

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 811 (First Edition)

SHORT TITLE: Study Transportation Process and Funding.

SPONSOR(S): Representative Torbett

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES	*No State Impact*				
EXPENDITURES	*\$0 to \$5 Million or More*				
	See Assumptions & Methodology				
POSITIONS (cumulative):	0	0	0	0	0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Program Evaluation Division of the NC General Assembly					
EFFECTIVE DATE: To be determined by the Joint Legislative Program Evaluation Oversight Committee					

BILL SUMMARY:

Section 1 of House Bill 811 requires the Program Evaluation Oversight Committee to direct the Program Evaluation Division (PED) to study the North Carolina Department of Transportation's (DOT) road construction process, including maintenance and repairs, and to develop operational plans or practices that would result in increased operating efficiency and cost savings. The bill directs the PED to include this study in its 2011-12 Work Plan, and the bill provides additional details on the study topics.

Section 2 of House Bill 811 directs the PED to submit the findings and recommendations of the study to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

Source: Bill Digest (April 7, 2011)

BACKGROUND

Pursuant to Chapter 120-36.13 of the General Statutes, any task that is added to the PED's Work Plan by the General Assembly automatically amends the annual PED Work Plan. The annual Work Plan constitutes an information request and a drafting request made by the Joint Legislative Program Evaluation Oversight Committee Co-Chairs to legislative employees under Article 17 of Chapter 120 of the General Statutes. This Work Plan process provides the General Assembly a joint-chamber and bi-partisan way of weighing priorities and allocating the limited staff time available to projects that are high priority to the General Assembly.

PED issues two types of reports: evaluation reports and North Carolina Accountability Reports (NCAR). PED applies a rigorous methodology to provide answers to specific research questions when conducting evaluation reports. These reports are data intensive and there is a lot of field work conducted. Also, PED provides recommendations when conducting evaluation reports. NCARs are like credit ratings, and are less data intensive than evaluation reports. With the NCARs, PED determines whether accountability elements are evident and determines the degree of investment risk. Also, PED relies upon the program within a department or agency to provide the evidence when conducting a NCAR.

ASSUMPTIONS AND METHODOLOGY:

Section 1 of House Bill 811 amends the PED's 2011-12 Work Plan by directing the PED to study the DOT's road construction process. PED asserts that the study required by this bill would displace one of the non-statutory projects that are included in the PED's 2011-12 Work Plan. Conducting the study required by this bill has several possible approaches that underscore increased staff requirements, although PED reports that it does not make a practice of suggesting the hiring of additional staffers to conduct a new project. Therefore, the cost for a PED-led study would be absorbed within the PED's budget and there would be no additional cost to the State.

Approach 1: The PED Staff Could Conduct a Program Evaluation

The first approach would be the assignment of existing PED staff. PED estimates that it would have to assign 4 of 8 evaluators to conduct the study required by House Bill 811 in one of two ways.¹ PED could issue three reports that cover the broad activities of DOT, namely construction, maintenance, and support operations. PED estimates the following: 1) the DOT construction study would be completed in 7 months and would require 2,500 PED staff hours; 2) the DOT maintenance study would be completed in 6 months and would require 2,000 PED staff hours; and 3) the DOT support programs study would be completed in 5 months and would require 1,500 PED staff hours. In total, these three reports are estimated to require 6,000 hours over an 18 month period. As previously mentioned, the cost of these studies would be absorbed within the PED's budget.

The other option would allow PED to assign 4 evaluators to produce one comprehensive report that would be completed in 18 months. Over an 18 month period, the PED estimates that this study

¹ PED consists of 10 staffers.

would require 6,000 PED staff hours. The cost of this study would also be absorbed within the PED's budget.

Approach 2: The PED Staff Could Conduct a North Carolina Accountability Rating

The PED conducted a NCAR on DOT maintenance and currently has another NCAR on DOT construction in progress. If PED were to augment these two assessments by adding questions that address the study outlined in House Bill 811, PED estimates that 500 PED staff hours would be required. However, the NCAR rating would not be equivalent in depth or scope as a full program evaluation report. As previously mentioned, the cost of this approach would be absorbed within the PED's budget.

Approach 3: The PED Could Outsource the Study to a Consulting Firm

A third approach available to the General Assembly is to require the PED to issue a request for proposal and contract out the study to a consulting firm. PED estimates that this study could be conducted in less than a year, and conservatively estimates the cost to be a minimum of \$1 million to \$1.5 million (4,000 to 6,000 contractor hours at a blended rate of \$250 per hour). With that said, the PED reports that the cost of the study could cost upward to \$5 million or more for two reasons: 1) as a result of North Carolina's geocomplexity, the DOT controls roads that would be the responsibility of the local government in other states; and 2) contractors may perceive a risk in making recommendations that involve engineering and reputational consequences.

SOURCES OF DATA: Program Evaluation Division of the NC General Assembly

TECHNICAL CONSIDERATIONS:

House Bill 811 allows the Joint Legislative Program Evaluation Oversight Committee to determine the due date for the DOT study. However, PED reports that it would have to commence the DOT study by June 1, 2011 to complete the study by December 31, 2012. If PED were to start later than June 1, 2011, the study may not be completed until 2013.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Tazra Mitchell and Michele Nelson

APPROVED BY

:

Lynn Muchmore, Director
Fiscal Research Division

DATE: May 5, 2011



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