

Department of Transportation

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,554.0	4,554.0	4,554.0 ^{1/}
Personal Services	111,173,700	115,664,700	120,553,400
Employee Related Expenditures	48,653,800	52,551,300	62,567,100
Professional and Outside Services	10,724,800	12,327,300	12,327,300
Travel - In State	265,700	497,300	497,300
Travel - Out of State	1,500	158,900	158,900
Other Operating Expenditures	24,079,800	28,916,000	34,935,200
Equipment	4,802,200	3,686,500	3,686,500
OPERATING SUBTOTAL	199,701,500	213,802,000	234,725,700
SPECIAL LINE ITEMS			
Attorney General Legal Services	3,623,700	3,623,700	3,623,700 ^{2/}
Authorized Third Parties	1,802,100	2,104,400	2,223,800
Driver License Security Software	0	0	2,260,000
Driver Safety and Livestock Control	740,100	800,000	800,000
FY 2023 Salary Increase	0	0	21,349,600
Highway Damage Recovery Account	5,392,300	8,000,000	8,000,600
Highway Maintenance	122,816,600	150,220,100	205,885,900 ^{3/4/}
Preventive Surface Treatments	33,282,800	36,142,000	36,142,000 ^{5/}
State Fleet Operations	0	13,767,700	25,267,100
State Fleet Vehicle Replacement	0	4,500,000	10,715,800
Vehicle License Tax Deposit	0	3,300,000	0
Vehicles and Heavy Equipment Maintenance	18,583,700	19,285,200	26,041,600
Vehicles and Heavy Equipment Replacement	13,770,000	15,300,000	22,400,000 ^{6/}
AGENCY TOTAL	399,712,800	470,845,100	599,435,800 ^{7/-12/}
FUND SOURCES			
General Fund	0	3,300,000	0
<u>Other Appropriated Funds</u>			
Air Quality Fund	229,600	324,500	326,600
Department Fleet Operations Fund	18,583,700	19,285,200	27,110,500
Highway Damage Recovery Account	5,392,300	8,000,000	8,000,600
Highway User Revenue Fund	650,200	701,600	906,500
Ignition Interlock Device Fund	296,900	351,100	363,600
Motor Vehicle Liability Insurance Enforcement Fund	1,692,800	1,772,200	5,383,600
Safety Enforcement and Transportation Infrastructure Fund - Department of Transportation Subaccount	596,700	0	0
State Aviation Fund	1,768,400	2,014,200	2,163,600
State Fleet Operations Fund	0	13,767,700	25,267,100
State Highway Fund	369,132,400	414,734,000	516,951,300
State Vehicle Replacement Fund	0	4,500,000	10,715,800
Vehicle Inspection and Certificate of Title Enforcement Fund	1,369,800	2,094,600	2,246,600
SUBTOTAL - Other Appropriated Funds	399,712,800	467,545,100	599,435,800
SUBTOTAL - Appropriated Funds	399,712,800	470,845,100	599,435,800
Other Non-Appropriated Funds	34,606,600	25,825,400	25,825,400
Federal Funds	34,821,300	28,934,400	29,305,900
TOTAL - ALL SOURCES	469,140,700	525,604,900	654,567,100

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

FOOTNOTES

- 1/ Includes 1,152 OF FTE Positions funded from Special Line Items in FY 2023.
- 2/ 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 the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the attorney general legal services line item before expenditure. (General Appropriation Act footnote)
- 3/ Of the total amount appropriated, \$205,885,900 in fiscal year 2022-2023 for highway maintenance is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2023. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ In accordance with section 35-142.01, Arizona Revised Statutes, reimbursements for monies expended from the highway maintenance line item may not be credited to the account out of which the expenditure was incurred. The department shall deposit all reimbursements for monies expended from the highway maintenance line item in the highway damage recovery account established by section 28-6994, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ The amount appropriated to the preventive surface treatments line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the state highway fund established by section 28-6991, Arizona Revised Statutes, on August 31, 2023. (General Appropriation Act footnote)
- 6/ Expenditures made by the department of transportation for vehicle and heavy equipment replacement shall be funded only from the vehicle and heavy equipment replacement line item. Monies in the operating lump sum appropriation or other line items intended for this purpose shall be transferred to the vehicle and heavy equipment replacement line item before expenditure. (General Appropriation Act footnote)
- 7/ Of the total amount appropriated, the department of transportation shall pay \$15,981,300 in fiscal year 2022-2023 from all funds to the department of administration for its risk management payment. (General Appropriation Act footnote)
- 8/ The department 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, 2023 for fiscal year 2022-2023. (General Appropriation Act footnote)
- 9/ On or before February 1, 2023, the Arizona strategic enterprise technology office shall submit, on behalf of the department of transportation, an annual progress report to the joint legislative budget committee staff. The annual report shall provide updated plans for spending the department-dedicated portion of the authorized third-party electronic service partner's fee retention on the motor vehicle modernization project in fiscal year 2022-2023, including any amounts for stabilization, maintenance, ongoing operations, support and enhancements for the motor vehicle modernization solution, maintenance of legacy mainframe processing and support capability, and other system projects outside the scope of the motor vehicle modernization project. (General Appropriation Act footnote)
- 10/ On or before August 1, 2022, the department shall report to the director of the joint legislative budget committee the state's share of fees retained by the service Arizona vendor in the prior fiscal year. The report shall include the amount spent by the service Arizona vendor on behalf of this state in the prior fiscal year and a list of the projects funded with those monies. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 12/ The department may use \$37,954.04 from the fiscal year 2022-2023 state highway fund appropriation to pay a fiscal year 2016-2017 invoice. (General Appropriation Act footnote)

Operating Budget

The budget includes \$234,725,700 and 3,402 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<u>FY 2023</u>
Air Quality Fund	\$326,600
Highway User Revenue Fund	601,700
Ignition Interlock Device Fund	363,600

Motor Vehicle Liability Insurance	3,031,500
Enforcement Fund	
State Aviation Fund	2,078,600
State Highway Fund	226,322,300
Vehicle Inspection and Certificate of Title Enforcement Fund	2,001,400

FY 2023 adjustments are as follows:

Driver License and License Plate Production Funding

The budget includes an increase of \$1,035,700 from the State Highway Fund in FY 2023 for increased driver license and license plate production. Due to population growth, the department expects to increase driver license production from 1.88 million to 1.94 million annually and to increase license plate production from 1.84 million to 2.11 million annually.

Named Claimants

The budget includes a decrease of \$(29,885.72) from the State Highway Fund in FY 2023 for the elimination of one-time funding for prior year unpaid claims. *(Please see the Named Claimants discussion in ADOA Other Issues.)*

One-Time Building System Management Upgrade

The budget includes an increase of \$1,175,300 from the State Highway Fund in FY 2023 to upgrade the department's building management system. The system is used by the department to track the operation and maintenance of their facilities.

One-Time Construction Management System

The budget includes an increase of \$300,000 from the State Highway Fund in FY 2023 to upgrade the department's construction management system. The funding will cover the 1st phase of a 3 phase project. The new system will be used by the department to manage highway construction projects.

One-Time MVD Security System

The budget includes an increase of \$931,900 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2023 to replace the security systems at 11 MVD offices throughout the state. The funding will cover the 1st phase of a 5 phase project intended to replace the security systems at all 42 offices.

One-Time Travel Identification Card Funding

The budget includes an increase of \$6,013,200 from the State Highway Fund in FY 2023 to address an increase in Travel identification (ID) cards issued before the REAL ID deadline of May 3, 2023. Of this amount, approximately \$5.1 million will go toward staffing costs. The remaining amounts will be allocated for marketing and a mobile unit deployed in remote areas to issue Travel ID cards.

One-Time Vehicle Inspection and Certificate of Title Enforcement Fund Deposit

The budget includes an increase of \$350,000 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2023 to be deposited into the Vehicle Inspection and Certificate of Title Enforcement Fund. The Vehicle Inspection and Certificate of Title Enforcement Fund has experienced declining revenues consequent to the COVID-

19 pandemic. The funding is intended to offset the decline in revenues.

Statewide Adjustments

The budget includes an increase of \$11,147,500 in FY 2023 for statewide adjustments. This amount consists of:

Air Quality Fund	2,100
Highway User Revenue Fund	109,700
Ignition Interlock Device Fund	12,500
Motor Vehicle Liability Insurance Enforcement Fund	77,300
State Aviation Fund	64,400
State Highway Fund	10,881,500

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$3,623,700 from the State Highway Fund in FY 2023 for Attorney General Legal Services. This amount is unchanged from FY 2022.

This line item funds the department's interagency services agreement with 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.

Authorized Third Parties

The budget includes \$2,223,800 and 20 FTE Positions in FY 2023 for Authorized Third Parties. These amounts consist of:

Highway User Revenue Fund	252,100
Motor Vehicle Liability Insurance Enforcement Fund	103,000
State Highway Fund	1,775,500
Vehicle Inspection and Certificate of Title Enforcement Fund	93,200

FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$119,400 in FY 2023 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	42,500
Motor Vehicle Liability Insurance Enforcement Fund	3,100
State Highway Fund	73,800

This line item funds the oversight of authorized third-parties (ATPs). The oversight includes training and

educating ATPs, reviewing ATP transactions for accuracy, and evaluating ATP applications. ATPs offer services for vehicle titles, registrations, and driver licenses, either through 160 brick-and-mortar locations or through the online ServiceArizona portal.

While this line item funds oversight of the department's ATP program, it is not representative of the program's full cost to the state. Pursuant to statute, ATPs retain a portion of each fee for its transactions. In FY 2021, ATPs retained \$28,094,000 in fees that otherwise would have been deposited to the Highway User Revenue Fund (HURF) and \$43,873,000 in fees that otherwise would have been deposited to the State Highway Fund (SHF). *(Please see Table 6 in the ADOT Capital Outlay section for more detail.)*

Driver License Security Software

The budget includes \$2,260,000 in FY 2023 for Driver License Security Software. These amounts consist of:

Motor Vehicle Liability Insurance Enforcement Fund	2,100,000
State Highway Fund	160,000

FY 2023 adjustments are as follows:

Driver License Security Software Upgrade

The budget includes an increase of \$160,000 from the State Highway Fund in FY 2023 for a driver license security software upgrade. This amount will fund the ongoing maintenance costs to upgrade the department's driver license security software.

One-Time Driver License Security Software Upgrade

The budget includes an increase of \$2,100,000 from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2023 for a driver license security software upgrade. This amount will fund the one-time costs to upgrade the department's driver license security software.

This line item funds a driver license security software upgrade. The upgrade is intended to protect the department from driver license identity fraud and theft.

Driver Safety and Livestock Control

The budget includes \$800,000 from the State Highway Fund in FY 2023 for Driver Safety and Livestock Control. This amount is unchanged from FY 2022.

This line item funds the annual maintenance and repair of statewide cattle guard grills. To prevent livestock movement from harming drivers and bicyclists, ADOT has

installed over 12,800 cattle guard grills across the state. The grills are designed to discourage livestock passage while not impeding road users.

FY 2023 Salary Increase

The budget includes \$21,349,600 in FY 2023 for an FY 2023 Salary Increase. This amount consists of:

Department Fleet Operations Fund	1,068,900
Highway User Revenue Fund	52,700
Motor Vehicle Liability Insurance Enforcement Fund	149,100
State Aviation Fund	85,000
State Highway Fund	19,841,900
Vehicle Inspection and Certificate of Title Enforcement Fund	152,000

These amounts fund a 10% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

Highway Damage Recovery Account

The budget includes \$8,000,600 from the Highway Damage Recovery Account in FY 2023 for the Highway Damage Recovery Account. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$600 from the Highway Damage Recovery Account in FY 2023 for statewide adjustments.

This line item funds the maintenance of the state highway system beyond that which is provided by the Highway Maintenance line item. The Highway Damage Recovery Account collects all monies received as reimbursements for highway damage caused by liable third parties; those monies are used for highway maintenance that would otherwise have been deferred.

Highway Maintenance

The budget includes \$205,885,900 and 932 FTE Positions from the State Highway Fund in FY 2023 for Highway Maintenance. FY 2023 adjustments are as follows:

Highway Maintenance Additional Lane Miles

The budget includes an increase of \$1,399,900 from the State Highway Fund in FY 2023 for maintenance of new lane miles across the state. This funding will cover the cost of 93 new lane miles added in FY 2022.

One-Time Highway Maintenance Inflation Funding

The budget includes an increase of \$51,000,000 from the State Highway Fund in FY 2023 for inflationary costs. This funding will cover the increased cost to maintain highways throughout the state in FY 2023 due to inflation.

South Mountain Loop 202 Maintenance Costs

The budget includes an increase of \$16,900 from the State Highway Fund in FY 2023 for maintenance of new lane miles for the new South Mountain Loop 202 freeway that was opened in December 2019. This funding covers the full cost of maintenance by adjusting for inflation.

Statewide Adjustments

The budget includes an increase of \$3,249,000 from the State Highway Fund in FY 2023 for statewide adjustments.

This line item funds the maintenance of 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.

In addition to the \$205,885,900 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$12,860,000 available in FY 2023 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Preventive Surface Treatments

The budget includes \$36,142,000 from the State Highway Fund in FY 2023 for Preventive Surface Treatments. This amount is unchanged from FY 2022.

This line item funds the proactive treatment of road surfaces to maintain the useful life of roads and avoid more expensive surface replacement/repair costs. The treatments consist of fog seals, or spraying liquid asphalt, and chip seals, or laying down gravel layers.

In addition to the \$36,142,000 included for Preventive Surface Treatments, ADOT has \$16,000,000 in Federal Funds available for treatments.

State Fleet Operations

The budget includes \$25,267,100 from the State Fleet Operations Fund in FY 2023 for State Fleet Operations. FY 2023 adjustments are as follows:

One-Time Gas Inflation Funding

The budget includes an increase of \$8,600,000 from the State Fleet Operations Fund in FY 2023 for inflationary costs. This funding will cover the increased cost of gas for the state fleet in FY 2023.

New Vehicle Maintenance Funding

The budget includes an increase of \$667,100 from the State Fleet Operations Fund in FY 2023 for new vehicle maintenance costs. The FY 2023 budget includes additional new vehicles for the Department of Forestry and Fire Management (76 vehicles), Department of Liquor Licenses and Control (7 vehicles), Attorney General's Office (6 vehicles), and the State Mine Inspector (5 vehicles) that will be serviced under the state fleet. The amount funds the cost to maintain these new vehicles.

Non-Managed Fleet Maintenance Funding

The budget includes an increase of \$987,500 from the State Fleet Operations Fund in FY 2023 for non-managed state fleet maintenance costs. A group of 296 existing vehicles belonging to agencies within the state fleet are not currently being managed by ADOT. This funding will address the maintenance cost to onboard these 296 vehicles into the state fleet.

Exempt Fleet Additional Maintenance Funding

The budget includes an increase of \$1,244,800 from the State Fleet Operations Fund in FY 2023 for exempt fleet maintenance costs. Some agencies in the state are exempt from the state fleet. Upon request of any of these agencies, ADOT may service and maintain the exempt agency's fleet. Currently, the following exempt agencies have requested and received maintenance services from ADOT: Judicial branch, Auditor General, Department of Corrections, Department of Economic Security, Department of Child Safety, Department of Public Safety, and the Arizona State Schools for the Deaf and the Blind. This funding will address the anticipated changes in fleet services charges for these agencies. The line item funds the provision and oversight of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets. *(For more detail on state fleet operations please see State Motor Vehicle Fleet Transfer in the Other Issues section of the FY 2022 Appropriations Report.)*

State Fleet Vehicle Replacement

The budget includes \$10,715,800 from the State Vehicle Replacement Fund in FY 2023 for State Fleet Vehicle Replacement. FY 2023 adjustments are as follows:

One-Time New Vehicle Purchase Funding

The budget includes an increase of \$4,381,000 from the State Vehicle Replacement Fund in FY 2023 for new vehicle purchase costs. The FY 2023 budget includes additional new vehicles for the Department of Forestry and Fire Management (76 vehicles), Department of Liquor Licenses and Control (7 vehicles), Attorney General's Office (6 vehicles), and the State Mine Inspector (5 vehicles) that will be serviced under the state fleet. The amount funds the cost to purchase these new vehicles.

Non-Managed Fleet Vehicle Replacement Funding

The budget includes an increase of \$1,834,800 from the State Vehicle Replacement Fund in FY 2023 for non-managed state fleet vehicle replacement costs. A group of 296 vehicles belonging to agencies within the state fleet are not currently being managed by ADOT. This ongoing funding will address the vehicle replacement costs to onboard these 296 vehicles into the state fleet.

The line item funds the replacement of daily and long-term vehicle rentals to state agencies that do not operate their own vehicle fleets.

Vehicle License Tax Deposit

The budget includes no funding in FY 2023 for the Vehicle License Tax Deposit line item. FY 2023 adjustments are as follows:

Remove One-Time Vehicle License Tax Deposit

The budget includes a decrease of \$(3,300,000) from the General Fund in FY 2023 to remove funding for a one-time Vehicle License Tax deposit.

A provision in the FY 2022 Transportation Budget Reconciliation Bill permits any business engaged in renting vehicles to use monies collected from their 2021 rental vehicle surcharge to reimburse the amount of vehicle license tax imposed on rental vehicles in 2020 and 2021. The line item funds the deposit of General Fund monies into the special distribution of Vehicle License Tax revenues to offset the loss of 2021 excess rental surcharge revenues as a result of the new provision.

Vehicles and Heavy Equipment Maintenance

The budget includes \$26,041,600 and 200 FTE Positions from the Department Fleet Operations Fund in FY 2023

for Vehicles and Heavy Equipment Maintenance. FY 2023 adjustments are as follows:

One-Time Gas Inflation Funding

The budget includes an increase of \$6,000,000 from the Department Fleet Operations Fund in FY 2023 for inflationary costs. This funding will cover the increased cost of gas for ADOT's internal fleet in FY 2023.

Statewide Adjustments

The budget includes an increase of \$756,400 from the Department Fleet Operations Fund in FY 2023 for statewide adjustments

This line item funds the maintenance and repair of the department's vehicle and equipment fleet.

Vehicle and Heavy Equipment Replacement

The budget includes \$22,400,000 from the State Highway Fund in FY 2023 for Vehicle and Heavy Equipment Replacement. FY 2023 adjustments are as follows:

Internal Fleet Replacement Funding

The budget includes an increase of \$7,100,000 from the State Highway Fund in FY 2023 for additional internal fleet replacement funding. This amount will allow the department to replace their approximate 4,650 fleet units every 11 years.

This line item funds the financing of replacements for the department's Vehicle and Heavy Equipment fleet through 5-year third-party lease agreements. A General Appropriation Act footnote requires vehicle and heavy equipment replacement to be funded only from this line item.

In addition to the amount in this line item, of the \$56,600,000 in the state's Volkswagen Settlement monies, ADOT will use \$12,523,500 to finance purchases of efficient diesel fuel vehicles over a multi-year period. Through FY 2021, ADOT has expended the entire \$12,523,500 of these funds.

Other Issues

FY 2022 Supplemental

The FY 2023 budget includes an FY 2022 supplemental appropriation of \$29,885.72 from the State Highway Fund for a one-time named claimants appropriation. *(Please see the operating budget for further details.)*

Statutory Changes

The Transportation Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, establish the State Match Advantage for Rural Transportation (SMART) Fund consisting of monies appropriated to the fund by the Legislature for the purposes of assisting political subdivisions outside of Maricopa and Pima Counties and the Arizona Department of Transportation with costs associated with applying for and securing federal transportation grants for projects outside of Maricopa and Pima Counties. *(Please see the ADOT Capital budget for further details.)*
- As permanent law, the ADOT "Transportation Department Equipment Fund" is renamed "Department Fleet Operations Fund" in alignment with the State Fleet's modernization efforts.
- As permanent law, exempt ADOT from the statewide State Fleet.

Special Plates

For more information, please see the Special License Plates program summary on the JLBC website.