

Director: John Halikowski

JLBC Analyst: Juan Beltran

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,748.0	4,548.0	4,548.0 <sup>1/</sup>
Personal Services	128,663,600	137,341,700	137,254,300
Employee Related Expenditures	57,309,700	62,451,300	65,117,300
Professional and Outside Services	1,939,400	1,896,700	1,896,700
Travel - In State	910,600	895,900	895,900
Travel - Out of State	71,200	62,900	62,900
Other Operating Expenditures	63,044,900	63,955,400	63,165,100
Equipment	1,799,300	1,755,100	1,755,100
<b>OPERATING SUBTOTAL</b>	<b>253,738,700</b>	<b>268,359,000</b>	<b>270,147,300</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Attorney General Legal Services	2,740,900	2,874,900	2,895,600
<b>Highways</b>			
Highway Maintenance	112,565,600	133,164,600	133,917,700 <sup>2/</sup>
Vehicles and Heavy Equipment	22,678,000	29,805,600	27,592,000
Vehicles and Heavy Equipment Fuel Surcharge	2,000,000	0	0
<b>Motor Vehicle</b>			
Abandoned Vehicle Administration	925,400	1,002,900	1,021,500
Fraud Investigation	701,400	745,000	753,900
New Third Party Funding	910,500	929,900	940,100
<b>Other</b>			
Expenditure Plan Realignment	0	(75,822,300)	(75,822,300)
5th Special Session Reduction	0	(2,622,700)	(592,000)
7th Special Session Reduction	0	0	(592,000)
<b>AGENCY TOTAL</b>	<b>396,260,500</b>	<b>358,436,900</b>	<b>360,261,800</b> <sup>3/4/5/6/7/</sup>
<b>FUND SOURCES</b>			
General Fund	69,700	58,400	54,600
<b>Other Appropriated Funds</b>			
Air Quality Fund	71,700	72,600	72,900
Driving Under the Influence Abatement Fund	143,300	145,400	148,100
Highway User Revenue Fund	617,000	620,400	624,800
Motor Vehicle Liability Insurance Enforcement Fund	2,124,400	2,031,300	1,066,400
Safety Enforcement and Transportation Infrastructure Fund	2,118,900	2,009,900	1,866,200
State Aviation Fund	2,269,700	1,746,400	1,592,700
State Highway Fund	363,659,700	322,400,000	325,794,900
Transportation Department Equipment Fund	23,678,000	27,774,900	27,592,000
Vehicle Inspection and Title Enforcement Fund	1,508,100	1,577,600	1,449,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>396,190,800</b>	<b>358,378,500</b>	<b>360,207,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>396,260,500</b>	<b>358,436,900</b>	<b>360,261,800</b>
Other Non-Appropriated Funds	39,076,100	38,604,600	38,178,900
Federal Funds	1,516,300	1,516,300	1,516,300
<b>TOTAL - ALL SOURCES</b>	<b>436,852,900</b>	<b>398,557,800</b>	<b>399,957,000</b>

<sup>1/</sup> Includes 1,235 OF FTE Positions funded from Special Line Items in FY 2011.

**AGENCY DESCRIPTION** — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft. The department has 4 primary responsibilities. The Administration Division establishes and provides policy, guidance and overall direction to the department. The Highways Division plans the statewide transportation system, including highways and airports. The Motor Vehicle Division regulates vehicular operations within the state through the issuance and control of various permits, regulations and licenses. The Aeronautics Division registers and licenses all general aviation aircraft in the state, administers the airports development grant and airport loan programs, and operates the Grand Canyon National Park Airport.

**Operating Budget**

The budget includes \$270,147,300 and 3,313 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$64,000
Air Quality Fund	72,900
Driving Under the Influence Abatement Fund	148,100
Highway User Revenue Fund	386,900
Motor Vehicle Liability Insurance Enforcement Fund	1,198,700
Safety Enforcement and Transportation Infrastructure Fund	1,629,700
State Aviation Fund	1,876,300
State Highway Fund	263,164,000
Vehicle Inspection and Title Enforcement Fund	1,606,700

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$2,578,600 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	900
Air Quality Fund	300
Driving Under the Influence Abatement Fund	2,700
Motor Vehicle Liability Insurance Enforcement Fund	(8,300)

Safety Enforcement and Transportation Infrastructure Fund	19,300
State Aviation Fund	(11,900)
State Highway Fund	2,585,500
Vehicle Inspection and Title Enforcement Fund	(9,900)

*(Please see the General Provisions section.)*

**Expenditure Adjustment**

The budget includes a decrease of \$(790,300) from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2011 in order to align the department's spending with available resources. The lower expenditure authority reflects the expected level of revenues available for FY 2011.

**Administration**

**Attorney General Legal Services**

The budget includes \$2,895,600 from the State Highway Fund for Attorney General Legal Services in FY 2011. This amount funds the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$20,700 from the State Highway Fund in FY 2011 for statewide adjustments.

Monies in this line item allow the Attorney General to provide legal services to the department, such as litigating

- <sup>2/</sup> Of the total amount appropriated, \$133,917,700 in FY 2011 for Highway Maintenance is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to their fund of origin, either the State Highway Fund or the Safety Enforcement and Transportation Infrastructure Fund, on August 31, 2011. (General Appropriation Act footnote, as adjusted for statewide allocations).
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>4/</sup> It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate drivers' license fees charged to the public. (General Appropriation Act footnote)
- <sup>5/</sup> Of the total amount appropriated, \$2,663,000 in FY 2011 is for performance pay for participants in the department's engineer pay plan. The department shall establish performance measures with measurable quality and quantity objectives for participants in the engineer pay plan that are designed to result in increased productivity and improved quality of the delivery of state services or products. The department shall either apply these performance measures to the entire engineer pay plan or apply relevant performance measures to subsets within the engineer pay plan either on a group or individual basis. Every quarter or month, the department shall review the participants' performance to determine if the performance measures were met. If the performance measures are met or exceeded, the applicable participants are entitled to receive the performance pay for the corresponding quarter. (General Appropriation Act footnote).
- <sup>6/</sup> Of the \$360,261,800 appropriation to the Department of Transportation, the Department of Transportation shall pay \$16,773,800 in FY 2011 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote, as adjusted for statewide allocations).
- <sup>7/</sup> The Department of Transportation shall submit an annual report to the Joint Legislative Budget Committee on progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on July 31, 2011 for FY 2011. (General Appropriation Act footnote).

cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

**Highways**

**Highway Maintenance**

The budget includes \$133,917,700 and 932 FTE Positions for Highway Maintenance in FY 2011. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	133,355,200

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$753,100 from the State Highway Fund in FY 2011 for statewide adjustments.

In addition to the \$133,917,700 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$11,700,000 available in FY 2011 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Monies in this line item are used to maintain the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

**Vehicles and Heavy Equipment**

The budget includes \$27,592,000 and 247 FTE Positions from the Transportation Department Equipment Fund for Vehicles and Heavy Equipment in FY 2011. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(182,900) from the Transportation Department Equipment Fund in FY 2011 for statewide adjustments.

**5<sup>th</sup> Special Session Reduction**

The budget includes a decrease of \$(2,030,700) from the Transportation Department Equipment Fund in FY 2011 to continue the 5<sup>th</sup> Special Session Lump Sum Reduction. This reduction has been directly allocated to this line item for FY 2011, but not for FY 2010. (Please see the 5<sup>th</sup> Special Session Reduction section for more details.)

Monies in this line item allow the department to maintain and replace the department's fleet and perform motor pool services for other state agencies.

**Vehicles and Heavy Equipment Fuel Surcharge**

The budget includes no funding for Vehicles and Heavy Equipment Fuel Surcharge in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were used to pay for increased fuel prices, which are now paid directly by the department's sections.

**Motor Vehicle**

**Abandoned Vehicle Administration**

The budget includes \$1,021,500 and 23 FTE Positions from the State Highway Fund for Abandoned Vehicle Administration in FY 2011. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$18,600 from the State Highway Fund in FY 2011 for statewide adjustments.

Monies in this line item provide for administrative functions concerning abandoned vehicles including maintaining records, mailing notices, and paying towing fees for vehicles on public land.

**Fraud Investigation**

The budget includes \$753,900 and 11 FTE Positions from the State Highway Fund for Fraud Investigation in FY 2011. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$8,900 from the State Highway Fund in FY 2011 for statewide adjustments.

Monies in this line item provide for investigation of fraudulent driver's license and motor vehicle documents.

**New Third Party Funding**

The budget includes \$940,100 and 22 FTE Positions for New Third Party Funding in FY 2011. These amounts consist of:

Highway User Revenue Fund	237,900
Motor Vehicle Liability Insurance Enforcement Fund	197,300
State Highway Fund	427,000
Vehicle Inspection and Title Enforcement Fund	77,900

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$10,200 in FY 2011 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	4,400
Motor Vehicle Liability Insurance Enforcement Fund	(1,500)
State Highway Fund	8,100
Vehicle Inspection and Title Enforcement Fund	(800)

Monies in this line item provide funding for an additional 22 FTE Positions to address workload backlogs and waiting lists for certain third parties.

***Other***

***Expenditure Plan Realignment***

The budget includes \$(75,822,300) from the State Highway Fund in FY 2011 in order to align spending with available resources.

In FY 2010, the Legislature originally appropriated \$398,222,300 from the State Highway Fund for operating expenses. However, due to declining Highway User Revenue Fund (HURF) collections, the department plans to spend only \$322,400,000, or \$(75,822,300) less than their FY 2010 appropriation. As a result, the budget reduces the department’s existing FY 2010 appropriation by \$(75,822,300). The lower expenditure authority reflects the expected level of revenues available for the fiscal year.

The budget also continues the \$(75,822,300) adjustment in FY 2011. This reduction was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver’s license, and others. HURF monies are currently distributed as follows; 50.5% to the State Highway Fund; 27.5% to cities and towns; 19% to counties; and the remaining 3% to cities with a population over 300,000. Total FY 2009 HURF collections of \$1,248,583,000 were (7.1)% below FY 2008 and (10)% below the department’s original estimate of \$1,387,000,000. The downward trend continues in FY 2010. Through March 2010, HURF collections are down (6.0)% as compared to the prior year. The budget estimates were based on HURF revenues of \$1,186,154,000 in FY 2010, which represents a (5)% decline from FY 2009. *(Please see the FY 2011 Arizona*

*Department of Transportation Capital Outlay section for additional information regarding overall HURF collections distribution for FY 2009 through FY 2011.)*

***5<sup>th</sup> Special Session Reduction***

The budget includes \$(592,000) in FY 2011 to continue the 5<sup>th</sup> Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(4,700)
Motor Vehicle Liability Insurance Enforcement Fund	(164,800)
Safety Enforcement and Transportation Infrastructure Fund	(163,000)
State Aviation Fund	(141,800)
Vehicle Inspection and Title Enforcement Fund	(117,700)

The budget also continues a \$(2,030,700) 5<sup>th</sup> Special Session FY 2010 Lump Sum Reduction from the Transportation Department Equipment Fund in FY 2011. This reduction, however, has been directly allocated to the Vehicles and Heavy Equipment line item in FY 2011. *(Please see the Vehicle and Heavy Equipment line item for more details.)*

***7<sup>th</sup> Special Session Reduction***

The budget includes a decrease of \$(592,000) in FY 2011 for the 7<sup>th</sup> Special Session Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(4,700)
Motor Vehicle Liability Insurance Enforcement Fund	(164,800)
Safety Enforcement and Transportation Infrastructure Fund	(163,000)
State Aviation Fund	(141,800)
Vehicle Inspection and Title Enforcement Fund	(117,700)

***Fund Transfers***

The budget includes transfers from this agency’s funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

***Additional Legislation***

***5-Year Renewal Registration***

The FY 2011 Revenues Budget Reconciliation Bill (BRB) (Laws 2010, 7<sup>th</sup> Special Session, Chapter 12, Section 44) continues to require that the amount of Vehicle License

Tax collected from the 5-year registration option, which is over and above what would have been collected had the vehicles been registered for 2 years, be deposited into the General Fund in FY 2011. The 5-year renewal registration program, however, has not been implemented yet. The department anticipates an implementation date of October 2010.

***Abandoned Vehicle Fees***

The FY 2011 Revenues BRB (Laws 2010, 7<sup>th</sup> Special Session, Chapter 12, Sections 9 and 10) allows the department to set the Abandoned Vehicle Fee and directs the additional revenue to the General Fund. The BRB also includes an intent clause that limits the additional revenue to be generated by this fee to \$12,061,200. Previously, the Abandoned Vehicle Fee was set at \$200 for vehicles abandoned on federal land and \$50 for vehicles abandoned on non-federal land. These base fees will continue to be deposited into the Abandoned Vehicle Administration Fund, which is a subaccount of the State Highway Fund.

***Canceled Check Fees***

Laws 2010, Chapter 202 allows the department to deposit all canceled check fees into the State Highway Fund instead of HURF. This allows the department to deposit the full amount collected from these fees directly into the State Highway Fund without sharing 49.5% of the fees with local governments. Since the department collects on average \$100,000 in canceled check fees per year, Chapter 202 would generate \$49,500 in additional revenue to the State Highway Fund and a corresponding loss to local governments.