

NC Tolls Project Development Policy

A Policy Framework Proposal

Policy Need and Structure

NCDOT desires to advance a new vision for examining the use of toll-funded financing options. These options could strengthen NCDOT's ability to manage a reliable transportation network and to provide choices for new users in a rapidly changing transportation landscape. The approach to support this vision could apply to a variety of tolling and pricing concepts and candidates such as (but not limited to) existing highways, new greenfield capacity, or bridge projects. NCDOT also recognizes the need to strengthen and improve the transparency of the entire tolling and managed lanes project development and delivery process including increasing opportunities for public participation and involvement. Proposed solutions would systematically advance through a series of steps to achieve project viability and equip NCDOT with additional tools to address immediate and emerging needs including:

- Increasing congestion on corridors and regional networks which track with NC's rate of population and employment/freight growth;
- Diminishing state and federal funding from motor fuel receipts which track with new corporate average fuel economy (CAFE) standards and vehicle ownership changes;
- Growing pressure to develop and deliver transportation solutions which track with new federal emphases on system performance, partnerships, safety, security, and asset management;
- Increasing focus on transparent, data driven agency decision-making inclusive of increased public participation and involvement; and
- Providing users with innovative, efficient, and integrated transportation solutions and multimodal choices to connect people and places.

This context provides the basis for the following Policy Framework created to establish and implement an expanded, formalized program of toll-financed highway improvement projects. The framework consists of:

1. Toll policy adopted by the Board of Transportation
2. Administrative/technical support by NCDOT
3. A toll and priced managed lane project feasibility process
4. Other considerations

North Carolina Toll Policy

To confirm the intent and direction of this new vision, the NC Board of Transportation would adopt the policy, consistent with current NC statutes, shown below:

To improve the Department's ability to manage a reliable transportation network, address congestion, leverage limited financial resources, and provide more user choice, the Department shall implement a NC Toll Policy.

The NC Toll Policy, defined and implemented by a Framework of steps and actions, expands the Department's consideration of toll financing as an integral and important strategy to deliver critical, time-sensitive transportation solutions. Under this Policy the Department shall:

- *Evaluate the feasibility of financing high-capacity urban and rural highway improvements through levying of tolls or managed lanes pricing options. Subject to current state law these improvements could include, but are not limited to: new alignment highways with full access control; improvement of existing full access control highways by addition of priced managed lanes; conversion of other highways to tolled, full access control highways by reducing direct access and adding tolled general use or managed lane capacity; or high-volume bridges over bodies of water. This Policy defines "limited access highways" as those planned for high speed traffic, with few or no at-grade intersections, limited points of access, and a median divider between traffic lanes moving in opposite directions.*
- *Define feasibility of tolling and priced managed lanes in cooperation with the state's Metropolitan and Rural Planning Organizations (MPOs/RPOs) and guidelines as set forth in a **Toll Project Feasibility Handbook** (Handbook). The Handbook will ensure that candidate projects are financially feasible, will operate safely, are publicly vetted, and reflect sound stewardship of funds and program performance. For any toll project or priced managed lane project to be programmed and constructed by the Department, it must be approved by the nominating MPO or RPO through inclusion in their adopted Comprehensive Transportation Plan (CTP), Metropolitan Transportation Plan (MTP), or other adopted local plan; it must also advance through the state's Strategic Prioritization process and score well enough to be included in the local Transportation Improvement Program (TIP) and Statewide Transportation Improvement Program (STIP).*

Administration/Technical Support

To support the expanded evaluation of projects across the state, and to avoid over-burdening local or regional planning agencies (MPOs and RPOs), NCDOT would establish a Project Financing Feasibility and Coordination function. Recognizing the project financing expertise of NCTA, the function would be located organizationally within NCTA and would establish a collaborative planning process with NCDOT's Transportation Planning Branch, Strategic Prioritization Office, and Feasibility Studies Unit. These units would be charged with preparing the *Toll Project Feasibility Handbook* to guide the application, coordination and procedures of the toll feasibility process, including proactive public/stakeholder engagement from Steps 1-4 found in this Framework. It is anticipated that these units would work closely with both NCDOT staff and external Project Sponsors to identify viable projects which successfully advance through a series of rigorous, documented steps. These units will ensure the process (from project submittal to programming viability) is conducted in a reasonable timeframe. The extent of

that timeframe and any applicable “sunset” provision would be included in the *Handbook*. NCTA would play the lead role and act as a “single point of contact” to communicate and coordinate project feasibility information with NCDOT BOT/ NCTA Board, media, state/local elected officials, and key statewide or local stakeholders.

Toll and Priced Managed Lane Project Feasibility Process

To provide consistent consideration of tolled or priced managed lane projects, projects will be screened through a four-step project feasibility process initiated by the MPO or RPO (Project Sponsor) and coordinated through NCDOT. Each step, and how the tests/screens are applied, would be described in the *Toll Project Feasibility Handbook* and would be consistent with current NC statutes. The screening and evaluation process will be consistently applied regardless of location. Candidate projects would focus on:

- Greenfield (new) expressways/freeways (urban and rural) (e.g., Monroe Expressway in Union County; NC 540 in Wake County)
- Priced managed lanes (partial tolling) constructed within existing expressways/freeways (e.g., I-77 North)
- Upgrades of existing partial control of access roadways to full access control highways, by converting at-grade intersections to grade-separated interchanges, eliminating driveway connections to the main lanes, and tolling the new capacity (e.g., conversion of US 1 North in Raleigh/Wake County to limit access and facilitate higher speed movement)
- New bridges or major bridge replacements located on the primary highway network (e.g., Mid-Currituck Bridge)

Step One – Initial Project Identification

Project Sponsors would submit projects to NCDOT/NCTA to be tested for toll-financing or priced managed-lanes feasibility following a first level of screening by the Project Sponsor. Initial screening would be conducted consistent with guidelines provided in the *Handbook*, and would establish minimum requirements to submit projects, including:

1. Project need must be identified in locally adopted transportation plan; this may be either a Comprehensive Transportation Plan or financially-feasible Metropolitan Transportation Plan.
2. Must be of facility type expressway or higher
3. Uses Statewide and regional travel demand models to support benefits
4. Has received MPO/RPO board resolution requesting NCDOT evaluation of feasibility for toll-financing for project delivery

Other considerations, as the process evolves, could be added to the *Handbook*.

Step Two – Initial NCDOT Toll Feasibility Testing

Projects submitted by Project Sponsors passing Step One minimum requirements will be subject to initial NCDOT toll feasibility testing for operational and financial feasibility and other standard NCDOT evaluations (such as environmental impact). The exact parameters of these tests are to be determined and will differ between toll projects and priced managed lane projects. Projects which pass the operational and financial feasibility tests will be returned and results shared with the Project Sponsor for further consideration.

Step Three – MPO/RPO Screening

The Project Sponsor will conduct further screening of the tolled or priced managed lane project to ensure that the project is consistent with local plans and goals, and locally approved. NCDOT will participate in project screening, and/or provide technical/analytical support at the request of the Project Sponsor. Project Sponsor screening may result in tolled and priced managed lane projects to be included in the MTP or CTP as identified tolled and/or priced managed lane projects, and must satisfy measures of effectiveness assessed through local modeling, criteria, standards and network benefits. Some of these measures should also come from a single, statewide list to provide policy consistency and candidate viability regardless of location. Although the exact measures have yet to be determined, they will be identified in the *Handbook*. Any independent traffic or economic analysis conducted as part of Step Three screening could be completed by either NCDOT or the Project Sponsor, as determined by mutual agreement.

Documented public participation, input, and agency response, in the form of fact sheets, FAQ's, additional analysis/studies and other communication material consistent with local practice, must be demonstrated to NCDOT to ensure sufficient public opportunity in the decision-making process. An expected outcome of Step Three is a resolution by the Project Sponsor acknowledging the project's consistency with local plans and goals, inclusion in approved transportation plans, documented public input, and agency responses (within the CTP, MTP, or through other plans, independent studies) and endorsement of the toll or managed lanes project for STIP programming through the NCDOT Strategic Prioritization process.

Step Four – Prioritization and Programming

Projects found to be suitable by NCDOT for implementation as tolled or priced managed lane projects (Step 2), successfully screened by their MPO/RPO Project Sponsors for inclusion in their MTP, CTP or other adopted document and endorsed for TIP/STIP (Step 3) may be submitted to NCDOT through the Strategic Prioritization process. This step includes scoring and reviewing the candidate for programming potential (consistent with NCDOT's biennial Strategic Prioritization process) and ensuring maximum available local input points have been assigned to the project to reinforce local priority. Step Four would also include a high-level analysis of potential non-state, non-local funds which can be applied to the benefit-cost criteria under current financial and modeling assumptions.

Other Considerations

- **Financing and Delivery Methods** – More research is needed to develop policy recommendations for effective financing mechanisms (public-private, private only, or other finance/operating arrangements) which support a variety of toll-financed solutions in NC. Practices across the country include the transfer of asset ownership, transparency of terms in concessionaire agreements, risk registers to quantify project delivery risks, acceptance and evaluation of unsolicited bids; these should be examined for inclusion within or as an expansion to the current toll project feasibility steps. If applicable they should also be incorporated into the *Handbook*.
- **Performance and ROI** – Given the increased demand for optics into agency decision making, a process should be developed (over time) to support performance reporting and return on investment accountability of agency resources. Independent analysis (conducted by research institutes or third parties) could measure before/after results and document project effectiveness against standard, industry accepted metrics (such as travel time savings, reliability, productivity, or other metrics). Such a practice would bolster agency credibility, disseminate utilization rates, and promote project acceptance. If applicable such a practice should be incorporated into the *Handbook*.

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