

Department of Transportation

Presentation for the House Appropriations Subcommittee on Fiscal
Accountability

March 23, 2023

FY 2024 Executive Budget Overview

Appropriated Funds

	General Fund	Other App. Funds
FY 2023 Base Appropriations	\$0	\$599,435,800
Executive Budget Initiatives	\$25,000,000	\$27,731,100
Executive Budget Baseline Changes	\$0	(\$54,445,900)
FY 2024 Executive Budget Operating Budget	\$25,000,000	\$572,721,000
FY 2024 Executive Budget Capital Projects	\$17,500,000	\$42,520,200

FY 2024 Executive Budget Baseline Changes

	General Fund	Other App. Funds
Highway Maintenance – New Lane Miles	\$0	\$2,350,300
Highway Maintenance – South Mountain Freeway	\$0	\$321,800
Credential Volume & Cost Increase	\$0	\$183,100
License Plate Volume & Cost Increase	\$0	\$219,900
MVD Security Modernization – Phase Two	\$0	\$730,900
State Fleet – Statewide Adjustment	\$0	\$6,791,800
State Fleet - Exempt Fleet & Non-State Fleet Adjustment	\$0	\$6,995,500
State Fleet – Fleet Repl. & Remaining Legislative New Additions	\$0	\$8,665,200
Driver License Security Software Upgrade – Ongoing Cost	\$0	\$160,000
Base Modification – FY 2023 Statewide Compensation Adj.	\$0	\$0
Remove One-time FY 2023 Appropriations	\$0	(\$80,864,400)
Total FY 2024 Executive Budget Baseline Changes	\$0	\$54,445,900

FY 2024 Executive Budget Initiatives

	General Fund	Other App. Funds
SMART Fund Deposit	\$25,000,000	\$0
State Fleet Modernization Phase 3: Onboarding Exempt Agencies	\$0	\$0
Statewide Targeted Litter Removal	\$0	\$3,106,800
Body Worn Cameras	\$0	\$3,717,700
Radio Lifecycle Replacement	\$0	\$1,656,100
Restoration of Interstate Passenger Rail Service to Phoenix	\$0	\$250,000
Targeted Compensation Adjustment	\$0	\$6,872,400
ADOT Fleet – Operations Adjustment	\$0	\$7,706,200
ADOT Fleet – Fuel Inflation Adjustment	\$0	\$2,337,900
Computer Aided Dispatch System Replacement & Upgrade	\$0	\$442,700
Statewide Transit Program Admin Shortfall	\$0	\$551,500
MVD Contractual Increases – Call Centers	\$0	\$87,300
MVD Contractual Increases – NMVTIS	\$0	\$91,000
MVD Operational Increases – Paper Materials	\$0	\$701,700
Liability Insurance Cost Increases	\$0	\$209,800
Vehicle Inspection & Title Enforcement Fund Adjustment	\$0	\$0
Motor Vehicle Liability Insurance Enforcement Fund Adj.	\$0	\$0
Total FY 2024 Executive Budget Initiatives	\$25,000,000	\$27,731,100

FY 2024 Executive Budget – General Fund

- FY 2023 Changes
 - None
- FY 2024 Baseline Changes
 - None
- FY 2024 Initiatives
 - SMART Fund Deposit: \$25,000,000 General Fund
 - The Executive Budget includes a one-time deposit in the State Match Advantage for Rural Transportation (SMART) Fund.
 - The FY 2023 Enacted Budget established the SMART Fund to assist communities in competing for and drawing down federal grants related to surface transportation (i.e., roads and transit).
 - This deposit will ensure that Arizona remains competitive in drawing down federal transportation grants.

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2023 Changes
 - None
- FY 2024 Baseline Changes
 - Highway Maintenance – New Lane Miles: \$2,350,300
 - The cost to properly maintain the State Highway System increases as the system expands. The system is anticipated to expand by 83 new urban lane miles and 18 new rural lane miles in FY 2023.
 - Major costs include roadside and shoulder maintenance, landscaping, surface treatments, and traffic signals.
 - Highway Maintenance – South Mountain Freeway: \$321,800
 - ADOT will have increased costs for the maintenance of 176 lane-miles within the South Mountain Loop 202 Freeway.
 - ADOT entered into a public-private partnership to design, build, and maintain a stretch of Arizona freeway. The developer is responsible for specific maintenance functions for 30 years, and ADOT is responsible to make annual inflation-adjusted payments for those services.
 - Credential Volume & Cost Increase: \$183,100
 - The costs to produce identification credentials are directly effected by population growth, and materials and postage essential to producing and mailing the credential.
 - Funding is intended to cover the increased costs of production and mailing of the credentials.
 - License Plate Volume & Cost Increase: \$219,900
 - The costs to produce license plates are directly effected by population growth, and materials and postage essential to producing and mailing the credential.
 - Funding is intended to cover the increased costs of the production and mailing of the credentials.

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Baseline Changes (continued)
 - MVD Security Modernization – Phase Two: \$730,900
 - Funding is to modernize the security systems at 10 Motor Vehicle Division (MVD) offices.
 - Laws 2022, 2nd Regular Session, Chapter 313 (HB 2862) provided funding for the first of four phases to modernize security systems at all 42 MVD offices. The first phase addressed 11 MVD offices.
 - This funding will allow for the replacement of security systems that have exceeded their expected useful life. It represents a necessary investment in security infrastructure to maintain a safe environment for ADOT employees and the public.
 - State Fleet – Statewide Adjustment: \$6,791,800
 - Ongoing increase in appropriation authority to reflect statewide fleet adjustments for agencies within the State fleet.
 - Statewide fleet adjustments reflect: (1) anticipated changes to the State fleet during FY 2023, (2) vehicle replacement in FY 2024, and (3) the annually updated State fleet fee schedule.
 - State Fleet - Exempt Fleet & Non-State Fleet Adjustment: \$6,995,500
 - Ongoing increase to address anticipated changes to fleet service charges for agencies that are exempted from the State Fleet and for non-state entities that receive fleet services from ADOT.
 - Per A.R.S. § 28-472, certain agencies are exempt from the State Fleet. However, those agencies often receive specific fleet services for all or a portion of their fleets from ADOT.
 - Due to annual adjustments in its fee schedule, ADOT must receive an increase in appropriation authority to address the anticipated changes for those impacted agencies.

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Baseline Changes (continued)
 - State Fleet – Fleet Replacement & Remaining Legislative New Additions: \$8,665,200
 - One-time increase in appropriation authority to replace vehicles within the State Fleet and purchase the remaining new additions funded from prior Legislative initiatives. The FY 2022 and FY 2023 Enacted Budgets included 230 new vehicle additions to the State Fleet to support Legislative initiatives.
 - For FY 2024, ADOT intends to replace 206 vehicles located at 26 agencies within the State Fleet. These vehicles have exceeded their life expectancy and are in need of replacement.
 - Driver License Security Software Upgrade – Ongoing Cost: \$160,000
 - Ongoing increase related to the driver license security software upgrade funded in FY 2023.
 - Laws 2022, Second Regular Session, Chapter 313 appropriated one-time funding to upgrade the driver license security software upgrade. This is the ongoing funding associated with that upgrade and is reallocated from the Driver License Security Software SLI to the operating lump sum.
 - Base Modification – FY 2023 Statewide Compensation Adj.: \$0
 - Redistributes the FY 2023 Salary special line item (SLI) to the correct appropriation/fund combination.
 - Laws 2022, 2nd Regular Session, Chapter 313 (HB 2862), Section 124 provided compensation adjustments to State employees statewide. To implement this initiative, the FY 2023 Appropriations Report created a one-time SLI at certain agencies and this issue redistributes the SLI to the correct appropriation/fund combination(s).

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Baseline Changes (continued)
 - Remove One-time FY 2023 Appropriations: (\$80,864,400)
 - Removes the one-time FY 2023 appropriations for one-time initiatives.
 - Laws 2022, Second Regular Session, Chapter 313 provided the following one-time appropriations:
 - Highway Maintenance Inflation Adjustment: \$51 million
 - State Fleet Gas Inflation Adjustment: \$8.6 million
 - ADOT Fleet Gas Inflation Adjustment: \$6 million
 - Travel ID Implementation: \$6 million
 - State Fleet New Vehicle Addition Purchase: \$4.4 million
 - Driver License Security Software Upgrade: \$2.3 million
 - Building System Management Upgrade: \$1 million
 - MVD Security Modernization Phase 1: \$931,900
 - Vehicle Inspection and Certificate of Title Enforcement Fund Deposit: \$350,000
 - Construction Management System: \$300,000

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Initiatives
 - State Fleet Modernization Phase 3: Onboarding Exempt Agencies: \$0
 - Removes the state fleet exemption for Schools for the Deaf and Blind and Department of Child Safety.
 - Within the Capital section, the Executive Budget includes a one-time funding to install electric vehicle charging and other advance fuel infrastructure to support the State Fleet.
 - Statewide Targeted Litter Removal: \$3,106,800
 - Litter present safety hazards to the traveling public and litter pollution has increased over the past years.
 - Affects tourism by detracting from Arizona’s natural beauty.
 - Produces negative environmental impacts.
 - Will be utilized for contracted services to remove litter monthly in high visibility areas outside Maricopa County.
 - Body Worn Cameras: \$3,717,700
 - Establish a body-worn program within ADOT’s Enforcement and Compliance Division which mirrors the Department of Public Safety’s program.
 - Provides officer safety and transparency.
 - Radio Lifecycle Replacement: \$1,656,100
 - Over half of ADOT radios are over 11 years old, including 600 radios that are over 21 years old.
 - Radios are not only used for the daily operations, but in the event of an emergency, are vital to employees and public safety.
 - New radios will be tri-band allowing them to be used across the state.

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Initiatives (continued)
 - Restoration of Interstate Passenger Rail Service to Phoenix: \$250,000
 - Operating expenses to pursue restoring interstate passenger rail service to Phoenix.
 - The Executive Budget includes an additional \$250,000 for FY 2025.
 - Targeted Compensation Adjustment: \$6,872,400
 - Provides targeted compensation adjustments to 978 positions to address compression and equity issues to address compression and equity issues caused by prior compensation adjustments.
 - ADOT received funding for salary increases in FY 2022 and FY 2023 (10% increase for all state employees).
 - Will provide parity to the remaining positions.
 - ADOT Fleet – Operations Adjustment: \$7,706,200
 - Increase in funding and subsequent appropriation authority to address costs increases related to operating and maintaining ADOT's fleet.
 - ADOT has over 4,700 vehicles and pieces of equipment.
 - Increases are due to ADOT's aging fleet, increased costs of parts, and the statewide compensation adjustment.
 - ADOT Fleet – Fuel Inflation Adjustment: \$2,337,900
 - One-time funding to address increasing fuel costs.
 - In FY 2022, ADOT used approximately 2.1M gallons of fuel and estimates to use 2.3M gallons in FY 2023 as the federal Investment in Infrastructure and jobs Act adds new highway projects.

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Initiatives (continued)
 - Computer Aided Dispatch System Replacement & Upgrade: \$442,700
 - Used to collect information for commercial vehicle inspection, traffic operations, hazmat, and incident response.
 - The Computer-Aided Dispatch system will be at end-of-life by June 2024.
 - Funding will replace end-of-life servers and provide upgrades to the system.
 - Statewide Transit Program Admin Shortfall: \$551,500
 - ADOT receives approximately \$35M annually of funding from the Federal Transit Administration for multiple grant programs.
 - The grants are awarded to municipalities and private non-profit organizations across Arizona.
 - Funding will address an operating shortfall to administer the program.
 - MVD Contractual Increases – Call Centers: \$87,300
 - ADOT contracts with Arizona Correctional Industries (ACI) to provide inmate labor for level-1 call center services for MVD.
 - ADOT was notified by ACI that the hourly rate of inmate labor is increasing from \$1.10 to \$1.80.
 - Funding will cover the increase to the hourly rates.
 - MVD Contractual Increases – NMVTIS: \$91,000
 - MVD contracts with the American Association of Motor Vehicle Administrators to use the National Motor Vehicle Title Information System (NMVTIS) to protect consumers from fraud and unsafe vehicles when purchasing a vehicle.
 - NMVTIS is undergoing modernization and as a result the annual fee is increasing from \$133,155 to \$224,160.

FY 2024 Executive Budget – Other Appropriated Funds

- FY 2024 Initiatives (continued)
 - MVD Operational Increases – Paper Materials: \$701,700
 - MVD has seen an significant increase in paper materials it uses for registrations, renewal notices, business correspondence and envelopes due to inflation and supply chain issues.
 - Provides one-time funding in FY 2024 until a new contract can be negotiated.
 - Liability Insurance Cost Increases: \$209,800
 - The Hoover Dam bridge is owned jointly between ADOT and Nevada as such, ADOT is responsible for 50% of the liability insurance premium.
 - Funding is to address significant cost increases for liability insurance and cyber-security.
 - Vehicle Inspection & Title Enforcement Fund Adjustment: \$0
 - \$600,000 transfer of appropriation authority from the Vehicle Inspection and Certificate of Title fund to the State Highway fund due to a decrease in revenue from COVID-19 which has not returned to pre-pandemic levels.
 - This amount and action is in alignment with prior Legislative changes regarding the Safety Enforcement and Transportation Infrastructure Fund (SETIF).
 - Motor Vehicle Liability Insurance Enforcement Fund Adj.: \$0
 - \$399,900 transfer of appropriation authority from the Motor Vehicle Liability Insurance Enforcement fund to the State Highway fund to address a decrease in revenue which has not returned to pre-pandemic levels.
 - This amount and action is in alignment with prior Legislative changes regarding the SETIF.

FY 2024 Executive Budget Capital Projects

	General Fund	Other App. Funds
Transportation Building Renewal	\$0	\$22,420,200
Tucson North MVD Office Renovation	\$0	\$4,100,000
Keams Canyon Maintenance Truck Barn	\$0	\$3,400,000
Replace Vehicle Fueling Facilities: Phase 3	\$0	\$2,600,000
Interstate 17 Expansion, Anthem to Sunset Point, Funding Shortfall	\$0	\$0
Elec. Vehicle Charging & Adv. Fuel Infra.: Public Use at MVD Locations	\$0	\$2,500,000
Elec. Vehicle Charging & Adv. Fuel Infra.: State & ADOT Fleet	\$10,000,000	\$5,000,000
Restoration of Interstate Passenger Rail Service to Phoenix	\$7,500,000	\$0
Statewide Water Conservation	\$0	\$2,500,000
Total FY 2024 Executive Budget Capital Projects	\$17,500,000	\$42,520,200

FY 2024 Executive Budget – Capital Projects

- FY 2023 Changes
 - None
- FY 2024 Capital Projects
 - Transportation Building Renewal: \$22,420,200
 - Includes an increase in one-time funding for ADOT building renewal.
 - ADOT maintains 1,429 structures having a total area of 3.7 million square feet and a replacement value estimated at \$1.1 billion.
 - Tucson North MVD Office Renovation: \$4,100,000
 - Includes an increase in one-time funding for ADOT to renovate the existing Tucson North Motor Vehicle Division (MVD) facility.
 - The Tucson North MVD facility was constructed in the 1970s, with an addition in the 1990s. The current building layout has proven to be the primary impediment to decreasing wait times and providing a higher-quality customer experience.
 - The funding will be used to make structural changes to the building to allow for renovating the lobby and office areas, to allow for modern MVD operations, address ADA accessibility, and provide ADA compliant restrooms.
 - Keams Canyon Maintenance Truck Barn: \$3,400,000
 - One-time funding for ADOT to replace the existing truck barn and office space at the Keams Canyon Maintenance Yard.
 - The existing three-bay truck barn was built in 1962 and is not adequate to accommodate modern snow-removal trucks.
 - In addition, the existing office space is located within an aging, repurposed, residential modular trailer that is inadequate to support maintenance crews, energy inefficient, and not ADA accessible.

FY 2024 Executive Budget – Capital Projects

- FY 2024 Capital Projects (continued)
 - Replace Vehicle Fueling Facilities: Phase 3: \$2,600,000
 - Includes one-time funding for ADOT to continue the replacement of aging vehicle fueling facilities.
 - ADOT recently performed an evaluation of its 108 above ground and underground storage tanks and associated piping systems. ADOT has 16 fuel facilities with equipment beyond their useful life. Seven of the 16 stations have been addressed by the FY 2022 and FY 2023 Enacted Budgets.
 - This continues that effort by replacing three additional stations, at Springerville, Holbrook, and Chambers.
 - Interstate 17 Expansion, Anthem to Sunset Point, Funding Shortfall: \$0
 - Laws 2019, First Regular Session, Chapter 264 appropriated funding to construct a third highway lane in both directions between Anthem and Black Canyon City and add a flex lane from Black Canyon City to Sunset Point.
 - Due to unforeseen events associated with changes in federal law and increased construction costs, the project is anticipated to have a funding shortfall of \$76.2 million.
 - Elec. Vehicle Charging & Adv. Fuel Infra.: Public Use at MVD Locations: \$2,500,000
 - Includes an increase in one-time funding to install electric vehicle charging and advanced fuel infrastructure within the ADOT building system for public use.
 - This funding will allow the State to prepare for and accommodate the increased use of electric and advanced-fuel vehicles by individuals and families.
 - Elec. Vehicle Charging & Adv. Fuel Infra.: State & ADOT Fleet: \$15,000,000
 - Includes an increase in one-time funding to install electric vehicle charging and advanced-fuel infrastructure for use by the State and ADOT fleets. This funding is integral to transition the State fleet and ADOT fleet to electric and other advanced fuels.

FY 2024 Executive Budget – Capital Projects

- FY 2024 Capital Projects (continued)
 - Restoration of Passenger Rail Service to Phoenix: \$7,500,000
 - Includes an increase in one-time funding to be leveraged for federal support and funding in an effort to restore passenger rail service to Phoenix.
 - The federal Investment in Infrastructure and Jobs Act (IIJA) set aside funding to initiate, restore, or enhance passenger rail service throughout the nation.
 - This initiative is intended to be a catalyst to partner with local entities in securing federal support and funding to restore interstate passenger rail service to Phoenix. Phoenix has not had passenger rail service since 1996.
 - Statewide Water Conservation:\$2,500,000
 - Includes an increase in one-time funding to enhance Arizona’s water resiliency across the State enterprise.
 - This initiative will emphasize replacing high usage water fixtures with low-flow fixtures and modifying existing landscapes by adopting xeriscaping principles that include native plant species.

More Information

For further information about the Arizona Department of Transportation can be found at:

- <https://www.azdot.gov/>

For further information on the FY 2024 Executive Budget:

- <https://azospb.gov/publications2014newweb.aspx>