

**21<sup>st</sup> Century Transportation Committee**  
**Finance Subcommittee**  
**Recommendations**

There are seven proposals for consideration:

Number 1 – Transfer Elimination- It is proposed that the Highway Trust Fund transfers to the General Fund of \$172 million (G.S. 105-187.9(b)) be eliminated. This makes available to the Highway Trust Fund (HTF) the full amount for transportation needs.

Number2 - North Carolina Turnpike's Authority Gap Funding – It is proposed that the Turnpike Authority (NCTA) will receive \$45 million in FY2008-09 and an additional \$30 million in FY2009-10; a total of \$75 million annually from the Highway Trust Fund. This on-going stream of funding will be used by NCTA to obtain other funds by the NCTA, for construction of legislative-approved NCTA projects. This funding is made available through elimination of the transfer described in number 1 of these recommendations.

- During FY2008-09, it is proposed that approximately \$45 million of the recaptured funds (no longer transferred) within the HTF, will be used for gap funding for the NCTA's projects.
- It is proposed that in FY2009-10, \$75 million of the total recaptured funds will be used for gap funding for NCTA projects (this includes \$45 million in the first year's recaptured funds and \$30 million in the second year of the recaptured funds from transfers).
- The remainder of the transfer funds would be used to repay debt in support of the proposed bond issue in recommendation Number 3.

Number 3 – Bonds - According to the Debt Affordability Committee's study released in 2008; the Department of Transportation's funding streams (Highway Fund and Highway Trust Fund) have a debt capacity of \$1.75 billion. It is recommended that the highest amount possible available be obtained in bonds to speed up project construction to avoid the ongoing inflation in construction costs.

These new funds would be used in the following manner: 50% loops and interstates to increase capacity based on congestion and mobility factors including appropriate funding for the Transportation Intermodal Fund, and 50% distributed through the equity formula for the bridge program and completion of the intrastate system as defined in G.S.136-179.

Number 4 – Redirect Secondary Roads Construction Supplemental HTF Funds once current phase of program is completed in FY2009-10. It is proposed that the HTF funding for the program be used for debt service. There would still be approximately \$90 million available through Highway Fund appropriations for the Secondary Roads Program. According to the *General Assembly's Fiscal Research Division's Justification Review on the Secondary Roads Program*, much of the program goals have been met. The creation of the Highway Trust Fund mandated that all dirt roads be paved (all that carried 50 or more vehicles per day within ten years of creation of the HTF, and all of the

remaining roads within the following six years). In 1989, there were over 16,000 miles of unpaved secondary roads and currently there are less than 5,500 miles of unpaved roads, of which 1,800 cannot be paved to due to right-of-way and/or environmental issues. There remains approximately 3,000 miles of unpaved roads.

The total funds that would no longer be available for the Secondary Roads Construction program is approximately \$81 million. The revenues currently available for this program through the HTF include \$15 for each vehicle title issued and 6.5% of the HTF (net the administration of the program and debt service on the 1996 bonds, and the transfer from the Highway Trust Fund to the General Fund).

Number 5 – Debt service for Bonds – It is proposed that the new bonds will be paid for by the money recaptured through the elimination of the transfer of Highway Trust Fund to the General Fund and by funds made available by discontinuing the Secondary Roads Construction Program, funding from the Highway Trust Fund.

- The funds available from eliminating the General Fund transfer (of funds not being obligated to the NCTA) will be used to pay debt service on the new bonds to be approved in 2008. This amount is approximately \$97 million.
- In addition, the funds available due to the completion of the Secondary Roads Construction Program is approximately \$81 million. It is proposed that these funds will be used for debt service on the new bonds proposed for 2008.
- In total it is proposed that approximately \$178 million is available for debt service for new bonds.

Number 6 - Bond Oversight for Transportation - It is proposed that the legislature create an entity to monitor and provide oversight for the expenditure of already issued bonds and new bond funds. The structure would be similar to the Legislative University Bond Oversight Committee with the Speaker of the House and President Pro Tem of the Senate appointing members and each designating an appointee as a co-chair. The Committee will be funded by Highway Fund dollars transferred from the Department of Transportation to the General Assembly.

The Committee will receive specific project and funding reports from NCDOT and the Treasurer's office. The Committee will report bi-annually to the Joint Legislative Transportation Oversight Committee and annually to the Appropriations Subcommittee for Transportation.

The detailed recommendation on bond oversight is at the end of this recommendations document.

#### Number 7 - Yadkin River Bridge / I-85

The Finance Committee proposes tolling the I-85 Bridge and that this project will become a top-priority for the Turnpike Authority; planning would begin in FY2008-09.

This project would extend from south of the Yadkin River Bridge to just north of the I-85 Business/I-85 Bypass split in Davidson County. The total project length is approximately 7 miles. The project doubles the capacity of I-85 through this area by adding two new lanes in each direction. (Source – North Carolina Turnpike Authority).

The total project cost is \$391M. NCTA reports that this project can be built with little or no gap funding; in essence, the future project tolls will almost entirely pay for the construction of the new bridge. (Source – North Carolina Turnpike Authority *Yadkin River Bridge Project, March 24, 2008*)

DESCRIPTION/YEAR	THRU YEAR OF EXPENDITURE
CONSTRUCTION	\$324.1
STIPENDS	\$0.2
UTILITIES	\$7.1
RIGHT OF WAY	\$11.6
ADMINISTRATIVE	\$4.4
ENVIRONMENTAL MITIGATION	\$1.2
ENGINEERING	\$18.0
PLANNING	\$2.7
CEI/TESTING	\$22.3
<b>Cost</b>	<b>\$391.7</b>

Source – North Carolina Turnpike Authority – based on cashless collections; cash collections will add \$87.1 million to the total.

21<sup>st</sup> Century Transportation Committee  
Finance Subcommittee  
DRAFT Recommendation  
Transportation Bond Oversight Committee

Bond Oversight for Transportation - It is proposed that the legislature create an entity to monitor and provide oversight for the expenditure of already issued bonds and any new bond funds. The structure would be set up similar to the Legislative University Bond Oversight Committee with the Speaker of the House and President Pro Tem of the Senate appointing members and each designating an appointee as a co-chair. The Committee will be funded by Highway Fund dollars transferred from the Department of Transportation to the General Assembly.

The Committee will receive specific project and funding reports from NCDOT and the Treasurer's office. The Committee will report bi-annually to the Joint Legislative Transportation Oversight Committee and annually to the Appropriations Subcommittee for Transportation.

DOT and Bond Oversight

Section 4. Transportation Bond Oversight Committee. – (a) Creation and Membership. The Transportation Bond Oversight Committee is established. The Committee shall be located administratively in the General Assembly. The Committee shall consist of 10 members appointed as provided below. In making appointments, each appointing officer shall select members who have appropriate experience and knowledge of the issues to be examined by the Committee and shall strive to ensure geographical diversity among the membership.

- (1) Five members shall be appointed by the Speaker of the House of Representatives.
- (2) Five members shall be appointed by the President Pro Tempore of the Senate.

Section 4.(b) Terms. Terms on the Committee are for three years and begin on January 15, except the terms of the initial members, which begin on appointment. A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

Section 4.(c) Duties. The Committee shall:

- (1) Call for reports and presentations from the following parties and convene for the purpose of hearing from the following parties:
  - a. The Secretary of the Department of Transportation.
  - b. The Highway Administrator of Department of Transportation.
  - c. The Chief Engineer of the Department of Transportation.

- d. The Administrator of the Transportation Improvement Program for the Department of Transportation.
  - e. The Highway Division Engineers for the Department of Transportation.
  - f. The State Treasurer.
- (2) Analyze and prepare recommendations, based on the information received under subdivision (1) of this subsection, concerning the following issues:
- a. Whether expenditures of the proceeds from the bonds issued for transportation projects are in compliance with state and federal laws governing use of funds.
  - b. Whether the awarded contracts are consistent with the budget and scope of the approved projects.
  - c. Whether changes in construction methods could enhance cost savings and promotion of on-time completion of projects.
  - d. Whether the bond issuances are adequately timed to reflect cash-flow requirements of the projects.
  - e. Whether the bond projects, Transportation Improvement Plan projects, and other capital projects are being delivered within an adequate time-frame.
  - f. Whether the recommendations by consultants McKinsey and Company are being implemented by the Department of Transportation for management and organizational improvements. This Committee may receive two reports each year on implementation status from Department of Transportation.

Section 4.(d) Reports. The Committee shall report semiannually to the Joint Legislative Transportation Oversight Committee and annually to the Joint Legislative Appropriation Subcommittees for Transportation.

Section 4.(e) Organization. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Committee. The Committee shall meet at least once a quarter upon the joint call of the cochairs. A quorum of the Committee is six members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

Section 4.(f) Funding. From funds appropriated to the Department of Transportation there shall be funds made available to the General Assembly, Legislative Services Commission to fund the work of the Transportation Bond Oversight Committee. Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and G.S. 138-5.

Section 4.(g) Staff. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall

assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

Section 4.(h) The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02.

Section 5. (i) Expiration. The Transportation Bond Oversight Committee terminates upon completion of all projects funded by bond proceeds issued in 2007 and beyond.