

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

NOTE: This fiscal note contains attachments that cannot be transmitted electronically; paper copies of the attachments are available through the Office of Printed Bills and the Fiscal Research Division.

BILL NUMBER: House Bill 540 (Senate Committee Substitute)

SHORT TITLE: Highway Bond Act of 1995

SPONSOR(S): Representative Connie Wilson

FISCAL IMPACT: **Expenditures:** Increase () Decrease (X)
 Revenues: Increase () Decrease ()
 No Impact ()
 No Estimate Available ()

FUNDS AFFECTED: General Fund () Highway Fund () Local Fund ()
 Other Fund () Highway Trust Fund (X)

BILL SUMMARY: An Act to Authorize the issuance of nine hundred and fifty million dollars in General Obligation Bonds of the state for the construction of the intrastate system (\$300 million), urban loops (\$500 million) and secondary roads (\$150 million).

EFFECTIVE DATE: Bill is effective upon ratification except Sections 6, 7, 15 and 16, which are effective upon favorable vote of the people.

FISCAL IMPACT

	<u>FY 1996 - 2012</u>
HIGHWAY TRUST FUND	
EXPENDITURES	-\$93 million
REVENUES	----
SURPLUS	\$93 million

NOTE: The major difference between the bill and current law is the amount of surplus revenue remaining after the Trust Fund has terminated, and the purposes for which this revenue is available. The PCS for HB 540 will result in \$93 million less in expenditures than under current law. As a result, surplus revenue will increase by the same amount. The PCS requires that surplus revenues in the intrastate and urban loops allocations be placed in a reserve for maintenance of roads in those categories.

ASSUMPTIONS AND METHODOLOGY: This note is based on two funding schedules originally prepared by the Department of Transportation and modified by the Fiscal Research Division. The assumptions for the tables are as follows:

1) Each year the remaining project costs will grow by a 3% inflation rate;

- 2) The Highway Trust Fund revenue for the years 1996 - 2002 is estimated by the Office of State Budget; post 2001-02 revenue growth is based on the trend in revenue growth over the 1996 - 2002 period;
- 3) The Highway Fund revenue allocated for secondary roads will grow in proportion to the growth in motor fuel tax revenue;
- 4) The bond payment schedule, supplied by the Office of State Treasurer, results in an interest cost of \$476 million;
- 5) The \$20 million per year for secondary road maintenance from construction dollars is based on actions by the Board of Transportation and DOT since 1991; DOT spends a portion of each county's construction allotment to fund spot stabilization, replace small bridges, improve paved roads and do safety projects;
- 6) Secondary road includes all unpaved roads outside municipal limits that are to be paved with both Highway Fund and Highway Trust Fund dollars; and
- 7) The bill requires \$10 million a year in federal funds be applied to the intrastate system and \$10 million a year in federal funds be applied to urban loop projects in addition to the bond proceeds. These funds provide an additional \$310 million for Trust Fund projects. No federal funds are included in the current law chart for loops and intrastate projects.

CURRENT LAW

Attachment 1, Current Trust Fund (No Bonds), shows the estimated cost and payments for intrastate, loop and secondary road projects from 1995-96 to 2011-12. The current law schedule shows that the Trust Fund payments for secondary roads will end after 2005-06. G.S. 136- 182 states that the secondary road allocation "...shall be discontinued when the Department of Transportation certifies that, with funds available from sources other than the Trust Fund, all state- maintained unpaved secondary roads, regardless of their traffic vehicular equivalent, can be paved during the following six years. If the supplement is discontinued before the Trust Fund terminates, the funds that would otherwise be allocated under this section shall be added to the allocation from the Trust Fund for projects of the Intrastate System..." Given that the Highway Fund can complete the paving of unpaved roads and meet bond payments by the year 2011-12, this fiscal note assumes the Trust Fund allotment for secondary roads is transferred to Intrastate projects in the year 2006-07.

By the end of 2011-12, both the intrastate and loop systems will be completely funded. Both the current law and the bill state that the Secretary of Transportation will certify by letter to the General Assembly when "...sufficient revenue has been accumulated to pay the contracts..." let for Highway Trust Fund projects. The Trust Fund will terminate the "...first day of the calendar quarter following the date the Secretary sends the letter..." (section 8.4). The current law scenario will have the Trust Fund ending in the at the end of the fourth quarter of 2012, with all projects funded and a surplus of \$749 million available. Current law does not address how these funds shall be used.

The current law schedule (Attachment 1) does not include federal funds. Although federal funds have been used on both loops and intrastate projects, in most cases an equivalent amount of Highway Trust Fund dollars have been transferred out of the projects to the Highway Fund. Since the current law (G.S. 136-176(c)) allows the Board of Transportation to transfer a Highway Trust Fund dollar for every federal dollar placed on a Trust Fund project, there is no benefit in including federal funds in the current law funding schedule.

HB 540

In **Attachment 2, HB 540 (Senate PCS)**, the secondary roads are finished by 2011-12, but the Trust Fund allotment for secondary roads is transferred to the intrastate system in 2006-07. HB 540 requires DOT to use \$10 million per year in federal funds on loop projects and another \$10 million per year in federal funds on intrastate system projects from 1996-97 to 2011-12. The annual expenditure of \$20 million in federal funds will come from DOT's yearly federal allotment of \$500+ million for highway construction. The combination of bond proceeds, federal funds and Trust Fund revenues will fully fund the intrastate system by the end of 2010-11, and the urban loops by the end of 2011-12. The Trust Fund will cease at the end of 2011-12. The surplus available after the termination of the Trust Fund under the PCS for HB 540 will be \$842 million. Of this amount, \$801 million will be reserved for maintenance on the intrastate system, and \$41 million will be reserved for maintenance on urban loops.

SOURCES OF DATA: DOT, Office State Budget, State Treasurer

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Karl Knapp

APPROVED BY: Tom Covington

DATE: June 12, 1996

[FRD#003]



Signed Copy Located in the NCGA Principal Clerk's Offices