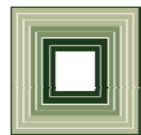


State Transportation Funding Comparisons and Innovative Funding Options

21st Century Transportation Committee

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FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

State Comparisons

| State | Population 2006 (millions) | State-controlled highway miles | % of total miles controlled by state | Vehicle Miles Traveled (billions) |
|-----------------------|-------------------------------|--------------------------------------|--|---|
| Florida | 18.1 | 12,040 | 10% | 202 |
| Georgia | 9.4 | 17,930 | 15% | 114 |
| North Carolina | 8.9 | 79,031 | 77% | 101 |
| South Carolina | 4.3 | 41,391 | 62% | 49 |
| Tennessee | 6.0 | 13,817 | 15% | 71 |
| Texas | 23.5 | 79,648 | 26% | 235 |
| Virginia | 7.6 | 57,860 | 80% | 80 |
| US total | 299.4 | 777,252 | 19% | 2,990 |

- **North Carolina and Texas have the largest state-owned highway systems, over 79,000 miles.**
- **North Carolina (77%) and Virginia (80%) control most of the road miles in those states.**
- **Florida (10%) and Georgia (15%) control comparatively few miles at the state level, leaving most of the miles to local control.**
- **For the US as a whole, about 19% of the road miles are controlled by the state agency.**
 - *Data from US FHWA, Highway Statistics, 2004 and 2005, Tables HM-20, HM-80, VM-2, LGF-21, SF-21 <http://www.fhwa.dot.gov/policy/ohpi/hss/index.htm>*

Total Highway Funding 2004

Funds raised for highways 2004 (thousand dollars)

| | State Funding | Federal Funding | Local Funding | Total State, Federal, Local |
|-----------------------|---------------------|-------------------|-------------------|-----------------------------|
| Florida | \$ 4,347,522 | \$ 1,482,999 | \$ 3,011,588 | \$ 8,842,109 |
| Georgia | \$ 1,467,633 | \$ 809,222 | \$ 926,000 | \$ 3,202,855 |
| North Carolina | \$ 2,617,423 | \$ 949,808 | \$ 596,118 | \$ 4,163,349 |
| South Carolina | \$ 489,919 | \$ 686,753 | \$ 249,493 | \$ 1,426,165 |
| Tennessee | \$ 1,032,381 | \$ 572,194 | \$ 192,721 | \$ 1,797,296 |
| Texas | \$ 3,839,979 | \$ 2,743,112 | \$ 4,370,913 | \$ 10,954,004 |
| Virginia | \$ 2,284,227 | \$ 625,127 | \$ 827,285 | \$ 3,736,639 |
| US total | \$72,860,346 | \$29,955,792 | \$42,252,268 | \$145,068,406 |

- **Funding for highways varies among the states based on geography, history, and state-local division of responsibility.**

Per Capita Highway Funding

| | Total Per Capita | State Per Capita | Federal Per Capita | Local Per Capita |
|-----------------------|------------------|------------------|--------------------|------------------|
| Florida | \$ 489 | \$ 240 | \$ 82 | \$ 166 |
| Georgia | \$ 341 | \$ 156 | \$ 86 | \$ 99 |
| North Carolina | \$ 468 | \$ 294 | \$ 107 | \$ 67 |
| South Carolina | \$ 332 | \$ 114 | \$ 160 | \$ 58 |
| Tennessee | \$ 300 | \$ 172 | \$ 95 | \$ 32 |
| Texas | \$ 466 | \$ 163 | \$ 117 | \$ 186 |
| Virginia | \$ 492 | \$ 301 | \$ 82 | \$ 109 |
| US total | \$ 485 | \$ 243 | \$ 100 | \$ 141 |

- **North Carolina total per capita highway funding (\$468) from federal, state and local sources is on the high side for the region, but below the national average (\$485).**
- **State per capita highway funding for North Carolina (\$294) and Virginia (\$301) is higher than the national average (\$243) and high for the region.**
- **Local per capita highway funding in North Carolina (\$67), South Carolina (\$58), and Tennessee (\$32) are low. The national average is \$141.**

Local Property Taxes Used for Highways

| | Local Per Capita from Property Taxes | |
|-----------------------|---|--------------|
| Florida | \$ | 13 |
| Georgia | \$ | <1 |
| North Carolina | \$ | <1 |
| South Carolina | \$ | 5 |
| Tennessee | \$ | 1 |
| Texas | \$ | 45 |
| Virginia | \$ | 3 |
| US total | \$ | 25 |

- **Local property taxes per capita are significant in Florida (\$13) and Texas (\$45) but insignificant in other states in the region. The national average is \$25.**

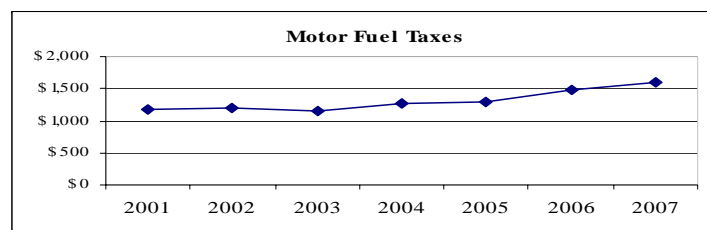


Federal, State, and Local Share of Highway Funding

| | State % | Federal % | Local % |
|-----------------------|------------|------------|------------|
| Florida | 49% | 17% | 34% |
| Georgia | 46% | 25% | 29% |
| North Carolina | 63% | 23% | 14% |
| South Carolina | 34% | 48% | 17% |
| Tennessee | 57% | 32% | 11% |
| Texas | 35% | 25% | 40% |
| Virginia | 61% | 17% | 22% |
| US total | 50% | 21% | 29% |

- **In North Carolina the state share of highway funding is comparatively high and the local share is low.**

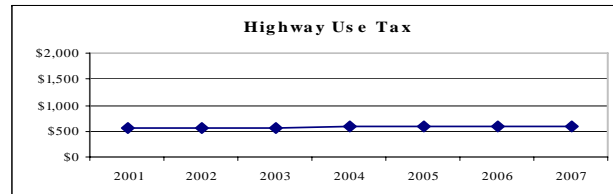
N.C. Motor Fuel Taxes



Revenues in million \$

- NC Statutory motor fuels tax rate varies with the historical wholesale price but tax rate is capped at 29.9 cents per gallon (cpg) through June 30, 2009.
- Tax rate will increase slightly to 29.9 cpg from 29.7 cpg on January 1, 2008 for a six month period. (Without the cap the rate would increase to about 33.4 cpg.)
- Each cent of motor fuels tax yields about \$54 million in revenues.
- Tax revenues have increased in recent years because higher prices led to higher tax rates per gallon. Consumption has shown little growth.
- North Carolina taxes gasoline and diesel fuel at the same rate.
- North Carolina state total gasoline taxes are high for this region. (*Data as of July 2007*)
 - *Florida* 32.6 cpg
 - *Georgia* 26.5
 - ***North Carolina 30.0 (includes .25 cpg inspection fee)***
 - *South Carolina* 16.8
 - *Tennessee* 21.4
 - *Texas* 20.0
 - *Virginia* 19.6
 - *U.S. average* 28.5

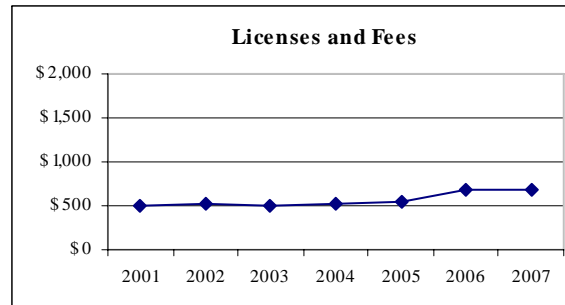
NC Highway Use Tax



- NC Highway Use Tax is collected when the vehicle is titled. It is 3% of the vehicle's price or value (net of trade) and brings in about \$600 million per year. One percent tax rate yields about \$200 million.
- Highway Use Tax has not shown strong growth.
- NC Highway Use Tax is generally lower than other states in the region, except South Carolina.

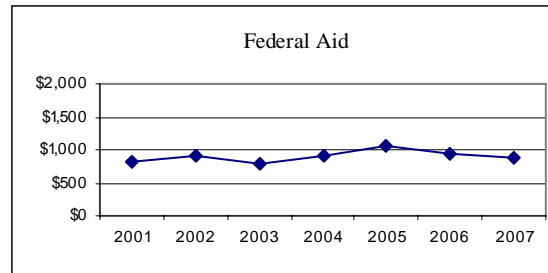
| State | Tax | Increase if NC taxed at this rate (millions) |
|----------------|----------------------------|--|
| Florida | 6% net of trade | \$600 |
| Georgia | 4%-7% net of trade | \$200-\$800 |
| South Carolina | 5% net of trade, max \$300 | Reduction |
| Tennessee | 7% net of trade | \$800 |
| Texas | 6.25% net of trade | \$650 |
| Virginia | 3% | \$115 |

Licenses and Fees



- Division of Motor Vehicles collects licenses and fees of about \$700 million per year for vehicle registration, driver licenses, titles, sales of motor vehicle records, etc.
- Transaction growth has been slow; fees were raised in 2005 to catch up with inflation; many of the fees had been originally set in the 1980's.
- NC yearly passenger vehicle registration fee was raised in 2005 to \$28 from \$20. An increase in the passenger vehicle registration fee of \$10 would yield approximately \$65 million.
 - Other states:
 - Florida Based on vehicle weight; most are \$45.60
 - Georgia \$20
 - South Carolina \$24 for two years
 - Tennessee \$21.50
 - Texas \$40.80-\$58.80 depending on vehicle age
 - Virginia \$39.50-\$44.50 depending on vehicle weight

Federal Aid



- Federal aid has not grown in recent years.
- The future of the federal-aid program is under consideration by the Congress.

Innovative Transportation Funding Options

- Public Private Partnerships (P3)
- Transportation Taxing Districts
- Vehicle Miles Traveled Tax
- Other Financing Options
 - Transportation Infrastructure Finance and Innovation Act (TIFIA)
 - Grant Anticipation Revenue Vehicle (GARVEE)

Innovative Transportation Funding Options

- Public/Private Partnerships
 - Contractual agreements between public and private entities that allow for private entities to heavily participate in delivery of transportation projects (FHWA-National Resource Center)
 - Range of P3 approaches that States participate in from Design/Bid/Build for new projects to owning and operating
 - Concession involves a right to operate, maintain and carry out investment of a highway for a given period of time and involves the private entity paying a lump sum, and maybe a share of revenues, etc. to the public agency for right to collect tolls, raise tolls, maintain and operate at its own costs, etc.

Innovative Transportation Funding Options

- Long Term Lease
- Pocahontas Parkway in Virginia
 - 8 miles
 - Connects I-95 to I-295 (Richmond Area)
 - Saves 10-15 minutes for average traveler
- Concession
 - 99 year term from VDOT to private entity
 - Lump sum payment to VDOT and VDOT repaid their project construction loan and financed other transportation projects
 - Tolling ceilings and conservative rate escalation
- Private entity maintains and repairs project at its costs and complies with local laws and regulations that apply to all other contractors of VDOT
- VDOT provides oversight of lease contract

Innovative Transportation Funding Options

- Long Term Lease
- Indiana Toll Road
 - 157 miles
 - Commercial travel, heavy truck traffic
- Concession
 - 75 year term
 - Total payment of \$3.85 billion used to fund transportation capital needs
 - Tolling would have annual increases based on formula

Innovative Transportation Funding Options

- Long Term Leases
 - Pros
 - Upfront money given to States for debt reduction and new projects
 - Reduces the public sector's responsibility for operating, maintenance, and capital improvement costs
 - Toll setting (increases) is transferred to the private operating entity
 - Cons
 - Loss of a public sector future revenue stream for a period of time
 - Inability to direct future revenues into transportation projects
 - Some loss of control over toll rate setting

Innovative Transportation Funding Options

Transportation Development Districts

- Geographical subdivision of a state designed to facilitate specific transportation improvements through the collection of taxes and the borrowing of funds
- Membership may include counties, towns, property owners and others
- May issue notes, bonds, and other debt securities to fund a transportation project and may levy sales taxes, impose tolls, impose property taxes and use special assessments to repay debt

Innovative Transportation Funding Options

- Virginia Legislature authorized Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority to levy taxes and fees to be spent on regional transportation projects
 - 2% Sales Tax on Gas
 - Grantor's Tax of 40 cents
 - 2% Tax on Vehicle Rentals
 - Safety Inspection Fee of \$10
 - Initial Vehicle Registration Fee of 1%
 - 5% Sales Tax on Auto Repair procedures
 - Regional Vehicle registration fee of \$10

Innovative Transportation Funding Options

- Taxing Districts
 - Pros
 - Tax dollars are spent in the area they are raised
 - Districts may have more local control over projects
 - Cons
 - Various districts may lack ability to raise significant taxes due to area economy
 - Local transportation projects may clash with overall state priorities for transportation plans

Innovative Transportation Funding Options

- Vehicle Miles Traveled Tax (replace motor fuels tax)
 - Piloted in Oregon in 2006
 - 12 month test
 - Program Budget of \$2.9 million
 - Over 200 participants
- Operations
 - On-vehicle device w/ GPS satellite communication
 - GPS Satellite
 - Fuel pumps were reconfigured to read the mileage from the on-vehicle device
 - Fuel receipt would show the reduction of the fuel tax and the added mileage fee for the vehicle miles tax
 - Charge for only Oregon-driven miles and congestion pricing
- VMT Cost to Drivers (two test groups)
 - VMT group paid 1.2 cents per mile
 - Rush Hour group paid 10 cents per mile within congestion zone & .43 cents per mile for regular travel

Innovative Transportation Funding Options

- VMT Tax, Oregon Model continued
- Pros
 - Congestion and zone pricing were possible due to GPS capability
 - Paying for miles only within the state and use of Oregon's roads
 - Consumers paid at pump and tax collection remained the same process
 - Vehicle point location and trip data were not stored; therefore, privacy was protected
- Cons
 - Fuel pumps had to be fitted with mileage readers
 - An on-vehicle GPS system would be required on-board the car
 - Privacy may be at risk
 - There is a cost for implementation

Credit Programs

- TIFIA
 - Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) provides federal credit assistance for major transportation investments.
 - Direct federal loans with flexible repayment terms
 - Loan guarantees that provide full-faith-and-credit guarantees by the Federal government to institutional investors who make loans for projects
 - Standby lines of credit that may be drawn upon during the first 10 years of a project
- Eligible Projects and Project Sponsors
 - Any project that would otherwise qualify for Federal assistance (highway and transit capital projects)
 - State/local governments, private firms, special authorities, transportation improvement or taxing districts

Credit Programs

- Grant Anticipation Revenue Vehicle (GARVEE)
 - Revenue bonds that allow the state to pledge the anticipated future federal highway funds for future debt service
 - Used for right-of-way and construction costs
 - In 2005 NCGA authorized use of \$900M and \$287M issued for 39 Transportation Improvement Program (TIP) projects in 2007

Questions?

