

Department of Transportation

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,552.0 ^{1/}
Personal Services	99,780,600	106,835,400	106,976,500
Employee Related Expenditures	45,780,000	47,928,900	46,481,700
Professional and Outside Services	6,030,700	5,781,000	5,100,500
Travel - In State	644,800	643,000	649,100
Travel - Out of State	176,600	177,000	177,000
Other Operating Expenditures	45,666,600	40,636,400	40,937,600
Equipment	4,679,200	3,694,000	3,695,400
OPERATING SUBTOTAL	202,758,500	205,695,700	204,017,800
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,895,600	2,895,600	3,577,700
Fraud Investigation	766,600	767,000	767,000
Highway Maintenance	135,915,000	138,882,700	140,593,200 ^{2/}
New Third Party Funding	570,600	631,800	629,600
Phoenix Area Freeway Lighting	0	0	1,500,000
Statewide Drainage Structures	0	0	4,300,000
Vehicles and Heavy Equipment	18,507,000	18,545,500	18,474,600
AGENCY TOTAL	361,413,300	367,418,300	373,859,900 ^{3/10/}
FUND SOURCES			
General Fund	900	50,400	50,400
<u>Other Appropriated Funds</u>			
Air Quality Fund	67,900	74,200	161,700
Driving Under the Influence Abatement Fund	88,500	153,200	152,200
Highway User Revenue Fund	528,900	652,700	649,700
Motor Vehicle Liability Insurance Enforcement Fund	1,690,700	1,082,600	1,308,700
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,878,700	1,875,500	1,868,300
State Aviation Fund	1,623,500	1,622,900	1,615,800
State Highway Fund	335,576,400	341,903,200	348,128,300
Transportation Department Equipment Fund	18,507,000	18,545,500	18,474,600
Vehicle Inspection and Certificate of Title Enforcement Fund	1,450,800	1,458,100	1,450,200
SUBTOTAL - Other Appropriated Funds	361,412,400	367,367,900	373,809,500
SUBTOTAL - Appropriated Funds	361,413,300	367,418,300	373,859,900
Other Non-Appropriated Funds	52,736,100	107,448,800	107,448,800
Federal Funds	1,827,800	1,441,000	1,441,000
TOTAL - ALL SOURCES	415,977,200	476,308,100	482,749,700

^{1/} Includes 1,162 OF FTE Positions funded from Special Line Items in FY 2017.

^{2/} Of the total amount appropriated, \$140,593,200 in FY 2017 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 established by A.R.S. § 28-6991 or the Safety Enforcement and Transportation Infrastructure Fund established by A.R.S. § 28-6547, on August 31, 2017. (General Appropriation Act footnote)

^{3/} It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate driver license fees charged to the public. (General Appropriation Act footnote)

^{4/} Of the total amount appropriated, the Department of Transportation shall pay \$16,773,800 in FY 2017 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote)

^{5/} 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 or before July 31, 2017 for FY 2017. (General Appropriation Act footnote)

AGENCY DESCRIPTION — The Department of Transportation (ADOT) has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

Operating Budget

The budget includes \$204,017,800 and 3,390 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	<u>FY 2017</u>
General Fund	\$50,400
Air Quality Fund	161,700
Driving Under the Influence Abatement Fund	152,200
Highway User Revenue Fund	452,600
Motor Vehicle Liability Insurance Enforcement Fund	1,209,800
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	1,308,300
State Aviation Fund	1,615,800
State Highway Fund	197,703,900
Vehicle Inspection and Certificate of Title Enforcement Fund	1,363,100

These amounts fund the following adjustments:

Light Rail Oversight

The budget includes an increase of \$88,000 from the Air Quality Fund in FY 2017 for the rail transit state safety oversight grant match. A federal code change prohibits Valley Metro from continuing to provide the state match for the program. The Government Budget Reconciliation Bill (BRB) (Laws 2016, Chapter 121) allows ADOT to review, approve, oversee and enforce federal light rail requirements.

Vehicle for Hire Program

The budget includes an increase of \$233,500 and 4 FTE Positions from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2017 to transfer the regulation of taxis, limousines and livery vehicles from the defunct Department of Weights and Measures to ADOT, pursuant

to Laws 2015, Chapter 244. *(Please see the Other Issues section for more information on the Weights and Measures Division.)*

Attorney General Consolidation

The budget includes a decrease of \$(682,100) from the State Highway Fund in FY 2017 to shift funding from the operating budget to the Attorney General Legal Services line item, consolidating all Attorney General resources into a single line item. There is no net change in agency resources.

One-Time Named Claimants Funding

The budget includes a decrease of \$(3,487) from the State Highway Fund in FY 2017 for the elimination of one-time funding of prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

Statewide Adjustments

The budget includes a decrease of \$(1,313,800) in FY 2017 for statewide adjustments. This amount consists of:

Air Quality Fund	(500)
Driving Under the Influence Abatement Fund	(1,000)
Highway User Revenue Fund	(1,400)
Motor Vehicle Liability Insurance Enforcement Fund	(6,800)
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	(7,200)
State Aviation Fund	(7,100)
State Highway Fund	(1,281,900)
Vehicle Inspection and Certificate of Title Enforcement Fund	(7,900)

(Please see the Agency Detail and Allocations section.)

- 6/ The Department of Transportation shall contract with an independent third-party consultant for the duration of the Motor Vehicle Division legacy system replacement project. On or before February 1, 2017, the independent third-party consultant shall submit an annual progress report for review by the Joint Legislative Budget Committee. The annual report shall evaluate and assess the project's success in meeting and incorporating the tenets of the project investment justification, including the goals and objectives, technology approach, deliverables and outcomes, project scope and timeline. The report shall also address any potential project deficiencies as well as the incorporation of the Auditor General's April 2015 recommendations. (General Appropriation Act footnote)
- 7/ On or before July 31, 2017, the department shall report to the Director of the Joint Legislative Budget Committee on the cost to link local governments, state agencies and other users with the new Motor Vehicle Division automated system. (General Appropriation Act footnote)
- 8/ On or before August 1, 2016, the department shall report to the Director of the Joint Legislative Budget Committee on the state's share of fees retained by the Service Arizona vendor in the prior fiscal year. The report shall also include the amount spent by the Service Arizona vendor on behalf of the state in the prior fiscal year, as well as a list of the projects funded with those monies. (General Appropriation Act footnote)
- 9/ All expenditures made by the Department of Transportation for Attorney General Legal Services shall be funded only from the Attorney General Legal Services line item. Monies in Department of Transportation line items intended for this purpose shall be transferred to the Attorney General Legal Services line item before expenditure. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Attorney General Legal Services

The budget includes \$3,577,700 from the State Highway Fund in FY 2017 for Attorney General Legal Services. This amount funds the following adjustments:

Attorney General Consolidation

The budget includes an increase of \$682,100 from the State Highway Fund in FY 2017 to shift funding from the operating budget to the Attorney General Legal Services line item, consolidating all Attorney General resources into a single line item. There is no net change in agency resources. This policy issue is consistent with a new General Appropriation Act footnote requiring all Attorney General expenditures be made from the Attorney General line item. (See footnote 9.)

Monies in this line item reimburse the Attorney General for costs of providing legal services to the department, such as litigating cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Fraud Investigation

The budget includes \$767,000 and 10 FTE Positions from the State Highway Fund in FY 2017 for Fraud Investigation. These amounts are unchanged from FY 2016.

Monies in this line item are used for investigation of fraudulent driver licenses and motor vehicle documents.

Highway Maintenance

The budget includes \$140,593,200 and 932 FTE Positions in FY 2017 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	560,000
State Highway Fund	140,033,200

These amounts fund the following adjustments:

Highway Maintenance Workload

The budget includes an increase of \$1,710,500 from the State Highway Fund in FY 2017 to maintain and operate 149 new lane miles.

In addition to the \$140,593,200 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,100,000 available in FY 2017 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.

New Third-Party Funding

The budget includes \$629,600 and 20 FTE Positions in FY 2017 for New Third-Party Funding. These amounts consist of:

Highway User Revenue Fund	197,100
Motor Vehicle Liability Insurance Enforcement Fund	98,900
State Highway Fund	246,500
Vehicle Inspection and Certificate of Title Enforcement Fund	87,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,200) in FY 2017 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	(1,600)
Motor Vehicle Liability Insurance Enforcement Fund	(600)

Monies in this line item provide funding to review authorized third-party transactions for accuracy. The funding also provides support for authorized third-parties, which allow customers to receive Motor Vehicle Division services at non-ADOT locations.

Phoenix Area Freeway Lighting

The budget includes \$1,500,000 from the State Highway Fund in FY 2017 for Phoenix area freeway lighting to relamp 3,500 fixtures.

Monies in this line item fund the maintenance of approximately 15,000 freeway lights in the Phoenix Metropolitan area. Due to wire theft, system aging, system expansion and other factors, an estimated 22% of freeway lights in Phoenix were inoperable in FY 2013.

Statewide Drainage Structures

The budget includes \$4,300,000 from the State Highway Fund in FY 2017 for statewide drainage structures.

Monies in this line item fund the removal of silt in pipes, culverts and drainage structures. Drainage structures prevent flooding and degradation of the state highway system. In FY 2017, the funding will be used to hydro-vacuum 3,147 culverts and pipes and add lining to 1,024 corroded pipes.

Vehicles and Heavy Equipment

The budget includes \$18,474,600 and 200 FTE Positions from the Transportation Department Equipment Fund in FY 2017 for Vehicles and Heavy Equipment. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(70,900) from the Transportation Department Equipment Fund in FY 2017 for statewide adjustments.

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.

Other Issues

Fund Transfers

The budget includes a FY 2017 transfer of \$1,100,000 from the Motor Vehicle Liability Insurance Enforcement Fund to the Safety Enforcement and Transportation Infrastructure Fund. This transfer resolves a shortfall in the Safety Enforcement and Transportation Infrastructure Fund. In FY 2015, \$710,000 was transferred from the Motor Vehicle Liability Insurance Enforcement Fund to the Safety Enforcement and Transportation Infrastructure Fund for the same purpose.

To ensure future shortfalls in the Safety Enforcement and Transportation Infrastructure Fund are shared equally between the Department of Public Safety (DPS) and ADOT, the FY 2017 Government BRB creates a DPS Subaccount and an ADOT Subaccount within the Safety Enforcement and Transportation Infrastructure Fund and allocates 45% of revenues to the DPS Subaccount and 55% of revenues to the ADOT Subaccount.

FY 2016 Supplemental

The budget includes an increase of \$3,487 from the State Highway Fund in FY 2016 to pay a named claimant bill related to ADOT. The supplemental appropriation was made in Laws 2016, Chapter 45.

Additional Legislation

Vehicle Inspection and Title Enforcement Fund

Laws 2016, Chapter 276 changes the name of the Vehicle Inspection and Title Enforcement Fund established by A.R.S. § 28-2012 to the Vehicle Inspection and Certificate of Title Enforcement Fund.

Division of Weights and Measures

Laws 2015, Chapter 244 establishes the Weights and Measures Services Division within the Arizona Department of Agriculture as of July 1, 2016. All authority, powers, duties and responsibilities previously granted to the Department of Weights and Measures are transferred to the new Division within the Arizona Department of Agriculture, with the exception of responsibilities relating to taxis, limousines and livery vehicles, which are transferred to ADOT.

As of October 2015, the Department of Weights and Measures has completed the agency consolidation process through a series of Interagency Service Agreements with the Arizona Department of Agriculture, DPS, and ADOT. The Director of the Arizona Department of Agriculture will serve as the Interim Director for the Weights and Measures Services Division until the formal dissolution of the Department of Weights and Measures occurs on July 1, 2016.

REAL ID Extension

Laws 2015, Chapter 294 required ADOT to comply with federal driver license standards in the REAL ID Act of 2005. Absent this legislative action, Arizona driver licenses would have no longer been accepted at federally regulated facilities, such as airports and federal buildings. By issuing Arizonans a voluntary travel ID that will be available as both a driver license and identification card, the new federal documentation requirements will be met. To facilitate Arizona's compliance with federal law while ADOT develops the new travel IDs, the U.S. Department of Homeland Security granted Arizona an extension and will accept existing Arizona driver licenses until September 30, 2020.

Special Plates

In order to establish a special plate, a statutorily designated entity must pay a \$32,000 implementation fee. Of the \$25 annual fee for the special plate, \$8 is deposited in the State Highway Fund and \$17 is a donation to the specified charity. In FY 2015, the special plate program generated \$5,100,000 for the State Highway Fund and \$10,750,000 for charities.

As shown in *Table 1*, there are 54 special plate types with 373,760 vehicles supporting special plate charities. Revenue for many of the special plates is combined in ADOT's Statewide Special Plates Fund. Financial information for the rest of the special plates not included in ADOT's Statewide Special Plates Fund is found in individual agencies. When a state agency oversees a special plate fund, it appears in that agency's budget. If not, it appears in ADOT's Statewide Special Plate Fund.

The following 4 special plates were added in 2016:

- Regionally Accredited Institution of Higher Education (Laws 2016, Chapter 174)
- Historic Federal Highway Preservation (Laws 2016, Chapter 182)
- First Responder (Laws 2016, Chapter 182)
- Play Unified (Laws 2016, Chapter 182)

Table 1

Special License Plates ^{1/2/3/}

<u>Name</u>	<u>Included in Statewide Special Plates Fund?</u>	<u>Number of Plates Issued in 2015</u>
Veteran	-	65,910
AZ Professional Football Club	Yes	59,738
Military Support/Scholarship	Yes	33,005
AZ Highways	-	23,647
Collegiate - University of Arizona	-	22,757
Collegiate - AZ State University	-	17,160
Child Abuse Prevention	-	16,611
Spaying and Neutering of Animals	-	13,934
Families of Fallen Police Officers	-	12,685
Breast & Cervical Cancer	-	12,120
Golden Rule	-	11,294
AZ Centennial	Yes	10,003
In God We Trust	-	9,015
AZ Professional Baseball Club	Yes	8,923
Environmental	-	8,737
AZ Sportsmen for Wildlife	-	7,778
Agricultural Youth Organization	Yes	6,819
Transplantation Awareness	Yes	5,253
Fire Fighter	-	4,339
AZ Professional Basketball Club	Yes	4,231
Collegiate - NAU	-	2,643
Navajo Nation	-	2,179
Character Education	-	1,845
Choose Life	-	1,374
Keep AZ Beautiful (anti-litter)	Yes	1,369
Women Veteran	-	1,320
Extraordinary Educators	Yes	1,301
Childhood Cancer Research	Yes	1,117
Fraternal Order of Police	-	888
Hunger Relief	Yes	874
AZ Motorsports Commemorative	Yes	802
AZ Masonic Fraternity	Yes	664
White Mountain Apache Tribe	-	523
San Carlos Apache	-	494
Global Graduate Management	Yes	474
Gold Star Family	-	375
Farm Vehicle	-	364
AZ Public Broadcast Television	Yes	330
Youth Development Organization	Yes	312
AZ Historical Society	-	147
Girls' Youth Organization	Yes	142
University of Phoenix	-	133
National Guard	-	127
Legion of Valor	-	4
Collegiate - Community College	Yes	0
AZ Professional Golf	Yes	0
AZ Professional Hockey Club	Yes	0
Health Sciences Educational	Yes	0
Volunteer Firefighters	Yes	0
Don't Tread on Me	-	0
Regionally Accredited Institution	Yes	0
Historic Federal Highway	Yes	0
First Responder	Yes	0
Play Unified	Yes	0
Total		373,760

^{1/} Excludes 174,065 motorcycle safety special plates and 84,506 off-highway vehicle decals.
^{2/} Other special plates excluded: Amateur Radio Operator, Personalized Street Rod, Former Prisoner of War, Purple Heart Medal Recipient, Disability, Hearing Impaired, Classic Car, Congressional Medal of Honor, Energy Efficient (alternative fuel), Historic Vehicle, Honorary Foreign Consul, Horseless Carriage, Midwestern University, Pearl Harbor Survivor, and U.S. Marine Corps.
^{3/} The Emergency Medical Services and Multiple Sclerosis Awareness special plates did not raise sufficient funds to implement the plates.