COVID-19

- Current Situation
- Impacts
- Possible outcomes
Pre-COVID-19

- Storm response/recovery and legal settlements depleted cash balance, department enacted aggressive measures:
  - Delayed project lettings, reduced capital program
  - Decreased or suspended routine maintenance

- NCDOT enacted a spend plan with targets below appropriated levels
  - Appropriations for restricted accounts increased, decreased General Maintenance Reserves (GMR)
  - NCDOT had to prepare for mandated move of funds into new disaster reserve
Deferred Maintenance
Deferred Maintenance
June 2019 Storm
February 2020 Storm
April 7, 2020 Storm
Current Situation

• Pre-COVID-19, NCDOT operating on thin margin
• Because NCDOT is 100% receipt supported, COVID-19 impact to traffic volumes is devastating
  - Volumes down by 40% - 50%
  - Impacts revenue by more than $300M in this FY
• Even with cuts already made, obligations not being kept, NCDOT will soon hit cash floor
NCDOT Expenditures
SFY 2020 as of March 31, 2020

- External Payments (74.8%)
- DOT Labor (12.0%)
- Miscellaneous Service Contracts (2.3%)
- Vendor Payments (3.8%)
- Debt Service (3.2%)

- Material Purchases (63.3%)
- Powell Bill (4.2%)
- Grants to Other Entities (7.6%)
- Right of Way Purchases (10.9%)
- Prof Engineering & Consultant Contracts (13.1%)
- Construction Contracts (0.0%)
Location of Material Suppliers
Comparison to Previous Event

The Great Recession (Dec/2007 to June/2009)

<table>
<thead>
<tr>
<th>Comparison Time Interval</th>
<th>1st Quarter</th>
<th>Next 4 Quarters</th>
<th>Total Recession 12/07 to 6/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Consumption</td>
<td>-1.8%</td>
<td>-4.3%</td>
<td>-4.9%</td>
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<tr>
<td>Total Revenues</td>
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<tr>
<td>Recovery Time*</td>
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<td>57 Months</td>
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COVID-19 Impact (Mar/2020 to ????)

<table>
<thead>
<tr>
<th>Comparison Certified Budget</th>
<th>Quarter (Apr – June/2020)</th>
<th>SFY 2020</th>
<th>SFY 2021</th>
<th>COVID Impact ?? to ??</th>
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</thead>
<tbody>
<tr>
<td>Fuel Consumption</td>
<td>-38% to -42%</td>
<td>-7% to -11%</td>
<td>-2% to -6%</td>
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<tr>
<td>Total Revenues</td>
<td>-32% to -36%</td>
<td>-6% to -10%</td>
<td>-7% to -11%</td>
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<tr>
<td>Recovery Time*</td>
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</table>

*Recovery Time to Pre-recession levels
### State Revenues (Highway Fund and Highway Trust Fund)

<table>
<thead>
<tr>
<th>Comparison Certified Budget</th>
<th>Quarter (Apr – June/2020)</th>
<th>SFY 2020</th>
<th>SFY 2021</th>
<th>COVID Impact 2020 to 20??</th>
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<tbody>
<tr>
<td>Fuel Consumption</td>
<td>-40% average</td>
<td>-9%</td>
<td>-4%</td>
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<tr>
<td>Total Revenues</td>
<td>-$300M</td>
<td>-$370M</td>
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### STIP Revenues (Highway Trust Fund and Federal Aid)

<table>
<thead>
<tr>
<th>Comparison Previous Budget</th>
<th>SFY 2020 to SFY 2021</th>
<th>5-Year</th>
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<tbody>
<tr>
<td>Total</td>
<td>-$312M</td>
<td>-$650M</td>
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</table>
Current Actions

- Keep 620 active construction projects moving if possible
  - Suspension of these projects could cost $1.5M per day in claims
- Delay contract advertisements over next 12 months
  - Delay approximately 250 projects estimated at $2.1B
  - Remaining projects estimated at $675M (all supported by bonds or grants)
- Hiring Freeze
- 50% cost reduction in temporary and contract employees
- Planning for possible furloughs, Reduction In Force (RIF)
Actions Going Forward

Immediately suspend:
- Wildflower Program
- Litter Sweep
- Engineering Training Program
- HBCU and Summer Internship Program
- Economic development grants and projects
- Passenger ferry from Hatteras to Ocracoke
- State Park road maintenance
- Reimbursement to schools for road improvements

Significantly reduce:
- Mowing along roadways and rest areas
- Storm repairs
- Sign repairs
- Patching pavement
- Municipal support for traffic signal/signs/landscaping
- Traffic signal installation
- Spot safety projects
- Incident Management Assistant Program (IMAP)
- Ferry and rail operations
Possible Future Scenario 1

*NCDOT does not receive any revenue replacement*

- NCDOT hits the floor
- All future lettings not supported by GARVEE, BUILD NC or Federal grants are suspended for a minimum of 12 months
- Employee furloughs begin in May
- Active projects continue until NCDOT expends all funds
- Additional consultant and temporary layoffs
- Non-highway programs also limited to only life and safety activities
- NCDOT cannot fund restricted accounts

Once below the floor
- NCDOT cannot enter into any contracts or modify existing contracts
- If an LPA closes, we cannot open with a different vendor
Possible Future Scenario 2

*NCDOT receives partial replacement revenue*

- NCDOT still cannot meet budget requirements
- Operations reduced to meet spend plan
  - Funding for projects, operations, modes, decreased below NCGA appropriated levels
- Maintenance of existing network delayed
  - Only critical safety needs met
  - System remains at current state of repair
Post COVID-19 Scenario #2a
Staying within spend plan – reduce funding to restricted accounts

Statutory Reporting Threshold

Cash Balance Projections
Statutory Target
Statutory Minimum

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Post COVID-19 Scenario #2b
Fund restricted accounts at appropriated level

Statutory Reporting Threshold

Cash Balance Projections

Statutory Target

Statutory Minimum

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Possible Future Scenario 3

*NCDOT receives replacement funding for disasters/COVID-19*

- All obligations in the budget are met
- No furloughs/layoffs
- Direct stimulus for private sector jobs in all 100 counties
- Ability to prepare, respond and recover from storms
Post COVID-19 Scenario #3
Return to pre-Florence activity level

Cash Balance Projections

Statutory Reporting Threshold

Statutory Target

Statutory Minimum

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Economic Benefits of Transportation Investments

Highways
According to the ARTBA 2015 U.S. Transportation Construction Industry Profile:
The design, construction and maintenance of transportation infrastructure in North Carolina:
- **54,749 direct jobs, 55,153 indirect jobs**
- Earnings of $3.7 billion annually
- This sector contributes an estimated $673.6 million in taxes
- 2019 public and private construction/maintenance investment - $7.4 billion

Public Transportation
According to TREDIS (Transportation Economic Development Impact System), North Carolina’s transit systems provided $1.51 billion in statewide business output and supported more than **12,000 jobs** resulting in $650 million in wages.
Economic Benefits of Transportation Investments

Aviation
According to ITRE, North Carolina’s public airports annually contribute $52 billion to the state’s economy, supporting 307,000 jobs that generate $12.6 billion in personal income and $2.2 billion in state and local tax revenues.

Ferries
According to ITRE, North Carolina’s Ferry System contributes $735.2 million to the state’s economy, supporting 5,860 jobs that generate $217.3 million in personal income and $32.5 million in state and local tax revenues.

Rail
According to the NCDOT Comprehensive State Rail Plan (2015), freight and passenger rail networks contribute $1.88 billion in direct economic impacts per year for North Carolina.

Additionally, broader social impacts generate $311 million in emissions and safety impacts annually as a result of the truck and auto vehicle miles traveled (VMT) avoided due to the use of freight and passenger rail in the state.