

**Department of Transportation
Budget 801
House Bill Nos. 1012, 1176; Senate Bill Nos. 2015, 2103**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation (original)	1,080.50	\$656,375,558 ¹	\$2,621,156,019	\$3,277,531,577
2013-15 legislative appropriation	<u>1,079.50</u>	<u>1,464,020,000²</u>	<u>1,920,779,434</u>	<u>3,384,799,434</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	1.00	(\$807,644,442)	\$700,376,585	(\$107,267,857)
2015-17 general fund budget allotment (4.05 percent)	<u>0</u>	<u>(\$26,583,210)</u>	<u>\$0</u>	<u>(\$26,583,210)</u>
Adjusted 2015-17 appropriation after budget allotment	1,080.50	\$629,792,348	\$2,621,156,019	\$3,250,948,367

¹This amount includes a \$503.1 million transfer from the general fund to the highway fund, \$112 million for transportation distributions to non-oil-producing counties, a \$2 million transfer from the general fund to the special road fund, a \$200,000 contingent transfer from the general fund to the public transportation fund, a \$18 million transfer from the general fund to the highway fund, a \$20 million contingent transfer from the general fund to the highway fund, a \$1 million general fund appropriation to offset motor coach costs, and a \$60,000 general fund appropriation for a truck size and weight harmonization study.

²This amount includes a \$541.6 million transfer from the general fund to the highway fund, a \$1.1 million contingent transfer from the general fund to the public transportation fund, a \$620 million general fund appropriation for enhanced state highway investments, a \$160 million general fund appropriation to provide transportation distributions to oil-producing counties, a \$120 million general fund appropriation to provide transportation distributions to non-oil-producing counties, a \$10 million general fund appropriation for matching Transportation Investment Generating Economic Recovery III federal railroad grants, a \$6.8 million general fund appropriation for the general license plate issue, and a \$4.5 million general fund appropriation to replace the Department of Transportation's airplane.

NOTE: The 2015-17 legislative appropriations do not reflect a transfer of other funds appropriation authority of \$2,433,072 from the state agency energy impact funding pool to the Department of Transportation. See the **State agency energy impact funding pool** section below for additional information.

Item Description

General fund budget allotment - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

FTE changes - The 2015-17 biennium appropriation includes funding for 1,080.50 FTE positions, an increase of 1 FTE position from the 2013-15 biennium authorized level of 1,079.50 FTE positions. The new FTE position is for an environmental scientist III position.

Status/Result

The budget allotment reduced general fund appropriations for the Department of Transportation by \$26,583,210. The agency reduced its operating expenses (\$2,430), enhanced state highway investments (\$810,000), grants (\$40,500), funding for non-oil-producing counties (\$4,536,000) and general fund transfers (\$21,194,280) budget line items. The budget allotments will result in reduced funding for enhanced state highway investments for construction projects, allocations to non-oil-producing counties, and offsetting costs incurred from motor coach operations.

The Department of Transportation filled the environmental scientist III FTE position in September 2015.

One-time funding - The Legislative Assembly appropriated \$2,010,991,116 of one-time funding, of which \$656,375,558 is from the general fund and \$1,354,615,558 is from other funds, to the Department of Transportation for the 2015-17 biennium for the following:

	Amount
One-time general fund appropriations and transfers	
Transfer to highway fund	\$521,115,558
Transfer to special road fund	2,000,000
Funding to offset motor coach costs	1,000,000
Transportation distributions to non-oil-producing counties	112,000,000
Funding for a truck size and weight harmonization study	60,000
Contingent transfers to highway fund	20,000,000
Contingent transfers to public transportation fund	200,000
Total one-time general fund appropriations and transfers	\$656,375,558
One-time other funds appropriations	
Enhanced state highway investments	\$991,115,558
Special road funding	2,000,000
Motor vehicle registration and titling system replacement project	2,500,000
Short line railroad loan program funding from the strategic investment and improvements fund	7,000,000
Transportation distributions to oil-producing counties	240,000,000
Transportation distributions to non-oil-producing counties	112,000,000
Total one-time other funds appropriations	\$1,354,615,558
Total one-time appropriations and transfers	\$2,010,991,116

The following is a summary of the status of the Department of Transportation's one-time funding:

General fund transfer to highway fund	As of April 2016 the funds have been transferred at an allotted amount of \$500,010,378. See Enhanced state highway investments below.
General fund transfer to special road fund	As of April 2016 the funds have been transferred at an allotted amount of \$1,919,000. Projects have been contracted and are anticipated to be completed during the summer of calendar year 2016.
Motor coach costs	The general fund appropriation to offset motor coach costs has been reduced to \$959,500 due to the 4.05 percent budget allotment. As a result of the budget allotment, the Department of Transportation is anticipated to request a deficiency appropriation of \$40,500 because of federal regulations restricting losses within state fleet.
Contingent general fund transfers to highway fund	The allotted amount of \$19.19 million has been transferred to the highway fund. The contingency was met for actual 2013-15 general fund revenues exceeding legislative estimates made at the close of the 2015 legislative session.
Contingent general fund transfers to public transportation fund	See the Contingent transfers to public transportation fund section below.
Truck size and weight harmonization study	The general fund appropriation has been reduced to \$57,570 due to the 4.05 percent budget allotment. The Department of Transportation will present a draft of the report to the interim Transportation Committee in July 2016.
Enhanced state highway investments	The \$991,115,558 appropriated to the Department of Transportation includes a transfer of \$503,115,558 from the general fund in 2015 House Bill No. 1012, a transfer of \$18,000,000 and a contingent transfer of \$20,000,000 from the general fund to the highway fund in 2015 Senate Bill No. 2015, and \$450,000,000 from the strategic investment and improvements fund in 2015 Senate Bill No. 2103. Of the \$503,100,000, the \$18,000,000, and \$20,000,000, approximately \$223,100,000 has been spent and of the \$450,000,000, approximately \$180,000,000 has been spent through April 2016.

Short line railroad loan program	As of April 2016 the funds have not been transferred from the strategic investment and improvements fund to the Department of Transportation. The department is currently in discussions with industries, which utilize short line railroads to determine the level of interest in utilizing the funds available.
Motor vehicle registration and titling system replacement project	The Department of Transportation expects the titling system to become operational during the summer of calendar year 2016.
Distributions to oil-producing counties	See the Special transportation funding distributions to counties, cities, and townships section below.
Distributions to non-oil-producing counties	See the Special transportation funding distributions to counties, cities, and townships section below.

Highway tax distribution fund - The Department of Transportation estimated \$623.8 million would be distributed from collections of motor vehicle fuel taxes and registration fees deposited in the highway tax distribution fund to the state highway fund, counties, cities, the township highway aid fund, and the public transportation fund during the 2015-17 biennium.

Special transportation funding distributions to counties, cities, and townships - The 2015 Legislative Assembly provided 2015-17 biennium special transportation funding distributions to counties, cities, and townships as follows:

In 2015 House Bill No. 1012, \$8 million from the general fund was appropriated to the State Treasurer for distributions of \$5,000 to non-oil-producing counties for each organized and unorganized township within the county. For purposes of this subsection, a "non-oil-producing county" means a county that received no allocation of funding or a total allocation under North Dakota Century Code Section 57-51-15(2) of less than \$5 million for formula allocation year 2014.

In 2015 House Bill No. 1176, \$112 million from the general fund was appropriated to the Department of Transportation for transportation funding distributions to non-oil-producing counties. For purposes of this distribution, "non-oil-producing counties" means the 43 counties that received no allocation of funding or a total allocation under Section 57-51-15(2) of less than \$5 million for the period beginning September 1, 2013, and ending August 31, 2014.

In 2015 Senate Bill No. 2103, \$112 million from the strategic investment and improvements fund was appropriated to the Department of Transportation for transportation funding distributions to non-oil-producing counties. For purposes of this distribution, "non-oil-producing counties" means the 43 counties that received no allocation of funding or a total allocation under Section 57-51-15(2) of less than \$5 million for the period beginning September 1, 2013, and ending August 31, 2014.

In January 2016 the Department of Transportation revised the revenue forecast for highway tax distribution fund collections to \$542.9 million. This represents a decrease of \$80.9 million, or 13 percent, from the original estimates for revenue available for distribution during the 2015-17 biennium.

The State Treasurer distributed \$7,675,989 to non-oil-producing counties on February 22, 2016, pursuant to House Bill No. 1012. As a result of the budget allotment process, the allocation to each township was reduced by approximately \$10, from \$5,000 to \$4,990. Even though the appropriation was reduced by 4.05 percent, the allocations to each township were not because the original appropriation included more funding than was needed to provide \$5,000 to each eligible township.

The budget allotment reduced general fund appropriations for distributions to non-oil-producing counties by \$4,536,000. Through April 15, 2016, the Department of Transportation has spent approximately \$2.1 million for distributions to non-oil-producing counties.

Through April 15, 2016, the Department of Transportation has spent approximately \$59.4 million for distributions to non-oil-producing counties.

Through April 15, 2016, the Department of Transportation has spent approximately \$172.8 million for distributions to oil-producing counties.

The State Treasurer distributed \$15.55 million to non-oil-producing counties on March 6, 2016, pursuant to Senate Bill No. 2103.

In 2015 Senate Bill No. 2103, \$240 million from the strategic investment and improvements fund was appropriated to the Department of Transportation for transportation funding distributions to oil-producing counties. For purposes of this distribution, "oil-producing counties" means the ten counties that received the highest total allocations under Section 57-51-15(2) for the period beginning September 1, 2013, and ending August 31, 2014.

In Senate Bill No. 2103, \$16 million from the strategic investment and improvements fund was appropriated to the State Treasurer for distributions of \$10,000 to non-oil-producing counties for each organized and unorganized township within the county. For purposes of this subsection, a "non-oil-producing county" means a county that received no allocation of funding or a total allocation under Section 57-51-15(2) of less than \$5,000,000 for formula allocation year 2014.

State agency energy impact funding pool - The Legislative Assembly appropriated \$2,400,000 from the general fund and \$5,565,000 from other funds to the Office of Management and Budget for a state agency energy development impact funding pool. Section 5 of 2015 Senate Bill No. 2015 allows a state agency to submit an application to the Office of Management and Budget to receive a transfer of funds from the pool for employee housing rental assistance and for temporary salary increases for employees affected by energy development. The Office of Management and Budget is to review any submitted applications and provide a recommendation to the Emergency Commission for final approval or rejection.

Contingent transfers to public transportation fund - Section 11 of House Bill No. 1012 provides contingent transfers of \$200,000 from the general fund to the public transportation fund on July 1, 2015, and July 1, 2016. The transfers are contingent upon deposits from the highway tax distribution fund into the public transportation fund being \$5.2 million or less during the preceding state fiscal year.

Line item transfer - Section 3 of House Bill No. 1012 authorizes the Director of the Department of Transportation to make transfers of funds between the salaries and wages, operating expenses, capital assets, and grants line items when it is cost-effective for construction and maintenance of highways.

Distributions from the pool have been made for the period beginning July 1, 2015, and ending June 30, 2016. A total of \$2,433,072 from other funds has been transferred from the pool to the Department of Transportation. Through April 2016 no additional distributions have been made from the funding pool.

The Office of Management and Budget transferred \$100,000 from the general fund to the public transportation fund in July 2015 as the contingency was met because deposits from the highway tax distribution fund into the public transportation fund totaled \$4,765,566. The Department of Transportation expects that the contingency for the second transfer will be met as deposits from the highway tax distribution fund into the public transportation fund for the first 11 months of the biennium have totaled \$3,835,588 and the transfer of an allotted amount of \$95,950 will likely occur in July 2016. The public transportation fund transferred \$4,050 to the general fund to meet the 4.05 percent budget allotment requirement for the first contingency transfer, which occurred in July 2015.

The Department of Transportation transferred \$26.1 million from the operating expenses line item to the capital assets line item and \$2 million from the capital assets line item to the grants line item in August 2015. The \$26.1 million transfer is for the state-funded road maintenance projects which were budgeted in the operating expenses line item but should have been budgeted in the same manner as the contractor payments in the capital assets line item. The \$2 million transfer is for the special road fund which was budgeted in the capital assets line item but should have been budgeted in the grants line item.

REAL ID Act - The federal REAL ID Act and related rules establish minimum standards for state-issued driver's licenses and personal identification cards to be accepted for official federal purposes. REAL ID became effective on May 11, 2008, but states are able to request waivers until October 1, 2020, to comply with the Act. North Dakota currently has a waiver until October 10, 2016. If states with a waiver show progress in complying with the Act by January 22, 2018, the state may receive an additional extension until October 1, 2020, to complete full implementation of REAL ID.

The Department of Transportation has received an extension through October 10, 2016, to show compliance with the REAL ID Act. To receive an extension beyond October 10, 2016, the department needs to show progress is being made to comply with the Act. The department anticipates receiving an extension from the federal Department of Homeland Security.

However, if an extension is not granted to North Dakota by the Department of Homeland Security after October 10, 2016, North Dakota driver's licenses will be an authorized form of federal identification to access federal buildings or board aircraft until January 22, 2019. After January 22, 2019, North Dakota driver's licenses will not qualify as an authorized form of federal identification to access federal buildings or board aircraft.