



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

ROY COOPER
GOVERNOR

J. ERIC BOYETTE
SECRETARY

April 21, 2020

Senator Phil Berger
President Pro Tem of the Senate
NC General Assembly

Speaker Tim Moore
Speaker of the House
NC General Assembly

Senator Dan Blue
Minority Leader
NC General Assembly

Representative Darren Jackson
Minority Leader
NC General Assembly

Chairs, Senate Committee on Appropriations/Base Budget
Chairs, House Appropriations Committee

Dear General Assembly Members:

The COVID-19 pandemic has had a devastating effect on DOT's financial status. I want to provide you updated information based on our latest revenue forecast and inform you of the department's actions to address the unforeseeable decrease in revenue.

While I earlier had shared with you a projected revenue loss of \$200 million, our in-house March 31st revised revenue forecast leads us to anticipate a greater than \$300 million shortfall in fiscal year 2020, all in the current final quarter and resulting from the pandemic. However, that number could increase and most likely will as North Carolina continues life-saving efforts to decrease the spread of the coronavirus. NCDOT staff will continue to work with Office of State Budget and Management and Fiscal Research Division staff to develop the best revenue forecast for circumstances the state has never faced.

This shortfall, along with the need to meet our current contractual obligations, will cause the department's cash balance to drop below the statutory minimum – i.e. below the "floor" – by the end of April. Once this happens, DOT is prohibited from entering any new contractual obligations or modifying existing contracts. While the most obvious example of disallowed activity is road construction, others are:

- Emergency repairs and cleanup;
- New engineering design work;
- Repairs of ferry docks;
- New or renewed license plate agency contracts;
- Purchases of materials and supplies;
- Right-of-way purchases on most projects;
- Awards of projects funded by bonds or federal grants.

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Based on our in-house March 31st revenue forecast, we anticipate a greater than \$370 million shortfall in fiscal year 2021. This number could change based on the length of the pandemic. DOT had no choice but to implement drastic measures to address this ongoing decrease in revenue. These include:

- Suspending construction projects scheduled for letting in the 12-month let list, except for projects funded by federal grants and by bonds (assuming a successful bond sale);
- Develop plan to reprogram STIP if needed;
- Suspend preliminary engineering work on most projects;
- Greatly reducing temporary and consultant positions;
- Greatly reducing maintenance activities, including sign repair, mowing, shoulder repair, pothole patching;
- Suspending some train routes;
- Planning for possible reductions in force and/or furloughs.

As you can see, without assistance from the General Assembly and the federal government, NCDOT will be severely hampered in its mission to provide a well-maintained, safe and functional transportation network for the state. In addition, the consequences to the various industries supporting our network will have immense cascading economic consequences, including numerous job losses.

We understand North Carolina has many needs resulting from the pandemic. Infrastructure spending has been a proven tool to sustain and rebuild our economy following times of economic crisis. Maintaining North Carolina's infrastructure system will provide a lasting benefit to the state while keeping thousands of workers employed during this pandemic and moving forward.

Sincerely,

A handwritten signature in black ink, appearing to read "J. E. Boyette", with a long horizontal flourish extending to the right.

J. Eric Boyette
Secretary

cc: NC General Assembly Members