

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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**SENATE BILL 901
Committee Substitute Adopted 6/18/01**

Short Title: DOT Cash Management.

(Public)

Sponsors:

Referred to:

April 5, 2001

A BILL TO BE ENTITLED

1
2 AN ACT TO IMPLEMENT THE RECOMMENDATIONS OF THE JOINT
3 LEGISLATIVE TRANSPORTATION OVERSIGHT COMMITTEE STUDY OF
4 DOT CASH MANAGEMENT.

5 The General Assembly of North Carolina enacts:

6 Whereas, at the end of fiscal year 1999-2000, the Highway Trust Fund had a
7 cash balance of \$858 million and the Highway Fund had a cash balance of \$270 million;
8 and

9 Whereas, Section 25.14 of S.L. 2000-67 directed the Joint Legislative
10 Oversight Committee to contract for a study of these cash balances to determine if DOT
11 could more effectively use its cash balances to meet the transportation needs of the
12 State; and

13 Whereas, the study produced numerous recommendations to improve DOT's
14 management of these cash balances; Now, therefore,

15 The General Assembly of North Carolina enacts:

16 **SECTION 1.** DOT Directed to Use Cash Flow Financing. – The Department
17 of Transportation is directed to reorganize its cash management procedures consistent
18 with the March 2001 Joint Legislative Transportation Oversight Committee Cash
19 Management Study final report. The Department is directed to:

- 20 (1) Utilize cash flow financing to the maximum extent possible to fund
21 highway construction projects, with the goal of reducing the combined
22 average daily cash balance of the Highway Trust Fund and the
23 Highway Fund to an amount equal to twelve percent (12%) of the
24 combined estimate of the yearly receipts of the Funds, exclusive of
25 municipal aid funds.
- 26 (2) Establish necessary management controls to facilitate use of cash flow
27 financing, such as establishment of a financial planning committee,
28 development of a monthly financial report, establishment of

1 appropriate fund cash level targets, review of revenue forecasting
2 procedures, and reduction of accrued unbilled costs.

3 (3) Strengthen the project delivery process by reorganization of
4 preconstruction functions in order to expedite project delivery and
5 maximize use of cash flow financing of projects. The Department shall
6 designate one person responsible for project delivery, develop project
7 delivery reports, and continually assess which projects can be
8 accelerated using cash flow financing.

9 (4) Report quarterly for a period of two years, beginning in September
10 2001, to the Joint Legislative Transportation Oversight Committee on
11 its efforts to reorganize the cash management and project delivery
12 process and the results of those efforts.

13 **SECTION 2.** Article 6A of the General Statutes is amended by adding a new
14 section to read:

15 **"§ 147-86.15. Cash management of the Highway Fund and the Highway Trust**
16 **Fund.**

17 The State Treasurer is authorized to combine the balances of the Highway Fund and
18 the Highway Trust Fund for cash management purposes. The State Treasurer is
19 authorized to make short-term loans between the Funds to accomplish the purposes of
20 this section."

21 **SECTION 3.** Study of Short-Term Borrowing to Facilitate Cash Flow
22 Financing. – The Department of Transportation and the State Treasurer are directed to
23 jointly:

24 (1) Evaluate the recommendations of the March 2001 Joint Legislative
25 Transportation Oversight Committee Cash Management Study final
26 report concerning authorization for the State Treasurer to borrow funds
27 on a short-term basis in order to allow the Department of
28 Transportation to maintain lower target cash balances and expedite
29 highway construction projects;

30 (2) Develop recommendations concerning short-term borrowing for cash
31 management purposes, including any needed legislation; and

32 (3) Submit findings and recommendations to the Joint Legislative
33 Transportation Oversight Committee by February 1, 2002.

34 **SECTION 4.** G.S. 136-176 is amended by adding a new subsection to read:

35 "(a1) The Department is authorized to use one hundred fifty million dollars
36 (\$150,000,000) per year of the cash balance of the Highway Trust Fund, in fiscal years
37 2001-2002, 2002-2003, and 2003-2004 only, for primary route pavement preservation.
38 The Department shall certify to the Joint Legislative Transportation Oversight
39 Committee each year, on or before November 1, that use of the cash balances of the
40 Highway Trust Fund for this purpose will not affect the delivery schedule of Highway
41 Trust Fund projects in the 2002-2008 Transportation Improvement Program."

42 **SECTION 5.** G.S. 136-176 is amended by adding a new subsection to read:

1 "(a2) The Department is authorized to use fifteen million dollars (\$15,000,000) per
2 year of the cash balance of the Highway Trust Fund, in fiscal years 2001-2002, 2002-
3 2003, and 2003-2004 only, to fund preliminary engineering costs for projects not
4 included in the current year Transportation Improvement Plan. The Department shall
5 certify to the Joint Legislative Transportation Oversight Committee each year, on or
6 before November 1, that use of the cash balances of the Highway Trust Fund for this
7 purpose will not affect the delivery schedule of Highway Trust Fund projects."

8 **SECTION 6.** G.S. 136-176 is amended by adding a new subsection to read:

9 "(b1) The Secretary may authorize the transfer of funds allocated under
10 subdivisions (b)(1) through (b)(4) of this section to other projects that are ready to be let
11 and were to be funded from allocations to subdivisions (b)(1) through (b)(4) of this
12 section. The Secretary shall ensure that any funds transferred pursuant to this subsection
13 are repaid promptly and in any event in no more than four years. The Secretary shall
14 certify, prior to making any transfer pursuant to this subsection, that the transfer will not
15 affect the delivery schedule of Highway Trust Fund projects in the current
16 Transportation Improvement Program. No transfers shall be allowed that do not
17 conform to the applicable provisions of the equity formula for distribution of funds,
18 G.S. 136-17.2A. If the Secretary authorizes a transfer pursuant to this subsection, the
19 Secretary shall report that decision to the next regularly scheduled meetings of the Joint
20 Legislative Commission on Governmental Operations, the Joint Legislative
21 Transportation Oversight Committee and to the Fiscal Research Division."

22 **SECTION 7.** This act is effective when it becomes law.