

Revenue Decline Due to COVID-19 Depletes NCDOT Cash Reserve

RALEIGH – Sharp decline in revenue has resulted in the N.C. Department of Transportation falling below the [statutorily mandated cash floor of \\$293 million](#). (In July 2020, the new cash floor was set at \$267,322,500 under [Session Law 2020-91](#).) According to state law, once the department falls below the cash floor, the department can no longer enter into new contracts that spend money on transportation projects.

“Never in the history of NCDOT has there been such an immediate and sustained decline in revenues,” said Eric Boyette, Transportation Secretary. “We need revenue to begin putting people back to work across North Carolina.”

The NCDOT is fully funded through the Motor Fuels Tax, Highway Use Tax and Division of Motor Vehicles fees. The drop in revenue from these sources due to COVID-19 will result in more than \$300 million in lost revenue for this fiscal year, which ends June 30. An additional shortfall of more than \$370 million is projected for FY21.

The North Carolina general statutes restrict the department’s ability to enter into agreements that obligate additional funds for transportation projects until cash on hand is above the statutory cash floor, as certified on the last day of the month.

What NCDOT CAN do while below the cash floor:

- Continue active projects
- Maintain existing infrastructure with existing supplies and staff

- Pay incoming invoices from private sector companies as long as funds exist
Continue operating DMV functions
- Respond to emergency situations (with existing staff and materials)
- Hire new employees for critical, safety-related positions or DMV functions

What NCDOT CANNOT do while below the cash floor:

- Negotiate right of way purchases on projects not underway
- Purchase additional equipment, supplies or services for transportation projects unless obligated to make such a purchase in an existing contract
- Award new construction, engineering or repair contracts

Actions NCDOT is taking:

- Laid off nearly half of all temporary employees and embedded consultants
Suspended most programs
- Hiring freeze (except for positions impacting public safety)
- Canceled contract for passenger ferry
- Developing department-wide plan to furlough employees (plan not yet completed)
- Evaluating programs and areas for cuts

At this time, the NCDOT does not know when the cash reserves will be above the cash floor. The department must continue meeting existing obligations and pay invoices for work completed or currently underway. For the department to begin reinstating suspended projects and programs, The NCDOT would need revenue replacement to compensate for COVID-19 losses for FY20 and FY21.

NCDOT

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