

What is the Cash Balance?

The law requires NCDOT to maintain at least 7.5% of its revenue as “cash on hand.”

The accounts show a higher cash balance than NCDOT is reporting, why?

Cash reported by NCDOT has historically excluded a GARVEE bond debt service reserve established in consultation with the Local Government Commission. This reserve was designed to strengthen the appeal of North Carolina GARVEE bonds with rating agencies and investors.

How did NCDOT go from having over \$2B in cash to being worried about not having enough?

In January 2017, NCDOT had a “project delivery” challenge. Funds were allocated for projects, but projects were not ready for construction and instead of being used on its intended purpose, cash accumulated.

NCDOT implemented several significant changes to correct this:

- Increased planning and design preliminary engineering so that projects would be ready when the funds were available
- Improved internal processes so that required preconstruction work was completed in a timelier fashion so that projects would be ready to build
- Shifted funds to projects that were ready as other projects were prepared
- Developed an internal process for ensuring projects were being prepared with the necessary environmental document that would result in the project meeting requirements utilizing the most efficient process
- Increased the number of projects managed and delivered at the local level

These efforts moved multiple projects forward. While these efforts were taking place, North Carolina was subjected to a series of significant weather-related events and Map Act settlements increased which depleted cash.

How do weather-related events negatively impact NCDOT’s cash? Doesn’t North Carolina get reimbursed?

NCDOT has two funds – one for capital projects (new) and one for operations and maintenance (repair, up-keep, and all other programs). The capital fund can only be used for new projects. When a weather-related event happens, funds for preparations, response and recovery must come from the operations and maintenance fund. The cash balance is the combination of cash from those two funds.

While North Carolina gets reimbursed for some weather-related events, it does not receive reimbursement at 100%. In addition, most weather-related events are “non-declared” for which no reimbursement is available. In addition, NC must pay for the repairs and submit for reimbursement.

Why does it take so long to get reimbursed?

First, large repairs must be completed before seeking reimbursement. There are also multiple checks and balances put in place at the Federal level that must be adhered to. Sometimes – as is the case with Hurricane Matthew recovery – guidelines or processes change at the Federal level, which take time to implement.

What is the Map Act? What is NCDOT settling? Why is it impacting cash?

Nearly 30 years ago, a law was passed that allowed NCDOT to estimate where a future loop would be built. Properties within the estimated path of the future roadway had restrictions placed upon them related to dividing or improving their property. In 2016, the NC Supreme Court ruled that those property owners had a right to file suit against the department for financial damages.

To move projects forward, NCDOT has worked hard to settle these claims with property owners, allowing the department to deliver projects.

The operations and maintenance budget must be used to cover all expenses above and beyond the actual cost of purchasing the land (damages, interest, attorney fees).

Why didn't NCDOT decrease spending months ago?

NCDOT began cost saving measures in early 2019 as the extent of the weather events and the cost of Map Act cases increased. NCDOT was open and transparent with policy makers, private-sector partners and stakeholders as the financial models indicated a cash crunch could take place this fall.

When will the cash flow issue be resolved?

That is unclear as external forces (such as weather) will influence timing.

How can this be prevented in the future?

NCDOT is exploring several courses of action based on internal assessments, recommendations from the McKinsey review and ideas from the NC FIRST Commission.