

MEMORANDUM

DATE: May 14, 2007

TO: Senator Dean Rhoads
Senator Bob Beers

FROM: Laura Freed, Program Analyst
Fiscal Analysis Division

SUBJECT: **Total Amounts of Funding to be spent on Highway Construction Pursuant to NDOT Budget for 2007-09 Biennium**

Senators, as you are aware, the Department of Transportation budget was closed last Friday, May 11, and as part of the closing, the Bond Construction budget (BA 4663) was added to The Executive Budget. The following describes the planned expenditures from both the Bond Construction budget and the main budget (Department of Transportation, BA 4660) so that you have a complete picture of all the funding available for highway construction projects in the 2007-09 biennium.

Budget Account 4660 (Nevada Department of Transportation)

With the movement of the bond expenditures from this budget to the Bond Construction budget, there is \$307 million in Highway Fund (i.e., state-generated funding and federal highway reimbursements) expenditure authority available in FY 2008. In other words, the Governor originally recommended \$470 million in expenditure authority, blending the Highway Fund-supported projects and the bond-supported projects. Staff removed \$135 million to transfer the expected bond revenue to the newly created bond budget account. That leaves \$335 million in expenditure authority. However, since the department's spending plan is for \$163 million in bond expenses for FY 2008, leaving this budget with \$335 million would be over-authorizing the Highway Fund construction authority. Therefore, staff transferred \$28 million more in authority from the Land and Building Improvements category, where construction expenses are recorded, to BA 4663. Staff's adjustments for FY 2008 are summarized on the next page.

FY 2008 Adjustments to BA 4660, Land and Building Improvements Category

\$470 million	(Governor's recommendation)
(\$135 million)	(bond sale – transferred to BA 4663)
(\$28 million)	(additional bond expense authority – transferred to BA 4663)
\$307 million	Highway Fund supported construction expenses for FY 2008

For FY 2009, the adjustments were simpler, since there is no bond sale. Staff transferred \$171 million from BA 4660 to BA 4663 to match the department's expenditure plan, which exhausts the remaining bond proceeds. The remaining amount in BA 4660 is \$299.3 million. The difference between the \$171 million removed from the NDOT main budget and the amount of revenue you see in the Bond Construction budget line item detail (\$170.7 million) is the expense paid to bond counsel for the cost of issuing the FY 2008 bonds. Staff and the agency have agreed that \$400,000 for the cost of issuing bonds is reasonable.

Budget Account 4663 (NDOT Bond Construction)

The table below summarizes the department's plan for spending the bond proceeds over the upcoming biennium. As you can see, there is one bond sale of \$135 million planned for FY 2008. Together with the remaining bond proceeds from previous sales, there is \$334 million in bond funding available to be spent in FY 2008. The department plans to exhaust its bond proceeds by the end of the biennium.

	FY 2008	FY 2009
Available Bond Revenue	\$199,056,987	\$170,656,987
New Bond Revenue	\$135,000,000	\$0
Bond Expenditures	(\$163,400,000)	(\$170,656,987)
Reserved Bond Proceeds	\$170,656,987	\$0

Summary

In total, for FY 2008, the department has \$307 million in Highway Fund expenditure authority and \$163 million in bond expenditure authority, for a total of \$470 million, as originally budgeted in BA 4660. It is simply allocated to different budget accounts to provide the Legislature and the public the ability to see the fund mapping of these expenses. For FY 2009, the total amount available to expend is also \$470 million, as the Governor recommended (i.e., \$299 million in Highway Fund expenditure authority, plus \$171 million in bond expenditure authority). The total expenditure authority available for both budget accounts is \$940 million for the 2007-09 biennium.

If the Legislature approves Assembly Bill 544, which contains \$170 million in General Fund monies to support the Interstate 15 widening, this funding would be available in addition to the \$940 million. As mentioned in the closing document, staff recommends that language be added to the bill requiring that the State Controller

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allocate General Fund monies from a separate budget account only as required to make contractor payments. A new budget account should be set up to track this funding separately from Highway Fund monies and bond proceeds in order to allow the General Fund to continue accruing interest. If a new budget account were created within the General Fund, this proposed addition of General Fund to support the highway construction program would not affect the two existing NDOT budgets.

The total expenditures from both accounts are summarized below. The one-time General Fund appropriation is listed separately.

<u>BA 4660</u>	<u>FY 2008</u>		<u>FY 2009</u>	
Highway Fund Expenditures*	\$	(306,999,992)	\$	(299,343,014)
<u>BA 4663</u>				
Bond Expenditures	\$	(163,400,000)	\$	(170,656,987)
Total Expenditures	\$	(470,399,992)	\$	(470,000,001)

* Highway Fund amounts do not specifically include the federal reimbursements expected for the I-15 project as described on p. 6 of the closing document

General Fund One-Shot (if approved)**	\$	170,000,000	\$	-
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** Unknown in which fiscal years expenditures from the one-shot may be obligated

If I can provide any other information, please call me at 684-6476, or I would be happy to meet with you to discuss this further.

cc: Gary Ghiggeri, Senate Fiscal Analyst
Brian Burke, Senior Program Analyst