ACEC
American Council of Engineering Companies
of North Carolina

COVID-19/NCDOT Update 7-15-2020

NCDOT COO Bobby Lewis Resigns/Department Clarifies the Effects of HB 77 Passage

At an industry meeting July 13th which included representatives of ACEC/NC, CAGC, Aggregate producers, and others, COO Bobby Lewis announced his resignation from the Department effective July 31, 2020. A replacement has not yet been named.

The major points of recently passed "HB 77 – DOT 2020-2021 Budget/Governance" were reviewed and their effect on programs for Fiscal Year 2020-2021 is summarized as follows:

- The reduction in overall budget has decreased the minimum cash balance floor to $266 million from the previous $293 million in FY 20. Currently, the Department is slightly above the new cash floor.
- NCDOT expects to request the full $700 million in Build NC Bonds for sale by the end of September. The sale of these Bonds is critical to NCDOT.
- Pending anticipated Federal action, it is hoped the $300 million in COVID-19 relief funds will be available for use in August/September.
- It is anticipated that the bulk of these funds (approximately $1 billion) and any FHWA and GARVEE Bond fund distributions will go to Maintenance and Construction lettings.
- The Department is currently working on the revised STIP, new spending plan, and updates to the cash model to determine what and when PE projects can be restarted. NCDOT has stated the cash balance will need to be above $400 million for them to feel comfortable restarting projects. Target completion of the cash model is end of July. The cash model should include anticipated project awards for Fiscal Year 2021.
- With the bulk of available funds going to construction lettings, the need for additional CEI personnel may be warranted. However, this is to be determined.
- The Motor Fuels Tax Floor is set at $0.361/gallon.

These were the key points discussed, and there is a planned update by the end of July once cash models are completed.

We had hoped the news would be more encouraging, but we will advise you of any changes as soon as they are received.

NCDOT Raises

Matthew Burns, WRAL NEWS, 7/08/20

The state Department of Transportation wrongly handed out $39 million in raises to hundreds of its employees under a program lawmakers approved two years ago, according to a state audit released Wednesday. Secretary of Transportation Eric Boyette blasted the findings, saying the audit "erroneously interprets this law," prompting State Auditor Beth Wood to fire back that DOT management was trying to mislead people. "[The Office of State Auditor] did not interpret the law. OSA reported the intent of the law as it was stated to auditors by members of the Joint Legislative Transportation Oversight Committee and the General Assembly's Fiscal Research Division," Wood wrote in the audit report. Lawmakers approved a program to help DOT keep valuable employees from moving to the private sector by giving them raises over what's allowed under the state salary schedule, provided that they give up their rights to an annual longevity

bonus and their appeal rights under career-status state employees, according to the audit.
The generous raises were to amount to no more than 2 percent of the agency's annual payroll, or about $19.6 million, the audit determined. Instead, DOT handed out $58.5 million in raises to nearly 7,400 staffers. More than 5,400 of the workers got raises of at least 10 percent, and about 200 workers had active disciplinary actions against them when they were given the supplemental raises, according to the audit. DOT also didn't require any of those receiving raises to give up their longevity pay or career-status rights, the audit found. Ninety-three percent of them were still considered career-status workers, and more than 4,700 also received $8.3 million in longevity pay. "The department also demonstrated to all other state agencies that noncompliance with state laws, whether intentionally or through lack of appropriate due diligence, has no consequences for the agency or management," the audit states.
Boyette insisted that DOT was allowed to spend 2 percent of its total budget on the raises. "Adjustments to salaries that amount to two percent of the department's payroll expenses could have been accomplished via salary adjustments within the existing compensation structure and without specific statutory authorization," he wrote in his response to the audit. "But such adjustments would have been insufficient to accomplish the market-based recruitment and retention goals of the pilot program." [Source]

Payroll Protection Act (PPP) Update

The deadline to apply for PPP loans was June 30, and there's still almost $130 billion left in the fund. In an unexpected move, the House and Senate approved legislation to extend the application deadline to August 8. This bill does not make any programmatic changes to PPP, so it will not affect existing borrowers. It's still possible that Congress will make changes to PPP when they negotiate the next COVID response package. However, that won't happen until they return to DC the week of July 20. On a separate issue, there was an effort to persuade Treasury to postpone 2019 tax payments and 2020 estimated tax payments until later in the year. Treasury has indicated that they will not further extend those deadlines, and with Congress being out of DC until after July 15, it appears those deadlines will stand.

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