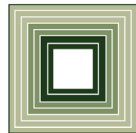


North Carolina Department of Transportation Overview

February 14, 2023



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- History and Governance
- Major Responsibilities
- Funds
- Budget, Revenues & Expenditures
- Exceptions to the State Budget Act
- Cash and Spending
- How North Carolina Compares to Other States
- Organizational Divisions

History & Governance



North Carolina's Transportation History

1915	State Highway Commission created <ul style="list-style-type: none"> – Provided road building assistance to counties
1920s	NCGA authorized takeover of 5,500 miles of county roads Motor Fuel Tax raised to 5 cents per gallon \$115 million in highway bonds issued North Carolina is nicknamed the “Good Roads State”
1931	During the Depression, the State assumed the responsibility for county roads.
1951	NCGA passed the Powell Bill State took over the city streets within the highway system; provided financial assistance to municipalities for its roads.
1980s	Creation of the Highway Trust Fund <ul style="list-style-type: none"> – Completion of the Intrastate Highway System – Construction of 7 urban loops – Pave 10k miles of dirt roads (maintained by the State) – Increased the Powell Bill funding – Converted car taxes credited to the General Fund into the Highway Use Tax that supported the Highway Trust Fund – In turn, the General Fund received \$170 million annually to compensate for the loss of revenues from the car tax – Funds disbursed/expended based upon The Equity Formula (50% population, 25% intrastate system miles, 25% equal share)
2002	Turnpike Authority created.
2008	Gap Funding began for the North Carolina Turnpike Authority projects.
2013	NCGA eliminated the Equity Formula and implemented Strategic Transportation Investments (STI). Funds are distributed: <ul style="list-style-type: none"> 40% Statewide (100% data driven) 30% Regional – Distributed by population (70% data driven/30% local input) 30% Division – Distributed equally across 14 Highway Divisions (50% data driven/50% local input) Transportation Improvement Program – 10 Year Program and Schedule of Transportation Projects
2015	The General Assembly eliminated the transfer of funds to the General Fund.
2020	The Board of Transportation is given fiduciary responsibility for the Department of Transportation.
2022	S.L. 2022-74 Transferred 2% of Sales Tax Collections to the transportation funds FY 2023-24 4% and FY 2024-25 & beyond 6%



Governance – NC Board of Transportation

GS 143B-350

- 20 Voting Members
 - 14 Appointees by the Governor
 - 6 Appointees by the General Assembly
 - Secretary of Transportation is an ex officio non-voting member
- Duties
 - Transportation Finance
 - Serve as a fiduciary for the Highway Fund and Highway Trust Fund & ensure solvency of these funds
 - Review and approve each Spend Plan
 - Monitor expenditures of the Spend Plans
 - Approve the schedule of construction programs and the maintenance programs
 - Review and approve use of bonds
 - Approve and award construction and maintenance program projects (may be delegated to the Secretary)

Major Responsibilities



Major Responsibilities

- GS 143B-346
- “Planning, construction, maintenance & operation of an integrated statewide transportation system for safe transportation of people and goods”
- Registry of vehicles and enforcement of laws related to vehicle safety

Division of Highways

Turnpike Authority

Integrated Mobility Division

Division of Motor Vehicles

* License & Theft Bureau

Rail Division

Division of Aviation

Ferry Division

North Carolina Ports Authority

North Carolina Global TransPark



Trust Funds



Trust Funds

- Highway Fund
 - Maintenance of NC-owned highway system
 - Most operations within DOT
 - Bridge programs
 - Small construction
 - Division of Motor Vehicles
 - Modal Divisions (public transit, ferry, aviation, rail, bike, ped)
 - Powell Bill
- Highway Trust Fund
 - State Transportation Improvement Projects (STIP)
 - Debt Service
 - Gap Funding for Turnpike Authority
 - North Carolina Ports Authority

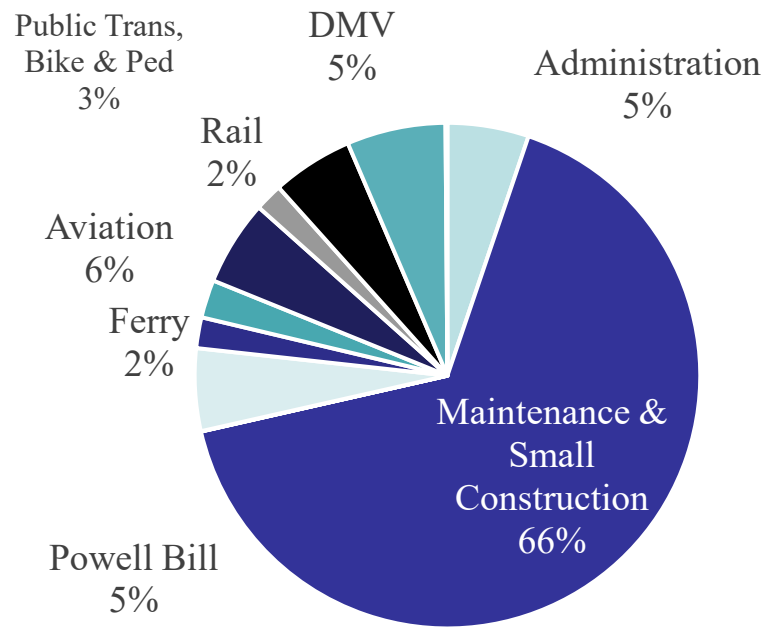
Budget, Revenues, & Expenditures

FY 2022-23	Requirements	Receipts	Net Appropriations
Highway Fund	\$4,868,148,259	\$1,929,948,259	\$2,938,200,000
Highway Trust Fund	\$1,945,334,972	\$109,834,972	\$1,835,500,000
*Total Certified Budget	\$6,813,483,231	\$1,929,948,259	\$4,773,700,000
Full Time Equivalent Positions	11,147		

*Total certified budget receipts only include the Highway Fund, as the receipts in the Highway Trust Fund are appropriated from the Highway Fund and are technically not additional receipts.

Highway Fund Certified Budget FY 2022-23 Net Appropriations

<i>Administration</i>	\$152,811,188
<i>Maintenance & Small Construction</i>	\$1,946,403,845
<i>Governor's Highway Safety Program</i>	\$305,546
<i>Occupational Safety and Health Act</i>	\$358,030
<i>Powell Bill</i>	\$154,875,000
<i>Ferry</i>	\$57,897,653
<i>Public Transportation, Bicycle & Ped</i>	\$71,394,735
<i>Aviation</i>	\$160,172,588
<i>Rail</i>	\$52,140,338
<i>DMV</i>	\$152,428,637
<i>Reserves/Transfer/Other</i>	\$185,868,538
<i>Facilities</i>	\$3,543,972
Total	\$2,938,200,070

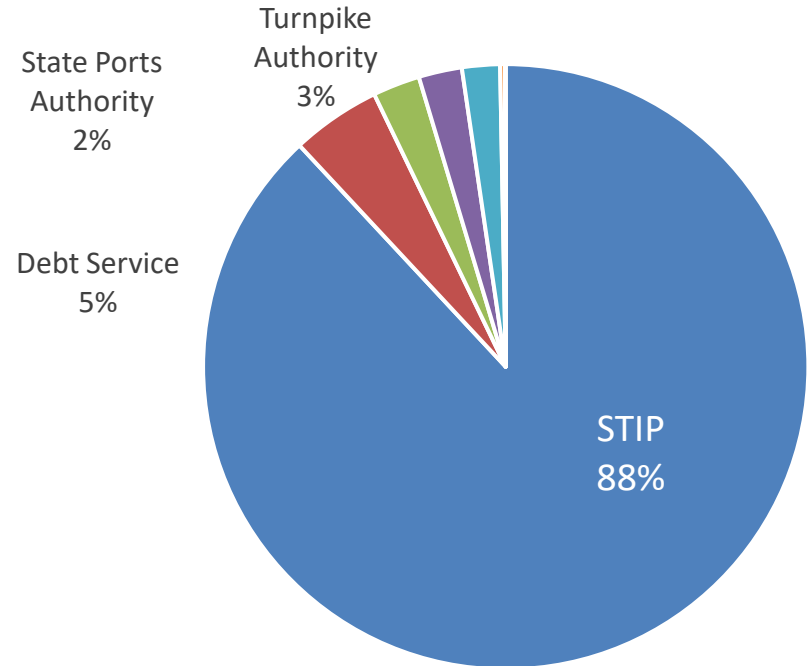


Highway Trust Fund

Certified Budget FY 2022-23

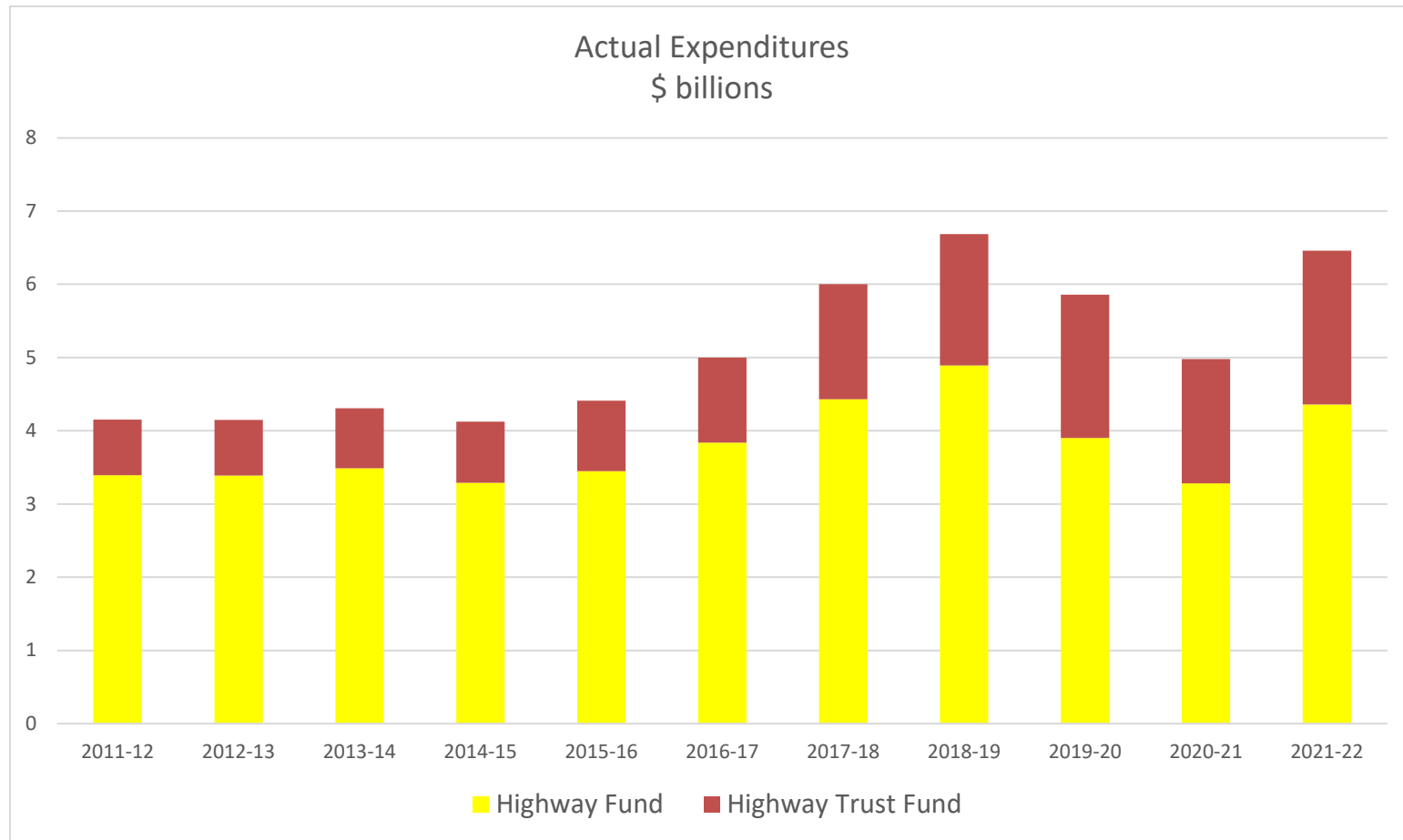
\$1.95 billion

Statewide Transportation Improvement Program (STIP)	\$1,713,108,944	88.06%
Debt Service	\$93,047,650	4.78%
Turnpike Authority	\$49,000,000	2.52%
State Ports Authority	\$45,000,000	2.31%
Program Administration	\$39,433,938	2.03%
FHWA State Match	\$5,104,400	0.26%
Visitor Center	\$640,000	0.03%



NCDOT 10-Year Expenditure History

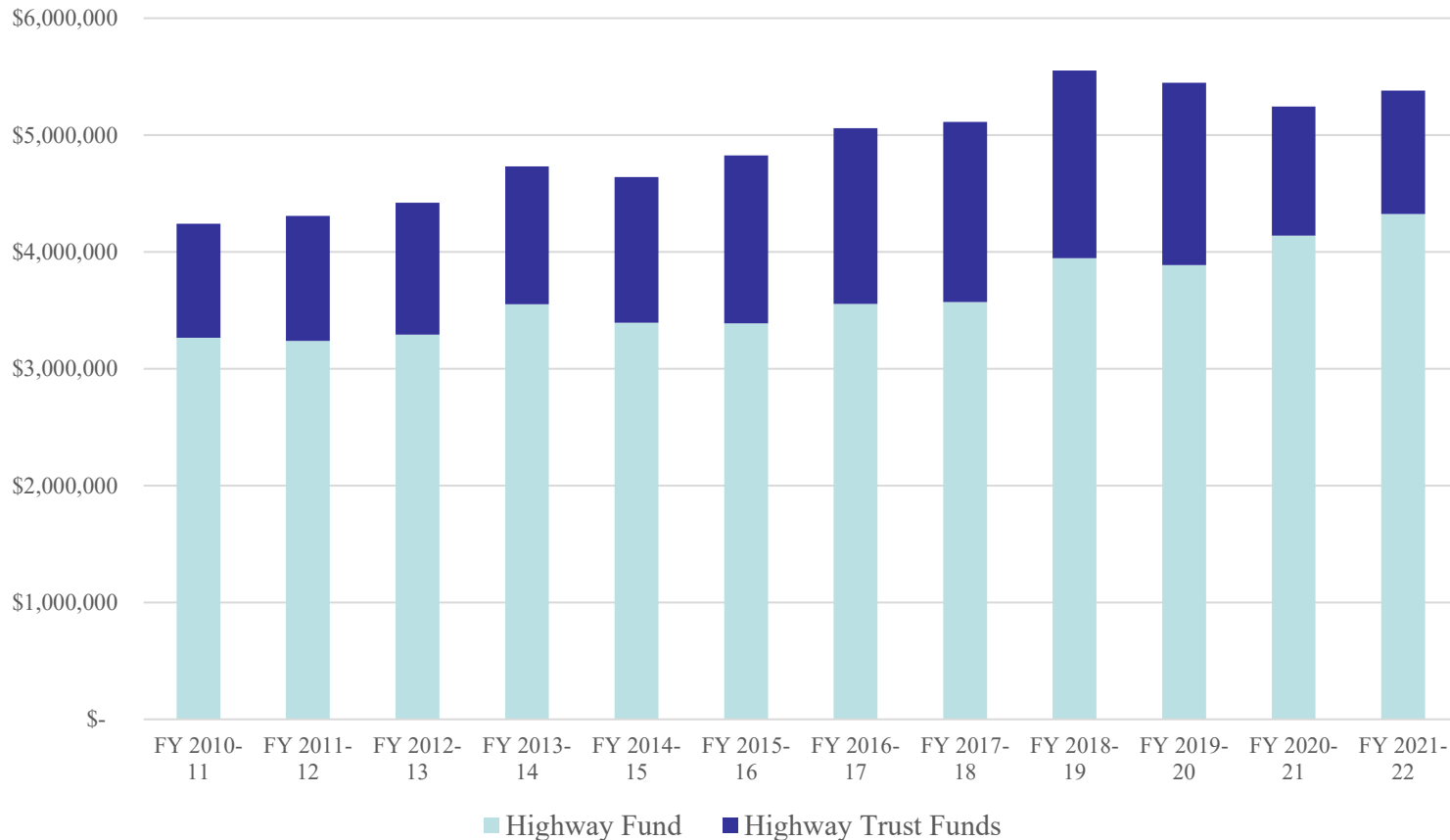
Actuals



Note: The data here reflects actual expenditures for each fund and includes all sources.

Data Source – [Comprehensive Annual Financial Report \(CAFR\)](#), FY 2011-12 through FY 2021-22

Total Highway Fund and Highway Trust Fund Receipts



Data Source - [2022 CAFR - North Carolina](#)

Transportation Financing and Debt

Build NC Bonds

- S.L. 2018-16 “Build NC Bond Act”
- Supported by State transportation revenues
- Debt service paid by Highway Trust Fund, annual \$122 million
- Can be used for projects in the STIP
- Authorized amount
 - \$3B in bonds over 10-year period
 - \$300M/year cap
 - S.L. 2020-91 increased the cap to \$700M for FY 2020-21.
- Three issuances to date
 - FY 2018-19: \$300M
 - FY 2020-21: \$700M
 - FY 2021-22: \$300M

GARVEE Bonds

- G.S. 136-18.12(b) as codified by S.L 2005-403 “GARVEE Act”
- Supported by future federal revenues
- Debt service paid by federal revenues
- May be used for federal highway system projects
- Authorized amount
 - Debt service may not exceed 20% of federal revenues
- Debt and service costs
 - \$1.23B in outstanding debt
 - \$154 million annual debt service payment

Federal Aid

Sources of the Federal Highway Trust Fund

- Motor Fuels Tax; Gasoline - 18.4 cpg, Diesel - 24.4 cpg (since 1993)
- Trucks, Trailer, Tire Sales, & Truck Use – 12% of sales price (Trucks >33k lbs & trailers > 26k lbs)
Truck Use Over 55k lbs (\$100- \$550 max, annual), Tax on Certain Tires (for trucks)
- General Fund up towards 20% transferred to cover deficit of collections and states' funding

Federal Highway Trust Fund

- The Congressional Budget Office estimates that the cumulative shortfall in the Trust Fund could reach \$215 billion by 2031, if revenues stay constant and program-funding is increased annually at the rate of inflation. Infrastructure Investment and Jobs Act (IIJA) plugged an additional \$118 billion of general funds into the Trust Fund (Congressional Budget Office 2022 report)

IIJA

Highway Funding, Bridges, Transit, Electric Vehicle Infrastructure – Appropriations to be included in the State budget bill. \$400 million in new funding for highways, bridges, electric charging infrastructure, Appalachian Development Highway System, public transportation, and airports.

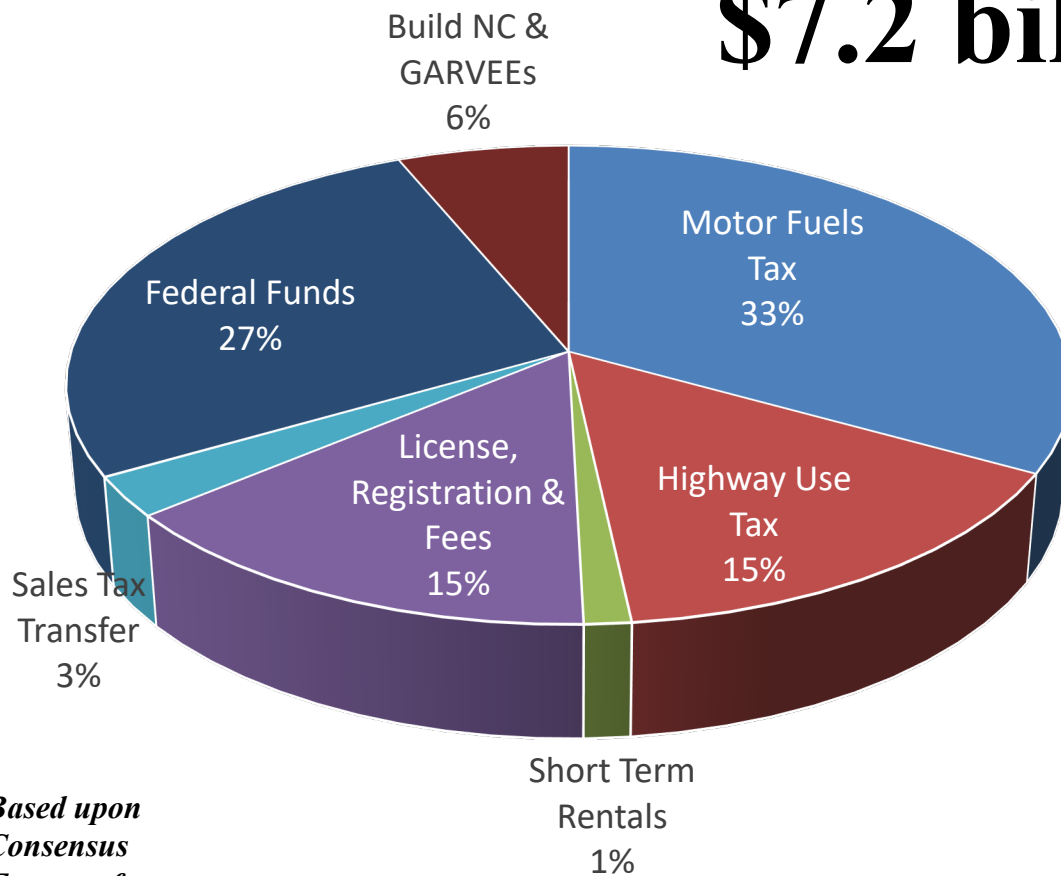
Note: Federal financial commitment to States exceed revenues and Highway Trust Account has received federal General Funds to compensate for the difference.

<https://www.crfb.org/blogs/infrastructure-bills-impact-highway-trust-fund>

FY 2022-23

Total Receipts

\$7.2 billion

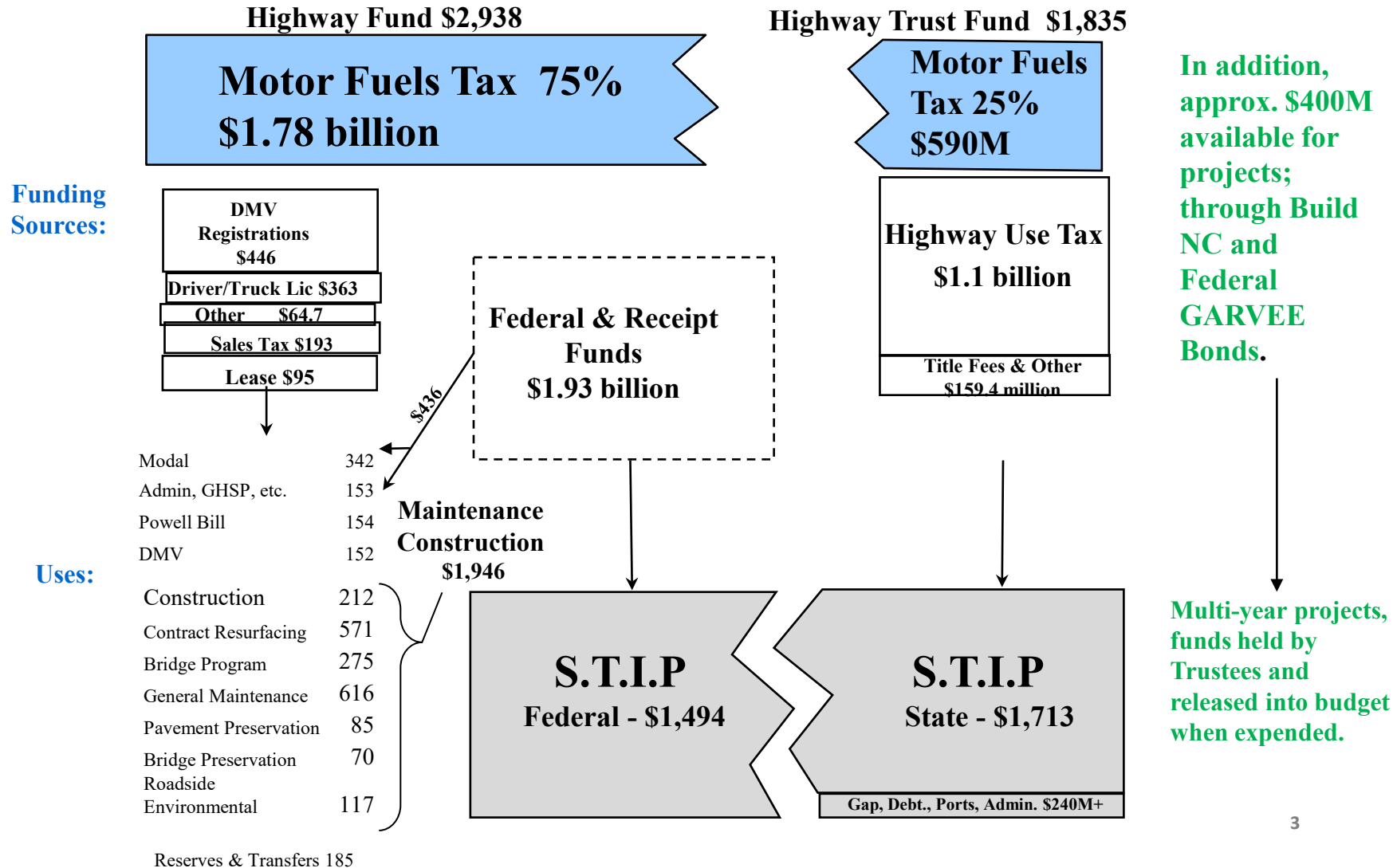


Source	FY 2022-23 Budget	Percentage
Motor Fuels Tax	2,366	33%
Highway Use Tax	1,086	15%
Short Term Rentals	95	1%
Licenses, Registrations, Titles, & Other Fees	1,030	14%
Sales Tax Transfer	193	3%
Investment Income	3	0%
Federal Funds	1,930	27%
*Build NC & GARVEEs	451	6%
Total Revenues/Receipts	7,154	100%

*Based upon
Consensus
Forecast for
FY 2022-23*

*Estimate of potential available bond funds in FY 2022-23

Highway Fund and Highway Trust Certified Budget SFY 2022-23



Exceptions to the State Budget Act



Interest, Savings Reserve and Emergency Reserve

- **Interest** earned on money in the Highway Fund and Highway Trust are credited to those funds and part of the availability statements (GS 143C-1-4)
- The **Savings Reserve** Statute does not apply to the Department of Transportation (GS 143C-4-2(h))
- **Transportation Emergency Reserve** (GS 136-44.2E)
 - \$125 Million
 - Presidential Emergency Declaration
 - Maximize Federal Reimbursement
 - DOT Secretary Notification to Governor if depleted

Highway Fund Overdrafts

GS 136-16.10

- At beginning of a new fiscal year, DOT Chief Financial Officer shall eliminate all overdrafts on State maintenance and construction **projects**

	G.S. 136-16.10	
	SL 2022-74 Budget	FY22 Overdrafts Accounted By FY23 Approp Authority
Highway Fund Programs 2022/23		
Maintenance Program		
General Maintenance Reserve	615,657,817	(3,199,190)
Contract Resurfacing	570,599,527	(5,900,551)
Bridge Program	275,167,830	(1,176,744)
Bridge Preservation	69,899,551	-
Roadside Environmental	117,177,694	(1,571,236)
Pavement Preservation	85,358,348	(8,341,276)
Total Maintenance Program	\$ 1,733,860,767	(20,188,997)

Transportation Projects and Contracts

1. Not explicitly defined in law (includes construction & other)
2. Shall be budgeted, expended, and accounted for on a “cash flow” basis and may not exceed cash available to pay for them (GS 143C-6-11(b))
3. Appropriations are the maximum payments estimated during the fiscal year (GS 143-6-11(c))
4. May comprise current year’s appropriations and prior year’s unspent appropriations (General Fund Agencies = reversions) (GS 143C-6-11(c))
5. Contracts extending beyond a biennium may be executed based upon estimated/anticipated and uncommitted future revenues (GS 143C-6-11(g))
6. May be completely encumbered in the fiscal year of appropriations regardless when the work/service/period-of-performance is executed (GS 143C-6-11(h))

Credit Balance Excess and Reserve

GS 136-44.2 (f1)

- Credit Balance/Reserve (Highway Fund)
 - Unreserved credit balance on last day of fiscal year
 - Unallotted and unencumbered balances on the last day of fiscal year (Bicycle & Pedestrian, Railroad, Aviation, Public Transportation, and certain construction programs)
 - Unencumbered and unexpended balances (Central and Program Administration Other Agency Transfers)
 - Remaining balance of certain inactive project balances

Credit Balance Excess/Reserve (GS 136-44.2)

- Remaining funds in Highway Fund at the end of a fiscal year may be programmed and used
 - Limit of \$5 million for a single project (urgent road construction or maintenance needs)
 - Approval by OSBM
 - If funds exceed \$5M, remaining funds go to General Maintenance Reserve
- Ferries (Exception)
 - All unexpended funds appropriated to the Ferry Division shall transfer to the Ferry Capital Special Fund for future ferry replacements and capital needs

Budget Act

Change Requirements

(GS 143C-6-11(d1))

- Snow/Ice Removal and Emergencies
- DOT/OSBM shall reduce every division budget, grant-in-aid, and category of expenditures, except personal services, to pay for the additional cost of snow and ice removal and emergencies

Cash and Spending



Spend Plan

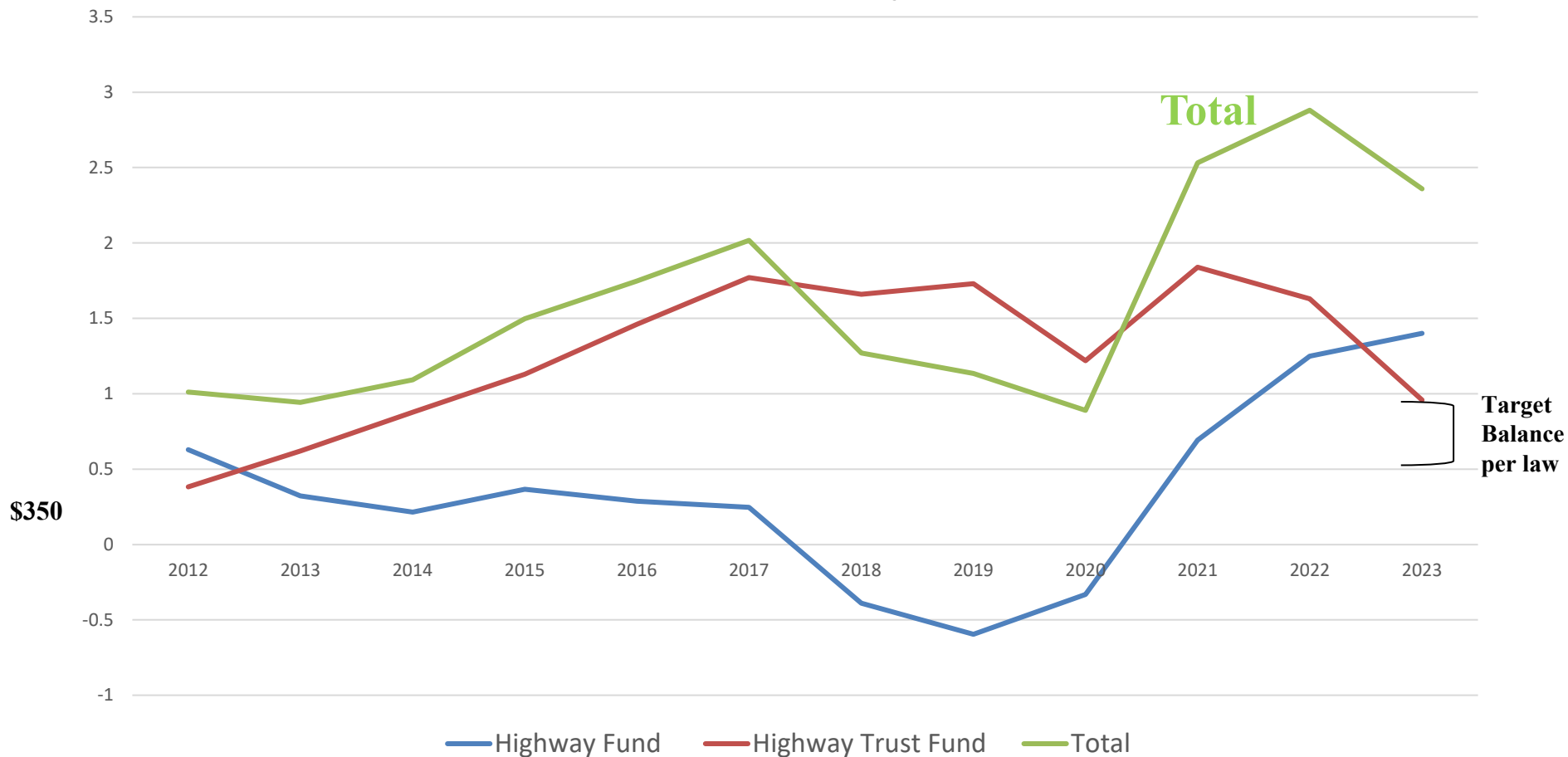
GS 143C-6.11.1

- Cash plan for expenditures
- Based upon appropriations (and includes all funds)
- Board of Transportation Approval
- OSBM Approval
- Report any disapprovals/objections to the General Assembly

Cash

- Required cash balance of 7.5% of total appropriations of Highway Fund and Highway Trust Fund (GS 143C-6-11(f))
 - If balance is not maintained, no new contracts may be executed (with a few exceptions)
- Target to spend cash and maintain a balance of 15-20% of total appropriations of Highway Fund and Highway Trust Fund (GS 143C-6-11(k)(1))
 - Report monthly when target not met
 - Cash Watch Weekly Report
- February 10th Cash Balance Unreserved \$2.3 billion @ 49% of appropriations
- <https://www.ncdot.gov/about-us/how-we-operate/finance-budget/Pages/cash-watch-numbers.aspx>

Cash Year-end Balances and February 2023



Data Source – [Comprehensive Annual Financial Report \(CAFR\)](#), FY 2010-11 through FY 2021-22

How Transportation Funding in NC Compares to Other States

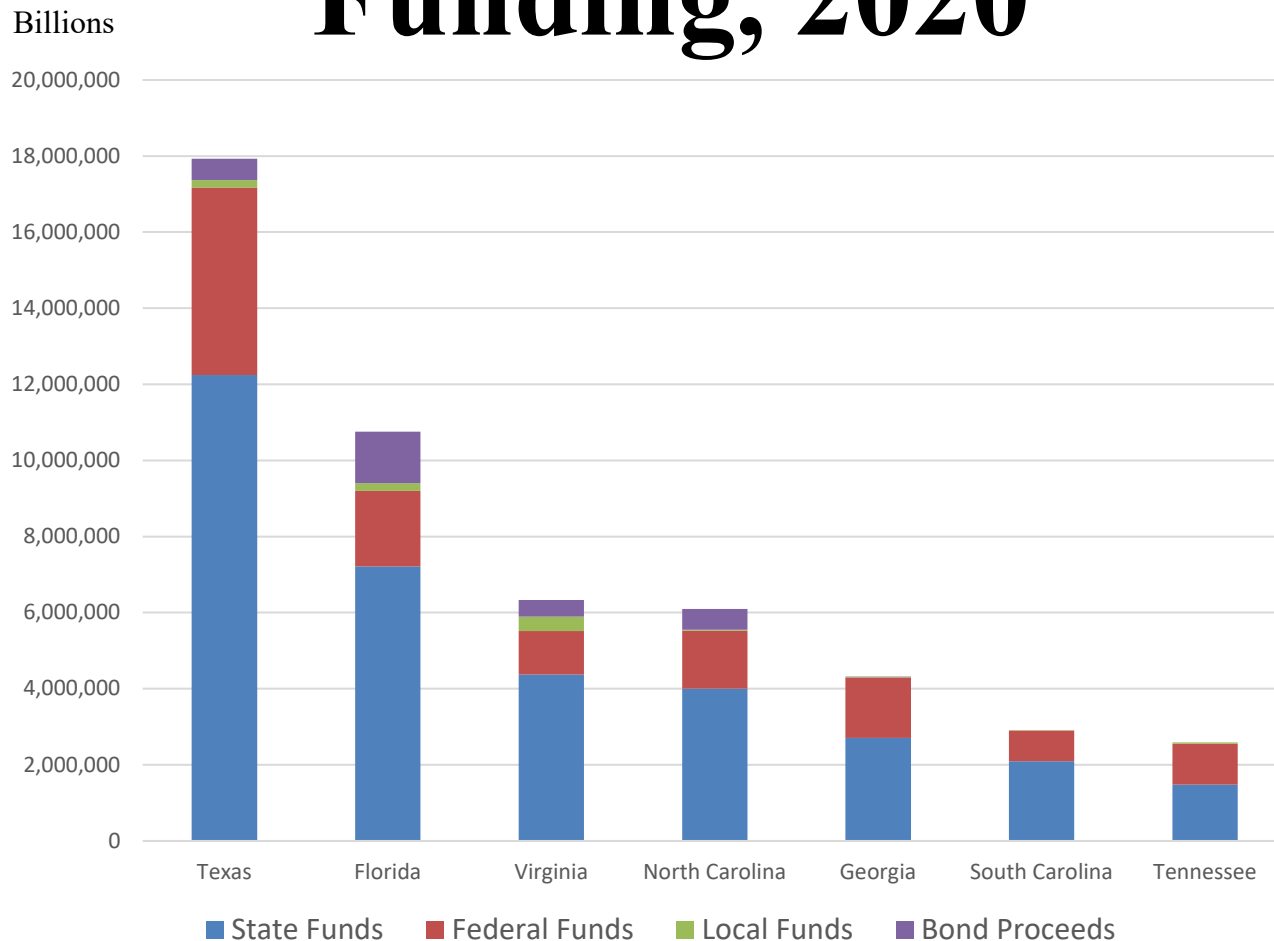


Comparing NC to Other States

State	Land Area (sq. mi.)	Total Road Miles	State Controlled Road Miles	% State Controlled Miles
Texas	261,232	316,567	80,720	25%
North Carolina	48,618	107,954	80,212	74%
Virginia	39,490	75,527	59,247	78%
South Carolina	30,061	79,190	41,267	52%
Georgia	57,513	128,572	17,923	14%
Tennessee	41,235	96,182	14,066	15%
Florida	53,625	123,488	12,136	10%
National Total	3,535,932	4,172,562	782,668	19%

Data Source - [US FHWA, Highway Statistics 2020, Table HM-10](#) and [U.S. Census Reference Files, State Area Measurements and Internal Point Coordinates](#)

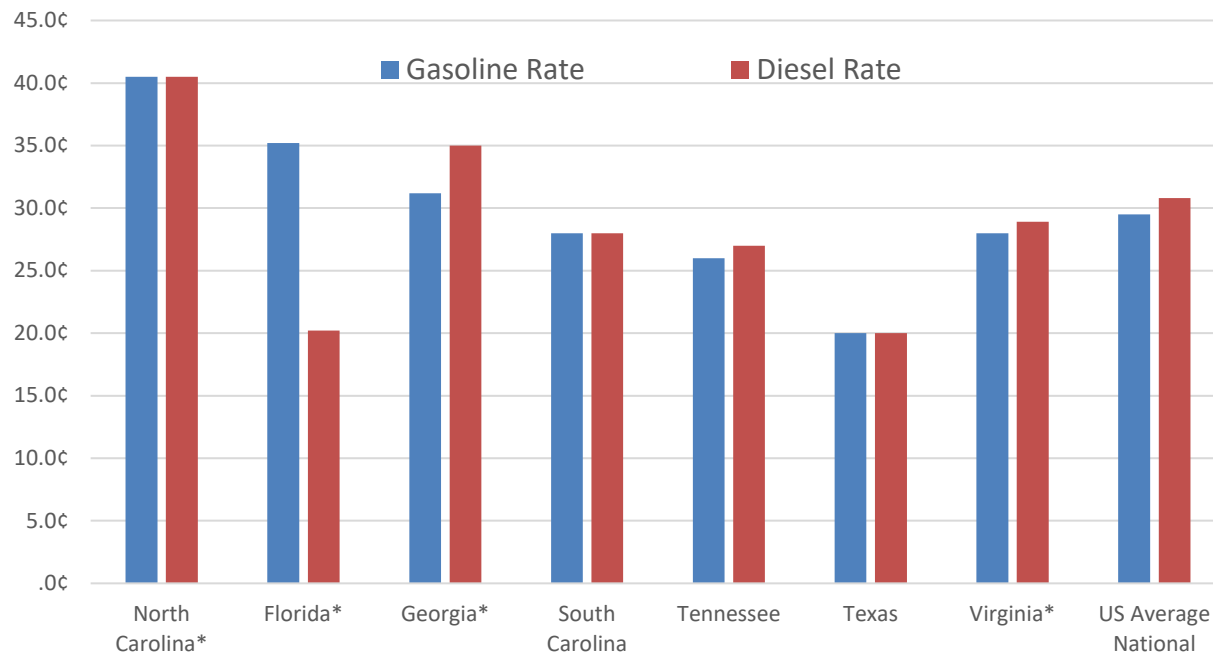
State-Controlled Highway Funding, 2020



Data Source – <https://www.fhwa.dot.gov/policyinformation/statistics/2020/sf21.cfm>

North Carolina Motor Fuel Taxes

- **S.L. 2015-2** modified the Motor Fuel Tax to a formula-based rate beginning January 2018. The formula is based upon the previous year's tax rate plus/minus 75% of population percentage change for the upcoming calendar year and 25% of the Consumer Price Index - Energy change, as determined in October for the upcoming calendar year tax rate change.
- 1 cent of motor fuels tax yields about \$63 million in revenues (all fuels) on average.



State	Gasoline Rate	Diesel Rate
North Carolina*	40.5¢	40.5¢
Florida*	35.2¢	20.2¢
Georgia*	31.2¢	35.0¢
South Carolina	28.0¢	28.0¢
Tennessee	26.0¢	27.0¢
Texas	20.0¢	20.0¢
Virginia*	28.0¢	28.9¢
US Average National	29.5¢	30.8¢

*States with a variable rate which don't require action by the legislature.

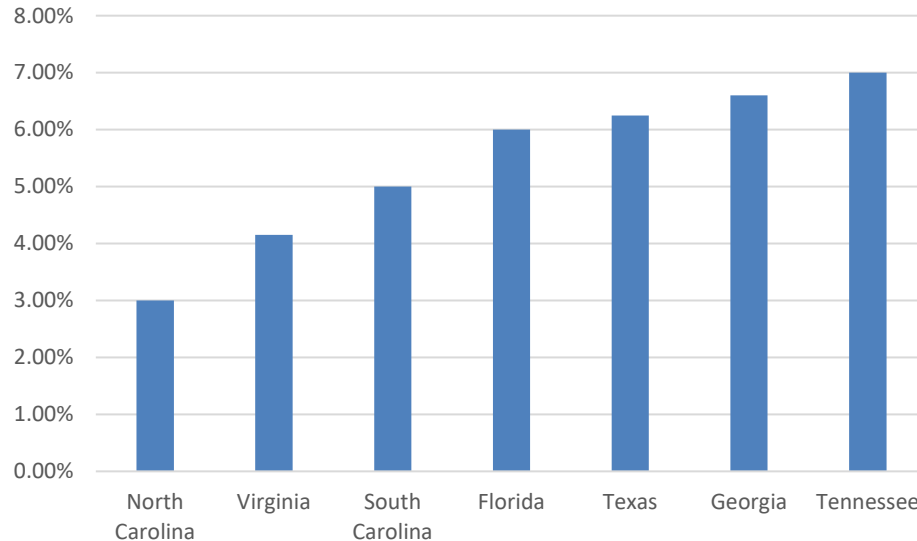
[https://igentax.com/gas-tax-state-2/#](https://igentax.com/gas-tax-state-2/#_ga=2.244514111.1629382421.1643752000.1643752000) Gas tax by state January 2023

<https://www.taxadmin.org/assets/docs/Research/Rates/mf.pdf>

<https://www.ncsl.org/transportation/variable-rate-gas-taxes>

Highway Use Taxes

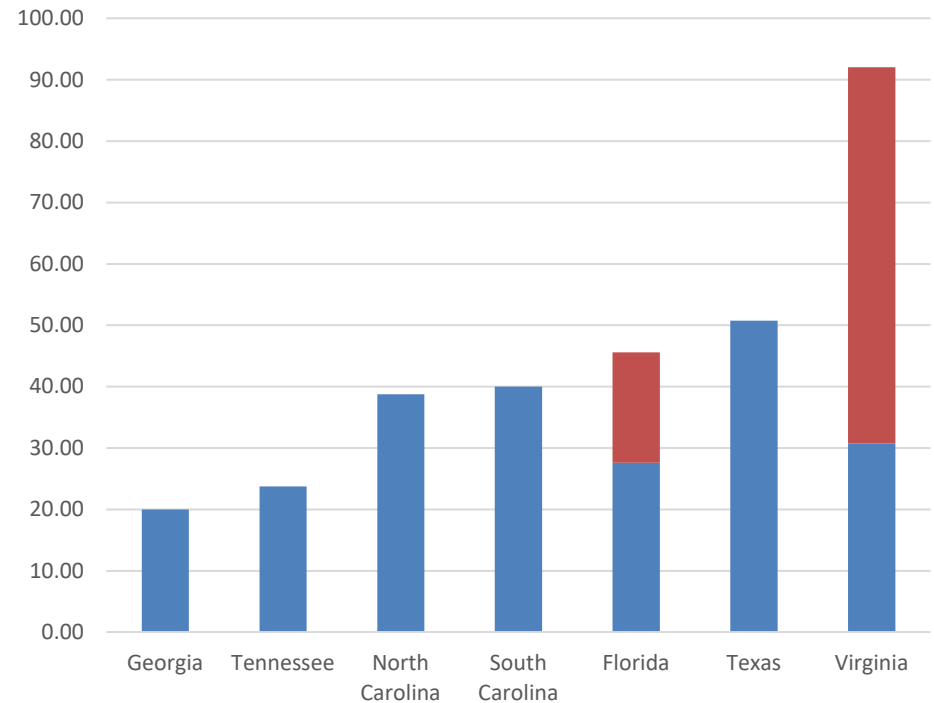
- North Carolina - Highway Use Tax is collected when the vehicle is sold, leased, or newly titled. It is **3% of the vehicle's price** (net of trade allowance); this generates about \$1 billion annually (FY 2022-23). One percent tax rate yields about \$360 million. Though this tax rate has not increased; the tax collection has increased. Additionally, short-term leases total about \$95 million annually.
- NC Highway Use Tax is lower than other states in the region, except South Carolina for vehicles over \$16,700 (net of trade) since SC has a maximum of \$500.



Comparison State	Tax
Florida	6% plus local option on first \$5k
Georgia	6.6% - Title Ad valorem Tax
	3% for vehicles newly titled in GA.
South Carolina	Infrastructure Maintenance Fee =5% net of trade; Maximum is \$500.
	New residents pay \$250 IMF per vehicle
Tennessee	7% net of trade Local Tax county/city 2.75%
Texas	6.25% net of trade
Virginia	4.15% Sales and Use Tax

DMV – Vehicle Registration Fees

- **Passenger vehicle annual registration \$38.75**
(2024 adjustment)
- Comparison states' annual rates for private passenger vehicles:
 - FL: \$27.60-\$45.60 plus other taxes and fees
 - GA: \$20 (hasn't changed in over 10 years)
 - SC: \$40
 - TN: \$23.75 (waived through June 2023)
 - TX: \$50.75 plus local county taxes
 - VA: \$30.75 – \$35.75 plus Highway Use Fee scale based upon vehicles with fuel efficiency beginning at 25 mpg and greater (2020 legislation)



<https://www.tn.gov/revenue/vehicle-registration-renewal-state-fee-waiver.html>

<https://www.makefloridayourhome.com/blog/how-much-does-it-cost-to-register-a-car-in-florida->

<https://dor.georgia.gov/motor-vehicles/motor-vehicle-titles-and-registration/motor-vehicles-fees-fines-and-penalties>

<https://www.carregistration.com/blog/south-carolina-vehicle-registration/>

<https://www.txdmv.gov/motorists/register-your-vehicle>

DMV Fees Electric Vehicle Additional Registration Fees

Georgia	\$211
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Tennessee	\$100
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North Carolina	\$140.25
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South Carolina	\$120
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Virginia	\$116.49
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<https://www.scdmvonline.com/fees>

<https://revenue.support.tn.gov/hc/en-us/articles/360060541291-VR-5-Registration-Fees-for-Hybrid-or-Electric-Vehicles>

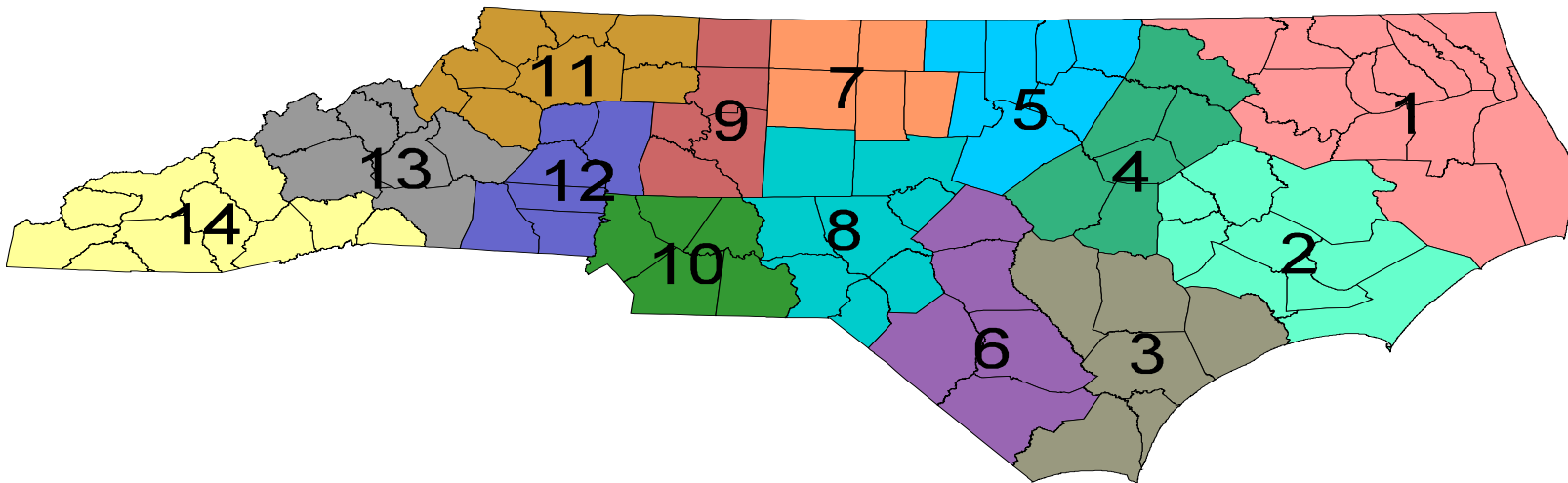
DOT Organization Divisions



Division of Highways

Responsible for all aspects maintenance and construction of the State's Interstate, Primary, and Secondary highway and road system through its 14 Divisions.

FY 2022-23 Certified Budget	
Total Requirements (HF & HTF)	\$1.9 billion
FTE's	7,857



Source: NCDOT; full information on divisions and districts found here: https://connect.ncdot.gov/resources/State-Mapping/Documents/BOT_Div_Dist_Offices.pdf

NCDOT – Division of Motor Vehicles

G.S. 20 creates and defines the powers and duties of DMV.

FY 2022-23	
Requirements	\$176.3 million
Receipts	\$45.5 million
Net Appropriations	\$130.8 million

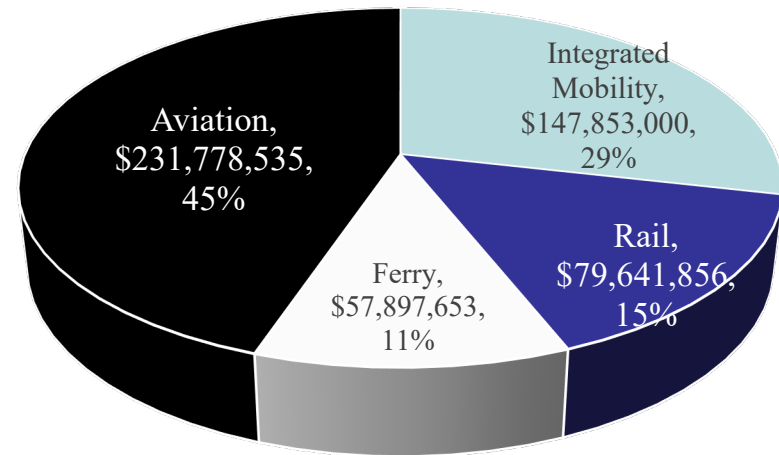
Responsibilities include:

- Driver license/ID card issuances
- Vehicle titles and registrations
- Dealer/Salesperson licensure
- Inspection station licensure and inspection
- MV law enforcement (ID fraud, stolen vehicles)
- Hearings

NCDOT - Modes

Total Requirements	\$517
Receipts	\$175
Net Appropriations	\$342
FTE	602

Grants Administration
 Transit, Airports, Short line RR
 Passenger Rail Services
 State-operated ferry services
 Planning and technical assistance
 Safety projects and education
 Data management



12% of Highway Fund

Recent Legislative Highlights

S.L. 2022-74 – The 2022 Appropriations Act

Transferred 2% of the sales tax to the Highway Fund, 4% in FY 2023-24 and 6% in FY 2024-25 and after

Cost-Escalation Adjustment \$135 million Nonrecurring

Contracts awarded prior to March 1, 2022

Allowance for increased construction material costs

Remaining Funds go to the General Maintenance Reserve Account

DOT developed process

\$144 million requested and \$72 million verified to be eligible

Right-of-Way Acquisition \$109.8 million Nonrecurring

Undue hardship categories

**No funds expended year-to-date

DOT determining qualifying claims under the law

Commercial airports grant increased to \$100 million

Infrastructure Investments and Jobs Act funding appropriated for highways, transit, electric charging station programs, and airports

Turnpike Authority Overview

Plans, finances, builds, and operates North Carolina's toll roads, managed lane projects, and electronic and mail tolling system.

- Established, 2002 (S.L. 2002-133)
- Moved to DOT, 2008
- Issued first bonds, 2009
- Triangle Expressway, 2011
- Monroe Expressway, 2018
- I-77 Express Lanes, 2019

In Progress

- I-540 completion
- I-485 Express Lanes

Certified Budget FY 2022-23 (in millions)	
<i>Total Requirements</i>	\$ 467.9
<i>Receipts</i>	\$ 448.8
<i>Change in Fund Balance</i>	\$ (19)
<i>FTE</i>	18.0

North Carolina Ports Authority

The Ports Authority is responsible for the Port of Morehead City and the Port of Wilmington.

Certified Budget 2022-23	
Total Requirements	\$59,515,723
Receipts	\$100,928,365
Change in Fund Balance	\$41,412,642
FTE	216

Recent Legislative Action:

- S.L. 2021-80 Wilmington Harbor Enhancement Reserve \$283.8 million to match federal funding
- S.L. 2020-91 (DOT Budget, FY 2020-21) required quarterly payment of the Highway Trust Fund capital improvements payment
- S.L. 2019-231 - \$11 million to raise the power lines above the Cape Fear River to increase clearance at the Wilmington Port

NCDOT – Global TransPark

The Global TransPark (GTP) is a 2,500 acre multi-modal industrial site in Kinston, North Carolina. The park features more than 900 acres of shovel-ready sites and hosts tenants including: Draken International, Spirit Aerosystems, NC Forestry Service, Mountain Air Cargo, and NC Emergency Management.

Programs and Initiatives:

- Training and Innovation
- Facility Improvements
- Business Development

Certified Budget 2022-23	
Total Requirements	\$10,452,406
Receipts	\$10,452,406
Change in Fund Balance	\$0
FTE	15.75

Recent Legislative Action

- S.L. 2021-180 appropriated \$8 million nonrecurring in each year of the biennium for capital improvement projects
- S.L. 2019-231 \$658,000 repairs to terminal parking lot, airfield parking, north cargo building, T hangers, and loading docks

Questions?