflation Savings through Project Acceleration

GARVEE Bond Series	Project Cost	Savings
GV1, GV2, GV3	2,614,217,961	669,148,520
Less Interest Payments on 07 and 09 Issues		(150,798,748)
Net Savings		518,349,772

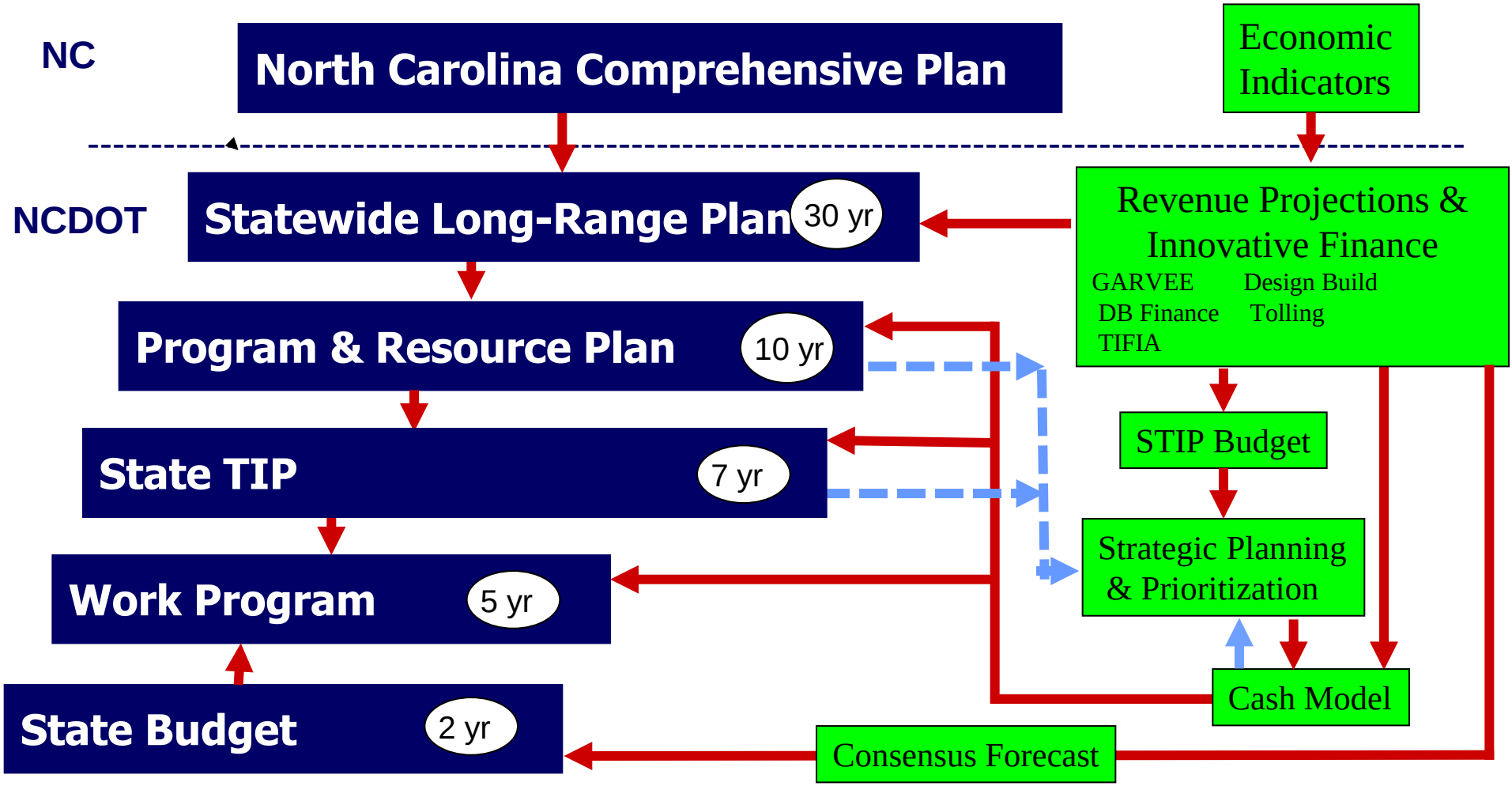
Monroe Toll Road Financing Using GARVEES

- Less Required Debt — $94 Million
- Lower Interest Rate — 145 basis points
- Debt Service Savings — $650 Million

Purchasing Power of NCDOT Highway Construction Dollars (Since 2002)



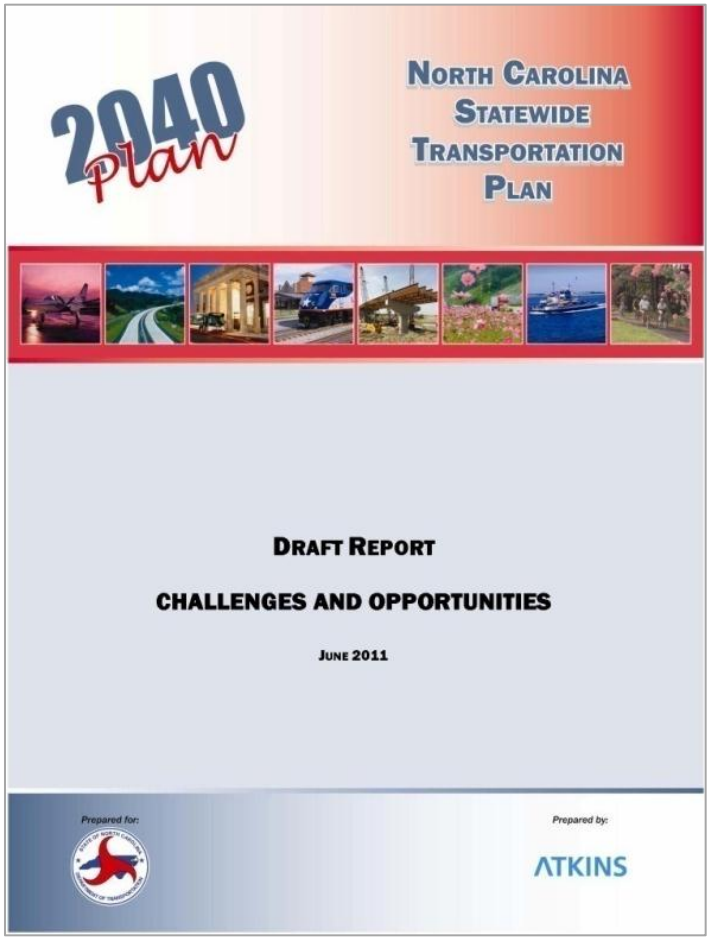
How Does it All Fit Together



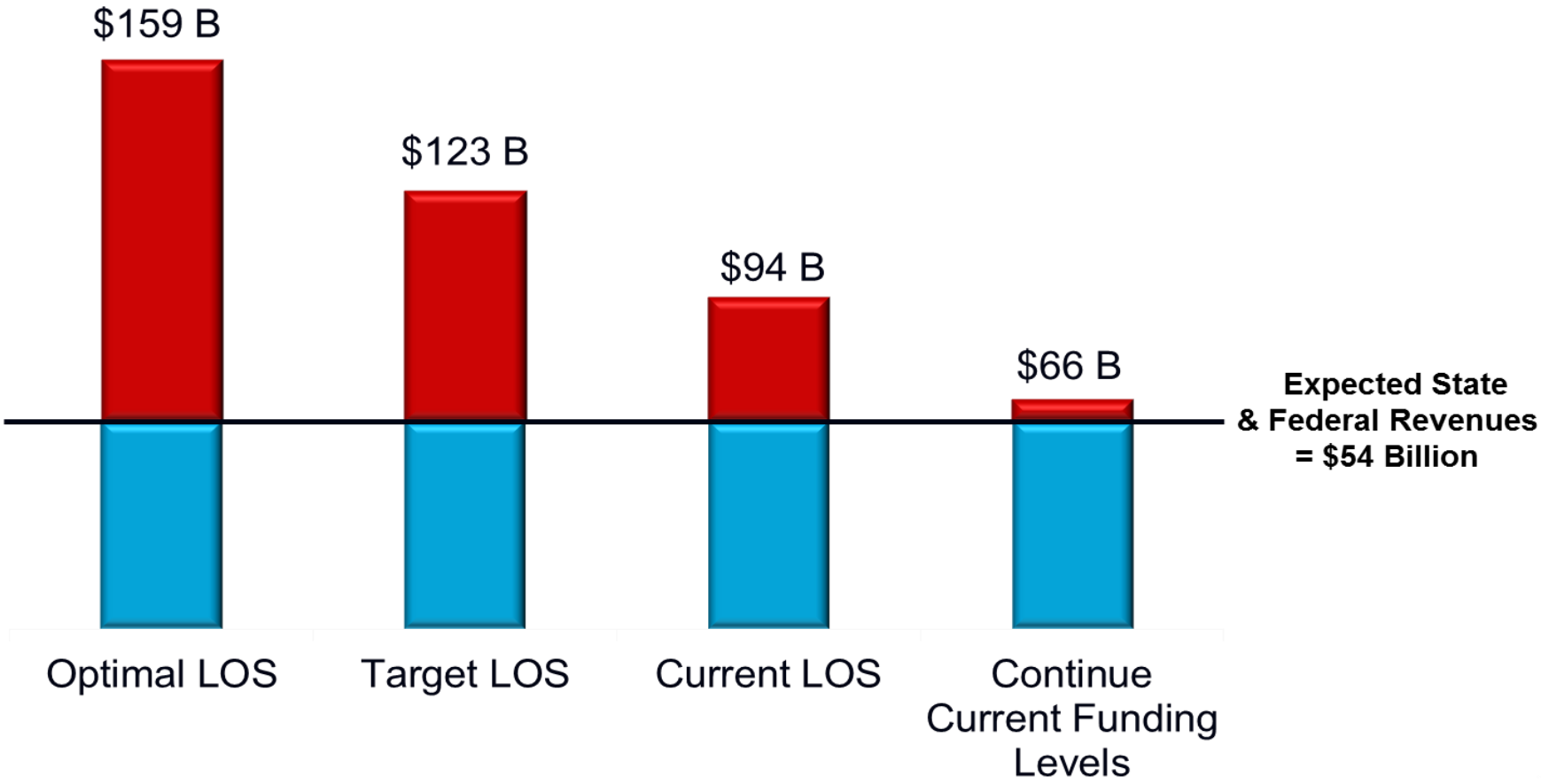
2040 Plan Overview

The 2040 Plan identifies:

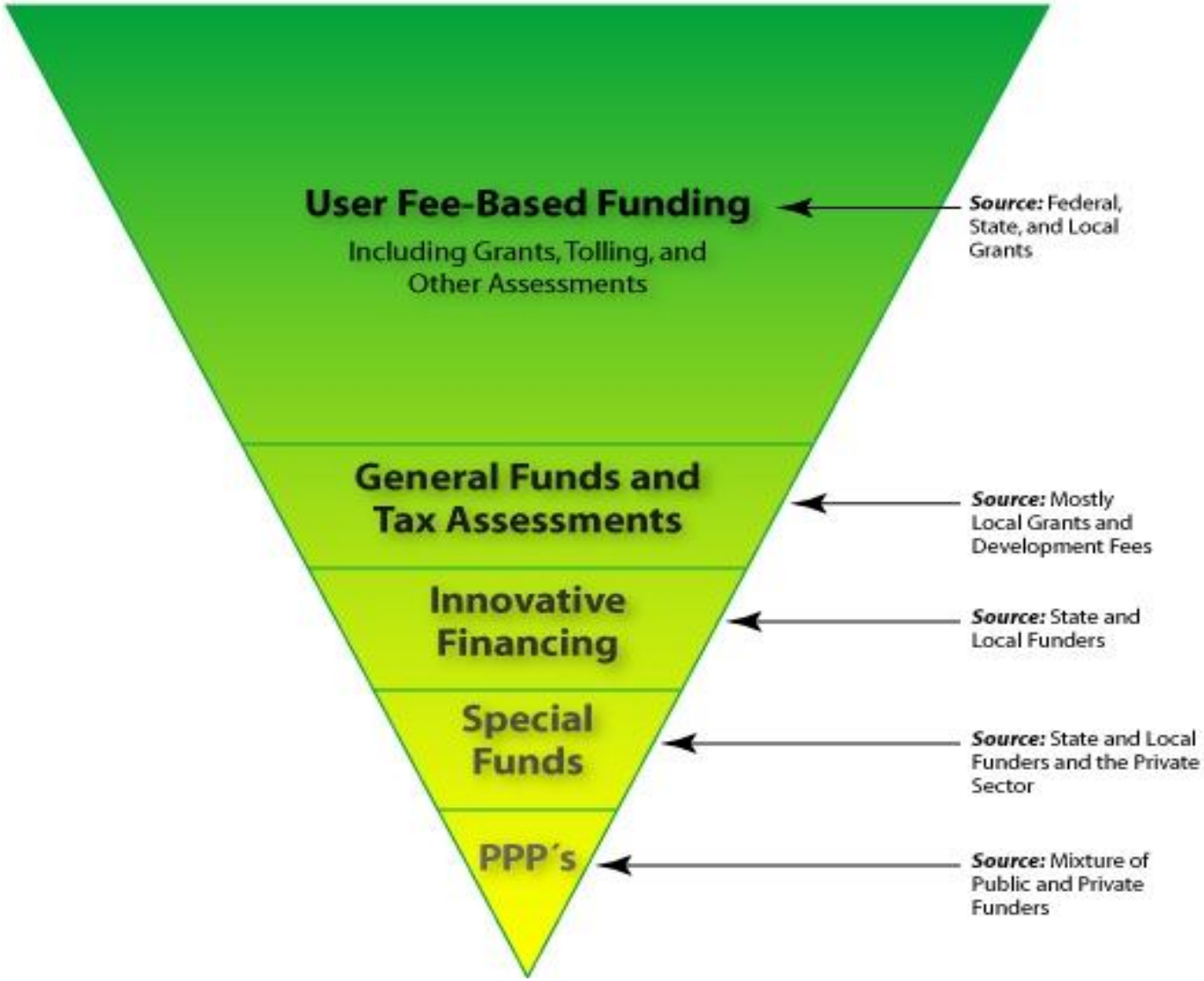
1. Challenges & Opportunities
2. Long-term modal infrastructure and service needs
3. A sustainable financing strategy
4. Strategic investments and plan implementation



2040 Plan Investment Options



Revenue Enhancement Options:

- Continue motor fuel tax indexing - $19 Billion
- Increase registration/license fees - $6 Billion
- Eliminate Highway Fund transfers - $4 Billion
- Redirect vehicle lease fee to NCDOT - $1 Billion
- Increase Highway Use Tax - $3 Billion
- Local vehicle property tax - $1 Billion
- Auto insurance surcharge - $12 Billion
- Wholesale motor fuels tax - $12 Billion
- Interstate tolling - $42 Billion
- VMT Fee - $27 Billion

Finding – Sustainable Transportation Revenues