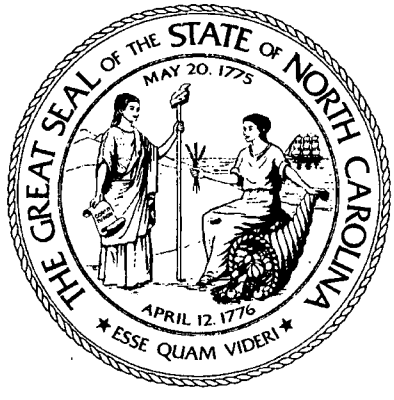
2007-2008

21st CENTURY TRANSPORTATION COMMITTEE

MINUTES

2007-2008

NORTH CAROLINA GENERAL ASSEMBLY



21st CENTURY TRANSPORTATION COMMITTEE

Mr. BRAD WILSON, CHAIRMAN

ATTENDANCE

21st Century Transportation Committee

DATES	2007 11/7	11/26	12/12		2008 1/16	2/21	3/24	4/24	8/21	9/11	11/5	11/19	12/10		
Mr. Brad Wilson, Chair	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Sen. David Hoyle	✓	-	-		✓	Ex		✓					✓		
Sen. Clark Jenkins	✓	-	✓		✓	✓	✓	✓	✓		✓		✓		
Sen. Richard Stevens	✓	✓	✓				✓	✓	✓		✓	✓	✓		
Rep. Nelson Cole	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Rep. Becky Carney	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Rep. Lorene Coates	✓	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Rep. Phillip Frye	✓	-	✓		✓	✓	✓			✓	✓	✓	✓		
Rep. Bill McGee	✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓		
Rep. William Wainwright	✓	-	-				✓	✓	✓		✓				
Honorable Terry Bellamy	✓	✓	✓		✓	✓		✓		✓	✓	✓	✓		
Honorable Richard Blackburn	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓		
Mr. Charles Bowman	-	✓	✓		✓	-	✓	✓			✓	✓	✓		
Honorable Sam Hunt	-	✓	-		✓	✓	✓	✓							
Honorable Allen Joines	✓	✓	-		✓	✓	✓	✓	✓		✓	✓	✓		
Honorable Chuck McGrady	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓		
Honorable George Miller, Jr.	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Dr. Joseph Monroe	✓	✓	✓		✓										
Mr. Gregory Plemmons	✓	-	✓		✓	Ex.		✓			✓				
Mr. Billy Sewell	✓	✓	-			✓		✓	✓	✓	✓	✓	✓		
Ms. Nina Szlosberg	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓		
Mr. D. Jordon Whichard, III	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓		
Mr. Lanny Wilson	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Mr. Stephen Zelnak, Jr.	✓	✓	✓		✓	✓	✓	✓	✓			✓	✓		

Membership List for 21st Century Transportation Committee

Mr. Brad Wilson, Chairman
1412 Canterbury Rd.
Raleigh, NC 27608

Mr. Richard Blackburn
451 Don Walters Rd.
Jefferson, NC 28640

The Honorable Allen Joines
PO Box 2511
Winston Salem, NC 27102

The Honorable Terry Bellamy
48 Lancelot Lane
Asheville, NC 28806

Mr. Greg Plemmons
500 Old Dominion Way
Thomasville, NC 27360

Mr. Billy Sewell
521 New Bridge St.
Jacksonville, NC 28540

The Honorable George W. Miller, Jr.
PO Box 51429
Durham, NC 27717

Ms. Nina Szlosberg
2710 Rosedale Avenue
Raleigh, NC 27607

Mr. Chuck McGrady
1 Historic Courthouse Sq., Ste. 1
Hendersonville, NC 28792

Mr. Charles F. Bowman, President
North Carolina Bank of America
Bank of America Corporate Center
100 North Tryon Street
Charlotte, NC 28255-0001

Mr. D. Jordan "Jordy" Whichard
PO Box 1967
Greenville, NC 27834

Dr. Joseph Monroe
NC A&T College of Engineering
Greensboro, NC 27411

Mr. Lanny Wilson
1442 Quadrant Circle
Wilmington, NC 28405

Mr. Stephen Zelnak, Jr.
PO Box 30013
Raleigh, NC 27607

The Honorable Sam Hunt
1215 Maple Ave.
Burlington, NC 27215

Sen. S. Clark Jenkins
308 Legislative Office Building
Raleigh, NC 27603

Sen. David Hoyle
300-A Legislative Office Building
Raleigh, NC 27603

Sen. Richard Stevens
406 Legislative Office Building
Raleigh, NC 27603

Rep. Nelson Cole
1218 Legislative Building
Raleigh, NC 27601

Rep. Lorene Coates
633 Legislative Office Building
Raleigh, NC 27603

Rep. Becky Carney
1221 Legislative Building
Raleigh, NC 27601

Rep. Phil Frye
1019 Legislative Building
Raleigh, NC 27601

Rep. William C. "Bill" McGee
531 Legislative Office Building
Raleigh, NC 27603

Rep. William L. Wainwright
301-D Legislative Office Building
Raleigh, NC 27603

ATTENDANCE

21st Century Transportation Committee

DATES	11/7	12/12	2/21	3/24	4/24	5/13	8/21	11/5	11/19	12/10					
Mr. Brad Wilson, Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Sen. David Hoyle	✓		Ex		✓	✓				✓					
Sen. Clark Jenkins	✓	✓	✓	✓	✓	✓	✓	✓		✓					
Sen. Richard Stevens	✓	✓		✓	✓	✓	✓	✓	✓	✓					
Rep. Nelson Cole	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Rep. Becky Carney	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Rep. Lorene Coates	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Rep. Phillip Frye	✓	✓	✓	✓		✓		✓	✓	✓					
Rep. Bill McGee	✓	✓	✓	✓	✓	✓	✓		✓	✓					
Rep. William Wainwright	✓			✓	✓	✓	✓	✓							
Honorable Terry Bellamy	✓	✓	✓		✓	✓		✓	✓	✓					
Honorable Richard Blackburn	✓	✓	✓	✓	✓	✓		✓	✓	✓					
Mr. Charles Bowman		✓		✓	✓	✓		✓		✓					
Honorable Sam Hunt			✓	✓	✓										
Honorable Allen Joines	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Honorable Chuck McGrady	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Honorable George Miller, Jr.	✓	✓	✓	✓	✓		✓	✓	✓	✓					
Dr. Joseph Monroe		✓													
Mr. Gregory Plemmons	✓		Ex		✓			✓	✓						
Mr. Billy Sewell	✓		✓		✓	✓	✓	✓		✓					
Ms. Nina Szlosberg	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Mr. D. Jordon Whichard, III	✓	✓	✓	✓	✓	✓		✓	✓	✓					
Mr. Lanny Wilson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Mr. Stephen Zelnak, Jr.		✓	✓	✓	✓	✓	✓		✓	✓					
							✓								

Marc Basnight
President Pro Tempore,
North Carolina Senate

Joe Hackney
Speaker,
North Carolina House of Representatives

Raleigh, North Carolina 27601-1096

21st Century Transportation Committee

Section 1. The **21st Century Transportation Committee** (hereinafter "Committee") is established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.

Section 2. The Committee consists of the 24 members listed below. The President Pro Tempore of the Senate shall appoint 12 members of the Committee, and 4 of these 12 appointments shall be made upon the recommendation of the Governor. The Speaker of the House of Representatives shall appoint 12 members of the Committee, and 4 of these 12 appointments shall be made upon the recommendation of the Governor.

The Committee shall select its chair upon the recommendation of the Governor. The Committee and the terms of the members shall expire when the Committee submits a final report to the General Assembly. Members serve at the pleasure of the appointing officer.

President Pro Tempore Appointments	**Speaker of the House Appointments**
Senator David Hoyle	Representative Nelson Cole
Senator Clark Jenkins	Representative Becky Carney
Senator Richard Stevens	Representative Lorene Coates
Dr. Joseph Monroe, Dean, Guilford County	Representative Phillip Frye
Mr. Lanny Wilson, New Hanover County	Representative William C. "Bill" McGee
Mr. Billy Sewell, Onslow County	Representative William L. Wainwright
Mr. Stephen Zelnak, Jr., Wake County	The Honorable George W. Miller, Jr., Durham County
The Honorable Richard Blackburn, Ashe County	Ms. Nina Szlosberg, Wake County
*The Honorable Terry Bellamy, Buncombe County	*Mr. Charles F. Bowman, Mecklenburg County
*The Honorable Sam Hunt, Alamance County	*The Honorable Chuck McGrady, Henderson County
*The Honorable Allen Joines, Forsyth County	*Mr. D. Jordan "Jordy" Whichard, III, Pitt County
*Mr. Gregory Plemmons, Guilford County	**Mr. Brad Wilson, Chair, Wake County

* Recommendation from Governor Michael F. Easley
** Recommendation for appointment as Chair by Governor Easley

Section 3. The Committee shall study the transportation infrastructure needs of the State. The Committee shall study and report on the following:

(1) Ways to improve the transportation systems of the State in order to promote economic growth and ensure that the State can compete and participate in the global economy.
(2) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.
(3) Priorities of the Department of Transportation, including methods to ensure adequate funding for corridors and projects of statewide significance.
(4) Methods to use new and innovative technology to improve the transportation system.
(5) Local funding options for transportation.
(6) Ways to adequately fund road construction to address urban congestion and to improve mobility.
(7) Methods to spend transportation funds in the most effective and cost efficient manner, including ways to use recycled materials, and reuse and recycle road materials.
(8) Ways to maintain the continued safety of the current transportation system, including an analysis of the safety and reliability of bridges in the State.
(9) The appropriate division of responsibility for transportation infrastructure between State and local government and any federal role in providing transportation infrastructure needs.
(10) An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.
(11) A review of public transportation needs in urban areas.
(12) Methods to encourage fuel conservation and energy conservation in North Carolina.
(13) Any other issues the Committee finds relevant to this study.

Section 4. The Committee shall meet upon the call of the chair. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

Section 5. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02.

Section 6. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5 and 138-6, as appropriate.

Section 7. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. An initial allocation of $50,000 shall be provided to the Committee from funds appropriated to the General Assembly.

Section 8. The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

Section 9. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations. The Legislative Services Commission shall grant adequate meeting space to the Committee in the State Legislative Building or the Legislative Office Building.

Section 10. The Committee may submit an interim report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before May 1, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before December 31, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate on December 31, 2008, or upon the filing of its final report, whichever occurs first.

Effective this 29th day of October, 2007

Marc Basnight
President Pro Tempore of the Senate

Joe Hackney
Speaker of the House of Representatives

21st Century Transportation Committee
Agenda
November 7, 2007
1:00 PM
Room 643 LOB

Welcome and Introductions	Brad Wilson
Purpose and Charge of the Committee	Brad Wilson
Presentation	Sen .Phil Berger Rep Paul Stam
General Overview of NCDOT	Mark Foster
Transportation Improvement Program and the Equity Formula	Calvin Leggett
NCDOT $65 billion Needs Study	Mark Foster
Committee Discussion	Brad Wilson

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Wednesday, November 7, 2007
1:00 PM
Room 643, Legislative Office Building

The 21st Century Transportation Committee met on Wednesday, November 7, 2007 at 1:00 p.m., in Room 643 of the Legislative Office Building. Senators Hoyle, Jenkins, and Stevens; Representatives Cole, Carney, Coates, Frye, McGee, and Wainwright, and Honorables Bellamy, Blackburn, Joines, McGrady, George Miller, Jr.; and Misters Brad Wilson, Plemmons, Sewell, Whichard,, Lanny Wilson; and Ms. Szlosberg attended/

Mr. Brad Wilson presided. He welcomed everyone to the 21st Century Transportation Committee Meeting. and thanked all of the members of the committee for adjusting their schedules so quickly to attend. The meeting was called pretty promptly after the announcement of the respected appointments because he felt that it was important that the meeting be held very early for organization and to start to work. He said some members were not able to attend the meeting today and will be joining the meeting by phone.

Senator Jenkins was recognized and nominated Brad Wilson to serve as Chairman of the 21st Century Transportation Committee, and Representative Cole seconded the nomination. The Committee voted unanimously for Brad Wilson to serve as Chairman of the Committee.

Chairman Wilson called attention to the Charge of the Committee. (Attachment No. 1). He pointed out that it is very broad and very pervasive and there is a lot of work ahead of the committee. The assignment is to study and report on the material listed in the Charge. Chairman Wilson said he hoped that today the committee can discuss and settle on what the immediate objectives are to present to the short session of the Legislature and that the committee will be in a position to present to the General Assembly and the Governor ways to consider the issue of eliminating the transfer from the Highway Trust Fund. Also, that the committee will have some specific recommendations relative to meeting the needs that pertain to bridges and how to get the turnpike up and running and at work and some specific recommendations that can address the more congested areas and problem spots in North Carolina.

PRESENTATIONS

Representative Paul Stam was recognized and presented a joint statement from he and Senator Phil Berger to the Committee. (Attachment 2). Representative Stam said that he and Senator Berger are very concerned about this question of transportation and are presenting this statement. They wished the Committee well and hope that it succeeds because the transportation problems need to be fixed. He spoke about the budget needing to be allocated in a better way for the transportation needs for our state. There are some

long range solutions that need to be addressed immediately. He pointed out that neither the House nor the Senate Budget allocated any additional dollars for transportation this year. He also pointed out the money that has been taken from the Highway Trust Fund for other things and not for transportation in the budget this year. He would like to see this neglect ended now and presented his proposal to the 21st Century Transportation Committee.

Mr. Mark Foster was introduced to present the Department Of Transportation presentation on the General Overview. (Attachment 3). He gave a brief outline of the Department of Transportation both in terms of responsibility and budget showing charts and explaining. He said that growth, aging infrastructure, inflation and limited resources are putting a great strain on our ability to provide transportation services in this state and it is not just a state problem but it is also a national problem. It has been put in pretty plain language that our current generation has benefited from the last two generations investment in our transportation system. The unfortunate thing about it is that we spent that inheritance and now something has to be done about it. Mr. Foster said the State Department of Transportation is a four billion dollar transportation service agency with about fourteen thousand employees whose mission is to connect the people and places in North Carolina. He continued telling about the responsibilities of these employees to the state. Mr. Foster pointed out that about 75% of the Revenue comes from state resources going into two funds; the Highway Trust Fund is about 30% of the total budget and the Highway Fund which is about 45% to 46% of the budget. He continued explaining the break-down of revenue that comes from state resources and federal reimbursement from the federal gas tax and the distributions. Mr. Foster pointed out the uncertainty in terms of funding in Washington and as they run out of money we receive less.

Mr. Calvin Leggett with the Program Development branch with the North Carolina Department of Transportation was introduced to speak next. He continued using the charts and said the Transportation Funds they get from the federal government are not just one federal program. It is a series of federal programs and continued pointing out and explaining the different programs on the chart. He said there is a new federal core program that was enacted on safety that used to be a sub-category of the STP Program but now it is a core program of its own. There are others and each one has its own guidelines, restrictions and the ways you can use it and where you can use it. The Transportation Improvement is a seven year document. It is a 7 year document by state law. The federal government requires a 4 year document and one of the questions the committee might want to ask is, is seven years right? The 7 year time frame was enacted in the early 1970's and that was the amount of time it took from the time they decided they wanted to build a major project to plan, design and acquire right of way and start construction. That 7 years is now 10 years plus for a major project.

Mr. Leggett told the committee that when the Trust Fund was enacted the idea was to have a network of multi-lane highways connecting the entire state. When the study commission that developed the Trust Fund looked at it, they looked at the system around the state and there was about 36 hundred miles of a map. It was a system created to connect the entire state. At that time about 18 hundred miles of that 36 hundred miles

system were currently multi lane highways. The remaining interstate miles were the other 18 hundred miles to develop the 36 hundred mile complete system. Those remaining miles are parts of that network that have not been four-laned yet and that is 25% of the system. Progress has been made throughout the state. They have completed to date in the neighborhood of 900 miles of the 18 hundred miles that was left. There are over 900 miles to complete and this is distributed around the state.

Mr. Leggett continued explaining the exemptions of funds from the law. The exemption is for the urban loop system which is a revenue stream out of the Trust Fund that may be used on 10 cities now. He talked about the air quality program and competitive federal grants.

Mr. Leggett talked about the transportation improvement programs from a working stand point and explained how they carry it out. He said the department is in the process of developing a transportation improvement program virtually at all times. It is a two year cycle they go through. They develop a program, the Board adopts it and they almost immediately start developing a new document. They have just released the draft 2009-2015 document, which is about the size of a phone book. It is on the web. They will be holding public meetings all over the state over the next few months and meeting with interest groups, planning organizations, etc. and working toward presenting a final document to the Board of Transportation next summer, probably at their June Board Meeting. Mr. Leggett continued explaining the document and the different elements that enter into it. He talked about how they get the most benefits from the budget they have available.

Mark Foster said that the document that Mr. Leggett showed includes over fourteen billion dollars worth of investment and covers over twenty-five hundred projects over the next seven years.

Mr. Foster was recognized to speak on the North Carolina Department of Transportation $65 billion dollar Needs Study. He said all the spending programs within the Department of Transportation have some sort of methodology for allocating the dollars. Some are based on equity formulas, some are based on majority for population as they address congestion and other formulas. He said this is where the transportation dollars went by division. He continued explaining where the dollars were allocated and were spent throughout the state.

Mr. Foster continued to explain how the Department of Transportation collects its revenues relative to other states. He said if you look how State Department of Transportations fund the transportation initiatives, they fund it using a whole smorgasbord of revenues and fees, everything from gas taxes, tolls, the DMV's, etc. He continued with the explanation using the charts in Attachment 3.

Mr. Foster said our State Department of Transportation funding covers 80% of the roads in the state. Other State Department of Transportations fund 20% of the roads. We do it primarily with gas tax, the other states fund it by property tax. We rely more heavily on

the gas tax. About 35% of our revenue source comes from the state gas tax. He continued explaining about how the gas tax is declining in revenue. He discussed FHWH's forecast of what is going to be in their budget by 2010 and it shows they are going to be bankrupt because of the amount of need is going to surpass the revenue coming into the federal government. He said we do not really think this is going to happen but what it really tells us is that if that is the dire situation today and if the national legislators do anything in the next couple of years to keep that afloat we are not going to see the type of revenue increases from the federal side that is going to fill in what is being lost on the state side. In the future the federal reimbursements in all likelihood are going to diminish.

Mr. Foster discussed the aging infrastructure. He said that most of our state bridges are 35 to 40 years old and going to be in need of repair or replacement in the next 20 years. We have about 18 thousand bridges and structures in the state. Eight thousand of those are going to becoming due for replacement in the next 20 years

Mr. Foster said that in 2002 they put together a long range plan that looked out 25 years in the future and compared the needs of the state to the anticipated revenue that was going to support those needs in transportation initiatives. In 2002 they identified a gap of almost 30 billion dollars. That gap represents about 84 billion dollars the state needs, if you were to price it today, versus 55 billion dollars of available revenue discounted today. Five years later that same analysis was done and the gap was doubled in five years. He continued to explain the inflation problem. He said they essentially had continued growth and demand, doubling of cost and a decline in revenue and drove the gap from a 29 billion dollar gap five years ago to a 65 billion dollar gap last year. .Mr. Foster talked about how they took a look at other states and the same thing was happening. He said when you look at what it takes to maintain a transportation system, it is a mix of expansion dollars, modernization dollars for safety as well as maintenance and preservation. He said in rating our bridges they rate a "C-", and our road system is a "D". Overall the infrastructure is about a "C-". If the funding is continued at the current level probably the score card will fall from a "C-" to a "D". He discussed gaps they can see in the future in infrastructure and pointed out the needs that will have to be dealt with. Mr. Foster discussed congestion and this needs to be dealt with.

Mr. Foster talked about logistics pointing out and asking, how would a shipper look at North Carolina's logistic system? One of he main periodicals for the logistics and trucking industry is UF Logistics and they do a survey every couple of years to take a look at what they consider are the most logistics friendly cities across the country. In their latest poll not one North Carolina city made the top 50 in terms of logistics cities. The closest city in their top 300 in North Carolina was Greensboro at 87. Charlotte and Raleigh were up around 100. They look at it in terms of moving commerce in the next 20 to 25 years and they see a gap. Other states are creating a state-wide logistics plan. Logistics needs to be linked to commerce.
Mr. Foster talked about what the State is currently doing about the problems. He said they have put together some sophisticated cash modeling and stabilized the finances and the operations of DOT and they are currently fiscally stable. There was an imbalance of

investment in terms of the strategic long range plan. Most of the dollars are heading to expansion instead of the balance of modernization preservation and expansion. The balance is much better today than it was 2 years ago. He continued telling what is being done speaking of the Garvee Bond Program. He said they have double A investment grade rating with no back stop. The interest point rate on the bonds is 3.9%. Which means there are three hundred million dollars at low interest financing to pay for 30 projects on the strategic corridor that carries 45% of the traffic where construction inflation has been double digited. He pointed out projects that are being worked on to date and tolling will be part of the State's solution.

Mr. Foster talked about NCDOT Transformation, pointing out the executive summary from the McKinsey Study that was started about six months ago looking at the State Department of North Carolina in terms of its capabilities for meeting what they think is a 21st Century Department of Transportation need (Attachment No.4) He said it provides a very good blue print on what the DOT has to execute over the next 12 to 18 months to get significantly more efficient in being stewards of transportation dollars as well as looking at prioritization of scarce resources across the state to get the most value for their investment..

Mr. Foster discussed EEP saying one of the things that theState Department of Transportation, as well as agencies, have to do is do a much better job in terms of collaboration to streamline project delivery and lower cost. He said that through a collaborative process with EEP over the last couple of months they have taken 45 million dollars out of that budget. Over the next two years this will be ploughed back into construction inflation and new projects.

Corridors Of The Future – Mr. Foster pointed out that this is a federal program that looked at the major highway and transportation corridors around the country. They went through a very selective process to identify those that they felt were the most strategic in terms of cooperative investment. He continued explaining about this Corridors Of The Future Program. It brought 21 million dollars of seed money for modernization basically that they are using to modernize the bridges for safety purposes but more importantly it brings a significantly amount of permitting as well as innovative finance opportunities that can be used to address the high growth and high traffic corridors need

Traffic Management – Mr. Foster said we cannot as a 21st Century DOT just construct and maintain the system. They have to operate it to get the most leverage out of the existing system such as moving traffic across the existing infrastructure before they automatically go out and spend expansion dollars. He continued explaining what this includes and the standards that are set for traffic management, incident management, etc. so they can do a much better job at moving traffic and handling incidents and obviously address air quality and congestion on the system.
Mr. Foster pointed out that in the last budget there was some seed money made for the State to actually begin the work to develop a statewide logistics plan. The State Department of Transportation and the Governor's Office through the State Budget Office

has begun the work to develop a state-wide logistics plan. They will be reporting back to this group and Transportation Oversight in April.

Mr. Foster told the committee we have to do more. At a minimum this transportations system has to keep up with the pace of state growth and inflation. He continued explaining the needs and it being important to fund the right projects given the scarce dollars that we have today. He said it is not just about revenue. The approach is a three tiered approach to solving transportation. Improve the organization and processes to be more efficient and impact focused, do a better job at prioritization both the Department and the State, and then come to agreement in terms of what it is we really want to do with the state to set the blue print as an advantage for commerce. Weigh this against a more efficient DOT and the State prioritization and decide then what the gap is and find a way to fund that gap. We need to all work together to address our needs.

Chairman Brad Wilson asked for questions:

Brad Wilson ask asked Mr. Foster to say more about the slide North Carolina Specific Deficiency, conditions design standards and unit costs are key. Is this something that is dramatically unique to North Carolina that is good or bad and if so, how so?

Mr. Foster answered – depending on our policy and delivery logs, etc., if we are doing something out of the ordinary, then obviously as we did this needs analysis we needed to take that into consideration. I would have to refer back to the actuaries as to how much that impacted the total dollars but it is factored into the calculation.

Brad Wilson – Does that suggest our design standards are too severe, just right or not sufficient?

Mr. Foster – I think the best way to answer that is that, as we look to the future we need to look at what is an adequate standard for the type of tier of transportation network that we are trying to apply it to. What we do not want to do is put a Cadillac design on a Chevrolet or Ford need. Sometimes in the past we have been accused of doing that. .As we look at efficiencies for the future that is one of the things that as we look at design standards we want to make sure that we are not over designing a transportation that we are given the need for the interconnectivity or whatever that road is designed to do.

Brad Wilson –While you were talking about bridges – bridge buffers, that there is an assumption that is made relative to current planning and budgeting of bridge replacement is that it will be on the same foot print, but because of the manner in which bridge buffers are currently determined that that does not square up. Will you speak to that?

Mr. Foster – When you are using these national models there is some uniqueness and bridge buffers would be one on those that potentially could add cost or increase the gap from what you saw from the numbers that were prepared a year ago. The answer is yes. bridge buffers would make a difference.

Senator Hoyle – Comment and ask for some consideration from the Commission that we look at the TIP process. I know that the Legislature can make changes there. On the draft here you have TIP and Board of Transportation approval, MPO approval and the Governor's approval. I feel like the Legislature ought to be engaged in that to some degree. That might be a question the Legislature needs to address. I'm not so sure that the folks that are engaged in that process, and I'm not picking out any one MPO group, but I have heard horror stories where they recommend designs for highways that are just totally, totally beyond what ought to be designed. Designed highways for instance with planters. They put that on the MPO and people who are having to build sections of these roads along the way are bound to that design and I don't believe we are in the position right now to plant a bunch of trees in the middle of the road. We have enough trouble without that. If that is happening and we wonder why the TIP now has 65 billion dollars or 35 billion dollars or whatever billion, we have more projects there than we can afford to build, the gap. Have we looked at that in any way to see if this is reasonable? I was around when we started doing metropolitan planning organizations and I understand the need for it but if have anything in this process that is adding to the potential cost burden for building these roads and just drawing lines on a map because somebody would like to get from A to B just a little bit quicker other than concentrating on the real needs that we have. Do we have divided highways with plans and all that kind of stuff in the MPO and in the TIP?

Mr. Foster – I would have to look but I think the more important response to the question is, given the environment that we are in today the state model for DOT that worked for the last 25 years cannot be the same model that works for the future, which is what our transformation is all about.

Senator Hoyle – so you are saying that it might ought to be looked at?

Mr. Foster – Yes Sir.

Representative Frye – On Slide 36, page 18 of our handout I am just wondering if you could give us a print out of what that map would look like if the 18 hundred miles are intra state corridor that we haven't completed. If those intra state corridors were done. I would like to see what that map would look like then as far as traffic across the state. Could that be possible some time on in the future at one of our meetings?

Mr. Foster – We will certainly take a look.

Brad Wilson – On page 24 on the hand-out, slide 48. entitled Needs by Tier. Look at the statewide column the first one on the left. How much, if any of the current TIP addresses that column?

Mr. Foster – I don't have that slide with me today. Proportionately if you look at the TIP you will see a similar relationship, where proportionately the larger dollars are going to the statewide. That doesn't mean that it is a perfect match in terms of need. We can bring that and supply that to the Committee.

Representative Miller – If I understand the presentation which is fine and very informative for us that the projections appear to me to be what we should come forward with in a revenue stream to keep on the same course that we have been for the last 25 years. Is that a correct statement?

Mr. Foster – I would alter it slightly. I think if I were looking at this committee I would be looking to try to shrink that gap through better prioritization, efficiency and more innovation. Obviously we have to be realistic that we can't save ourselves into prosperity but doing things the same way as we have always been can't be done as well. I think there are better ways to do it that we can get the same value for less dollars.

Representative Miller – Mr. Chairman, I think that makes the point that I was trying to bring out that I don't believe we can afford to stay the same course that we have been going. It is probable time now that we go in a different direction, not a totally different direction but to be innovative and I guess this happens every 20-25 years in any state so maybe we are not too far off track, it is just time to come to grips with it.

Mr. Joines – Looking back at the chart number 21 showing the urban area impact of per capita allocations. I assume if you did that same kind of a chart based on vehicle trips per day it would show the same kind of deficiencies of the urban area?
If you did a similar chart showing allocations compared to vehicle miles per trip. I assume you would see that same dip.

Mr. Foster – Yes

Representative McGee – On slide 27 page 14 showing expenditures by division. Whenever you state expenditures by division, does that mean that those expenditures actually brought goods and services to that division exclusively?

Mr. Foster – As you saw from the total expending chart over 80% of the dollars make their way into projects and services, the other 20% are either supporting the Highway Patrol General Fund or Administration. 80% of those dollars was turned into actual projects, 20% of those dollars are either the support services for safety, majority of it, or behind the scene to run a DOT.

Senator Hoyle – The report card we had on the screen , could we see the report card from some sister states? I am told that every state is facing the same problems and I would like to find out if some other sate is doing a better job addressing the problems. We all have the same increasing costs with flat revenues basically and the federal government is going to be a lesser participant for us. I would like to see how miserable South Carolina is.
Mr. Foster – I am not aware of any A students, but we will go back and see what we can do in terms of comparing. Are you most interested in our neighboring states, or are you looking for what I would call, best in class?

Senator Hoyle – the Southeast and maybe best in class. If somebody has found a magic formula, I would like to know what it is.

Mr. Foster – I think it is important best in class because again as we are transforming DOT the thing that we are looking very hard at is, who is doing it better in certain areas, and trying to beg, borrow and steal to make up time and copy that.

Ms. Szlosberg - Based upon slide number 3 on page 2, looking at the comprehensive facts for the North Carolina Department of Transportation. Will we be receiving additional information on the other items that are listed. We spent a lot of time today on some of the items that are outlined but based upon the 13 points that you have highlighted that we have been promised to address, are we going to get a comprehensive update on the other items and it is one slide before this one. Will we have a comprehensive report on our railway system, public transportation, bicycle and pedestrian as well?. Will we get that type of information as well?

Brad Wilson – Yes, and I think when we get to the administrative part of the agenda and we talk about how we are going to structure ourselves in committees a lot of that information would flow through the relevant committee and then bring it back in some condensed form to the larger group. I think that will probably be the most efficient way, but of course, if any member of the committee would like to have a deep dive on any of these subjects for the whole group then just let us know and we will make sure that it happens.

Brad Wilson – on slide 56 –Need To Do More – I am just curious about your opinion or give me some examples on bullet 2 – Leverage incremental new funding to accelerate project delivery. What would be a couple ideas that would be incremental new funding that would in deed accelerate project delivery?

Mr. Foster – If you look at the needs across the state. If we were to generate additional revenue streams and leverage that money, given the priorities of the state we would probably put that our highest strategic highway corridor to address congestion. We were looking at a last legislative session of bringing in somewhere in the neighborhood of 3 to 4 hundred million dollars of new revenue. Most of that was either going to be gap funding for the tolling authority, some of that money would have been earmarked for on going maintenance of our infrastructure, but also a good part of it would be looked at as potential revenue streams that we could in a low rate environment lever up to make significant inroads in terms of some of the back log of investment particularly on our highway corridor to start catching up.

Brad Wilson – I will ask my question a different way. Give me some examples that you would recognize that would be incremental new funding streams. Are you talking about a bond, or raising the gas tax, or give me some examples of what incremental new funding streams would be.

Mr. Foster – As we look at what other states are doing in terms of their fee structures. As we compare our fee structures against competing states. Two areas that are getting more aggressive on are DMV fees as well as highway use tax. What specifically we might look at is if we were to equalize our DMV fees to say in Virginia, which is doubling their fees or even looking at some of our neighboring states like Tennessee that is raising their fees but also at a local level raising their fees. Taking that ongoing revenue stream and using that as collateral for a bond offering, so that lets say we got a hundred million dollars in new revenue that would support that service over the next 20-25 years that would allow us to borrow ten fold of that revenue stream to make investments in our infrastructure backed by a new stream of revenue.

Representative Miller – I see nothing here that suggests a realization that we do have vehicles that have a greater burden on the highway system than others. I see nothing that would suggest a recognition of that and a way of dealing with that. Certainly if we are having to assess the people of the state to increase funding for highways there should be a recognition of those who are causing the greater damage to the highways that require improvement. What is the position of the department on that?

Mr. Foster – Obviously as we look at the issue of what we call fairness of fee setting across the state we will get as many ideas and opinions as we have options. Certainly if you look at revenue collection across the world there are some countries and other states that do recognize the difference between heavy users and not so heavy users. How they deal with that in terms of the fees that they charge, different weight charges, tolling charges, you name it. We have to be very careful that we are balancing not only what we are charging but the value of that commerce across the state. I think it important that we are not targeting a specific group unfairly relative to the total whole.

Representative Miller – Let me follow up on that. You are being very political about it and I can appreciate the position you are in there. Maybe this committee can help on that point. That heart attack you said we are heading towards, we try to go out and keep that from happening but that is a very telling diagram and until we come to grips with that we are going to have not a fairness issue in our maintenance and construction but a disproportionate assessment of that responsibility. I hope this committee will look at that.

Mr. Foster – About a month and a half ago I was speaking to UPS executives on this very subject and the feedback I got was they recognized that all states have an infrastructure need and that they fully expect to participate in the future development and cost of that. Their only comment was, we want to make sure that our cost burden is fair and that we also have choice.

Representative Blackburn – Please identify the acronym EEP.

Ms. Szlosberg – The Eco System Enhancement Program.

Chairman Wilson thanked the presenters for the presentations and information and told the committee everything that had been presented today will be available on our web site. The couple of slides that members of the committee requested that we update like the overlay, when those come in we will get those to you but they will probably hit the web site quicker if you want to go to that and look for it.

Chairman Wilson told the committee any subject or any topic that you would like to address is fair game.

At this time Chairman Wilson focused on some administrative items and how to conduct the business. You received an e-mail on two additional dates for this committee to meet. He said he hasn't heard any expressions of objections or concern about those dates so as a result the next two meetings will be held on November 26 at 1:00 p.m., here in this room 643 LOB. and December 12th at 1:00 p.m. here in this room 643 LOB. At our next meeting we will try to forecast out into 2008 for some other meeting times and places. Chairman Wilson expressed a suggestion to the committee that we structure the work around 4 committees. He suggested the following:

Finance
Intergovernmental
Prioritization Best Practices and Efficiency
Intermodal

We might refine the titles just a bit and we would like to have your input.

Finance would be charged with looking at traditional and non-traditional methods of financing transportation infrastructure, consisting with our charge.

Intergovernmental would examine the federal roll including corridors of the future and the Local Government, roll both county authorities and issues, such as land use planning that might impact the transportation system.

Prioritization Committee would look at the immediate priorities of the state, which we have heard many of those here today. Examine the tension, if any, between maintenance and new construction dollars and funding mechanisms. Also, look at DOT organization and prioritization as well as environmental and construction best practices.

Intermodal is pretty much self explanatory but that would look at the rolls of ports, airports, mass transit and rail and the funding that is involved or the lack thereof that is involved in those transportation components.

Chairman Wilson said we will probably have to go back and size that up against our charge to make sure we have the opportunity to touch everything. He said he thinks this will keep the committee focused in driving forward. Chairman Wilson asked for feed back on this and if there is a particular committee you are interested in, if you will e-mail Larry that information and between now and the November 26th meeting we will form the

committees and make some decisions on who will chair those committees so that they will be set by the next meeting. Please give your expressions of interest. When the committee meets Chairman Wilson said the entire group will be sent a notice that a committee meeting is taking place and where it is and any member of the larger body is welcome to attend that committee meeting and participate. If there is action taken by hat committee only members of that committee will vote. It will be an inclusive process and people will feel free to participate as their interest and time will permit.

Chairman said the Committee will be meeting outside Raleigh, but this will be deferred until after the first of the year, but will welcome thoughts from the Committee as to where and how often that should be done. Once the committees are structured and chairs are in place that there will be a conversation about your intent in where and when the meetings will be held.

In closing Chairman Wilson said with the many people he has talked with there is a great deal of interest and excitement and anticipation about the work of this committee. There is also a healthy degree of skepticism about the work. He thanked the committee for the energy and attention they have given to the work to be done in the week and half that the committee has been in existence. He also said he knows the committee shares his pledge to those he has talked with that they will be about the work in a serious way and they will bring forth recommendations and will hopefully position the Governor and the General Assembly to take the work of the committee and then make an informed decision about how to meat the transportation needs of North Carolina in the contexts of everything it is that they have to consider.

The meeting was adjourned at 2:50 p.m.

Brad Wilson, Chairman

Sarah Murphy, Clerk

Phil Berger
Republican Leader
North Carolina Senate
1026 Legislative Building
Raleigh, NC 27601 - (919) 733-5708
Philbe@ncleg.net

Paul Stam
Republican Leader
North Carolina House of Representatives
613 Legislative Office Building
Raleigh, NC 27603 - (919) 733-2962
Pauls@ncleg.net
Interim Contact: (919) 362-8873

November 7, 2007

A Joint Statement from Senator Phil Berger and Representative Paul Stam to the "21st Century Transportation Committee"

This year General Assembly appropriations for transportation were virtually the same as last year. The total: not enough to meet needs; the Department of Transportation estimates that unmet state transportation needs will continue to grow. It is obvious to anyone, from daily commuters in our urban centers to school bus drivers crossing rural bridges, that North Carolina is no longer the "Good Roads State" and we continue to fall further behind in road and bridge construction and maintenance. Transportation problems are serious and getting worse every day. In November 2006, the American Society of Civil Engineers gave North Carolina a "D" on the condition of its roads and a "C-" on bridges.

Mismanagement and misallocation of tax money collected for roads is exacerbated by the "equity formula" which fails to allocate any funds based on congestion, a growing problem in our urban areas. The long history of taking road money from transportation to fund other priorities is well known. In addition to an annual $172 million statutory shift of road taxes to the general fund, an additional $400 million (net) in raids of transportation dollars over the last seven years have taken place. Let's pick up the story in 2007 which can best be described as continuing neglect:

In his State of the State Address on February 19, 2007, Governor Easley failed to mention transportation. On February 22, he submitted his proposed budget and spending priorities, which included not one extra dollar for transportation. The state's most serious infrastructure and capital construction challenge merited no mention and no funding.

The House passed its proposed budget on May 11, 2007. That document stated the "intent" to phase out the annual transfer of $172 million from the Highway Fund to the General Fund beginning in 2009 – a "promise" left to the legislature to be elected next year. The Senate passed its budget on May 31, 2007. Neither the House nor the Senate proposed budget allocated any additional dollars for transportation. On June 6, the Budget went to "conference," to settle differences between the House and Senate.

On July 27, 2007, the Budget Conference Report was released. The budget Conference Report spent $400 million more than the House plan and $700 million more than the Senate budget. Significantly, even with that additional total spending, not one extra penny was allocated by the conferees for transportation. Indeed, the final budget actually cut $41 million from the overall transportation budget.

It is time to end this neglect. Here's a proposal for the 21st Century Transportation Committee:

1. Propose issuance of at least $2.0 billion in road bonds, the bonds to be paid with money retained in the Highway Trust Fund by discontinuing the $172 million annual transfer from the Highway Trust Fund to the General Fund; the money from the bonds to be dedicated to congestion relief and bridge safety;

2. Propose modification of the equity formula to take congestion and road miles traveled into account; doing so will target additional dollars to critically needed roads and bridges. In addition require projects to be prioritized and constructed on a statewide basis accounting for congestion and safety;

3. The Governor has demonstrated that savings can be realized in the General Fund Budget of 1 percent, 2 percent, 3 percent and even more. Set a 1.5 percent target for savings in the recently passed General Fund budget. Savings at that level would actually only reduce the rate of the <u>increase</u> in spending from 9.5 percent to 8.0 percent - which is still double the rate of population and inflation growth combined (4 percent) and will free up $300+ million to be appropriated to transportation priorities immediately. The savings could actually be recurring and provide ongoing funds for bonds or other transportation needs;

4. Propose that a substantial portion of the more than $200 million being carried forward in the General Fund Budget be used to provide money to address gap funding needs in urban areas;

5. Implement the recommendations from the McKinsey study and provide regular public progress reports with opportunities for questions and suggestions from the public and press.

All of the above can be accomplished without any tax or fee increases. This will not instantly solve the mess we have in transportation, but it will start us on the process

and will provide a needed immediate shot in the arm for our crumbling transportation infrastructure. With this start we can begin to rebuild our road system and help protect and grow our state's economy. The recently released McKinsey report confirms inefficiencies within our transportation system and demonstrates the dire need North Carolina has for serious change. If these steps are taken immediately, this will be a strong signal that the Committee is engaged in serious work.

###



1

21st Century

Transportation Committee

NCDOT Overview

Presented by:
Mark Foster, CFO
Calvin Leggett, PE

November 7, 2007



2

AASHTO's Call for Action

Our generation inherited the world's best transportation system made possible by the commitment of the last two generations to invest in the country's future. We have spent that inheritance.

AASHTO Board of Directors
2006

NCDOT

OUR MISSION

"Connecting people and places in North Carolina – safely and efficiently, with accountability and environmental sensitivity"

OUR GOALS

- Make our transportation network safer
- Make our transportation network move people and goods more efficiently
- Make our infrastructure last longer
- Make our organization a place that works well
- Make our organization a great place to work

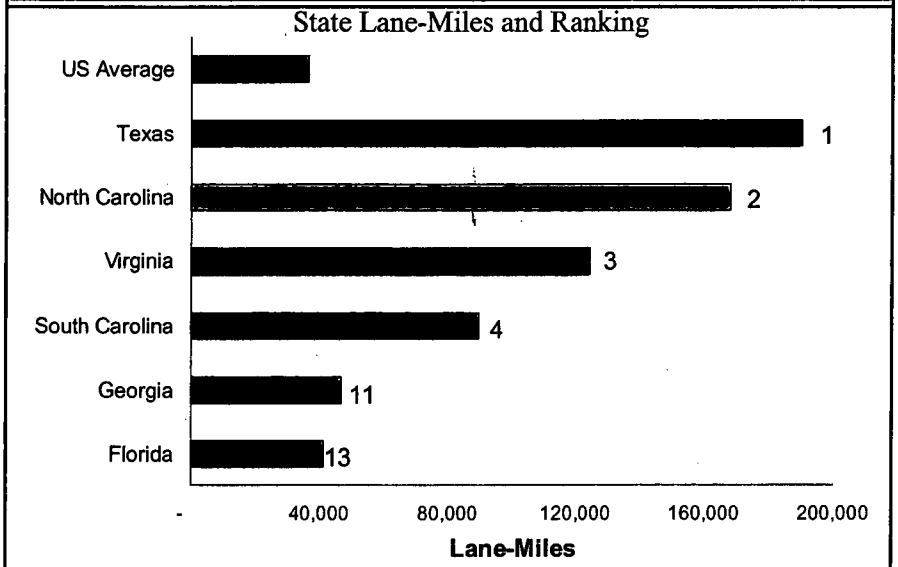
3

NCDOT Facts

• Roads	2nd largest state system
• Bridges	2nd largest, 18,540 –377 miles
• Ferries	2nd largest system, 23 ferries
• Rail	Passenger & Freight Support, 4,350 crossings
• Public Transportation	County, Urban & Regional Support
• Aviation	General Aviation Support, 63 airports
• Bicycle and Pedestrian	3,000 mile state system
• Addition Support	Highway Patrol, Contributions to Municipal Budgets and General Fund

4

System Responsibility



Public Road Length - 2003
Lane Miles by Ownership Update

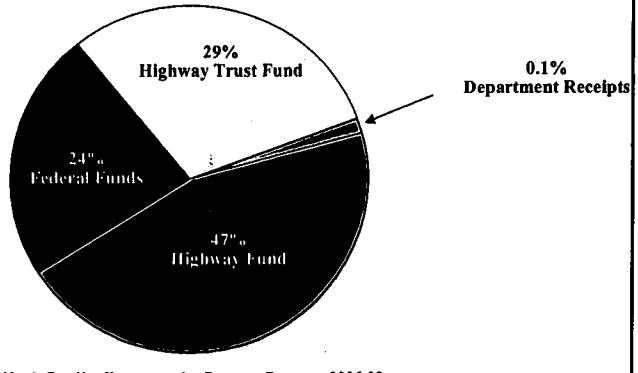
5

State	% of Rural Statewide Ownership	% of Urban Statewide Ownership	% of Total Statewide Ownership
Florida	18.0%	13.8%	15.6%
Georgia	19.4%	17.9%	19.0%
North Carolina	89.5%	43.8%	78.0%
South Carolina	63.4%	69.0%	64.4%
Texas	33.6%	19.7%	29.5%
Virginia	95.6%	47.0%	80.3%

Source: Highway Statistics - US Department of Transportation Federal Highway Administration

NCDOT Appropriations
2007-08

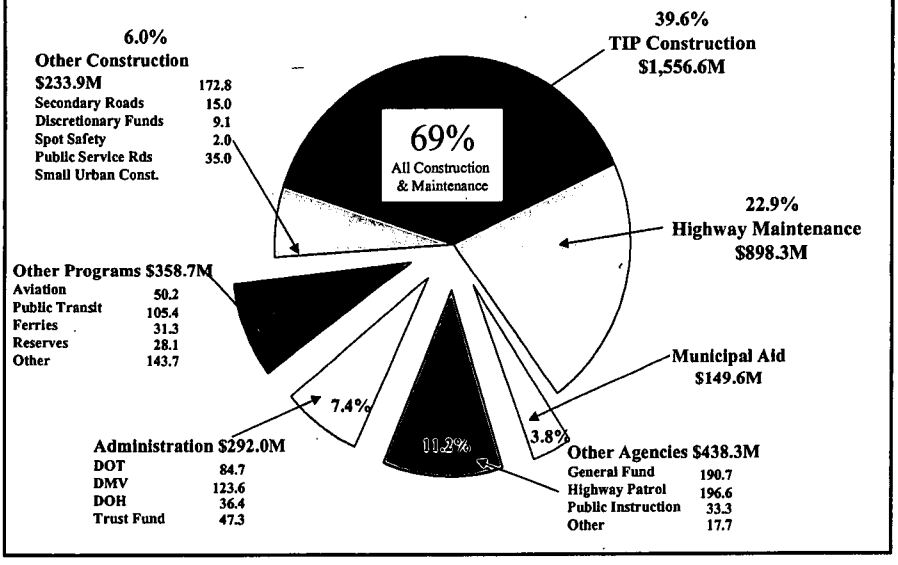
6



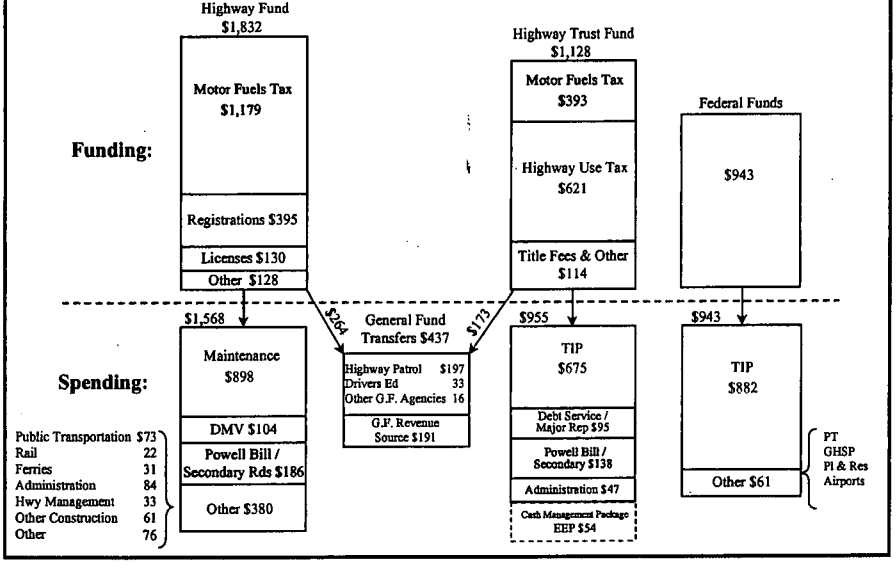
North Carolina Transportation Program Revenues 2006-09

$ in Millions	Authorized 2006-07	% Change	Authorized 2007-08	% Change	Authorized 2008-09	% Change
Highway Fund	$ 1,793.7	31.7%	$ 1,832.1	2.1%	$ 1,811.0	-1.2%
Highway Trust Fund	1,100.6	10.7%	1,128.3	2.5%	1,138.8	0.9%
Federal Funds	890.1	-10.7%	942.7	5.9%	942.7	0.0%
Department Receipts/General Fund	5.0	-72.4%	24.3	386.0%	24.3	0.0%
Total Revenues	$ 3,789.4	12.4%	$ 3,927.4	3.6%	$ 3,916.8	-0.3%

Projected Uses of NCDOT Appropriations 2007-08 Total Funding = $3.9 Billion



Highway Fund, Highway Trust Fund & Federal Funds 2007-08 ($ in Millions)



State Transportation Revenue Sources



Motor Fuel Tax 55%

Highway Use Tax 25%

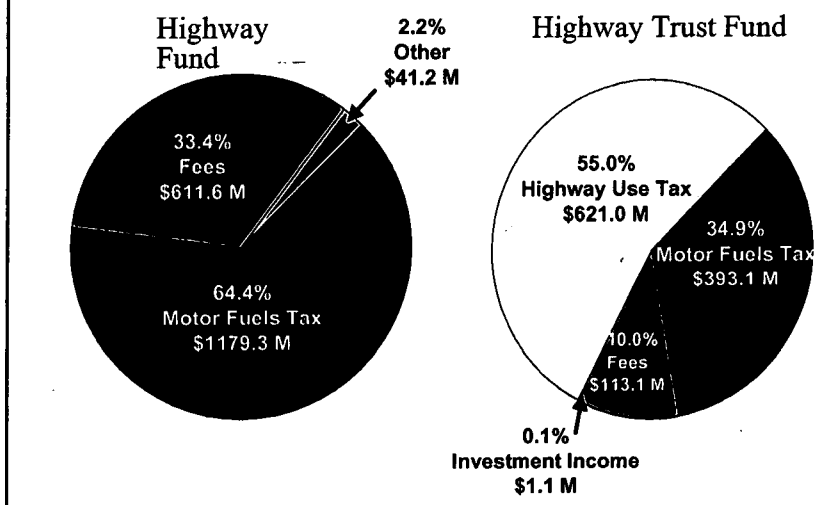
Fees 20%

Principle Differences Between Highway Fund and Highway Trust Fund

	Highway Fund	Highway Trust Fund
Major State Revenue Source	Motor Fuels Taxes 65%	Highway Use Tax 55%
Biggest Program	Maintenance 49%	Construction 94%
Primary Method of Allocation	Appropriation	Statutory Formulas

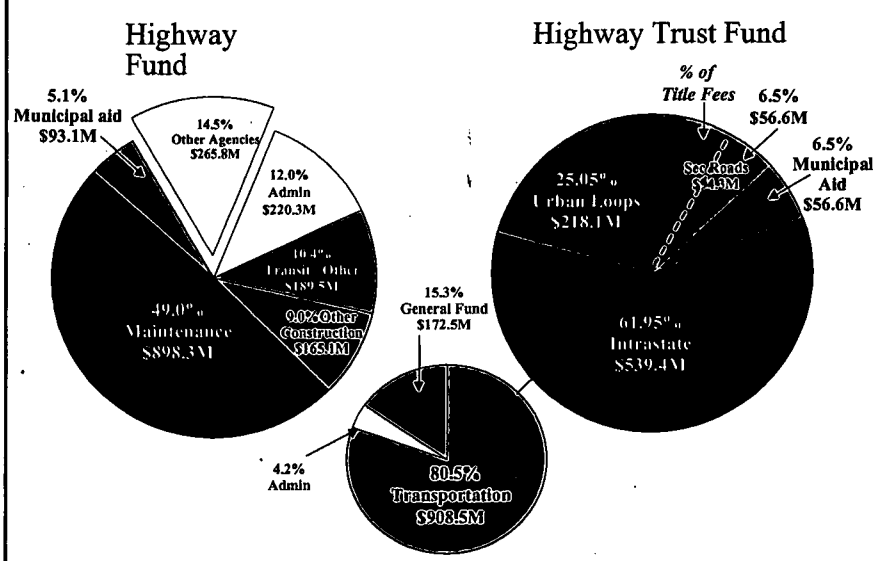
11

2007-08 Fund Sources



12

2007-08 Fund Uses

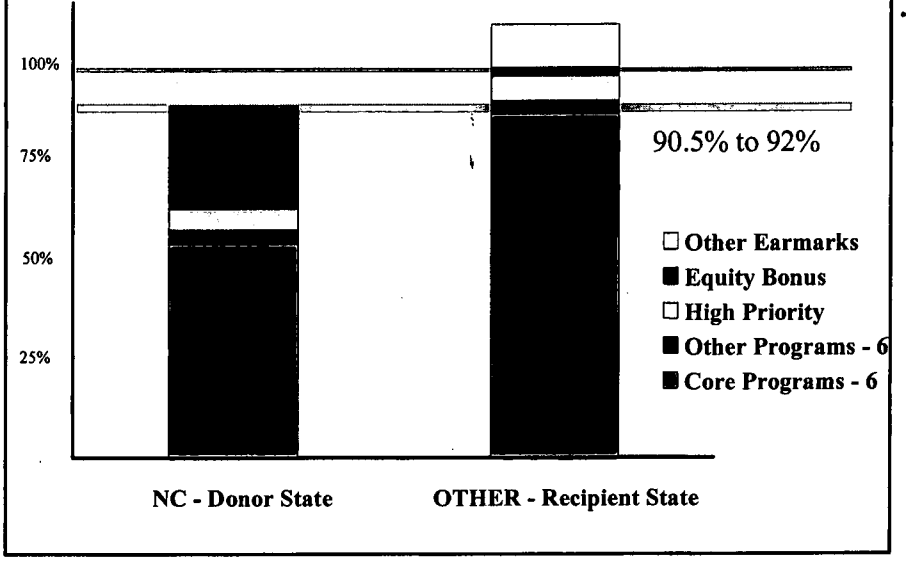


13

Net Transportation Budgets

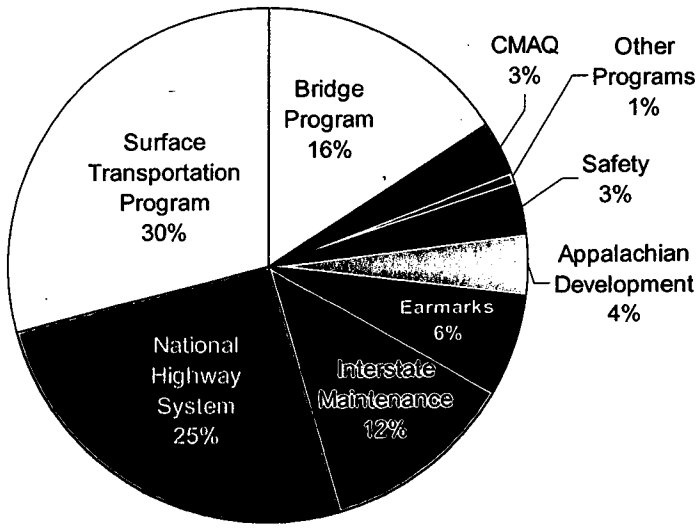
	2006-07			2007-08			2008-09		
	HF	TF	Total	HF	TF	Total	HF	TF	Total
Certified Budget	1,794	1,101	2,894	1,832	1,128	2,960	1,811	1,139	2,950
Agency Transfers	(226)	(58)	(284)	(264)	(173)	(437)	(262)	(173)	(435)
Net Transportation Funding	1,567	1,043	2,611	1,568	956	2,524	1,549	966	2,515
Net Transportation Funding Over/(Under) FY 2006-7				0	(87)	**(87)**	(19)	(77)	**(96)**

Federal Transportation Revenue SAFETEA-LU[14]
Rate of Return - Highway Programs



15

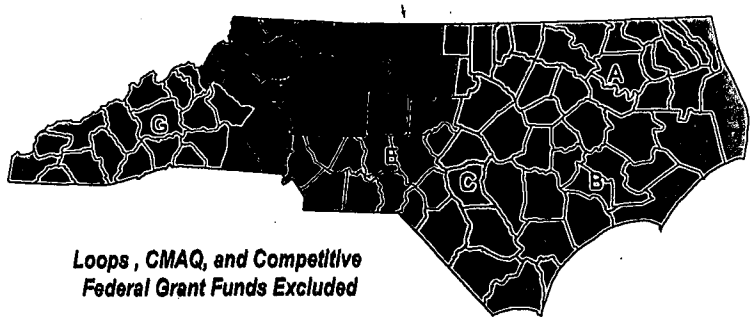
Federal-aid Funds



16

1989 Equity Formula

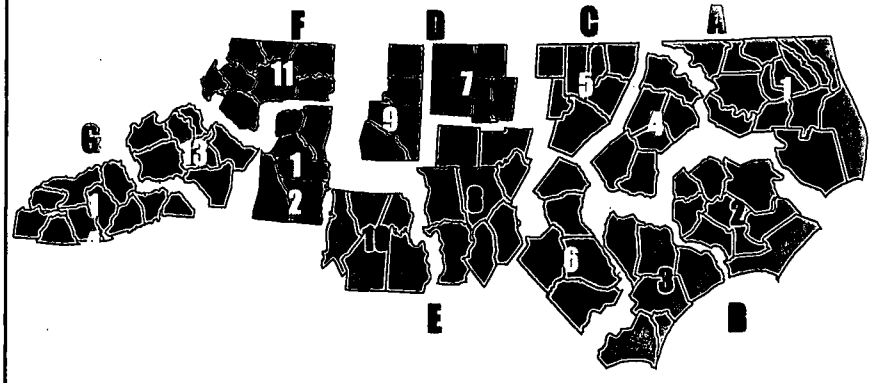
50% POPULATION OF REGION AS PERCENT OF STATE	25% REMAINING INTRASTATE SYSTEM MILES	25% EQUAL SHARE



Loops , CMAQ, and Competitive Federal Grant Funds Excluded

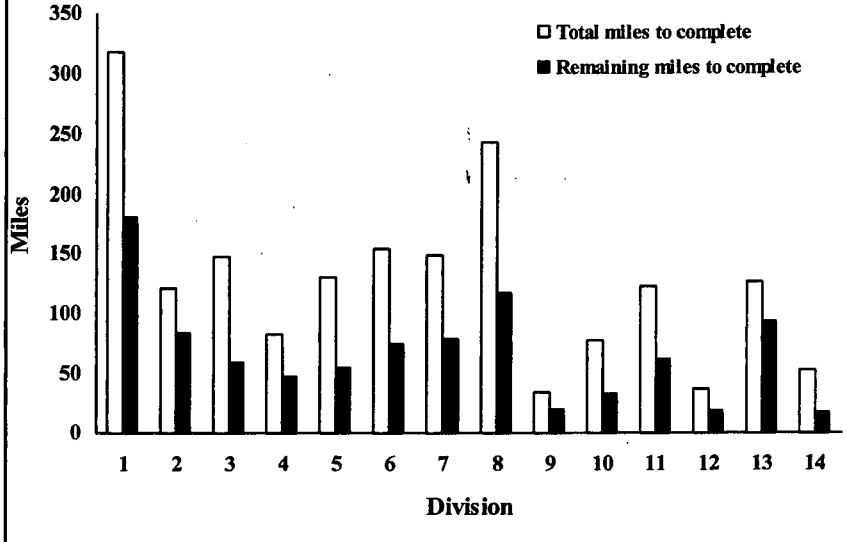
Relationship Between Divisions and Funding Regions

17



Remaining Intrastate Mileage by Division

18



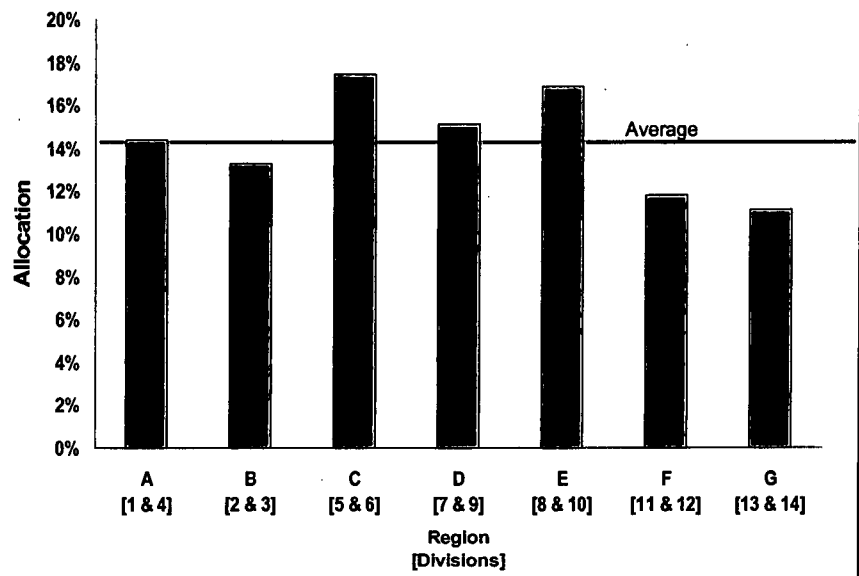
Annual Funding Balance

19

Year / Region	2007	2008	2009	2010	2011	2012	2013	Total
A								
B								
C								
D								
E								
F								
G								
Total								

2007-2013 TIP Equity Formula Allocations

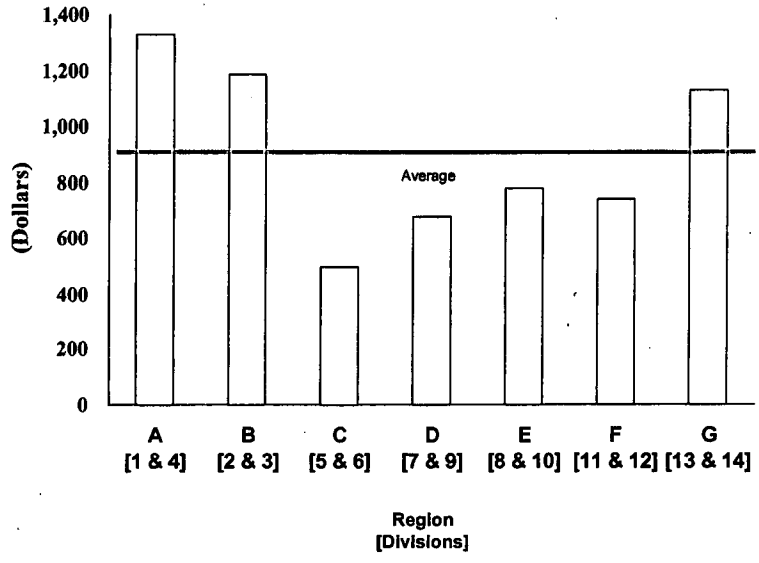
20





2007-2013 TIP Equity Formula per Capita Allocations

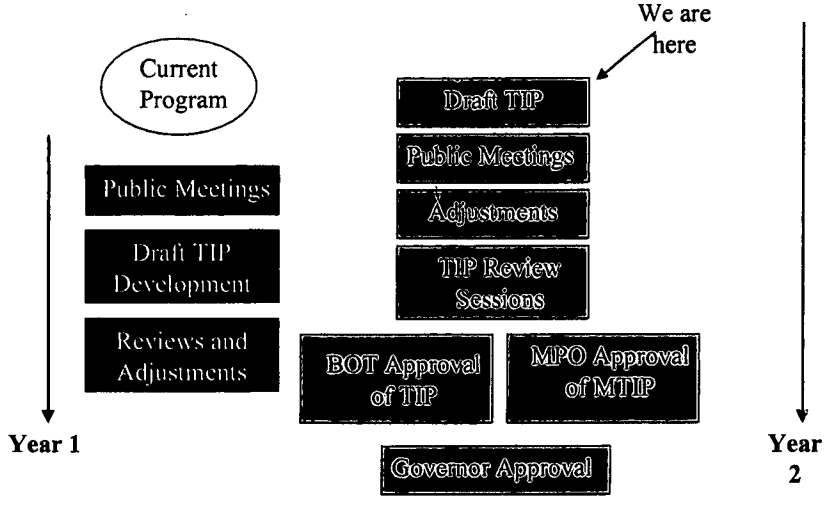
21





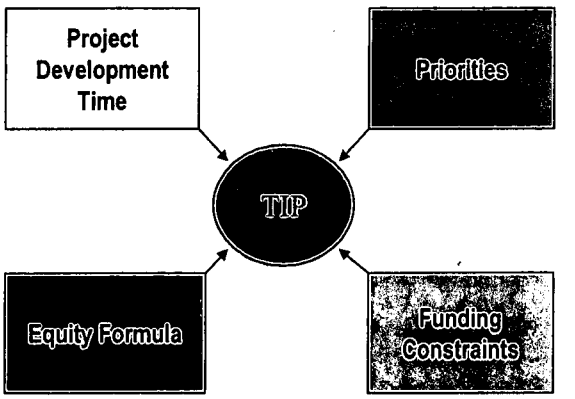
Two Year TIP Process

22



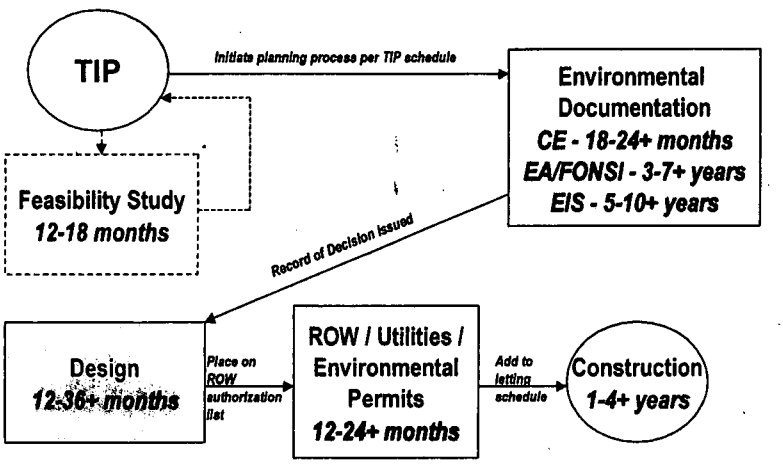
23

Factors Impacting the TIP Process



24

Project Development Stages

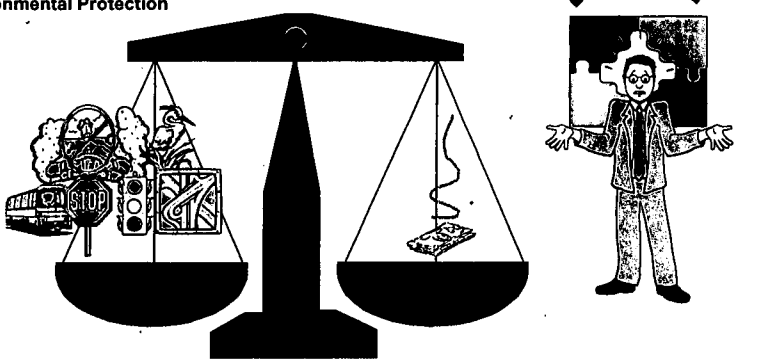


25

The Programming Process

Needs:
- **Travel Services**
  - Reduce congestion
  - Improve safety
  - Enhance mobility
- **Economic Development**
- **Equity**
- **Environmental Protection**

Cost vs. available funds





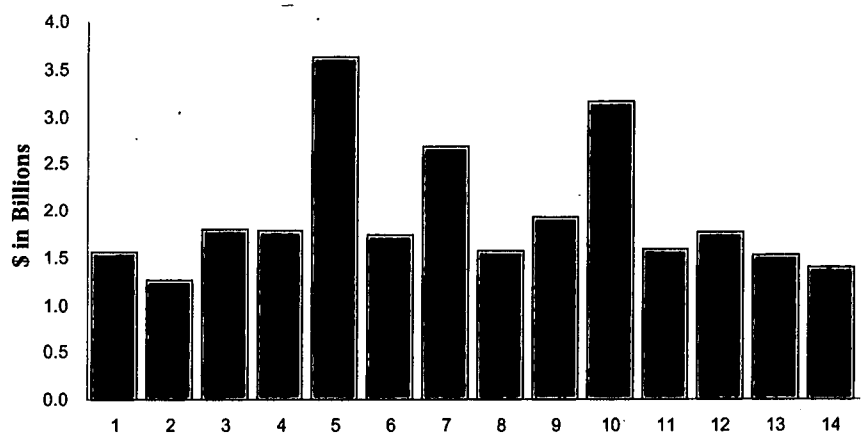
26

Sample Distribution Formulas

• Highways	Equity Formula (except loops, CMAQ & Competitive Federal Funding)
• Powell Bill	75% Population + 25% Mileage
• NC Moving Ahead	Equity Formula
• SB 1005	Equity Formula
• Contingency	Statewide by Request
• Contract Resurfacing	50% Needs + 37.5 % Mileage + 12.5% Population
• Small Construction	Equal by Division
• Secondary Road Construction	$\Sigma_1^N \$ * \pm \sqrt{\Sigma_1^n \frac{\Omega}{\Psi}}$ to County Mileage/Statewide Mileage
• Maintenance	90% Mileage + 10% Population
• Economic Development	Equal by Division

FY 2000-2007 Total Expenditures by Division

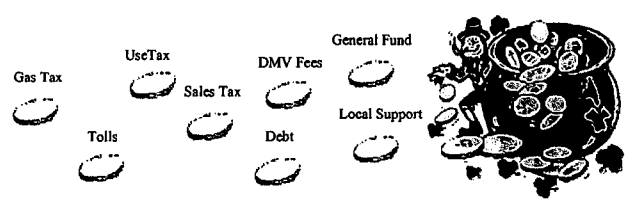
27



All DOT Funding Sources

28

- Gas tax is not the only state DOT funding source - all states use multiple sources
  - Gas tax (federal, state and local), DMV fees, vehicle taxes, tolls, general fund taxes and fees, debt, local taxes and fees
  - You cannot compare one state tax or fee versus another without looking at the whole funding mix



State DOT's: Sample Ways of Funding

29

- **Sales Tax**
- **Personal Income Tax**
- **Cigarette Tax**
- **Liquid Fuels Tax**
- **Motor Vehicle Rental Tax**
- **Motor Vehicle Lease Tax**
- **Vehicle Registration Fee**
- **Vehicle Title Fee**
- **Tire Tax**
- **Vehicle Property Tax**
- **Property Tax**
- **Real Estate Transfer Tax**
- **Transportation Impact Fees**
- **Casino Revenue**
- **Lottery**
- **Highway/Bridge Toll Revenue**

All Revenues (% Contribution) For State-Administered Highways - 2003

30

	State Revenues							
	Highway-User Revenues			General Fund & Other Revenues		Bonds	Federal	
State	Motor-Fuel Taxes	Motor-Vehicle and Motor-Carrier Taxes	Road and Crossing Tolls	Appropriations from General Funds	Other State, Local & Misc	Issue of Bonds	FHWA, FTA & Other	Total Receipts
Florida	21%	9%	11%	3%	4%	28%	25%	100%
Georgia	17%	13%	1%	11%	16%	0%	43%	100%
North Carolina	35%	14%	0%	0%	18%	0%	33%	100%
South Carolina	28%	12%	1%	0%	4%	5%	49%	100%
Texas	31%	13%	2%	1%	7%	8%	38%	100%
Virginia	14%	12%	3%	3%	15%	33%	20%	100%

Source: Highway Statistics - US Department of Transportation Federal Highway Administration

Revenue and Disbursement Rankings for State-Administered Highways - 2003

31

$ Thousands

State	Miles	Rank	Lane-Miles	Rank	State Revenues $ / Lane-Mile	Rank	All Revenues $ / Lane-Mile	Rank	Total Disbursement $ / Lane-Mile	Rank
Florida	12,052	18	40,834	13	$ 77	3	$ 166	4	$ 155	4
Georgia	17,872	10	46,729	11	23	24	40	29	40	29
North Carolina	78,641	2	167,331	2	10	44	15	49	17	47
South Carolina	41,475	4	89,562	4	5	49	10	50	12	50
Texas	79,494	1	189,584	1	17	33	35	33	33	34
Virginia	57,323	3	123,834	3	13	38	27	39	26	43

Source: Highway Statistics - US Department of Transportation Federal Highway Administration

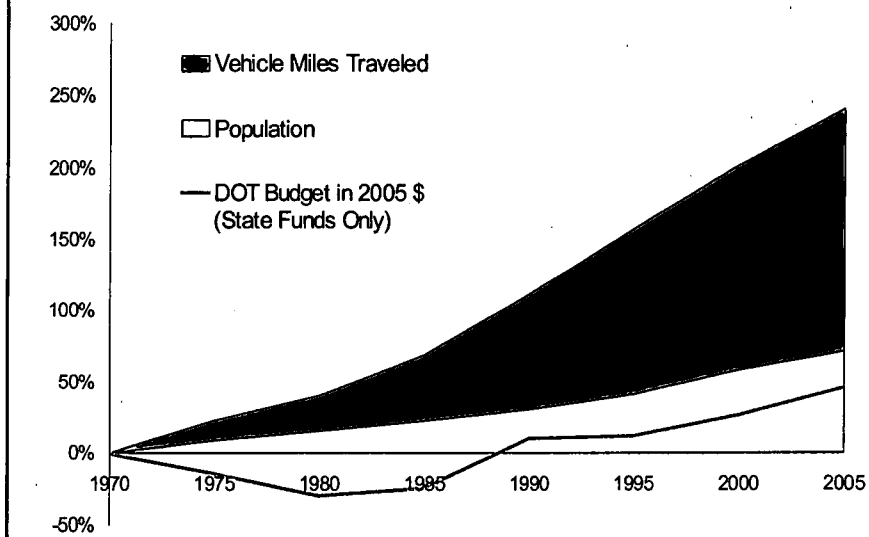
Transportation System Impacts *"The Perfect Storm"*

32

- **Growing Demand on System**
- **Increasing Cost of Supplies**
- **Declining Funding**
- **Aging Infrastructure**

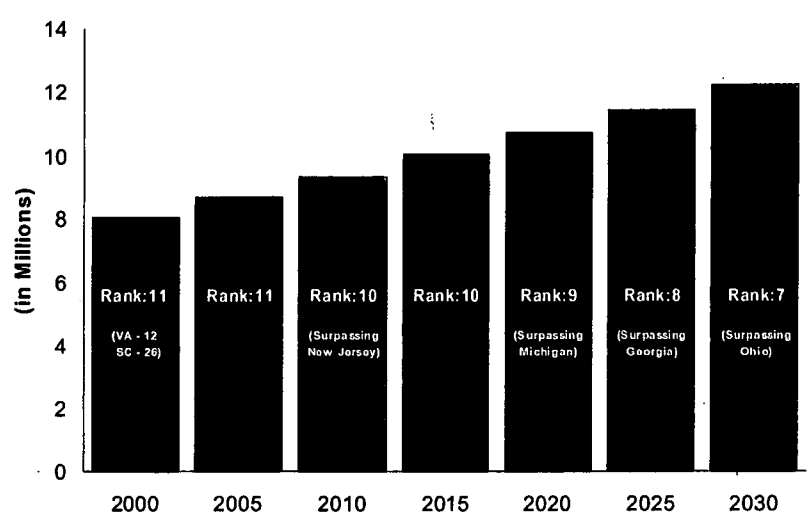
33

Growth



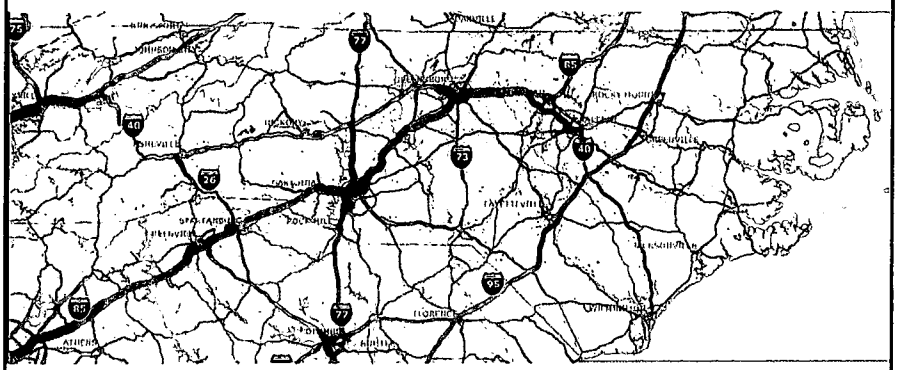
34

NC Population Growth



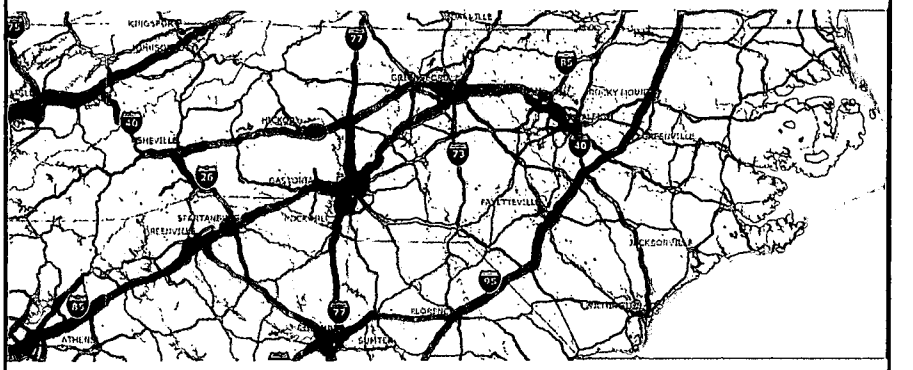
NC Estimated Average Annual Daily Truck Traffic (1998)

35



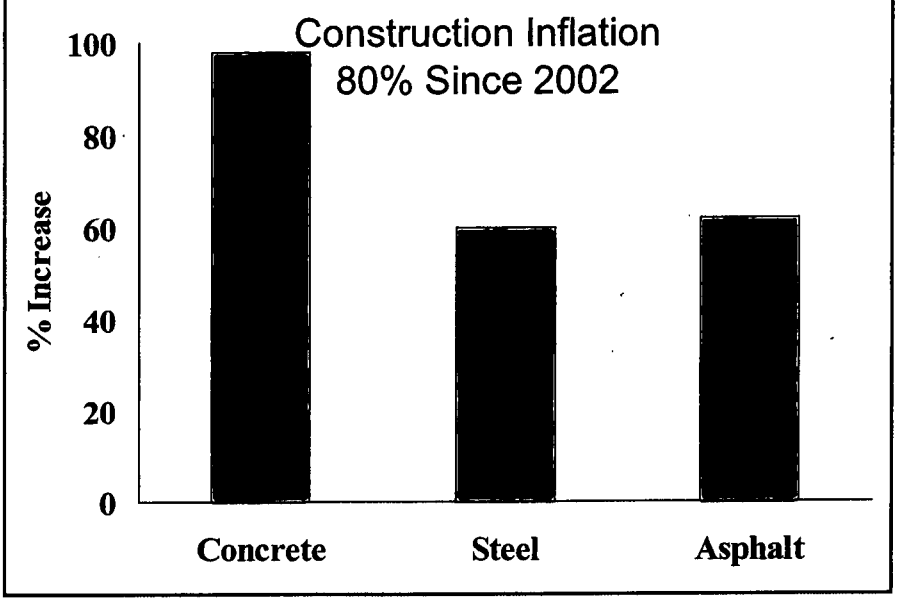
NC Estimated Average Annual Daily Truck Traffic (2020)

36



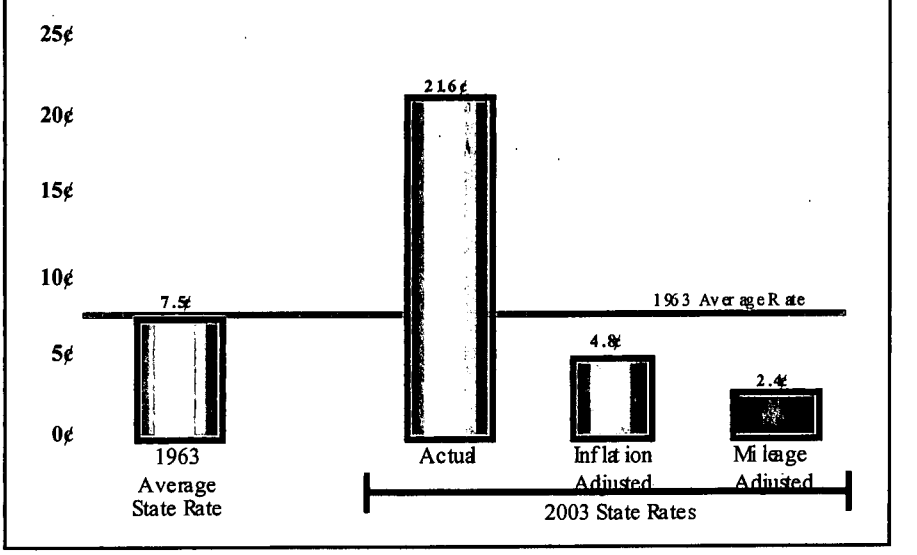
37

Inflation - Update



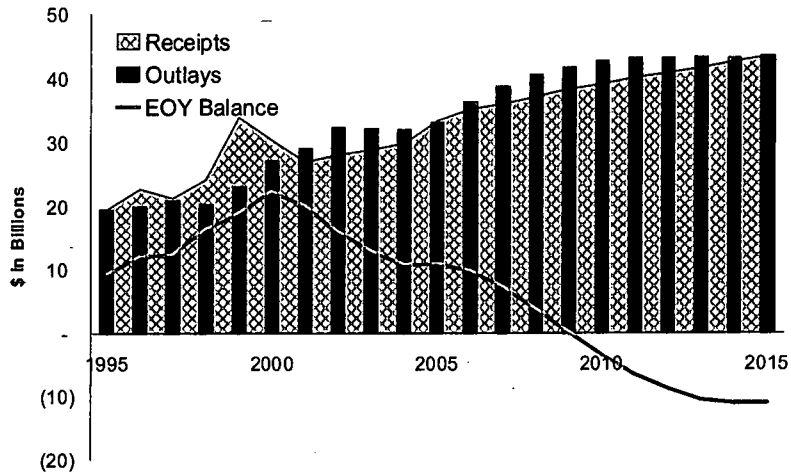
38

Average State Tax Per Gallon



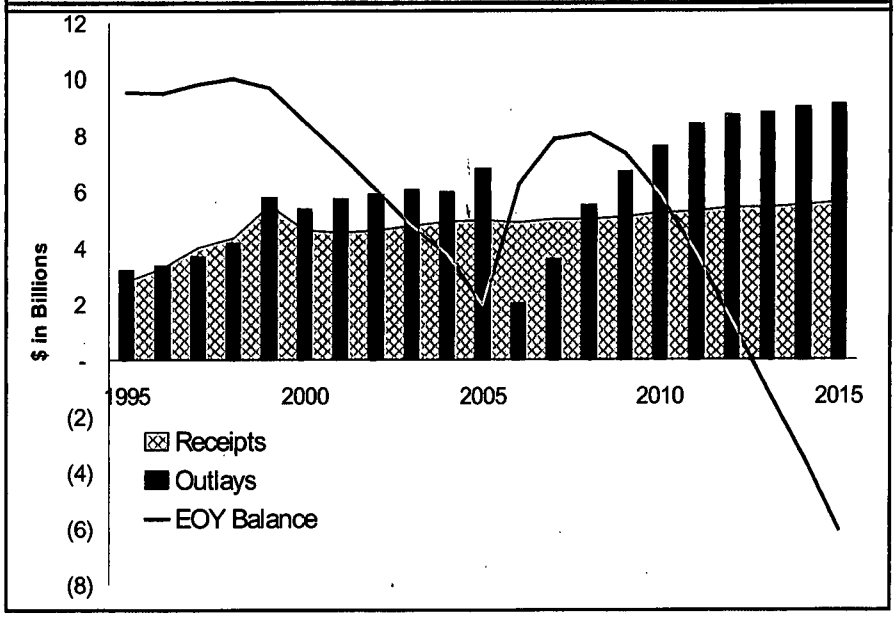
39

Uncertain Federal Outlook - Highway



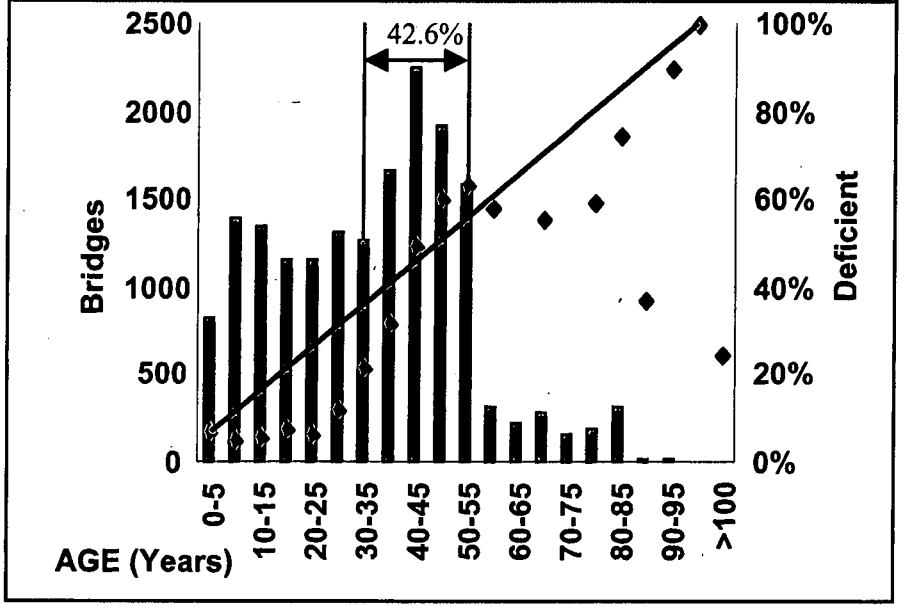
40

Uncertain Federal Outlook - Transit



41

NC Bridge Age



42

Bridges Coming of Age

- 8300 bridges coming of age - next 20 years.
  - Need to address over 400 per year (2010-2030) we currently average letting about 100 per year
  - Need to apply replacement, rehabilitation and preservation strategies
  - Delayed action will result in higher replacement, rehabilitation and preservation costs

Growing Funding Gap

Timeframe 2001 to 2025

$55 Billion

$84 Billion

$29 B "Gap"

"DRAFT ESTIMATE"

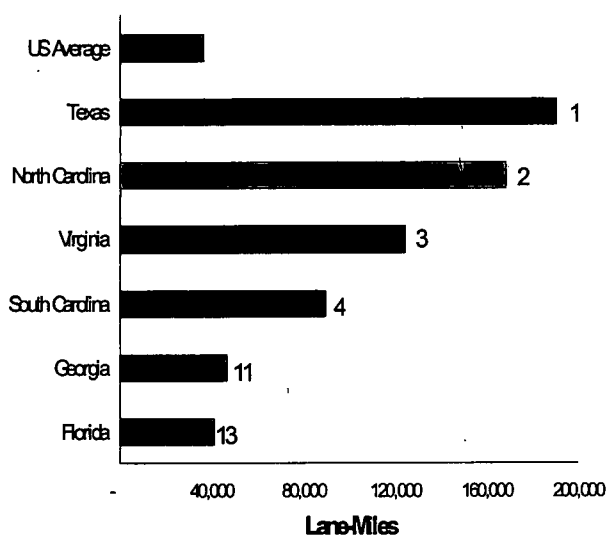
Timeframe 2005 to 2030

$57 B

$122 B

$65 B "Gap"

Other State Funding Gaps



	Year	$(Billions)
Texas 1	2006	86
North Carolina 2	2005	65
Virginia 3	2004	108
South Carolina 4		
Georgia 11	2005	74
Florida 13	2003	50

45

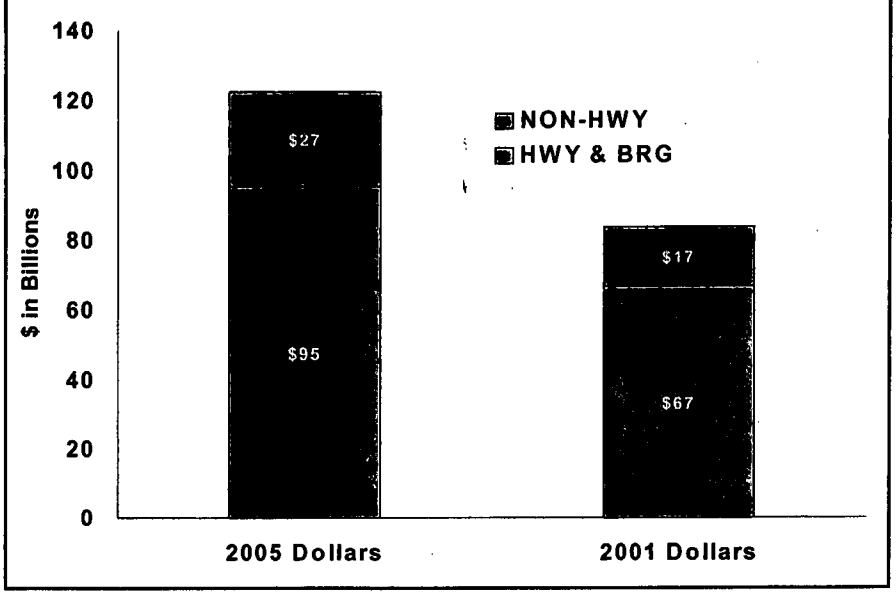
Needs Analysis-*Complex Process*

"Quantitative Tools *PLUS* Qualitative Assessment"

- Similar approach as 2001 w/ more sophisticated tools
- 25-yr Timeframe = **2005** (baseline) / **2030** (horizon)
  - Hwys = **HERS-ST** (FHWA) vs. HPMS-AP (consultant modified)
  - Bridges = **NBIAS** (FHWA) vs. BNIP
  - NC specific deficiency Conditions, Design Standards & Unit Costs are KEY!
- Non-Hwys = survey/inventory by DOT modal staff
  - Capital/Operating projections, local sources

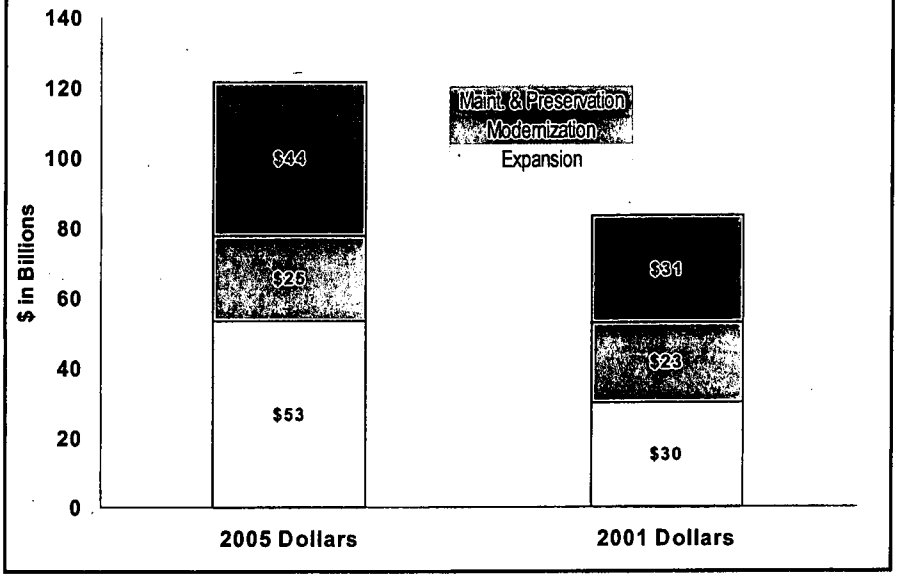
46

DRAFT 25-Year Needs

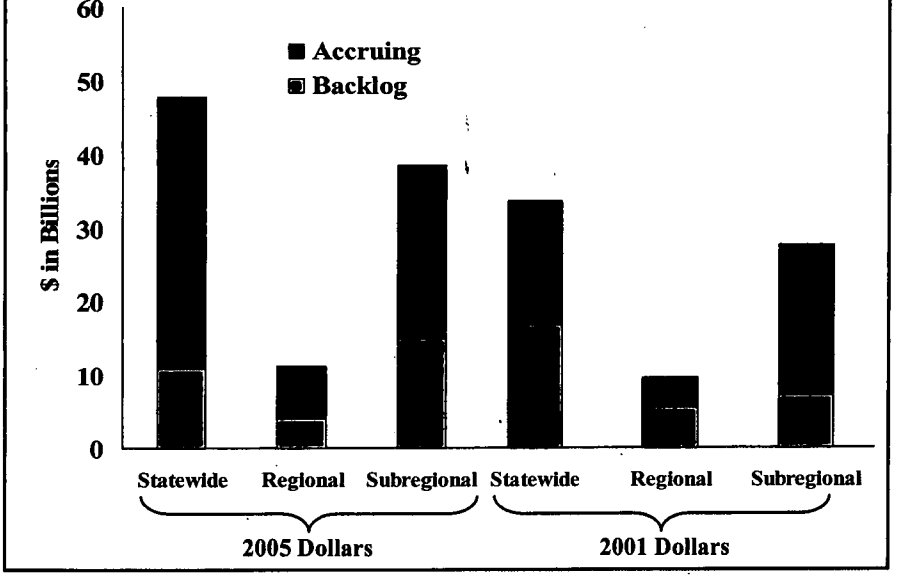


DRAFT 25-Year Needs (all modes)

- Improvement Type Comparison -



Needs by Tier



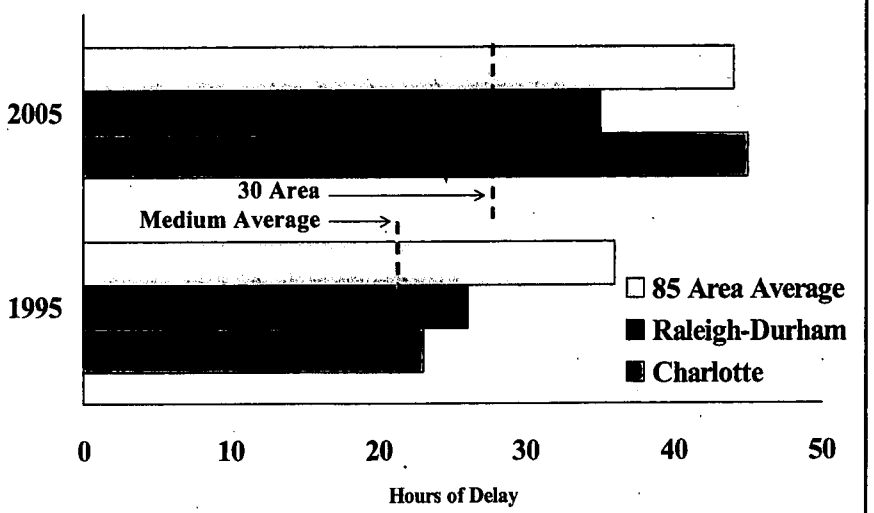
ASCE Report Card Is A Wake Up Call!

"A Crumbling Infrastructure Cannot Support A Healthy Economy"

SUBJECT			
AIRPORTS	D+	ROADS	D
BRIDGES	C-	SCHOOLS	C-
DAMS	D	STORM WATER	C-
DRINKING WATER	C+	WASTE WATER	C-
RAIL	B-	NC GPA	C-

ASCE- American Society of Civil Engineers

Congestion

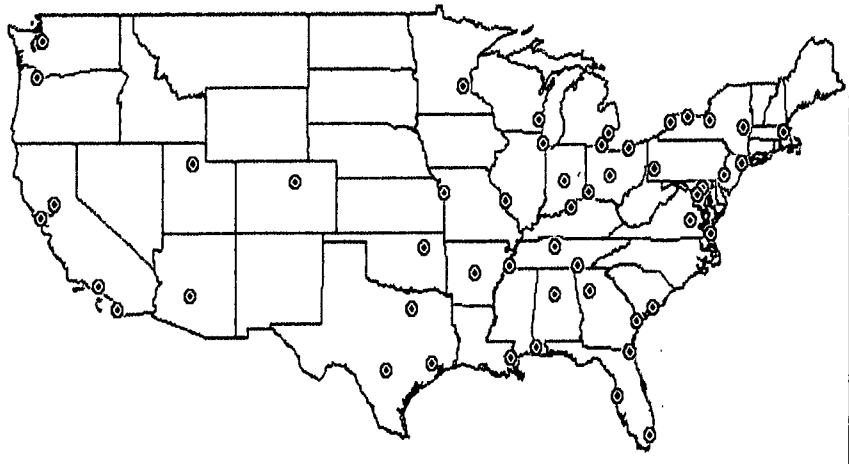


Source: Texas Transportation Institute

51

US Logistics Survey

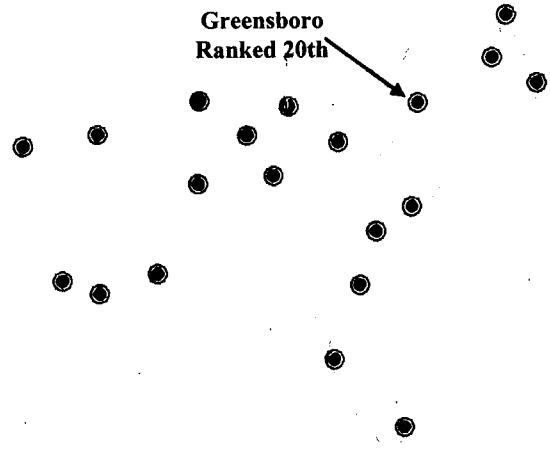
No NC city ranked in top 50 logistics friendly cities



52

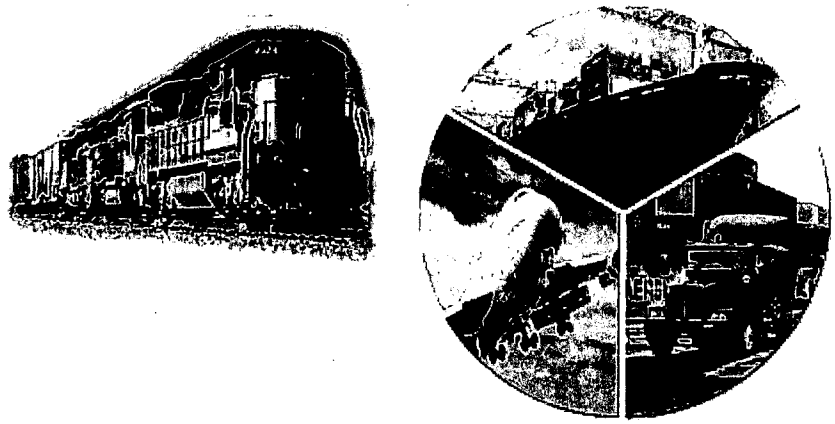
US Logistics Survey
Southern Subset

Only 1 NC Location in Top 20 South Logistics Friendly Cities



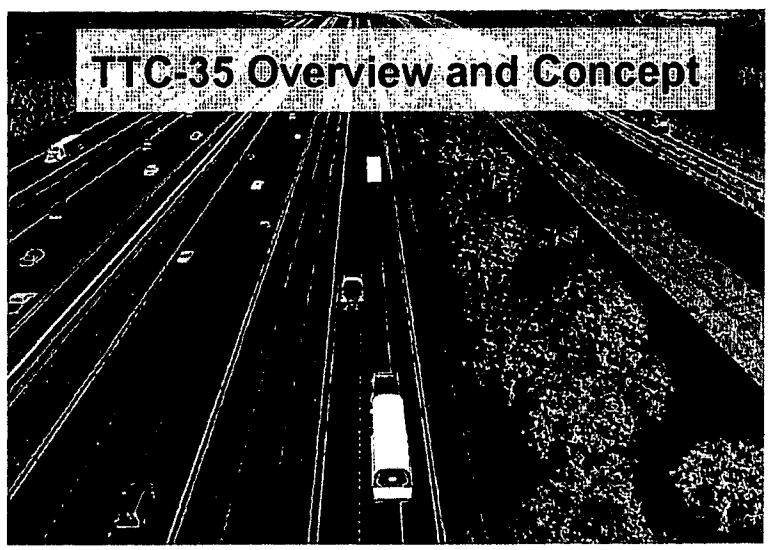
53

No 21st Century Logistics Plan



54

Example Trans Texas Corridor



What is the State Currently Doing About It?

55

- Cash Management
- Targeting Investment to Long Range Plan
- GARVEE Bonds
- Tolling
- NCDOT Transformation
- EEP
- Corridors of the Future
- Traffic Management
- Statewide Logistics Plan

Need To Do More

56

- At a minimum, NC's transportation funding needs to keep pace with state growth and construction inflation
- Leverage incremental new funding to accelerate project delivery
- Open to Best Value Procurement, Multi-state Alignments, PPP Investment and Other Funding Options
- Statewide Prioritization



57

Solving NC Transportation Problems

•Not Simple Matter of Revenue

•Requires a 3 Step Approach

1) Improve NCDOT Organization & Process to become more efficient and impact focused

2) Establish Statewide Prioritization Process

3) Determine Incremental Resources/Revenues to achieve desired outcomes
–Dependent on 1 and 2



58

Closing

- Transportation Infrastructure Requires Immediate Attention to Address Local, State and Global Economic Needs
- Funding Gap is Not Going Away
- Will Need Help to Address This Need

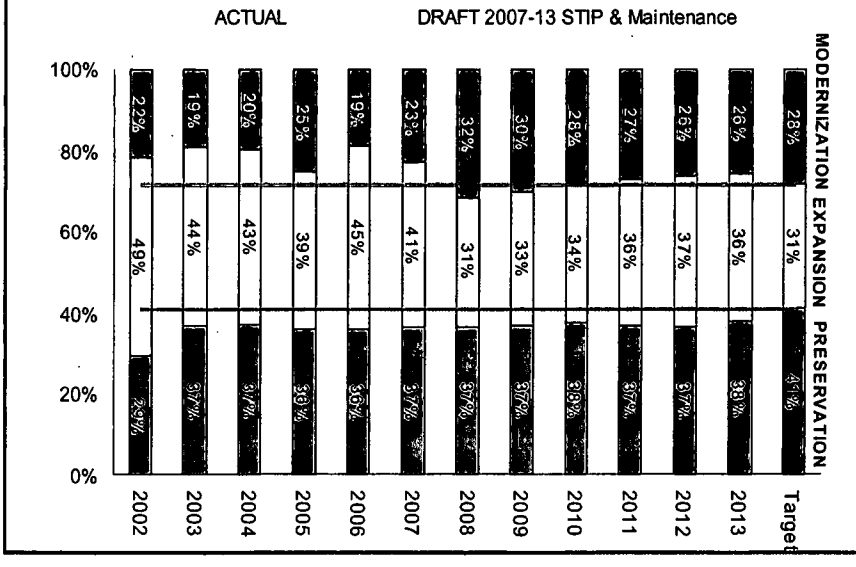
59

Current NCDOT Initiatives

APPENDIX

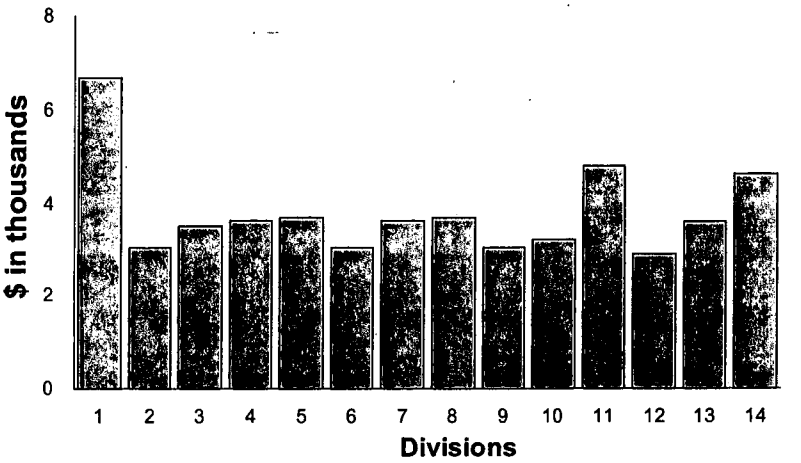
60

Targeting Investment to Long Range Plan



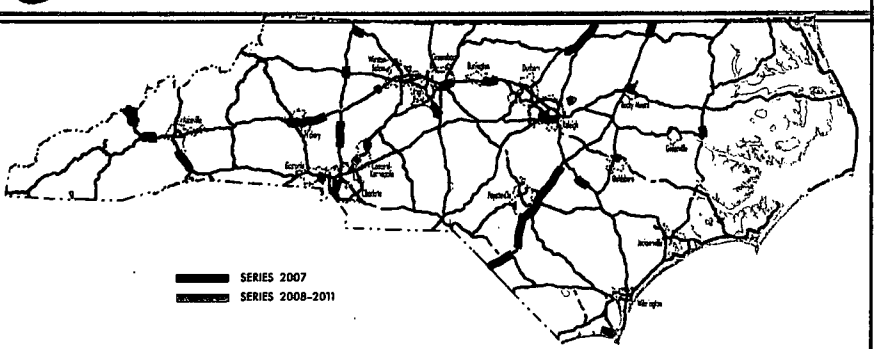
FY 2000-2007 Per Capita Expenditures by Division

61



GARVEE Projects

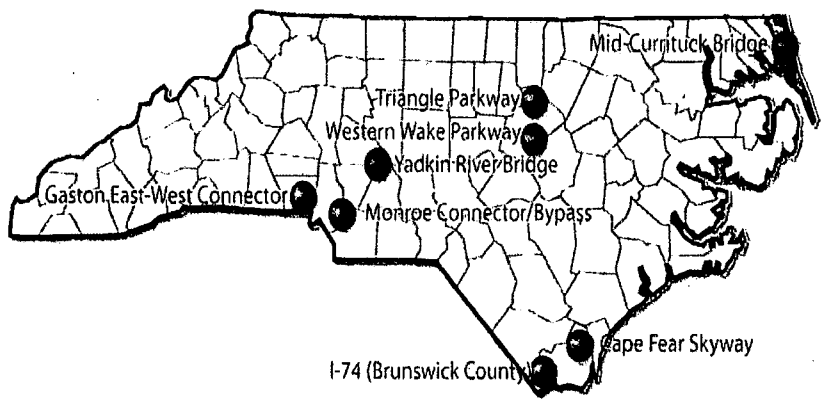
62



1. B-2500	8. I-3819 A	15. I-4723	22. I-4917	29. I-5006	36. R-3601
2. B-3637	9. I-4709	16. I-4904	23. I-4918	30. I-5007	37. R-4416
3. B-5014	10. I-4711	17. I-4906	24. I-5001B	31. R-2510C	38. R-5021
4. I-2808 A	11. I-4714	18. I-4910	25. I-5002	32. R-2554BA	39. U-0209B
5. I-2810	12. I-4715	19. I-4913	26. I-5003	33. R-2606B&C	
6. I-3600	13. I-4718	20. I-4914	27. I-5004	34. R-2814B	
7. I-3803 B	14. I-4720	21. I-4915	28. I-5005	35. R-2823	

North Carolina Turnpike Authority Projects Under Study

63



Red denotes possible public-private partnership projects

Transformation Beginnings

64

21st Century NCDOT Vision

- –Focus on Network Connectivity & Function, not just Projects
- –Enhance Systems Operations, to leverage existing infrastructure
- –Establish Network Performance Standards
- –Greater Internal Efficiency, Ownership and Accountability
- –Prioritized, Outcome-Based Budgets
- –Link Infrastructure Delivery and Statewide Commerce Goals
- –Culture Shift, become true Service Provider



65

Where are we Today?

Strain of external trends

Growing Demand on System
- *Doubling of VMT by 2030*
- *NC population projected to grow by 50% between 2000 and 2030, "7th most populous state by 2030"*

Increasing Cost of Supplies
- *80% construction supplies inflation since 2002*
- *Spike in global asphalt, cement, and steel prices expected to continue*

Declining Funding
- *State gas tax purchasing power has declined (inflation and mpg)*
- *Federal Highway Trust Fund program projected to run out of funding by 2009*
- *Transportation funding flat/declining for FY2008/09**

ASCE Report Card

NC current state:
Bridges C-, Roads D

Airports	D+
Bridges	C-
Dams	D
Drinking Water	C+
Rail	B-
Roads	D
Schools	C-
Storm Water	C-
Waste Water	C-
NC GPA	C-

On current course, overall grade will drop to a D in 6 years

* Gas tax cap and increased other agency support
Source: ASCE Report Card; NCDOT internal data



66

Where are we Going? 21st Century DOT

Current scorecard

C-

- **Improving NC Infrastructure**
  - A statewide logistics plan
  - A transformed DOT
    - Clear strategic direction
    - Efficient execution
    - Accountability for performance
  - Adequate and sustained funding

Desired scorecard

B

Draft 20[illegible] 2015 State Transportation Improvement Program - Microsoft Internet Exp[illegible]er provided by NCDOT v.05.1b

File Edit View Favorites Tools Help

Address http://www.ncdot.org/planning/development/TIP/TIP/ Go Google Settings

DRAFT 2009-2015 STATE TRANSPORTATION IMPROVEMENT PROGRAM

PROGRAMS

Transportation
- Division 1
- Division 2
- Division 3
- Division 4
- Division 5
- Division 6
- Division 7
- Division 8
- Division 9
- Division 10
- Division 11
- Division 12
- Division 13
- Division 14
- Statewide

Aviation

Search the STIP

DRAFT 2009-2015 DRAFT STIP HOME

Transportation Program

Highway, Enhancement, Landscape, Rail, Ferry, Bicycle, Feasibility Studies, Public Transportation and Statewide Projects.

Aviation Program

Download the Entire TIP in Adobe pdf format (9.4Mb)

Download the Funding Table in Adobe pdf format (6.2Mb)

Search the STIP

Board of Transportation Amendments

Public Comment Form

The North Carolina
Department of Transportation

- TIP Unit -
- Program Development Branch -

http://www.ncdot.org/planning/development/TIP/TIP/aviation Internet

Laying the Foundation for a Successful Transformation

October 2007

This report has been printed on recycled paper that is a minimum 30 percent post-consumer content

Laying the Foundation for a Successful Transformation

North Carolina Department of Transportation

McKinsey & Company is pleased to have served the North Carolina Department of Transportation (NCDOT) in its effort to lay the foundation for transforming how it delivers transportation services to North Carolinians in the 21st century. We've worked closely with NCDOT as a strategic advisor over several months to help diagnose the situation, identify priorities for transformation, and build capabilities.

This report is written as a recap of the diagnostic and transformation effort. As a backdrop, the report begins with a brief discussion of the project objective and the project approach. It then discusses the diagnostic findings that created the fact base upon which the transformation program was built; the five transformation initiatives, describing plans, progress, and next steps for each; and overall next steps. Appendix A provides additional detail on the diagnostic, and Appendix B provides additional detail on the transformation initiatives.

Considering the complexity of the NCDOT organization, it is important to note that the report must be considered in its entirety, including the two appendices. This material, while thorough, does not represent the totality of our transformation capacity building or contribution. It also reflects efforts while McKinsey was present. It does not reflect the ongoing evolution and progression of NCDOT's transformation efforts planned for the next 12 to 18 months.

We hope that what follows provides helpful input to an important and exciting transformation effort that could well be a landmark in NCDOT's history and could serve as a model for government agencies within and outside North Carolina.

PROJECT OBJECTIVE

NCDOT's purpose is to provide the citizens of North Carolina with a safe, reliable transportation network and to do so in a responsive, cost-effective manner. NCDOT is one of the largest and most complex state DOTs. It manages more

This report was prepared by McKinsey & Company for the use of the North Carolina Department of Transportation. This material, while thorough, does not represent the totality of our transformation capacity building or contribution.

lane-miles than any state other than Texas and oversees a complex and growing transportation network that includes roads, ferries, rail, aviation, public transport, bike paths, and pedestrian walkways.

The Department, like many other state transportation agencies, faces challenges on a number of fronts. Several challenges are matters of fundamental economics. Demand for transportation is increasing during a time of rising costs and flattening revenue. North Carolina's population is expected to grow by approximately 50 percent over the next 25 years, and it is becoming significantly more expensive to meet constituent transportation-related needs. Raw material costs, for example, have increased by over 40 percent in the last 2 years. Meanwhile, federal dollars are not likely to be a source of much help. Federal funding has been relatively flat over the last several years, and the Federal Highway Trust Fund program is projected to run out of funding by 2009.

NCDOT also faces a number of internal challenges. By its own admission, the organization has remained largely stagnant with respect to building capacity and capability; has a limited ability to prioritize and fund projects; has a mixed project performance record (notably the recent high-profile I-40 issues, balanced with successful emergency responses and everyday STIP delivery); offers a less-than-attractive employee value proposition, which makes it difficult to attract and retain talented people, especially when compared to private sector opportunities; and struggles to get a balanced performance message to its constituents. In more general terms, NCDOT has not been keeping up with the best organizations in the public and private sector, which are increasing their focus on efficiency and strategy to achieve operational excellence.

In January 2007, in recognition of the Department's challenges, NCDOT's leaders embarked on a comprehensive transformation effort, with a vision of a new DOT that would be more strategic, accountable, efficient, and effective in its use of resources, focused on outcomes-based performance metrics, and ultimately, better able to provide the transportation network needed by North Carolinians in the 21st century. As part of this effort, NCDOT developed and began implementing a new strategy designed to take NCDOT solidly into the new century. The potential benefits of a comprehensive transformation are many:

- ¶ It can create a transportation infrastructure that makes North Carolina one of the most attractive states in the Southeast for citizens and businesses.
- ¶ It can establish NCDOT as a national model of efficient and effective government by prioritizing projects, programs, and services based on strategic mission and goals and by shortening project delivery time.

Shortened project delivery time can lead to significant cost savings, particularly in a time of high construction supply inflation.

- It can unlock the potential of thousands of NCDOT employees to perform to higher standards with more accountability, coordination, and transparency.

Last spring, to ensure the transformation and the new strategy's success, and to learn from proven practices in the public and private sectors, NCDOT leaders asked the Governor's office, members of the North Carolina General Assembly, various constituent groups, and their own leadership team for their opinions on how to diagnose NCDOT performance and then develop, based on the diagnostic, a model for transforming the performance of the organization. Based on these discussions and a competitive RFP process, NCDOT retained McKinsey to serve as an independent advisor on the transformation.

PROJECT APPROACH

NCDOT agreed to conduct an in-depth diagnostic built around obtaining candid employee and stakeholder input in a comprehensive and confidential manner. That diagnostic also included a review of best practices from other public sector and private sector entities and an assessment of NCDOT's organizational values.

The diagnostic identified both strengths that NCDOT should build on and weaknesses in the current organization that need to be addressed. The diagnostic results were discussed with most NCDOT Board members, several state legislators, NCDOT leadership, division engineers, and several other managers from the Department.

A Transformation Management Team (TMT) was launched to focus on specific transformation initiatives. Designed to address the challenges and opportunities identified in the diagnostic, the transformation initiatives would represent the Department's priorities over the next 12 to 18 months.

NCDOT recognized that the long-term success of any transformation effort must be rooted in the organization itself and not be dependent on ongoing outside help and asked McKinsey to help build relevant NCDOT and TMT capabilities.

Accordingly, throughout the project, the effort focused on building the Department's ability to make and sustain the proposed changes. Considerable time and attention was dedicated to coaching NCDOT's transformation leaders, individually and collectively, providing them with examples from the best public and private sector organizations and adding to existing skills in leadership,

strategic thinking, and organizational effectiveness. The capability-building efforts also included having leading experts in fields such as strategic planning, talent management, performance metrics, organizational design, and communication share their insights with NCDOT leaders and managers. Finally, the work to develop the transformation initiatives themselves has been an active and conscious collaboration between McKinsey's project leaders and their NCDOT counterparts.

FINDINGS FROM THE DIAGNOSTIC

The diagnostic provided in-depth quantitative and qualitative input from an unprecedented number of internal and external stakeholders. More than 70 percent of NCDOT employees (8,977 total responses) completed a quantitative survey. Managers' perspectives on strategic and organizational priorities were captured via interviews with 60 senior leaders across the organization, including the Board of Transportation, and conducting four diagnostic workshops with managers from DMV, Preconstruction and Central Highway Operations, and the Division Engineers. Fifteen deep structure interviews, probing "root causes" of employee perceptions, highlighted the perspectives of staff from all levels of the organization. Finally, members of the North Carolina General Assembly, the Governor's office, MPOs, business groups, and other state agencies were interviewed to understand concerns and priorities among NCDOT's external stakeholders. To encourage candor and openness, all surveys and interviews were conducted in a confidential, not-for-attribution manner.

The diagnostic also included a thorough review of current NCDOT processes and policies, including strategic planning, funding, project planning, design and delivery, operations and maintenance, personnel management, and communications. NCDOT's current practices in these areas were compared to best-practice examples from the private and public sector, particularly in the areas of organizational alignment, vision and goal setting, strategic planning, performance management, and talent management. A Specialist Team, composed of 17 emerging leaders from across NCDOT, contributed to this review, providing insights and supporting analyses about critical processes and issues.

Finally, the diagnostic included an explicit review of NCDOT's organizational values – both what it emphasizes today and what it seeks to emphasize in the future.

The diagnostic work painted a picture of both opportunity and challenge.

A strong starting point for transformation

With its current leadership team prepared and willing to make real change, improved financial stability, the support of employees with both technical talent and pride in service, and the foundation of solid self-reported organizational values, NCDOT is positioning itself to embark on significant transformation efforts.

1. Senior leadership commitment. The diagnostic found that NCDOT's senior leaders have demonstrated significant willingness to take a proactive approach to addressing the Department's challenges.

2. Stable near-term cash flow. NCDOT's Cash Management Initiative has helped bring spending in line with funding, reducing a $440 million shortfall in FY 2005 to $2 million in FY 2006.

3. Requisite technical skills. The diagnostic found that engineers at NCDOT have a strong technical skill base, both through academic training and tenure with the Department.

4. Employees committed to serve. The diagnostic revealed dedicated employees at all levels of the organization. Many NCDOT employees are driven by a desire to serve the state of North Carolina.

5. Solid values foundation going forward. According to NCDOT employees, the ten most common values in today's organization are public focus, safety focus, budget focus, being of service to others, supporting diversity, environmentally responsible, job security, bureaucracy, rule-oriented, and slow-moving. Many of these current values are consistent with high performing public sector organizations, e.g., supporting diversity, while others are not, e.g., slow-moving.

Going forward, the Department is aiming to be in line with best practices. NCDOT has identified, and the employee surveys, interviews, and focus groups confirmed, 10 values that are indicative of what the organization should espouse going forward: accountability, trust, well-organized, courage to do what's right, fulfilling work, respect for people, efficiency, job security, safety focus, and environmentally responsible. These values are consistent with many successful public and private sector entities.

Significant opportunities to improve service to North Carolinians

The strategic and organizational diagnostic also revealed opportunities for improvement that deal with setting clear direction and rebuilding or refining key

organizational elements. In order to become a high-performing, 21st century Department of Transportation, it was crucial that NCDOT address the following needs identified in the diagnostic:

1. Setting clear direction. The diagnostic found that NCDOT could increase its alignment, focus, and effectiveness by setting a clearer direction. Neither NCDOT's vision and goals nor the Department's portfolio of projects and services were as consistent and coherent as people believed they needed to be.

a. Vision and goals. NCDOT had numerous and occasionally inconsistent vision and goal statements. It is important that NCDOT clarify its vision and link it more explicitly to a broader, long-term vision for North Carolina, such as the Governor's "One North Carolina." Such linkages would imply directly addressing issues such as infrastructure improvement, economic development, efficient governance, and environmental sustainability.

NCDOT's goals needed to be linked to a revised vision and be "cascaded" throughout organization. Managers should be given specific and measurable expectations for their respective roles in achieving organizational goals, and those expectations should be linked to managers' performance reviews.

b. Portfolio of projects, programs, and services. The diagnostic found that NCDOT's portfolio was not explicitly linked to or coordinated with NCDOT's goals. In part the result of that fact, the portfolio reflected a lack of focus, manifest in NCDOT's broad scope of activities. Internal and external stakeholders described NCDOT as trying to be "all things to all people."

NCDOT could improve its productivity through a more targeted and strategic portfolio, focused on those projects, programs, and services that are most essential to achieving its goals and long-term vision. Case examples from other state departments of transportation show explicit links between projects, programs, and services and organizational goals.

The diagnostic found NCDOT's portfolio to be near-term oriented and familiar, focused on meeting the most immediate demands rather than on long-term planning. The portfolio made limited use of innovative funding approaches, relying instead on existing sources of funds generated from the State Highway Fund, Highway Trust Fund, and federal appropriations.

2. Rebuilding or refining key organizational elements. The diagnostic pointed to critical improvements needed in NCDOT's core processes, structure and systems, and employee mindsets.

a. **Core processes.** Four core processes were falling short in some important ways. Specifically, the diagnostic found the following:

- **Strategic planning processes** were ad-hoc and reactive, which had contributed to inconsistent and ineffective project prioritization. In addition, the process often involved too many decision-makers and could be more open. The STIP selection methodology emphasized local priorities and external stakeholder inputs at the expense of systematically addressing long-term statewide needs. The diagnostic found that NCDOT could benefit from adopting a regular process that prioritizes projects in a transparent manner at set intervals.
- **Funding processes** were not flexible enough to enable NCDOT to align its financial resources against strategic needs. NCDOT is currently taking steps to expand its set of funding options, but more can and should be done, including more aggressively pursuing public-private partnerships and other regimes already in use by other states.
- **Project design and delivery processes** had been slowed by a lack of prioritization, accountability, and coordination.
- **Operational processes** could benefit from organization-wide metrics-based management. NCDOT has made early steps to increase accountability, including the Managed Maintenance System and initiatives at the DMV. Using these kinds of metrics across the organization, with linkages to talent reviews, could improve overall operational effectiveness.

b. **Structure and systems.** Many of the challenges in the core business processes are the result of shortcomings in NCDOT's organizational structure and systems. Specifically, the diagnostic found:

- **The organizational structure** "silos" elements of some key processes, e.g., project delivery, and lacks units to support others, e.g., intermodal, statewide, strategic planning.
- **Talent systems** have been failing to sufficiently recruit and retain critical talent, drive employee performance, and develop top managers.

- **Internal and external communication systems** have not been sufficiently proactive and may not have the budget resources needed to be effective.

c. **Employee mindsets.** Employees are frequently risk averse and reactive, and many have a "siloed" mentality.

As noted earlier, Appendix A provides additional detail on the diagnostic.

THE TRANSFORMATION INITIATIVES – PLANS, PROGRESS, AND NEXT STEPS

This section describes plans, progress, and next steps for the five NCDOT transformation initiatives:

1. Align strategic direction with a new mission statement and goals
2. Streamline project design and delivery
3. Design a more productive organization
4. Increase accountability for and visibility of performance
5. Improve talent management.

As noted earlier, Appendix B provides additional detail on the initiatives.

1 – Align strategic direction with a new mission statement and goals

NCDOT has developed a new mission statement and goals and has tied them to a Department-wide dashboard of performance metrics and targets. The Department has also undertaken two major efforts to align strategic direction and decisions with the new mission and goals. The first is to link projects, programs, and services to goals; the second is to diversify funding sources and processes. Finally, the Department has designed and is beginning to implement a strategic planning process and function. These accomplishments are the initial steps in the four efforts that make up the first NCDOT transformation initiative, to align strategic direction with a new mission statement and goals.

a. Create a new mission statement and goals and communicate them throughout the organization. A clearly articulated mission statement and corresponding goals are the initial building blocks of any successful organization

and of any transformation effort. Once articulated, the mission and goals should be cascaded throughout the enterprise.

A clear statement of mission and goals provides important context for decision-making, from determining which projects to pursue, to deciding how to design an organization's structure, to determining how to measure the success of a project or the performance of an individual business unit. Culturally, a clear statement of mission and goals is the glue that holds an organization together – it can attract the right talent to an organization, and it can inspire long-term commitment.

As noted earlier, the diagnostic surfaced concerns about the consistency and coherence of NCDOT's vision and goals. This lack of clear direction often meant that employees did not have a broad sense of the ends toward which they were working and managers lacked a set of Department-wide objectives that could strategically guide their unit's work.

To remedy these problems and to set a stronger, more holistic direction for the Department, the TMT first drafted a new mission statement and goals and communicated them with internal and external stakeholders.

The team was guided by four principles as it shaped the mission statement and goals: craft a mission statement with enduring purpose, not one contingent on existing conditions; craft goals that were not only closely linked to the new mission but also whose ultimate success could be gauged by quantifiable metrics; craft a mission statement and goals that would be broad enough to apply to every part of NCDOT, from the Division of Highways to DMV to ferries, and to both "line" employees and "support" employees; and craft language that was concise, clear, and that could be easily communicated to all stakeholders, within NCDOT and outside the Department.

In June and July, with input from the Executive Committee and the Board of Transportation, the TMT developed and gained agreement on the following new mission statement: "Connecting people and places in North Carolina—safely and efficiently, with accountability and environmental sensitivity."

The TMT also developed and gained agreement on five related goals:

- Make our transportation network safer
- Make our transportation network move people and goods more efficiently
- Make our infrastructure last longer
- Make our organization a place that works well

¶ Make our organization a great place to work.

In July, NCDOT communicated the new mission statement and goals to all employees via e-mail and paper memos. Feedback from employees and stakeholders has been extremely positive. The TMT has also created a graphic to capture the mission and goals and posted it prominently in the Department.

Going forward, key success factors with respect to creating and communicating the new mission statement and goals include the following.

¶ Ensure widespread posting of the mission and goals. This is especially important in an organization with 14,000 employees; 14 divisions; multiple smaller district offices, maintenance yards, DMV locations, ferry locations; and central Raleigh offices.

¶ Use a range of other vehicles for communicating the mission and goals, primarily "road shows" and "town halls." This could be an important complement to the e-mails and memos that have already been distributed. Members of NCDOT's leadership should consistently and forcefully communicate the Department's mission and goals to employees and external stakeholders. NCDOT should look at building proactive and strategic communication initiatives around its mission and goals.

¶ Embed the mission and goals in NCDOT's culture. This can be done, for example, by:

- Opening every meeting with a discussion of how the meeting's objective ties back to the mission and goals, a regular practice in some well-run organizations.
- Ensuring that managers across the organization use the mission and goals in measuring their respective units' performance and that their performance is linked to successful accomplishment of the Department-wide goals in addition to their personal ones.

b. Link projects, programs, and services to goals. A strong statement of mission and goals, when properly cascaded throughout an organization, give an organization strong strategic direction. Creating a process for prioritizing NCDOT's projects, programs, and services based on the Department's new mission and goals was one of the first things TMT members did to begin this critical cascading. This effort also helps address the issues raised during the diagnostic about weak linkages to NCDOT's goals and lack of focus in the current portfolio of projects, programs, and services.

Specifically, in July, the TMT began building a quantitative model to objectively compare projects, programs, and services against one another. This model, which is still in development, uses technical criteria, qualitative criteria, and a small number of discretionary points to "score" projects, programs, and services based on system-wide needs.

- Technical criteria reflect NCDOT's three external-facing goals: make the transportation network safer, make the transportation network move people and goods more efficiently, and make the transportation network last longer. Examples of criteria on each of these goals include crash severity rates, to gauge highway safety; congestion points, to gauge efficient movement of people and goods; and pavement conditions, to gauge the transportation network's durability.
- Qualitative criteria include corridor continuity, environmental stewardship, and geographic equity.
- Discretionary points are allotted for a limited degree of input from stakeholders, including the Board of Transportation. These discretionary points would never trump the other criteria.

To help it develop a long-term prioritization process, NCDOT invited 50 leaders from across the Department to participate in a Strategic Prioritization Process Summit in September. Participants at the Summit discussed specific criteria that should be used in the long-term prioritization process. They also offered feedback on a list of approximately 50 projects, programs, and services the TMT had identified as high priorities for the Department and on the methodology used to develop those lists.

Going forward, key success factors in linking projects, programs, and services to goals include the following.

- Create a Strategic Planning Office with responsibility for prioritizing projects and investments and making trade-offs with a view of the entire state's needs.
- Expand the prioritization model to better account for programs and services. Although the early version of the model enables NCDOT to compare projects against one another, it does not fully incorporate programs and services.
- Fully incorporate input from the Strategic Prioritization Process Summit into the model.

- ¶ Reduce the model's complexity. If the model requires too much data, NCDOT may not have the management and data collection resources needed to prepare for prioritization. If the method for analyzing the data is too complex, stakeholders may not understand prioritization decisions enough to provide useful input and support.

- ¶ Test the model, once it is complete, with external stakeholders, including Board of Transportation members, MPOs, and RPOs. One possibility would be to build on the format of the September Summit held with internal stakeholders and hold a follow-up Summit with external stakeholders in Spring 2008.

- ¶ Ensure that strategic and nominal prioritization translates into organizational and cultural prioritization. This would benefit from clear, detailed communication throughout the organization and high-profile reinforcement from the Secretary and other senior management about the importance of prioritization. The result of such communication should mean, in a practical example, that all professional staff in Preconstruction, Operations, and external agencies like DENR can be presented with simultaneous requests to work on two projects and know which project is higher priority and how to respond to the person/entity requesting the lower priority project.

c. Diversify funding sources and processes. In the face of the increasing economic pressure brought on by growing demand for NCDOT services in a time of rising costs and flattening revenue, achieving the Department's mission and goals requires new thinking about funding on NCDOT's part. It is well-established that NCDOT faces a funding shortfall over the next three decades, and it should consider diversifying both funding sources and processes to close the gap.

The TMT has identified and sized a broad set of funding sources NCDOT might consider. Going forward, key success factors in diversifying funding sources and processes include the following.

- ¶ Partner with the General Assembly to request new funding sources for the state's transportation network. NCDOT is in the process of launching a series of pilots aimed at streamlining project delivery (described in a subsequent section of this report). Successful outcomes – faster implementation, at lower cost, and with higher quality – could prove to the General Assembly that NCDOT is committed to change and could help the Department make a stronger case for more funding.

- Increase the flexibility of NCDOT's funding to better align resources with goals. NCDOT has already proposed legislation to add more flexibility to the equity formula and has quantified the potential impact of directing maintenance funds to Strategic Highway Corridors. It should also review any internal funding restrictions to ensure that it has full flexibility to allocate externally unrestricted funding in line with its mission and goals.

- Tie new funding to priority investments on the statewide network and measure NCDOT performance against its delivery goals. Put simply, NCDOT should be accountable for delivering specific results against new funding.

d. Create a strategic planning process and function. Strategic planning is vital for public sector organizations. It is the process by which public bodies refine the near- and long-term impact they seek to have on their constituents and determine how they can achieve this impact most effectively within a given time frame.

As determined in the diagnostic, NCDOT's strategic planning is essentially an ad-hoc and reactive process that often involves too many decision-makers and lacks transparency.

In a best-practice strategic planning process, an initial meeting or group of meetings sets criteria for project selection; several months later, these criteria are provided to managers. Throughout the year, interim check-ins are held to ensure that business unit plans match strategic priorities. Finally, corporate and board reviews are held to validate the strategic planning process.

To address the issues identified in the diagnostic and emulate the strategic planning best practices, the TMT has taken a number of steps to create a strategic planning process and function. The TMT has designed a comprehensive 1-year, 2-year, and 8-year strategic planning process, with the intent of enabling NCDOT to turn its strategic direction into concrete financial, operating, and talent plans.

The TMT has made significant progress in establishing the Department's strategic planning function. TMT members have reviewed proven strategic planning processes and the outputs of those processes at other DOTs and other private sector and public sector agencies. They have also held input meetings with the Executive Committee and Board of Transportation members. With best practices and stakeholder input in hand, the TMT created a strategic planning calendar and aligned that calendar with the human resources planning calendar and the performance metrics quarterly business review calendar.

The TMT has also integrated new performance metrics into the Department's strategic decision-making processes, to ensure that NCDOT makes data-driven decisions about its future direction. TMT members have also recorded input from internal stakeholders at the Prioritization Summit about criteria for long-term prioritization of the Department's projects, programs, and services.

Finally, the TMT has created strategic planning manuals for unit heads and other line managers who will be responsible for participating in the strategic planning process.

NCDOT is preparing to establish a Strategic Planning Office to institutionalize the strategic planning process and the work the TMT has done to establish the strategic planning function. The TMT has written a job description for the new director of that office and has approval for posting.

Going forward, key success factors with respect to NCDOT strategic planning include the following.

- Clarify the specific functional distinctions between the Strategic Planning Office and the Program Development/TIP Programming Unit.
- Staff the Strategic Planning Office with highly competent people – people who can play a strategic, not an administrative, role in the Department's direction-setting.
- Set a budget for the Strategic Planning Office that enables it to offer compensation competitive with similar public sector and private sector roles and give the director of the office a reporting line either to the Secretary of Transportation or to one of the Deputy Secretaries.
- Create communication and training materials to prepare NCDOT managers for their respective roles.

2 – Streamline project design and delivery

This initiative takes aim at the diagnostic finding that NCDOT project design and delivery suffers in part from a lack of project prioritization.

To remedy this problem, NCDOT has developed criteria and a set of process models to guide prioritization, with an eye toward streamlining project design and delivery.

The new process models are being tested through several pilots, which aim to streamline design and delivery of TIP and bridge projects designated as high-priority at the Prioritization Summit.

Teams working on the pilots have identified several ideas for accelerated project delivery. New delivery processes that may be piloted on TIP projects include: creating formal teams to oversee project delivery, with a single team lead; appointing a tri-party lead for end-to-end project delivery, including one person from planning, one from design, and one from operations; and instituting PEF turn-key delivery. These pilots are set to begin in early November.

A new initiative has been launched to redesign the bridge program through a number of innovations, including instituting a tiered design approach, creating standardized designs for bridges on the subregional tier, and others.

Particularly critical to managing the cost of capital-intensive projects is the reduction of delays and cost overruns. Improvements in time to deliver projects can lead to cost savings, particularly in times of high construction cost inflation. In both private and public sector organizations, pilot programs are a common approach for testing and validating solutions such as process design, reorganization, and/or outsourcing. Best-practice pilots require clear and measurable objectives, specific milestones, and designated control groups to baseline relative success. At the conclusion of a pilot run, the organization should have a quantitative basis for decisions about which changes to processes it should adopt. NCDOT pilots should reflect all these lessons.

Going forward, key success factors for streamlining project design and delivery include the following.

- Ensure that pilot performance – the right schedule, cost, and quality mix – be a step-change from business as usual, not an incremental improvement. Formal tracking mechanisms are needed to measure progress against this aspiration.
- Ensure that pilot successes are widely communicated. This is critical for external stakeholder support and internal stakeholder momentum. Successful pilots should:
  - Demonstrate what will happen when important projects are designated as Department priorities
  - Show NCDOT's ability to operate at emergency-response performance levels on a daily basis and enable the Department to make a stronger case for additional legislative support.

3 – Design a more productive organization

In any organization, vertical silos can reduce information-sharing, dissemination of best practices, and collaboration on important, organization-wide initiatives. In addition to missed opportunities for shared insights, economies of scale, and single-point accountability, silos also make it difficult to allocate resources efficiently. The result can be overstaffing in some areas and understaffing in others.

As noted earlier, the diagnostic showed that NCDOT's current organizational structure silos elements of some key processes, including the project delivery process. Because employees tend to focus on meeting unit-specific goals, as opposed to organization-wide goals, coordination among business units in the project delivery process is insufficient. The lack of common processes for prioritization, accountability, and coordination also contributes to project delays that lead to inefficient use of resources.

There are several examples that illustrate this trend. Within the Division of Highways, there could be wider coordination among the preconstruction, field operations, and asset management branches. Across NCDOT, there could be stronger links across units that play a critical role in project delivery – for example, between the Chief Information Officer and the Division of Highways and between the Division of Highways and other modes. These silos prevent the organization from operating its transportation network as one system.

To overcome these challenges, the TMT is analyzing NCDOT's organizational structure to ensure that it maximizes collaboration, accountability, alignment of activities with mission and goals, and efficiency. To date, the TMT has participated in multiple workshops to consider opportunities to increase organizational effectiveness. Guided by McKinsey experts, and informed by our reference set of best practices, the TMT examined alternative organizational models that would increase coordination among business units, increase coordination across geographies in the project delivery process, and instill better, more efficient decision-making processes across the Department.

The TMT has also launched a participative, bottom-up analysis of several units at NCDOT to see how their end products and activities align with their individual missions, in an effort to increase unit-to-unit effectiveness. Business cases have been written for a number of new, high-level coordinating roles that could be created within the organization.

The Strategic Planning Office discussed earlier should be designated to play a role in addressing productivity.

Going forward, key success factors in designing a more productive organization may include the following.

- Create a Chief Operating Officer position (not a political appointee) and recruit an experienced executive who has successfully run complex organizations.
- Create critical new roles with maximum consideration of their most effective level in the organization, placement/reporting lines in the organization, and compensation levels. For example, NCDOT might consider creating a strategic Human Resources role to lead workforce and leadership planning, career track management, employee value proposition management and other talent management initiatives.
- Move "boxes and lines" on an organizational chart *only* if there is a strong case to do so. Structural changes should be timed so that they do not reduce the momentum of the rest of the transformation initiatives.
- Communicate efficiency and productivity analysis as carefully as possible and in close coordination with other transformation communication. By maximizing the "grassroots" or self-generated nature of improvement opportunities, change should be rooted in each employee and business unit's existing desire and commitment to do good work for the people of the state.
- Consider developing alternative models to the current structural relationship between NCDOT and other North Carolina public transportation providers.

4 – Increase accountability for and visibility of performance

Successful organizations emphasize accountability for and visibility of performance so that all employees are working effectively toward corporate goals. Each person knows what he or she is responsible for and can use key performance indicators as a tool to prioritize his or her daily activities. Clear metrics also help develop employees, identifying areas of strength and needed improvement, so that supervisors can work as partners with employees to maximize their contribution to the overall mission. This not only leads to improved performance across the organization, but also to increased satisfaction for individuals, who feel rewarded and encouraged in their work.

As the diagnostic pointed out, NCDOT operations would benefit from organization-wide metrics-based management. Although some NCDOT units have introduced metrics – as noted earlier, the Division of Highways maintenance

unit and the Division of Motor Vehicles – their successes have not spread throughout the organization.

Learning from industry best practices, and following the examples of leading organizations, NCDOT has developed a suite of initiatives to increase accountability for and visibility of performance. A system of metrics was designed and introduced that includes an executive performance dashboard that cascades into metrics for business units and individuals. Performance metrics were also designed for more than 40 independent units, including the Division of Highways, the Division of Motor Vehicles, the Division of Transit (including ferries, rail, buses, and aviation), and support functions such as IT, finance, and human resources. These metrics can be used as part of the first quarter 2008 performance review and may help drive the creation of individual and business unit action plans.

NCDOT is also beginning to track individual and business unit metrics, translate that information into top-level metrics for the organization, and make that performance data visible to the public in the form of a Department-wide Performance Dashboard. This dashboard, now available on the Department's website, helps make NCDOT's ongoing performance improvements visible to the citizens of North Carolina, creating an additional layer of accountability.

As a new culture of accountability and performance visibility becomes embedded in NCDOT, it will be important to continue to actively set and manage to targets for metrics, rather than to allow metrics to become another bureaucratic, time-consuming process.

Going forward, key success factors with respect to increasing accountability for and visibility of performance could include the following.

- Demonstrate senior management commitment to constructive, intensive dialogue during quarterly business reviews.
- Communicate metrics widely and identify the individuals and/or business units accountable for them. This increases accountability and has been shown to create friendly competition and drive performance in public agencies that are unable to attach financial rewards to performance.
- Prepare for disagreement over metrics that people feel they do not completely control. The use of shared "upside-only" incentives for hard-to-attribute metrics can drive performance and teamwork on a metric that could otherwise be divisive.

- ¶ Develop an internal communication philosophy and approach that constantly reinforces mission, goals, and values and positions DOT leadership for appropriate modeling opportunities.
- ¶ Create a Marketing group with solid line authority to the Secretary, recruit someone with marketing expertise to lead the group, and charge the group with leveraging NCDOT's wide presence to collect information and input from external and internal groups and to conduct marketing to those groups regarding NCDOT projects, programs, services and initiatives.

5 – Improve talent management

Because, as the diagnostic showed, NCDOT's talent systems are failing to recruit and retain critical talent, drive employee performance, and retain top managers, the Department's transformation effort is giving explicit attention to improving talent management.

Talent management involves making prioritized choices about where and how to invest in human capital. It is not a different approach to HR; rather, it is a long-term plan of action, designed to achieve particular business objectives, that works hand-in-hand with traditional HR services. Talent management ensures that the right people, with the right skills, are in the right positions to do their best work – and ultimately, to help fulfill their organization's mission and goals.

In an effort to rethink talent management across all levels of the Department and then leverage those efforts with other state agencies, NCDOT has launched an "HR innovations" partnership with the Office of State Personnel.

Drawing on best practices in talent management at large public sector and private sector organizations, NCDOT has developed, and continues to refine, a comprehensive program for improving its talent management.

This program includes a new performance management system that evaluates employees against objective performance metrics and the new department values noted earlier; works with employees to plan their career and development goals; and ensures performance consequences. The Department has also begun to provide increased autonomy for employees as they work toward its mission and goals – again in the context of performance management, comprehensive performance metrics, and an overall accountability culture. The result should be unlocked employee potential, enabling and empowering people to provide excellent, innovative, and cost-effective solutions for the people of North Carolina.

The TMT has also designed a new leadership planning process that identifies emerging leadership needs and gaps; reviews employees' leadership competencies to assess their potential to fill gaps; and then helps fill gaps by preparing employees to apply for newly opened leadership opportunities.

Finally, the TMT has developed a slate of specific talent management initiatives designed to significantly improve NCDOT's ability to ensure that the right people are in place to carry out the Department's mission:

- A streamlined hiring approval process, to conform to best practices; this includes removing layers of approval – matched with manager HR budget accountability – as well as moving the Department to the State Personnel Act's policy on salary increases for promotions and salaries for new hires
- Alternate work schedules to increase employee flexibility – while still requiring that performance objectives be met
- Reinstated mentoring programs, building on existing models to encourage and reinvigorate employee development and retention
- An improved training culture, including a less onerous approval process for training expenses – provided that strict accountability for overall training spending is maintained
- Career banding, in line with legislative approval, to bring NCDOT's existing salary structures more in line with the marketplace, helping reduce the number of employees lost to the private sector
- Reinstatement of the Professional Engineer certification bonus, as a temporary means of bringing a portion of engineering staff salaries closer to market levels.

Most of these particular initiatives have received initial approval and are being finalized for implementation in the next few months – almost all of them with appropriate partnership between existing groups within the DOT and/or with other state government entities, such as the Office of State Personnel.

Going forward, key success factors for improved talent management could include the following.

- Devote senior management time to communicating and demonstrating that the new performance management system is a tool for development and performance rather than a nominal administrative activity; ensure that persistent underperformers are terminated; and continue to

recommend legislation that would allow performance-based pay, while exploring nonmonetary ways to reward strong performers.

- Align resources to ensure that appropriate strategic discussions of talent take place with regularity and at the right level.
- Begin to build a more innovative, proactive, and collaborative employee culture, reflected in individual mindsets. Members of the TMT and the NCDOT Leadership have received training on the "influence model," a proven approach for building desired mindsets and behaviors. Consistent with that model's fundamental premises, NCDOT leaders must engage in role modeling and reinforce transformation initiatives. They should also refrain from enacting policies that contradict the transformation's cultural themes.
- Develop an internal communication philosophy and approach that constantly reinforces mission, goals, and values and positions DOT leadership for appropriate role modeling opportunities.

OVERALL NEXT STEPS

In addition to staffing and supporting a full-time dedicated Transformation Management Team, the Department's leaders are training members of that team in transformation-related organizational improvement tools and practices, engaging NCDOT executive leadership and nearly 30 senior managers in intensive capacity-building workshops and best practice presentations, and actively and continuously providing updates to and gathering input from NCDOT employees and external stakeholders.

Specific agenda items for all these parties should include the initiative-specific next steps noted in the key success factors discussions in the preceding section. Their efforts should also reflect four broader guidelines for success in a transformation effort of this breadth and complexity.

- Treat the next 12 months with a sense of urgency far beyond business-as-usual, with the transformation as one of the highest priorities for the organization. This is an opportunity for NCDOT's leadership, employees, and external stakeholders to leave a long-lasting legacy for the organization and the state. In particular, there should be zero tolerance for delays due to politics, individual agendas, or bureaucratic inertia.

- Put new processes through at least one cycle, put all organizational changes into place, and introduce critical legislation by September 2008. This should help ensure that the transformation transcends the change in administration. The Department needs to begin transition planning as soon as possible.

- Ensure that transformation initiatives have long-term organizational owners. The TMT is critical, but changes will ultimately need to be owned by the rest of the organization. The talent management team's involvement of HR department staff as full members of its initiative teams is a good example of best-practice ownership transfer.

- Ensure that internal and external communication of the transformation is as proactive as possible. The organization has begun to change and adopt proven organizational practices, and it is important to communicate this positive change as much as possible and as proactively as possible to employees and the public.

Finally, it is important to note that NCDOT cannot successfully continue its transformation journey on its own. While the Department bears significant responsibility and should be held accountable for transforming its organization, success in developing a reliable and cost-effective transportation network for North Carolina will require close collaboration with and support from the Governor's office, the General Assembly, the NC Board of Transportation, and other external stakeholders. The issues are as complex as they are critical – and they demand that kind of collaboration.

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — **November 7, 2007**

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pete Harris	NCSPA
Dana Wilson	NC State Bd BOD
Reid Simon	NCTA
Ed Johnson	N.C. Capital Area MPO
Roberto Canales	NCDOT
Beau Mills	NC Metro Coalition
Berry Jenkins	Carolinas AGC
Jay Stem	NC Aggregates Assoc.
Meenal Khajuria	NC Metro Coalition
David Farren	Southern Env. Law Center
Mike Krannitz	Stewart Engineering
Kathryn Sawyer	ACEC/NC
Betsy Bailey	PENC
Steve Varnedoe	NCDOT
Jon Nance	NCDOT
ELLIS HANKINS	NCLM
GENE CONTI	PBS&J
Boyd Cauble	City of Charlotte
Anna Lea	NCDOC
John Schofield	NC Policy Watch
Doug Howes	NC Petroleum Marketers Association
Steve Woodson	NC Farm Bureau
Paul Sherman	NCFB
Russ Dubisky	IFNC
TAD BOGGS	NCDENR
John Palgut	NCAOT
Andy Romanet	NCLM
Thomas C. Coats, Jr	NC Dept. of Crime Control & Public Safety

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — **November 7, 2007**

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Gleason	
Charlie Diehl	NC Trucking Association
DAVID JOYNER	NC TURNPIKE AUTH
Johanna Reese	NCDOT
Lynda Tippett	NCDOT
Todd McGee	NCACC
J.D. Solomon	CH2M HILL
Bill Gary	Gaston Chamber of Commerce
Jennifer Willis	Wilkes County Govt
Drew Moritz	Raleigh Chamber
Daniel Baum	Kennedy Covington
Stephen Jackson	NC Justice Center
Bill Rowe	NC Justice Center
Julia Leggett	The Arc of NC
Amy Simes	DENR
Cam Cruz	BPMPL
PERRY SAFRAN	N.C. TURNPIKE AUTHORITY
Danyale Washington	OSBM
Kendra Benton	OSBM
Jonny Wilson	Multi Channel
[illegible]	Bell + Assoc Clients
Will Polk	Office of Lt. Gov
Scott Saylor	N.C. Railroad Company
John McMillan	Manning, Fulton & Skinner PA
Becki Gray	John Locke Foundation

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — **November 7, 2007**

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Goodman	NC Chamber
John McAlister	NC Chamber
Patrick Buffkin	Nelson Mullins
Dennis Hanson	OSC
Gardner Payne	McGuireWoods
Amy Schilder	McGuireWoods

21st Century Transportation Committee
Agenda
November 26, 2007
1:00 PM
Room 643 LOB

Welcome and Introductions	Brad Wilson
N. C. Turnpike Authority	David Joyner
AAA	Tom Crosby
NCGO	Berry Jenkins
League of Municipalities	Beau Mills
Association of County Commissioners	Paul Meyer
Engineers Coalition	Pam Townsend
Break	
Committee Discussion and Input	Brad Wilson

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Monday, November 26, 2007
1:00 p.m.
Room 643, Legislative Office Building

The 21st Century Transportation Committee met on Monday, November 26, 2007, at 1:00 p.m. in Room 643 of the Legislative Office Building. Senator Stevens; Representatives Cole, Carney and McGee; Honorables Terry Bellamy, Richard Blackburn, Sam Hunt, Allen Joines, McGrady, and Miller, Jr.; and Dr. Monroe and Misters Brad Wilson, Bowman, Sewell, Whichard, III, Lanny Wilson and Zelnak, Jr.; and Ms Szlosberg attended.

Chairman Brad Wilson presided and welcomed everyone to the second meeting of the 21st Century Transportation Committee. He called attention to the Agenda for the meeting and said it has been designed for another learning session. After the presentations have been given there will be a break and the committee will come back together to have some discussion about what has been presented at the last two meetings.

Chairman Wilson thanked everyone for their help, input and cooperation given in putting the committees in place. He said it was not possible to put everyone on the committee they wanted to serve on. Some of the committees were more popular than others and he again thanked everyone for their support and understanding in the process of forming the committees. (Attachment 1). He also thanked those who agreed to be chairs of the committees and said it is the responsibility of the chairman of the respective committee as to when, where and how many times it meets. He asked the chairs to be in touch with their committee members, and get their feedback about the rhythm of their work Chairman Wilson requested if possible the chairs attend the full committee meeting of the 21st Century Transportation on December 12th, to report on what their committee schedule and calendar will be. This will help in scheduling future agendas for full committee meetings. Chairman Wilson said the goal the committee will have is to try to be finished with the work that needs to be completed for the short session of the 2008 General Assembly at a meeting on Monday, March 24th, at 1:00 p.m.. He said they are looking at that meeting as the final meeting of the full committee in preparation of the report to the Oversight Committee late in April. Everything that needs to be done must be done within this time frame.

Chairman Wilson said as to our future full committee meetings, Lanny Wilson has invited the committee to come to Wilmington on February 21st, for a full committee meeting. The full committee will meet here on December 12th, and in Charlotte on January 16th. At the full committee meeting on December 12th, after hearing from the four committee chairs about their plans, Chairman Wilson would like for the committee to be able to decide about any other full committee meetings needed. He asked the chairs

of the committees to be sure to let he, Larry Goode and the staff know as far in advance as possible when they want to meet because they want to share those notices with the full committee.

Ms. Nina Szlosberg brought to the attention of the committee that February 13th, is also the North Carolina Merging Issues Forum which will tie up a lot of people and there is actually a transportation component of that and we might want to consider that in our thinking. Chairman Wilson said that potential conflict will be taken into consideration in planning.

Representative Becky Carney asked for a point of personal privilege. Their county overwhelmingly supported keeping their half cent sales tax for a transit, which was a big plus for the rest of the state and 70% of the voters voted. She said they had their inaugural ride and the ribbon cutting on Monday and it was well attended. Saturday and Sunday they opened their line to the public free and in the headlines today 1,100 people rode the train from Pineville into the center city. They are paying to ride now and the ridership has been steady. Representative Carney added, as we look towards addressing our needs of congestion across this state that we look at transit and we look at promoting land use around those transit lines.

Chairman Wilson at this time asked that each member of the committee introduce themselves, tell us where they are from, and their profession.

Grady Rankin, Chief Financial Officer was introduced to present on behalf of the North Carolina Turnpike Authority. (Attachment 2). He told the committee that the mission of the North Carolina Turnpike Authority is to provide timely and efficient delivery of projects in congested areas of the state using innovative and alternative means of finance. They were established by the legislature, governed by a board of directors and currently have five active projects that are approved by the General Assembly. The cover sheet and maps of each of these projects is attached to the minutes. The organization is small and flexible and they are strategically focused on these projects and other projects of their like. They have a staff of 16 that is heavily supported by The North Carolina Department of Transportation and a team of consultants. Mr. Rankin continued to tell the Committee about the Statutory of Limitations passed by the General Assembly and the requirements. He told the committee some advantages they may want to consider during the deliberations are that the Authority can deliver projects by borrowing the majority of funds against future revenues. They can deliver projects for 25 cents to 50 cents on the dollar. This allows them to save years or even decades in project delivery and a great deal of inflation during that period of time. In addition they save maintenance for that 40 year period and maintenance can often total as much as 50% of the capital cost of the project. Mr. Rankin said this reduces the demand from the large projects on the state's TIP funding. He continued to talk about their focus and business approach, their financial plan and how they evaluate a project. He talked about gap funding projects and their options in doing this. Mr. Rankin said they believe that gas funding will allow the North Carolina projects to move forward as toll projects in the most cost effective way for the State of North Carolina. He said they have divided their needs into phases. It is

not a prioritization it is simply an urgency of needs. It is based on timing. The North Carolina Turnpike Authority requests that the Commission recommends to the short session that gas funds be provided by the General Assembly for the two projects, that are ready to go. That is the Triangle Expressway where they would begin construction in August of this year and the Monroe Connector Bypass where they would like to be in a position to commit right of way funds in that same time frame. This would require approximately thirty million dollars per year, an annual gap support to move these two projects forward in 2008. He continued pointing out the phase two of their financial planning and said they would like to be able to present it to this group and others by the fourth quarter of the calendar year of 2008. He talked about their plans of supporting these projects.

Senator Stevens asked Mr. Rankin about his mentioning statutory limitations such as once the tolls are paid off the toll goes away and you have to have an alternative route. He said he thought there is a statutory restriction on toll money revenue not being able to be spent on another projects but has to be spent on the one project.

Mr. Rankin said that is correct. He said that he was not sure about it being a state statutory restriction but it is one of their policies in the Turnpike Authority that money received, for example, in a Wake County project would not be used in a Mecklenburg County project.

Senator Stevens said that he thought a toll road paid for itself. It might be helpful to tell us a little bit about why you can't do that. Why you have to have gap funding.

Mr. Rankin responded that there is no turnpike project in the United States today that is being considered that doesn't require some kind of financing gap. There is always an exception somewhere but it is the nature of the revenue stream to a large degree. That revenue stream on most toll projects shows a sharp escalating curve over the first 20 or 25 years of the project. As opposed to other infrastructure projects that may have a relatively level revenue curve, this means that our lenders take significantly more risks in banking on the revenue growth that is projected in the future. As a result it is virtuely impossible to borrow one hundred percent of the funds.

Mr. Stevens asked on the time line for the Triangle Expressway that his understanding is that unless there is gap funding provided in 2008 that they will have to essentially start over with environmental studies, etc. that will put the project back years. Is that correct?

Mr. Rankin said that there is one specific environment study that is an air quality study for the triangle parkway portion of the Triangle Expressway that would essentially have to reset and push it back 2 or 3 years. The remainder, in the Western Wake portion, he did not believe there is a specific environmental but a redo requirement there that would set it back. He said he would add, that on a project that is almost one billion dollars in terms of construction cost, that every year that you wait on that, you pick your inflation rate whether it is seven, eight, or ten percent that is seventy, eighty, a hundred million dollars a year that you are suffering inflation. For the most part that will not be made up

in additional revenue. If that is not made up in additional revenue that does not increase the amount that you can borrow against that project so that inflation amount goes directly to increase in gap.

Representative Miller said the gap funding would come in the form of what direct appropriation from the general fund, or would it come out of funds generated from the traditional DOT's revenue stream?

Mr. Rankin answered – I think that is not something that we really have the place to commit on. I believe there were a couple of bills introduced last summer; one in the Senate and in the House that in both cases would have taken increased revenue from a new funding source, than direct revenue from DOT. We would hope a new revenue source would be found for this gap fund.

Ms. Szlosberg asked three questions, the first one specific to the Triangle Expressway. She said this is a project that much of it is eligible for loop money, is that right? What is the status of that? Would we not be able to use loop money to fill the gap on that? Could you talk about your discussions at the Turnpike Authority regarding the introduction of HOV lanes HOT lanes as a part of the planning process.

Mr. Rankin answered yes Triangle Expressway is, not the Triangle Parkway. To the second question he answered. Again, we are not proposing that we take money out of the DOT funding source but looking for additional funding.---In answer to the third question he said the HOT lanes and HOV lanes to a substantial degree where they see them utilized around the country and the interest year in North Carolina is on an existing facility. There are some technology questions with respect to tolling on the HOT lanes but he thinks HOT lanes is a very viable way to expand capacity in existing urban congested areas and should be considered.

Ms. Szlosberg asked if that is part of the consideration for these projects that you would look at HOV lanes as part of the finance plan.

Mr. Rankin answered that the projects that have been given to them are new projects, so this is not an expansion. None of these represent an expansion of an existing facility. They are very viable options.

Ms. Szlosberg – Could you talk to the committee about congestion pricing as a tool that we might be able to use?

Mr. Rankin answered – Congestion pricing refers to changing the pricing at various times of the day for an example on a turnpike toll like Triangle Expressway that would run from Holly Springs up into the Research Triangle Park. Obviously the peak demand for that is going to be during the rush hour in the morning and the afternoon. Congestion pricing allows you to charge more for the use of that facility during the peak hours unless in the off peak hours, so that you can literally manage the traffic on the facility by changing the pricing. This is one of the great advantages of having an all electronic no

cash toll system implemented on that and other projects here in North Carolina is that the pricing can be varied literally at a moments notice. We will have the full capacity to do that on this Western Wake project and probably most of the other projects, if not all the other projects that we have.

Representative Cole – Commented on Representative Miller's question. In the last hours of this last long session the House passed out legislation that would have provided gap funding for the Triangle Expressway but it was in the late wee hours and the Senate would not take it up.

Ms. Bellamy – A quick question as a matter of process. In the information that you provided us, that you have the authority to look at 9 projects and you have outlined 5. Do you have any plans to do anything further west in the western part of the state?

Mr. Rankin – The Turnpike Authority does not seek out projects. We literally respond to projects that are proposed to us by local communities. For example, the capital area MPO here in the Raleigh area. Seeking out projects, looking for Turnpike toll projects is not a part of what we do.

Senator Stevens – A comment on Representative Cole's remarks. The Senate also passed a version the House did not take up and it wasn't the last day literally and so it didn't get reconciled. I believe the staff has an answer on my question about the statutory requirements on the toll revenue.

Giles Perry, Staff – Senator Stevens is correct. There is a limitation on the use of toll revenue for projects that have previously been designated as projects that would be built free and that would have to be used on the project in the case of the Western Wake Expressway and the Monroe by-pass project.

Representative Miller – Has the Turnpike Authority made any recommendation of the cost of using the roadway, that is a difference between a freight hauler, passenger vehicle, or the bus?

Mr. Rankin – Yes, in our traffic and revenue studies, the studies are broken down by the type of user; automobile, wide trucks, heavy trucks and there are toll rate differences for each of those categories of vehicles when they make their projection.

Representative Miller – What about foreign vehicles now using our toll turnpike highways. How are you going to price those without some way of calculating their charges?

Mr. Rankin – You are referring to foreign vehicles being vehicles from out of state vehicles?

Representative Miller – Yes.

Mr. Rankin – When we detect the presence of the vehicles that does not have a transponder (a little box that would go on the windshield of a vehicle), then we also detect the size, the length, other perimeters and we take photographs of the license plates of the vehicle, so that we can bill them and we work to accommodate all customers on our Turnpike Authority but yet there is a significant difference in the cost in billing an out of state vehicle than it is an in-state vehicle that has a transponder per paid account. So we would account for that difference in the charge that we would charge that vehicle.

AAA was scheduled to present at this time but were unable to be here. They will reschedule at a later time.

Berry Jenkins, Vice Chairman of NC GO Advocacy Coalition was the next presenter and expressed appreciation for the opportunity to come to talk about what NCGO is advocating for in the transportation arena. He said they are a statewide broad based coalition business and community interest. He mentioned the inclusion of members that operate in the transportation sector. He said they represent 25,000 businesses and member organizations with over 6 million employees, transit riders, citizens and drivers in North Carolina. They have one thing in common being concerned about the future of transportation in North Carolina both today and in the future. Mr. Jenkins talked about the increasing population in the state therefore increasing vehicles on the road and needing more and better roads. He also pointed out the need for better transportation and the inflation involved. (Attachment 3) On the handout given the committee members Mr. Jenkins pointed out some of the things they would like to urge the committee to address, talk about and see if these are things that need to be consider. He said NCGO stands ready to mobilize their efforts to support those who sell it to the public, and other members of the General Assembly.

Mr. Jenkins commended Chairman Brad Wilson in the opening meeting for identifying four short term objectives for the May Session of the General Assembly. He said NCGO endorses these objectives and would like to encourage this committee to try to make them happen.

Mr. Bowman asked Mr. Jenkins to elaborate more on the financing options that he would like to make sure are considered.

Mr. Jenkins – said there are a lot of things that can be considered and mentioned, the Highway Trust Fund, one hundred seventy-two million dollars that could be looked upon as new money, hypothetically you could take twenty or thirty million off the top of that and provide gap funding for some early projects for the Turnpike Authority, take one hundred million dollars leverage of that out for a bond. One of the things the short session of the General Assembly could do is to put in some bill language to consider raising some of the motor vehicles fees. The cap on the gas that was put on by the General Assembly, he thinks it says that is going to cost DOT about one forty million dollars in this two year budget cycle. You could remove the cap let the variable rate portion go back and do it's job. The Legislature enacted that some years ago to try to deal with inflation but basically took it away this session. The local options and

Charlotte already has the one half cent that they devote to their transit system and are obviously getting good results. There are some states looking at trying to come up with ways to capture vehicle miles traveled through odometer readings. Some of them are trying to combine odometer readings and weights trying to coming up with a funding source. Nobody has the perfect answer but he thinks there are some states on the west coast that are ahead of North Carolina in looking at some of these issues.

Beau Mills, Director for the North Caroline Metropolitan Coalition and on the staff of the North Carolina League of Municipalities spoke next. His comments were specific to his work with municipalities in North Carolina.(Attachment 4) the first part of his presentation was background information and about the roll of municipalities and transportation. He said as the sub-committees and the full committee goes forward the League of Municipalities and the Metropolitan Coalition and all of the cities he works for stand ready to work with this committee and the sub-committees. Mr. Mills pointed out that North Carolina is fast urbanizing. Over 54 percent of the people of this state now live within municipalities for the first time in its history. That urbanizing trended something this committee is going to have to continue to think about. He said municipalities are co-implementers of transportation in North Carolina working with the state. That is a special roll they play. He continued pointing out the money municipalities spend on transportation and what that entails He said they work together with counties in the MPO. Municipalities have increased spending on roads 51% since 2000, based on information gathered from the State Treasurer's Office. He said the number of miles that municipalities are responsible for is growing dramatically. Mr. Mills said they are stepping up to the Powell Bill. This is where the state shares some revenues at the state level with municipalities. He said they have increased dramatically the spending on public transportation.

Mr. Mills pointed out that in the Metropolitan Coalition, a part of the League of Municipalities, that transportation is their highest priority for the 25 large cities and has been since the organization was founded in 2001. Also, for the broader League of Municipalities infrastructure is their highest priority. He said over 75% of urban interstates in North Carolina are congested and that it is the fifth worst in the nation. He also point out that urban success is going to be critical to North Carolina competing in a global and national economy. Transportation is usually one of the top 3 or 4 items when companies look at locating in North Carolina.

In going forward Mr. Mills said the 1989 Trust Fund is something we should be very proud of. It took a lot of foresight to do that. He said it needs to be updated and one of the reasons this committee has been formed. He said they look forward to working with the committee on financing and revenue flexibility and specifically as it relates to municipal and regional needs, and he presented other concerns and challenges with transportation.

Chairman Wilson asked Mr. Mills that under financing and revenue flexibility he mentioned the half cent sales tax in Charlotte has been successful. Do you have any other specific ideas beyond sales tax that you would want us to think about.

Mr. Mills said in Northern Virginia and Hampton the state legislature gave them a suite of revenue options that they had to levy as a package and they are generating in Northern Virginia about four hundred million dollars a year for that area. A large portion of that is going to public transportation. Hampton Road is two million dollars a year. That source of revenue is a small bump in the gas tax, a 1% real estate transfer tax, some very impact fees and registration fees. What they did was put together a group of revenue sources.

Mr. Bowman – Just a couple of points of clarification. You show with metro 86% personal income and 76% sales tax, could you give me your definition of metros?

Mr. Mills – There are 11 metropolitan regions as defined by the federal government O and B in North Carolina. We are very fortunate in that regard that we do have widely disbursed metropolitan regions and that is based on the region. The sales tax actual was specific to revenues generated within the 25 largest cities in the state.

Mr. Bowman – Also, you mentioned the rising number of roads for cities. Are these as a result of cities building the roads, or cities taking on the roads the developers have built and then dedicating it to the city?

Mr. Mills – The answer is yes to both. The population growth. A large portion of population growth in our state is in the municipal boundary. As new sub-divisions are built a lot of those roads are built to municipal requirement and then they are taken over as a part of the cities municipal system.

Ms. Szlosberg – A follow up on the land use transportation connection. Could you at a very high level talk a little bit about increase of VMT, what that does to the burden on the financing side and then how that connects to the land use piece.

Mr. Mills – That is a big question. VMT, has to do with the amount of miles that people travel in the state and a lot of that is commuting as folks move further and further from their jobs, they drive further and further in. The mayor of Greensboro does a good job of saying that he has 80 thousand people driving into the Greensboro area every day. It is about people driving into the job centers of our cities. How that relates to the land use is a very broad question but as our land use patterns are more and more spread out people seek less expensive housing, more land. Our habits are that we drive further and further. Charlotte is a good example, where they are trying to come up with a different model where they are developing a transit corridor and a densely populated area along that transit corridor which will reduce, obviously, the amount of time they spend on the roads when they go to their jobs in the central business district. That is one example. There is a variety of other connections between land use and transportation.

Mr. Paul Myer with the County Commissioners Association spoke next and told the committee members that the State Legislature took the counties out of the road funding business following the great depression because a number of the counties were about to go belly up unable to pay the road bonds they had issued prior to the great depression.

We have a 76 year issue for counties that have been on the planning side of transportation but not the funding side. Mr. Myer said the County Commissioners is an association representing all one hundred counties in the legislature and working with the executive branch of government. The counties have not traditionally been in the road funding business. There were 3 local acts that allowed local individual counties to participate in road funding projects but those were designed for specific projects. He said they understand what it feels like to be in fiscal crises, infrastructure crises. He compared it with the shortfall in the public schools and our counties have difficulty paying for maintenance and other capital over time and those projects get pushed to the side. He pointed out the issues the County Commissioners are dealing with. Voters earlier this month were unwilling to approve alternative revenue sources for county government, so we still have those capital deficits to deal with. Another issue they are dealing with is national pressure for property tax exemptions. They are hearing more and more both locally and nationally a push to provide homestead property relief which would take the ability of counties to pay the bills if in fact those exemptions were provided without replacement revenue. The General Assembly controls those issues from Raleigh. On one hand they are being asked to do more, on the infrastructure side there is a healing pride to take away the money with which they would do. it. He said everything is not rosy back in the counties.

Mr. Meyer pointed out that County Commissioners are very concerned about the crises that faces North Carolina. He said they are an intergovernmental partner and they always seem to be right in the middle dealing with crises with the state. He said they are excited about the prospect of participating with the state in figuring out how to solve this problem. The transportation roles of county commissioners in county governments generally is that they are on the planning side in MPO's and in RPO's. They participate on that side but they do not have much knowledge as to the funding mechanisms. Most people do not really understand how the state gets its money or how it spends it. The North Carolina Association of County Commissioners is sponsoring a transportation summit on December 6th to help educate County Commissioners across the state as to these new issues, what they the state is facing and how they might participate. The legislature last session passed SB 1513 and that bill changed 76 years of history for county governments in North Carolina by allowing county governments to voluntarily participate in the funding of road construction and maintenance. The Association did not oppose that bill. It was an authority bill and as always county commissioners like authority bills. Probably the counties will not be jumping up and down to use their limited tax base to pay for road construction and maintenance projects. He said they have not really had a thorough conversation with their membership about this. There are a couple of counties that have expressed interest in participating on the funding and finance side but a number have also contacted them and said there is no way they can possibly do it. Mr. Meyer said that they hope that any discussion of funding in the transportation system in North Carolina be deliberate and comprehensive. They believe that it is virtually impossible to change one dimension of intergovernmental relationships without impacting many others. Mr. Meyer said that one of the economic development components that has been positive for North Carolina has been its moderate to low

property tax rates. While we have income taxes that perhaps are on the higher end of the national average we have property taxes that are lower than the national average.

Ms. Pamela Townsend, a registered Professional Engineer, with a Master, and Bachelors Degree in Civil Engineering from North Carolina State University spoke next. She graduated rank first in the College of Engineering Class of 1984. She is currently a Vice President of Earth Tech, Inc.,an international consulting engineering firm. She introduced Betsy Bailey, Executive Director, Professional Engineers of North Carolina and David Peterson, PE in the American Society of Civil Engineers past president of North Carolina Section. They are representing the Coalition of Engineers for Transportation. They are five associations that have come together including the American Society of Civil Engineers, American Society of Highway Engineers, Professional Engineers of North Carolina, North Carolina Institute of Transportation Engineers, and the American Council of Engineering Companies (NC). These associations represent thousands of engineers throughout the State of North Carolina. Ms. Townsend told the committee these representatives from these organizations came together due to the General Assembly adjourning the Session without addressing transportation funding and this deepened the ongoing transportation crises. She said this is a wake up call and as engineers this group felt the need to communicate with the North Carolina leadership and the public the seriousness of the condition of the infrastructure and that it needs to be a funding priority. As professional engineers they felt the responsibility to get involved. They are following their Engineers' Creed. She continued to explain their Creed, population growth being the reason for more vehicle travel on the roads, the part good roads play in safety helping to reduce fatal accidents, well planned and constructed bridges, and solutions to the transportation problems in North Carolina. (Attachment 5)

Chairman Wilson asked for questions.

Mr. Bowman said thanks for coming and asked - If you were this committee, with all the problems you mentioned, where would you start?

Ms. Townsend - Getting the funding. There are so many needs everything from the gap funding to the Turnpike Authority, the bridges, congestion in the cities, work on the funding. We just need more money, and it is a priority.

At this time Chairman Wilson said the Committee will be at ease for 10 minutes and return for committee discussion and wrap up.

Chairman Wilson reconvened the meeting and asked the committee to reflect on the information that has been presented to the committee for the last two meetings, entertain any ideas and questions the members of the committee may have as we prepare to move forward. He reviewed the four points that were discussed to focus on at a minimum as the committee prepares for the short session. He said this is not an exclusive list but can be as long as the committee would like to make it. Recognizing that the committee has an obligation to provide a report for the short session and another report by the end of

2008, there is a long runway for the work. The four points that were discussed at the last committee meeting were:

> Consider recommendation relative to the Highway Trust Fund transfer.
> Focus on and make a recommendation relative to the gap funding for the Turnpike Authority.
>
> A recommendation about an approached bridge replacement funding.
> Specifically the one we heard referenced to today, the Yadkin River Bridge.
>
> Focus on the most congested areas of our state and how we could bring resources There in a nimble way, which would include looking at transportation alternatives.

As the committees begin their work hopefully the chairs will keep those four items ever present in mind and make sure in that in the broader conversations that will be carried on in the committee work some specific recommendations will be made on these four points. Chairman Wilson said he also recognizes there will be some overlap in jurisdiction authority and discussion but that is okay. He said don't spend time trying to decide whether or not you should be doing this due to another sub-committee might be talking about, just go ahead and do it. It will all be aligned down the road.

Mr. Miller pointed out there are two areas that he doesn't think has been touched on. He commended the Chair for the presentations that have been heard. He said it is all informative and basic information that we really need. He suggested that in the Charge, paragraph 10 does include alternative transportation areas including rail. He said we have not had a presentation on the presence of rail in the state yet. He said he thinks it would be very important to have that not only rail for freight but also passenger services.

Chairman Wilson we will make sure it is on the agenda.

Mr. Miller the next question is for information purposes and probably the staff can give us this answer whenever you would want this to be brought out. That is to examine the formula that the federal government uses in having taxes collected from sell of gasoline going to Washington to the federal government and then we only get back 85% of it. He feels the committee should be made aware of why we do not get our fair share. Why do we not get that back? What does that represent and how could we go about indicating our presence there to see that that comes about?

Chairman Wilson, said point well taken Representative Miller and I also heard you say, we would like to understand what the strategy and approach is and what the congressional response is and has been to our plea for at least a dollar for dollar return.

Representative McGee asked the staff if the General Assembly acted on one of our recommendations that would encumber funds going forward what is the extent of that authority?

Lisa Hollowell, Staff in Fiscal Research answered – A current General Assembly cannot obligate future General Assemblies in fiscal matters.

Senator Stevens - I have proposed this question a number of times always the answer is that it can't be answered and that is on a county by county basis how much gasoline taxes collected versus how much is spent for highway construction maintenance, etc.in that county? I am told it can't be provided because records are not kept that way. It sure would be nice to know.

Chairman Wilson said so not only fuel tax collection but then the transportation expenditure that is related to that?

Representative Carney – Just a couple of comments. She thinks it has been mentioned today one of the presenters. Learning from other states, we heard Virginia but I have heard from Florida some of their innovative ways of dealing with transportation and Pennies for Progress from South Carolina and also the Oregon Study, looking at vehicle miles traveled. I hope we will look at the best of the best across the country. She reminded everyone of the political wheel and those who serve locally and have served at the state and currently are serving at the state. We are going to grow political will out of whatever we do and as long as we are in this process we need to look at the education components especially as we talk about gap funding with the toll roads, bridges, etc., the public needs to be on board with this. They need to understand that so as we move forward that education piece out there from the public is important. She reminds everyone as the Highway Trust Fund is talked about no longer transferring those dollars we also need to remember that there is a replacement issue of that hundred seventy million from the general fund. She said she is a big proponent of local options for local government. She thinks that those that stepped forward very quickly and anxiously learned a lesson from the fact that the transferred tax that local governments had lobbied hard here to get that and when we gave it to them some went out and I don't think the public was educated enough to step up and support that. She thinks they will in the future but as we look at these local options, such as what has happened in Charlotte very successfully the half cent sales tax for transit. That gave us leveraging dollars with the federal government. When we went to Washington we didn't just go with our hand out, we had money from our local people saying we are supporting this issue.

Ms. Szlosberg - I would just add when we are looking at best practices or innovative practices around the United States perhaps we could also add in what our sister state South Carolina is doing just under their last reform in the General Assembly there, a program called Fix It First. That might be interesting for us to learn a little bit more about. Also, the General Assembly will be receiving reports and actually has received one report from a claimant action advisory group in North Carolina. There are series of recommendations related to transportation alternative energies. She said she would hope that the committee would look at that because that is certainly going to be a part of our future.

Mr. Hunt – Said he thinks the Trust Fund definitely needs looking at and enhancing but he mentioned the equity formula that was mentioned today. Without that formula the Highway Trust Fund would not be in existence today so he thinks that should be kept in mind. Also, the transfer of hundred seventy-five million, hundred seventy-two dollars from the Trust Fund that goes to the general fund, hundred twenty-five million of that was always in the general fund. There is also a transfer from the Highway Fund that he thinks has grown, it is not capped. Twenty-five million of that has always been general fund money. The equity formula of that, the distribution of money when you start looking at the General Assembly and that is the reality that we will end up with. It has to pass here and the power and influence of the General Assembly doesn't always follow congestion. We have to keep that in mind.

Representative Carney –There are a lot of hot button issues out there and one is the loop project. Are we going to talk about that as a committee?

Chairman Wilson – The focus on the loop projects will take place in sub-committee but let me say quickly, we will undertake any discussion at this committee level that the members want. He said what he has heard so far today, just to make a note, and we will build the agenda for the 12th consistent with our time allocation, we need a piece on rail which is right on target. Given the opportunity we should have the best practices discussion and see what some of our other states have been doing. We have kind of fundamentally educated ourselves on the needs and what is going on here in North Carolina. That would include the Fix It First type program in South Carolina and then a report back on the federal funding formula and what the legislative or congressional strategy is relative to that and then you have mentioned the loop discussion. Those are the points that I have picked up from the committee that we will want to keep in front of either the full group or certainly make sure the appropriate sub-committee undertakes. Chairman Wilson was reminded also, the climate change and the intrastate revenue mix as well as the interstate. The county by county collection and expenditure.

Representative Cole - The committee chairs you have appointed to the sub-committees, do we have any idea of a schedule as to when they meet and start their work? Will it be a continuing of this committee in some cases? For planning purposes we need to know that at soon as we possibly can.

Chairman Wilson asked the subcommittee chairs to speak to this at this time.

Mr. Hunt, Chair of the Inter-Model Committee said they will have a meeting in Room 605 here in the Legislative Office Building directly after this meeting.

Mr. Zelnak, said he will call each member of the committee this week to get their input and set an agenda and will work with a schedule from there.

Mr. Whichard (I could not hear what he said)

Senator Jenkins is the last committee chair and is not present today.

Chairman Wilson thanked the chairs of the sub-committees and said he knows they will work as aggressively as they can. He said he would hope that they would set as a goal that by the time the committee gets together in Charlotte that each committee will have met at least twice, if it is practically possible. The agenda on the 16th, is to have the full committee meet either late morning or early afternoon and provide some opportunity that morning or if you want your Committee to come to town a little earlier. That is a possibility, or the afternoon before depending on how much time you can invest.

Chairman Wilson again, thanked everyone for attending today and their attention. He felt that it has been a productive couple of hours and will see everyone on December 12th.

The meeting adjourned at 3:05 p.

Brad Wilson, Chairman

Sarah Murphy, Clerk

North Carolina Turnpike Authority

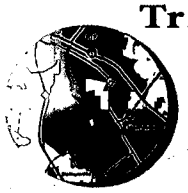
Building Roads for a Better North Carolina

North Carolina's Infrastructure is Key to a Healthy Economy

North Carolina's beauty continues to entice new residents at record levels. A vibrant economy, supported by a well-developed infrastructure, draws businesses to the state, creating jobs and fueling economic growth. As North Carolina experiences this unprecedented growth, the demands on public infrastructure to support these new citizens will also increase.

The North Carolina Turnpike Authority (NCTA) was created in 2002 by the General Assembly in response to concerns about rapid growth, heavy congestion, and dwindling resources. The NCTA is authorized to study, plan, develop, construct, operate, and maintain up to nine projects.

Current Projects



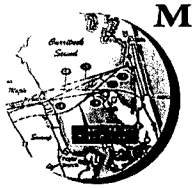
Triangle Expressway

A new roadway stretching 18.8 miles from Research Triangle Park to Holly Springs scheduled to open in 2011.



Monroe Connector/Bypass

A new 21-mile road from US 74 at I-485 to Marshville by-passing the heavily congested US 74 in Monroe scheduled to open in 2013.



Mid-Currituck Bridge

A 7-mile bridge connecting the mainland in Currituck County to the Outer Banks at the Currituck/Dare County line scheduled to open in 2013.



Cape Fear Skyway

A 9.5-mile facility south of Wilmington connecting US 17 to US 421 including a bridge over the Cape Fear River scheduled to open in 2015.

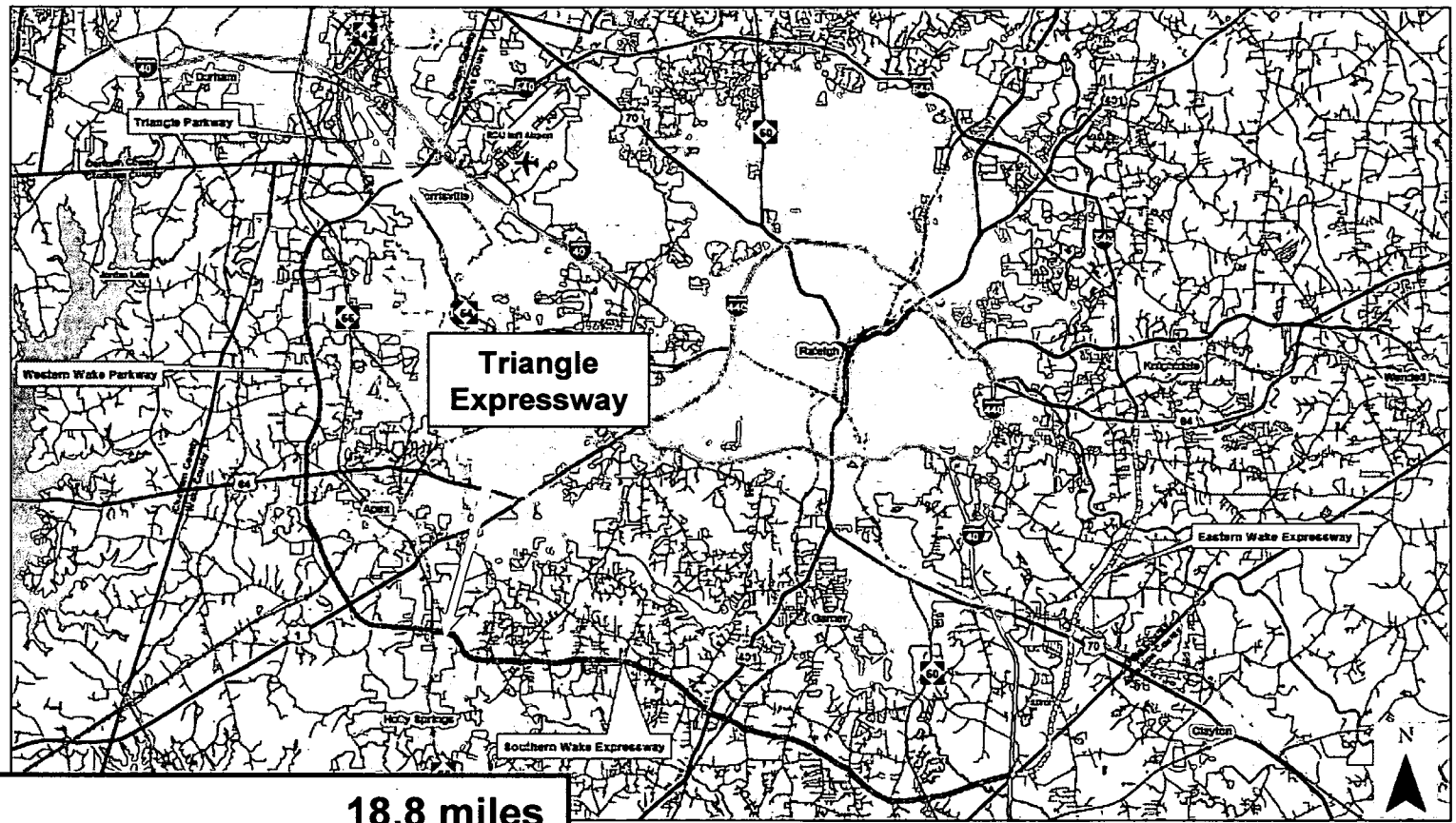


Garden Parkway

Approximately 22 miles of new roadway connecting I-485 near the Charlotte Douglas International Airport to western Gaston County scheduled to open in 2015.

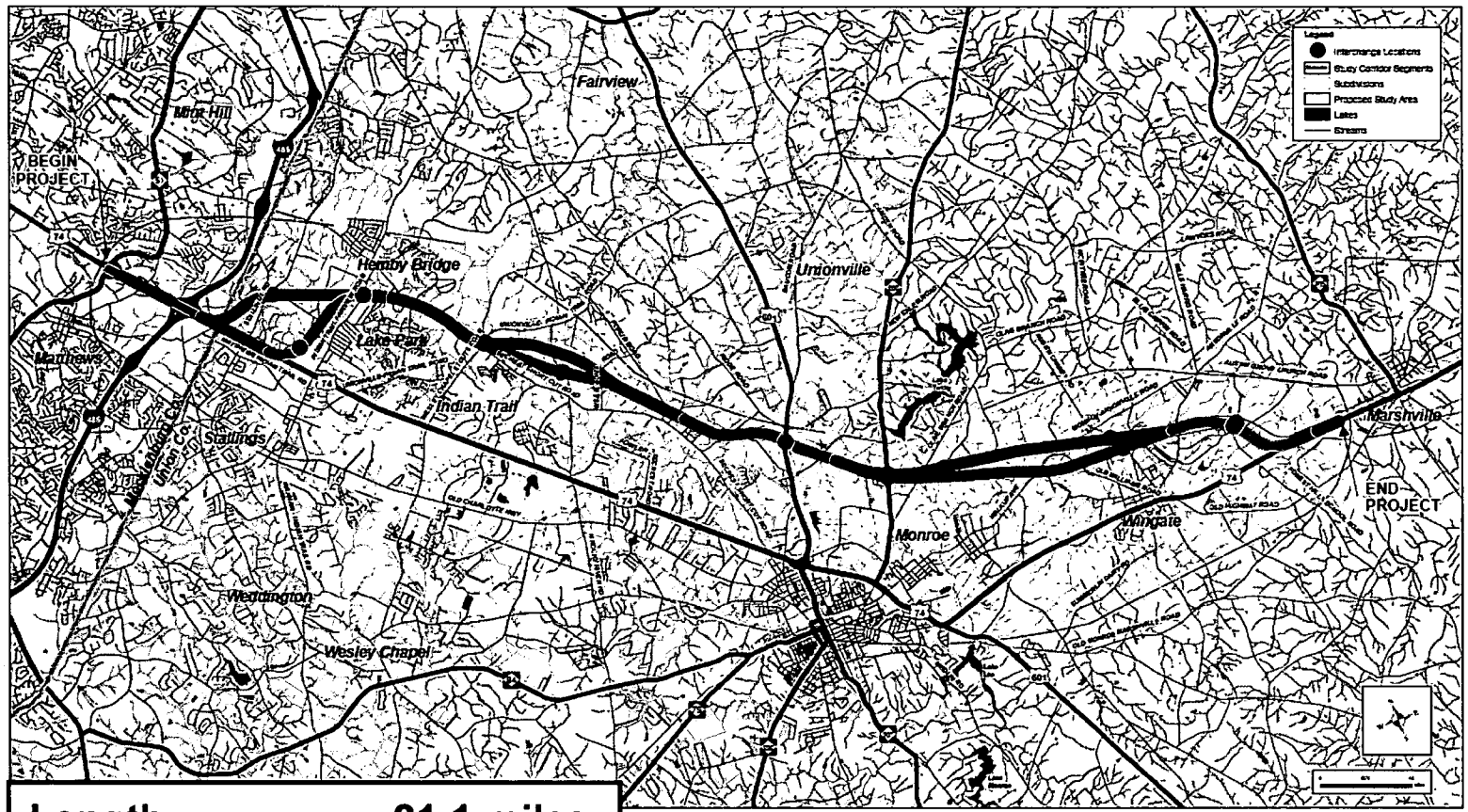
www.ncturnpike.org (919) 571-3000

Triangle Expressway



Length	**18.8 miles**
Cost	**$970 million**
Begin Construction	**July 2008**
Open to Traffic	**2010/2011**

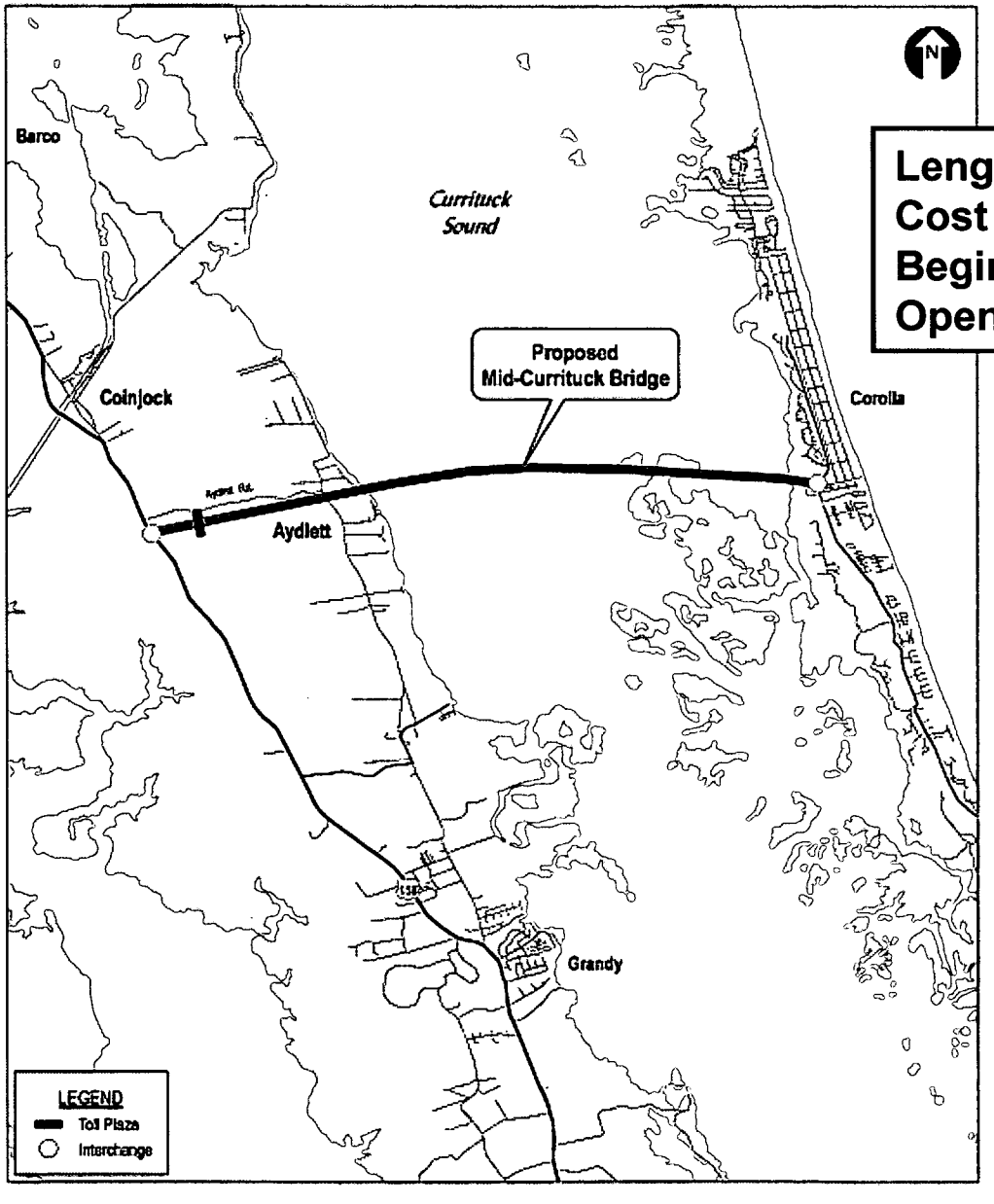
Monroe Connector/Bypass



Recommended Detailed Study Alternatives
(November 2007)

Length	**21.1 miles**
Cost	**$580 million**
Begin Construction	**2010**
Open to Traffic	**2012/2013**

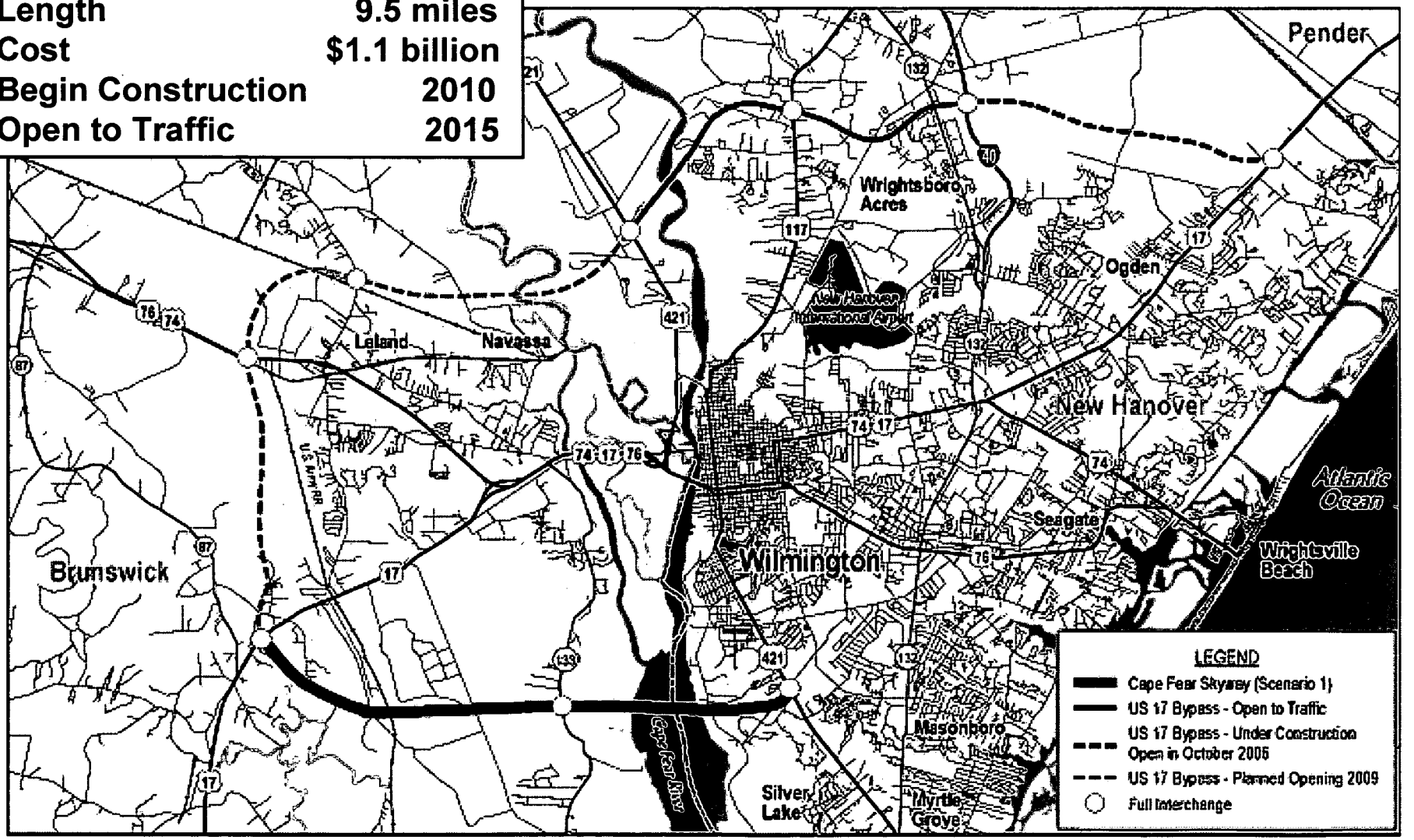
Mid-Currituck Bridge



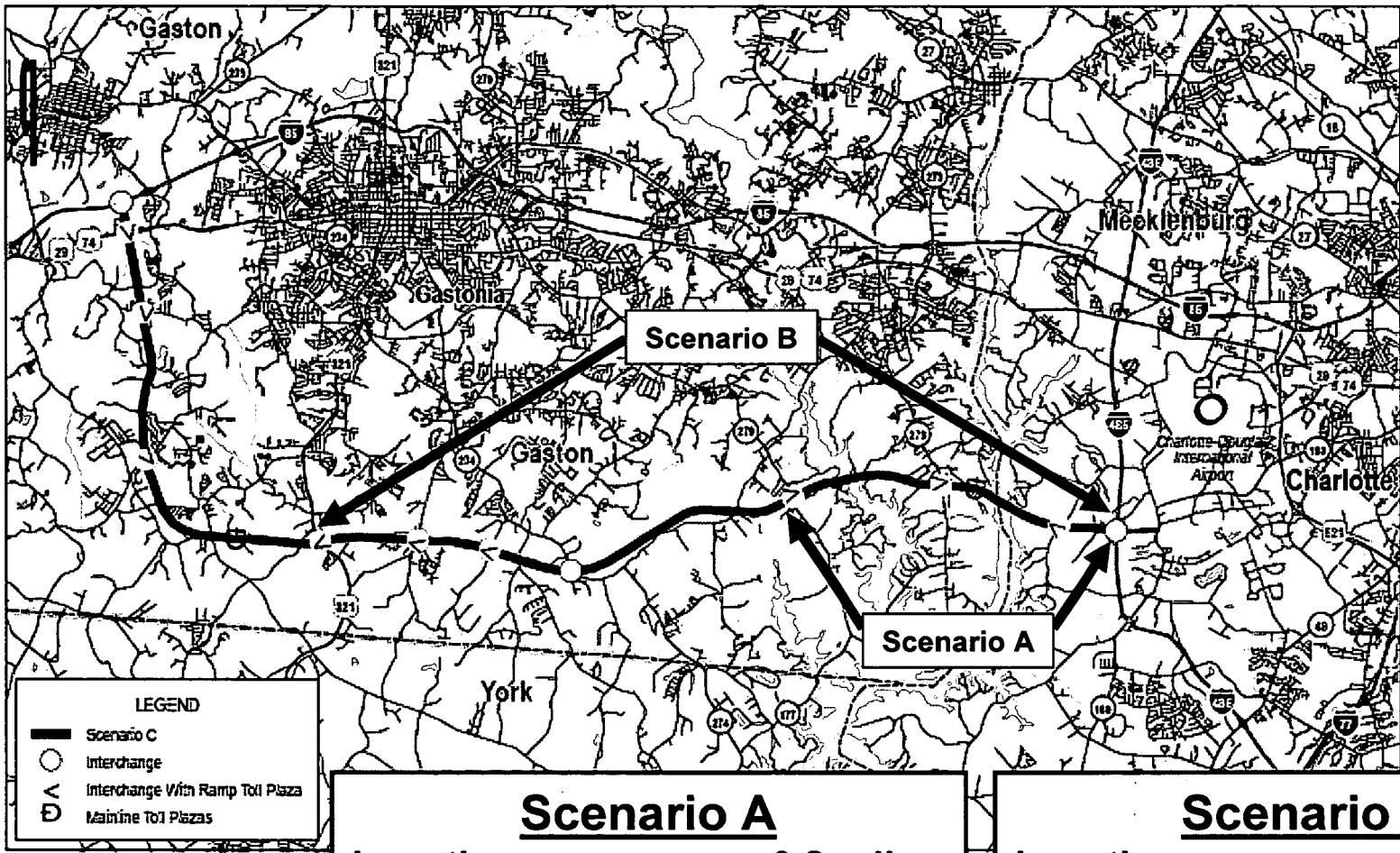
Length	7 miles
Cost	$600 million
Begin Construction	2010
Open to Traffic	2013

Cape Fear Skyway

Length	9.5 miles
Cost	$1.1 billion
Begin Construction	2010
Open to Traffic	2015



Garden Parkway



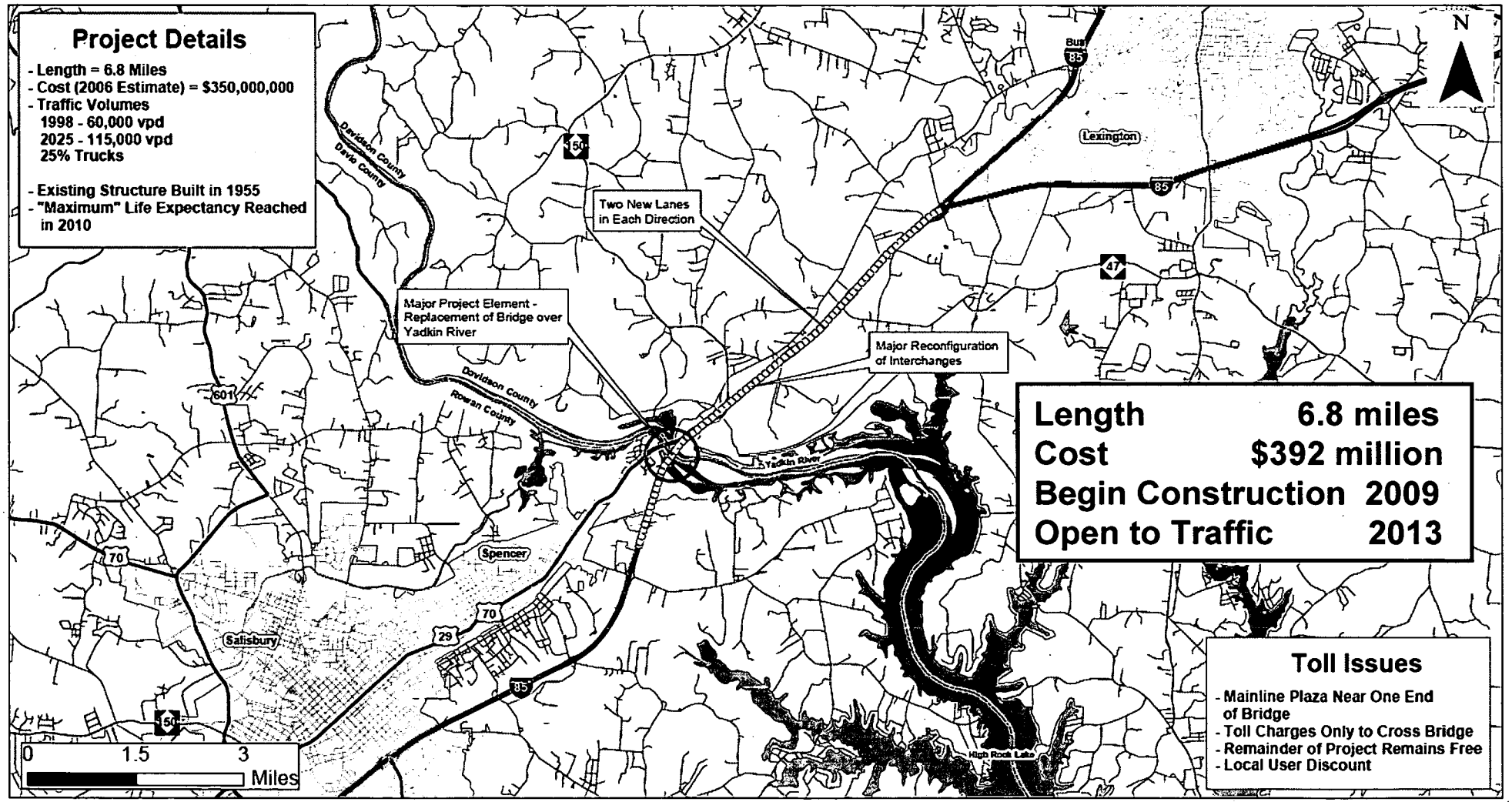
Scenario A

Length	6.8 miles
Cost	$450 million
Begin Construction	2011
Open to Traffic	2015

Scenario B

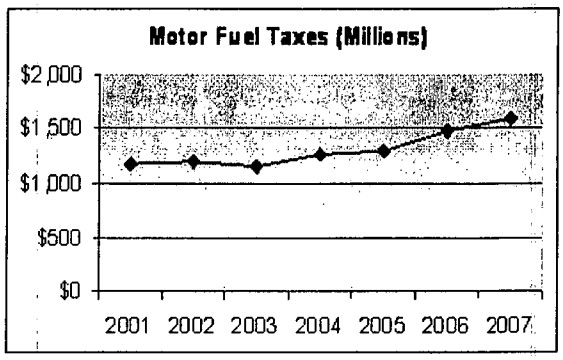
Length	15.1 miles
Cost	$850 million
Begin Construction	2011
Open to Traffic	2015

Yadkin River Bridge



NC Go! Agenda

1. Preserve the motor fuels tax
2. Phase out transfer from Highway Trust Fund
3. Allow flexible local option financing
4. Authorize $1 billion bond
5. Provide Gap Funding
6. Consider any viable option for future financing – the only bad idea is to do nothing

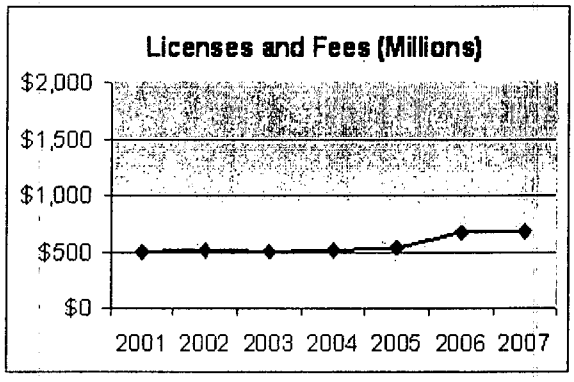


The Future of Transportation in North Carolina

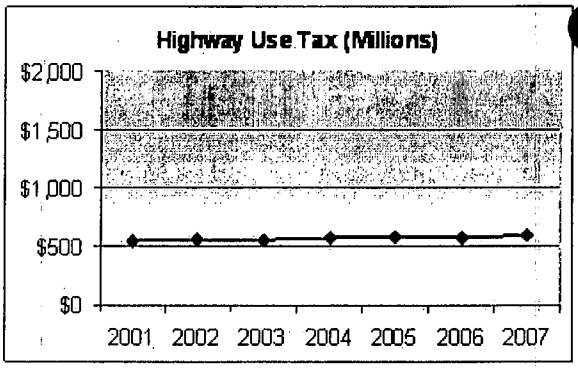
Our economy and quality of life are dependent upon a strong transportation system.

The return on investment for transportation spending is great; jobs, economic development, business competitiveness, safety and improved quality of life.

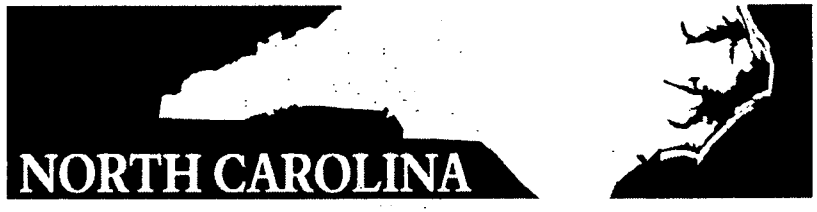
Now is not the time for short-sighted measures or inaction. The time has come to rise above political differences – as in 1989 (HTF) and reach consensus.



***NC Go!* will stand behind leaders who make the tough decisions to help move North Carolina into the future.**



NORTH CAROLINA
nclm.
LEAGUE OF MUNICIPALITIES



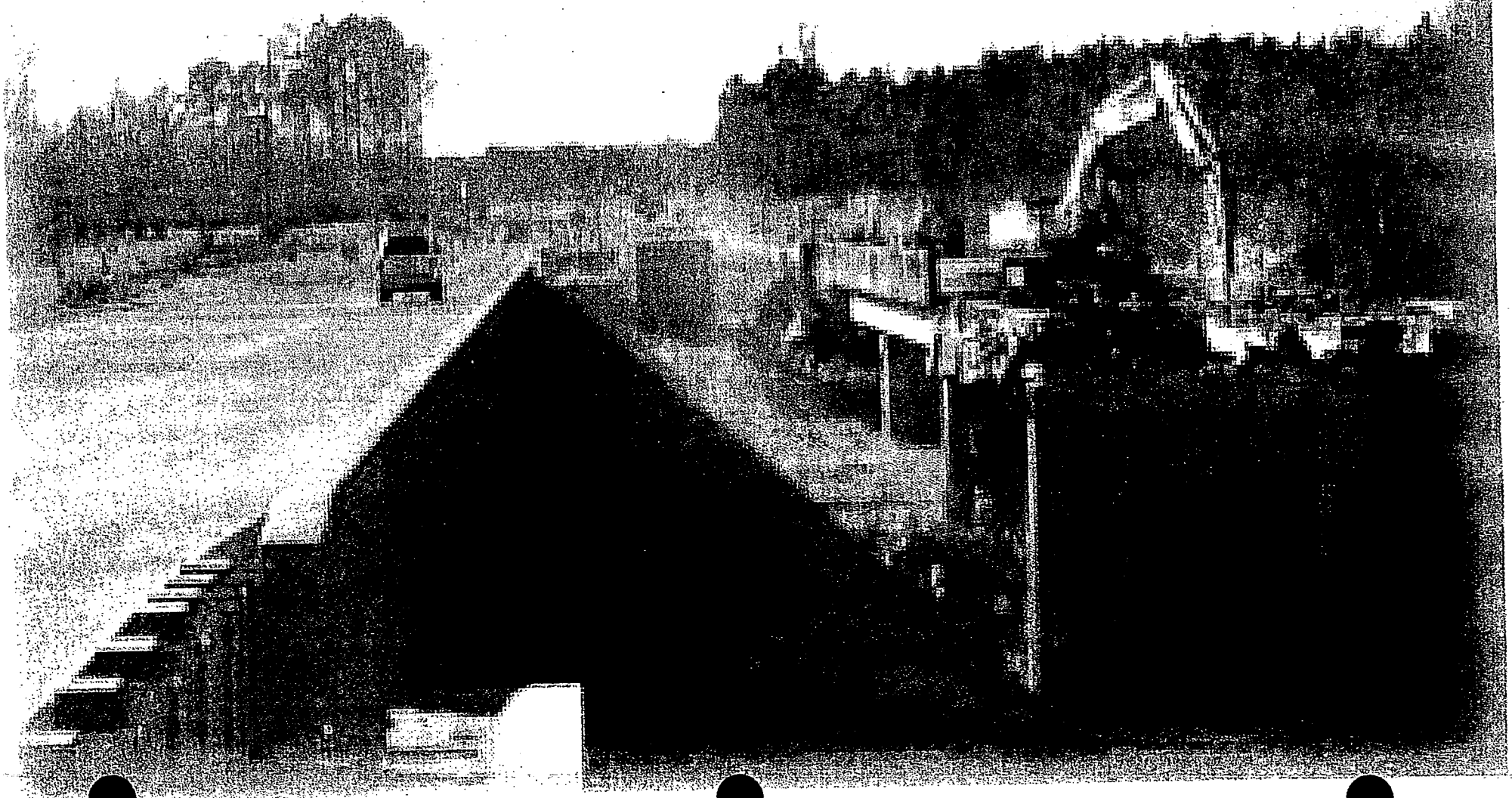
NORTH CAROLINA
METROPOLITAN COALITION
BUILDING LIVABLE CITIES *for* NORTH CAROLINA'S FUTURE

21st Century Transportation Committee

November 26, 2007

Beau Mills
(919) 715.7895
www.nclm.org
www.ncmetros.org

Municipalities are Full Partners in Meeting NC's Mobility Needs

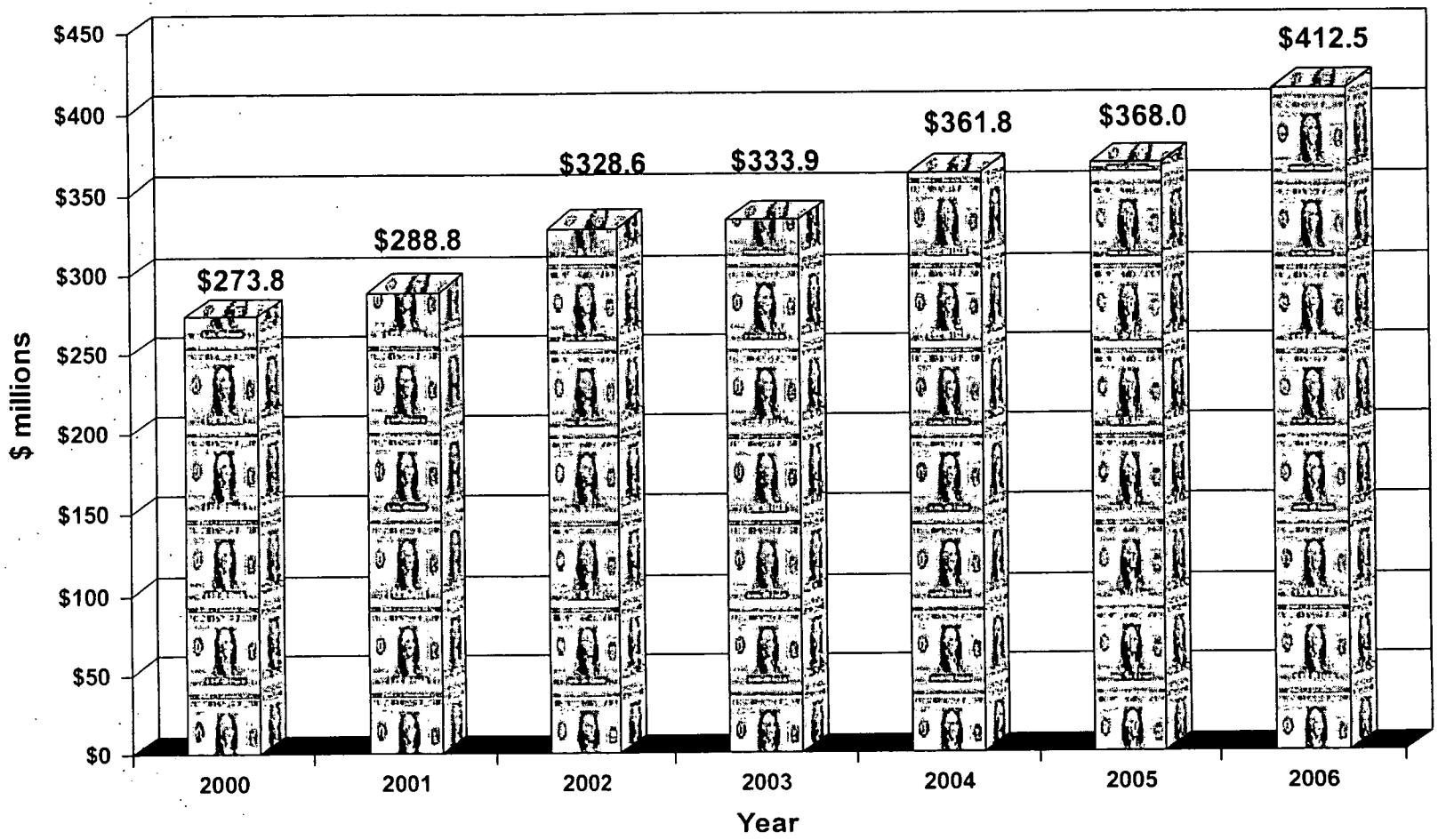


NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

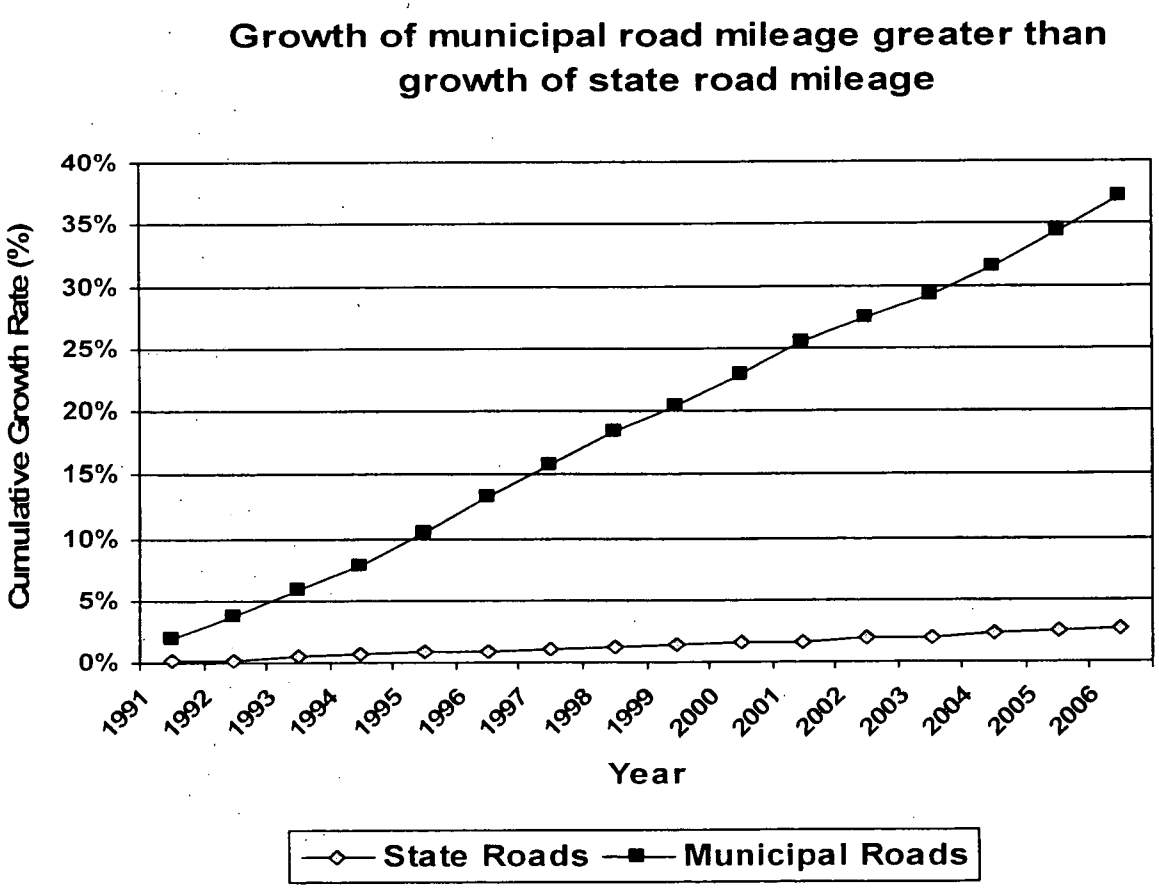


- Urbanizing State – NC 54% in municipalities
- Cities are major provider of infrastructure
- Partners or "co-implementors" w/state
- Spend approx. $1b on transportation
- Roads, public transportation, airports, sidewalks, trails/greenways
- Planning/Prioritization - MPO's & RPO's w/counties

Municipalites Have Increased Spending on Roads by 51% Since 2000

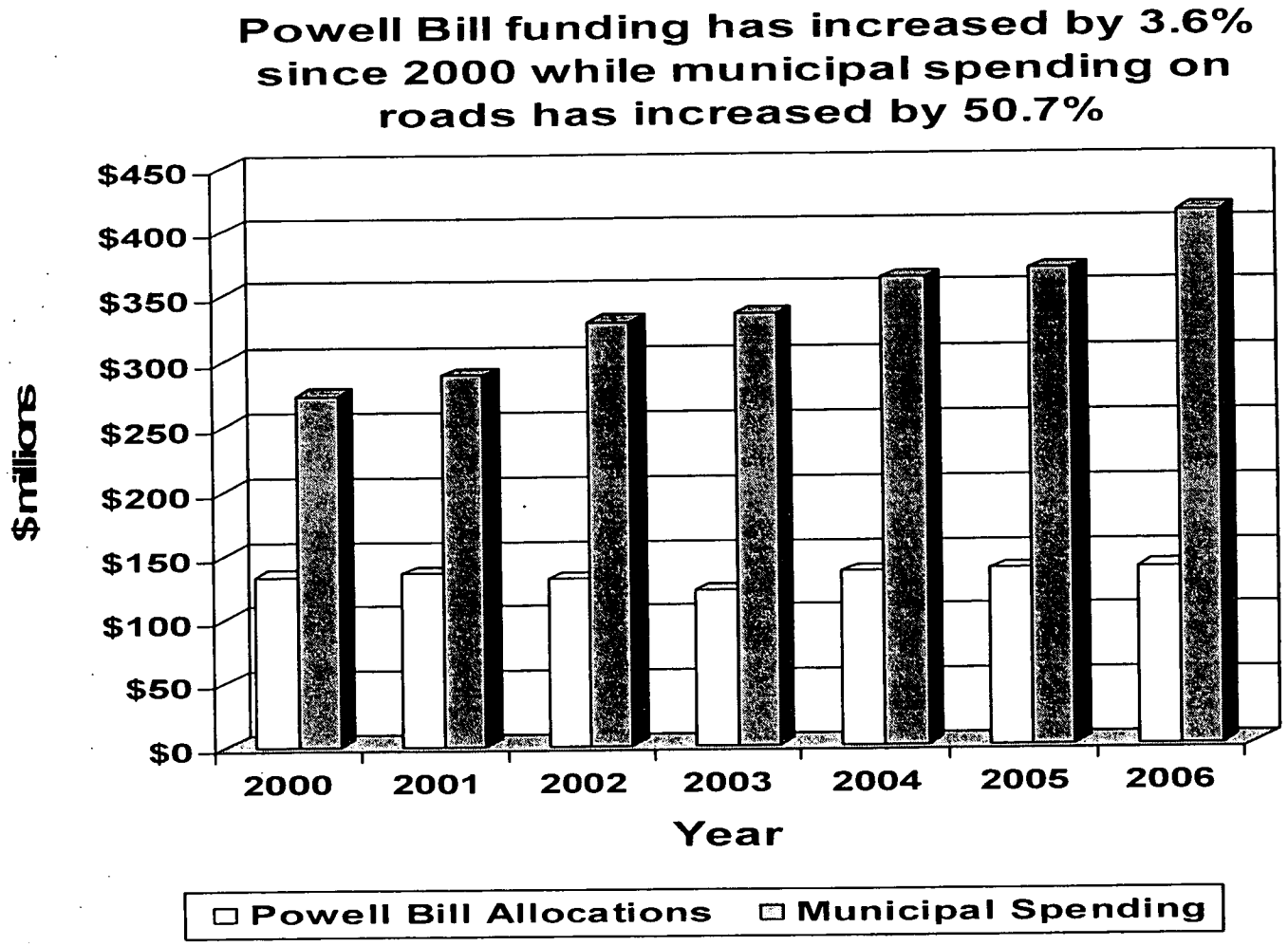


Cities are Responsible for a Rapidly Increasing Number of Roads

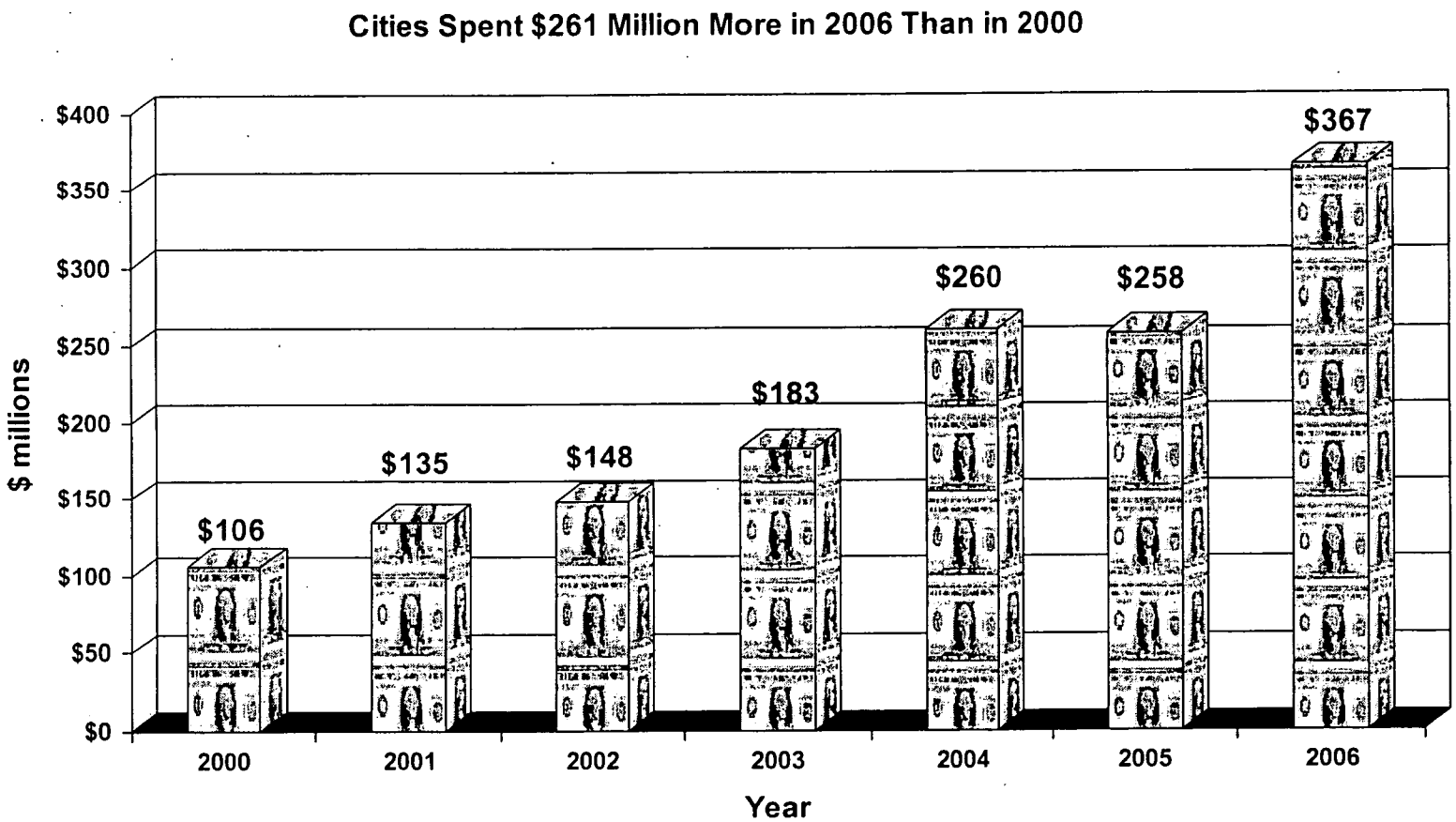




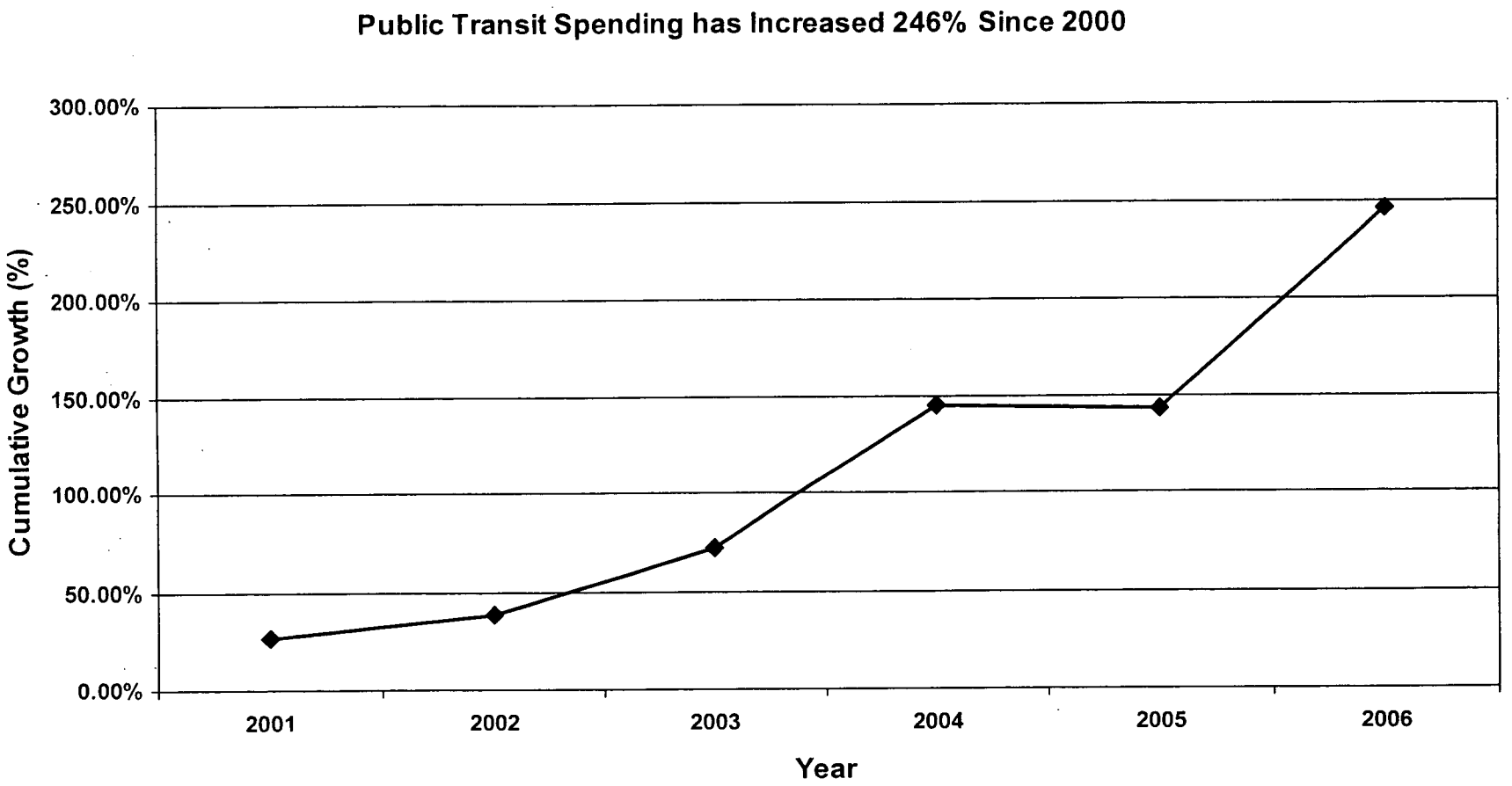
Rising Road Construction Costs Indicate Cities Need Help to Ease the Burden



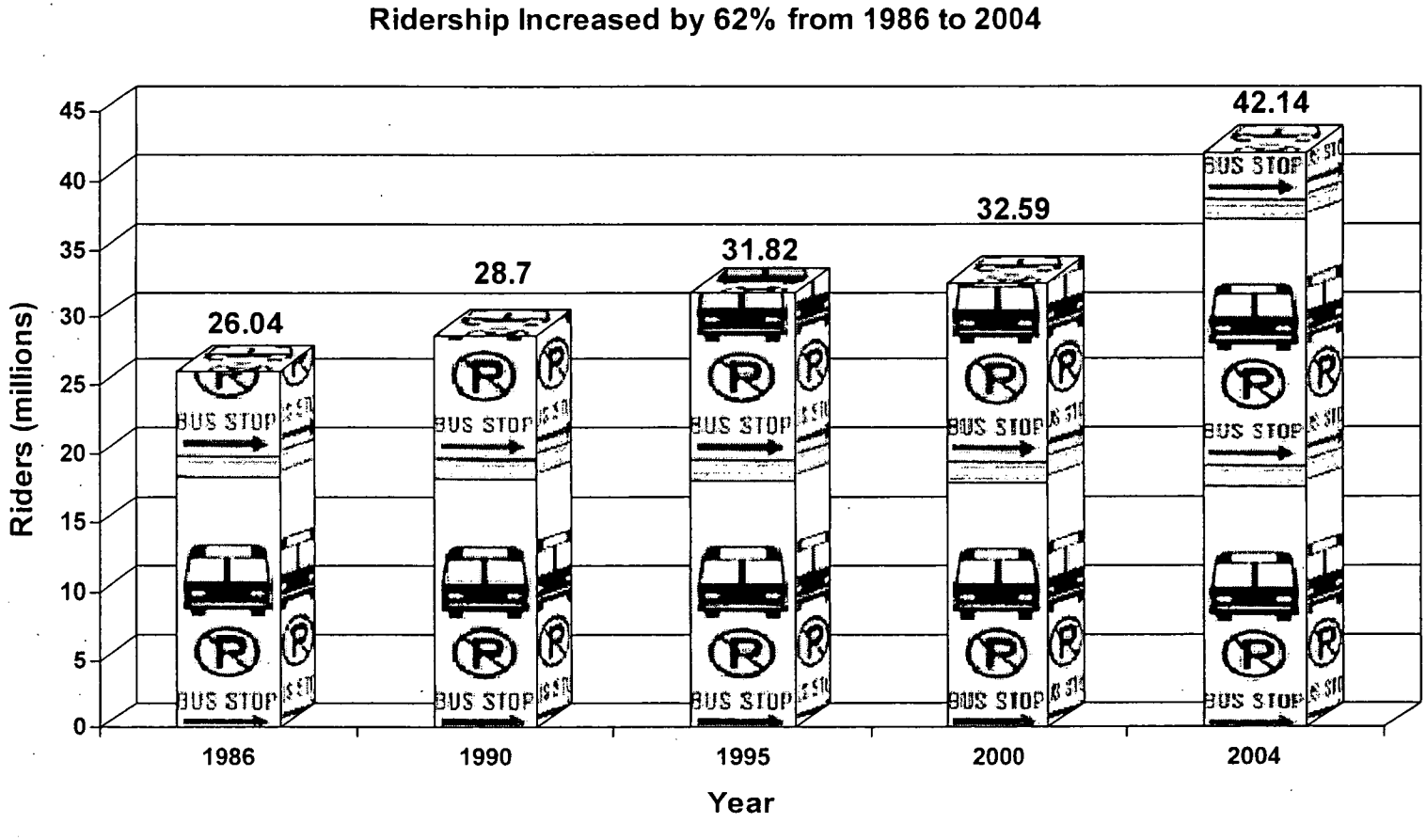
Municipalities Have Increased Public Transit Spending



Municipal Public Transit Spending has Increased Dramatically



Cities are Spending More Because Public Transit Demand is Increasing



NORTH CAROLINA nclm LEAGUE OF MUNICIPALITIES

NORTH CAROLINA METROPOLITAN COALITION
BUILDING LIVABLE CITIES *for* NORTH CAROLINA'S FUTURE

Metropolitan Coalition – Transportation Priority

NCLM – Infrastructure: Water & Urban Congestion

- Over 75% urban interstates are congested – 5th worst in the nation
- Metros - 86% personal income/76% of sales tax
- Urban success – NC compete in national/global economy
- Economic Development - transportation ranked a top issue

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

NORTH CAROLINA METROPOLITAN COALITION
BUILDING LIVABLE CITIES for NORTH CAROLINA'S FUTURE

Going Forward

- 1989 Highway Trust Fund – needs update
  - Equity Formula elements need to be examined
  - Transfer from HTF ended
- Financing & Revenue flexibility
  - Municipal and Regional Needs

NORTH CAROLINA nclm LEAGUE OF MUNICIPALITIES

NORTH CAROLINA METROPOLITAN COALITION
BUILDING LIVABLE CITIES *for* NORTH CAROLINA'S FUTURE

Additional Concerns

- Air Quality – Transportation Conformity/New Standards
- Urban transportation complex – cost & design
- Growing need for multi-modal - transit
- Land Use & Transportation
- States that nurture metro areas will have edge in global economy
- Comparative Analysis Needed – other states



Engineers' Perspective on the State of Transportation Infrastructure in NC

- **Pamela B. Townsend, PE**
  - MS Civil Engineering, BSCE, NC State University
  - Vice President, Earth Tech, Inc.
- **David Peterson, PE**
  - Past President American Society of Civil Engineers, North Carolina Section
- **Betsy Bailey**
  - Executive Director, Professional Engineers of North Carolina

ASCE ACEC



Coalition of Engineers for Transportation

Who we are

American Society of Civil Engineers (NC)
American Society of Highway Engineers (NC)
Professional Engineers of North Carolina
North Carolina Institute of Transportation Engineers
American Council of Engineering Companies (NC)

ASCE ACEC

What Prompted this

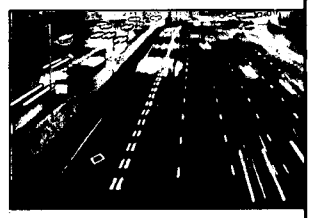
- General Assembly adjourning session without addressing transportation funding
- I-35W Minneapolis bridge collapse a wakeup call
- Felt need to communicate to the North Carolina leadership and the public the seriousness of the condition of our infrastructure, and that it needs to be a funding priority

ASCE ACEC

Coalition of Engineers for Transportation

Purpose

- As Professional Engineers, responsibility to get involved
- Call to action
  - Follow the Engineers Creed
  - "Doctors of the Infrastructure"



ASCE ACEC



Engineers' Creed

As a Professional Engineer, I dedicate my professional knowledge and skill to the advancement and betterment of human welfare.

I pledge:

- To give the utmost of performance
- To participate in none but honest enterprise
- To live and work according to the laws of man and the highest standards of professional conduct
- To place service before profit, the honor and standing of the profession before personal advantage, and the ***public welfare above all other considerations***

In humility and with need for Divine Guidance, I make this pledge.

Adopted by National Society of Professional Engineers, June 1954

ASCE ACEC



Population Growth

- **North Carolina is the third-fastest growing state in the United States, east of the Mississippi River**
  - 34% increase from 1990 to 2006
- **Vehicle travel in North Carolina increased by 61% between 1990 and 2005**
- **Vehicle travel in North Carolina is projected to increase by another 38% by 2020**



ASCE ACEC



Safety

- North Carolina ranks 6th in the nation in the average number of annual traffic fatalities
- Traffic fatalities in North Carolina are occurring at a rate higher than the national average
- Traffic accidents and fatalities in which roadway design was an important factor cost North Carolina motorists approximately $2.8 billion annually
- The FHWA has found that every $100 million spent on needed highway safety improvements will result in 145 fewer traffic fatalities over a 10-year period

ASCE ACEC



Reduction in Fatal Accident Rates After Needed Roadway Improvements

Type of Improvement	Reduction in Fatal Accident Rates after Improvements
New Traffic Signals	53%
Turning Lanes and Traffic Signalization	47%
Widen or Modify Bridge	49%
Construct Median for Traffic Separation	73%
Realign Roadway	66%
Remove Roadside Obstacles	66%
Widen or Improve Shoulder	22%

ASCE ACEC



Coalition of Engineers for Transportation

Bridges

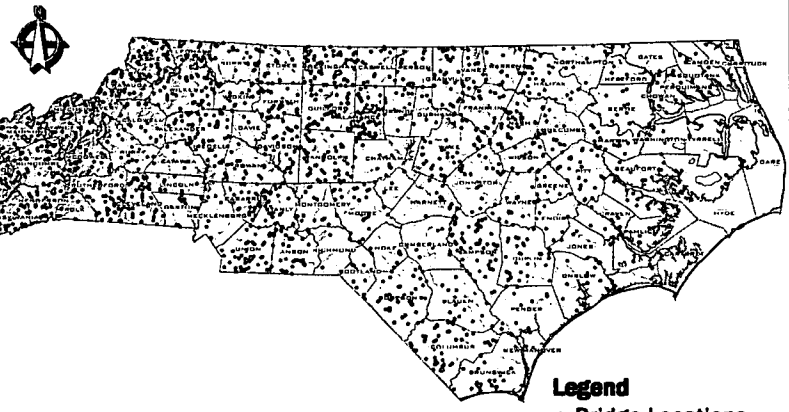
- **North Carolina has 2,256 structurally deficient bridges**
- **As a percentage of bridges there are 29 states better, 15 states worse and 7 the same as North Carolina**
  - Therefore, North Carolina places in the bottom half of all states for bridge ratings
- **North Carolina has 2,650 bridges with a sufficiency rating of less than 50**
  - Sufficiency is overall measure of bridge's condition on 0-100 scale

ASCE ACEC



Coalition of Engineers for Transportation

Unfunded Bridges with Sufficiency Rating < 50 (2006)



ASCE ACEC



Coalition of Engineers for Transportation

Congestion

- North Carolina's degree of congestion ranks 3rd, trailing only California and New Jersey
- Charlotte and Raleigh-Durham areas suffer from severe congestion
  - 26th and 42nd most congested regions in the U.S.
- By 2030, Charlotte traffic will be equivalent to present day Los Angeles, and Raleigh-Durham equivalent to Baltimore
- Traffic congestion in North Carolina costs licensed drivers $775 million annually in delays and wasted fuel

ASCE ACEC



Coalition of Engineers for Transportation

Total Annual Costs Due to Driving on North Carolina's Inadequate Roads

Safety	$2.8 Billion
Congestion	$775 Million
Vehicle Operating Cost	$1.7 Billion
TOTAL COST	**$5.3 Billion**

- *Source: TRIP (nonprofit research group) analysis of FHWA data, National Highway Traffic Safety Administration data and Texas Transportation Institute data*

ASCE ACEC



Coalition of Engineers for Transportation

Economic Impacts of the Transportation System

- 94% of the $267 billion worth of commodities delivered annually to and from sites in North Carolina are transported on the state's highways
- Commercial trucking is projected to increase by 57% in North Carolina by 2020
- The FHWA has found that every dollar spent on street and highway improvements results in $5.40 in benefits
  - In the form of reduced vehicle operating costs, reduced delays as a result of congestion and improved traffic safety

ASCE ACEC



Coalition of Engineers for Transportation

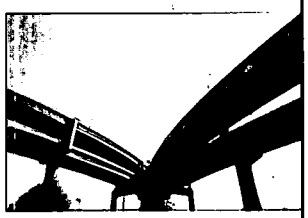
Resource

- Offer Coalition of Engineers for Transportation as an independent, objective resource
- Engineers trained as problem solvers
- Provide information and analysis
- Assist in interpretation and prioritization

ASCE ACEC

Solution

- **Comprehensive transportation plan for movement of people and goods**
  - Multimodal
    - Ports
    - Freight Rail
    - Commuter Rail
    - Transit
    - Airports
    - Highways
  - Priorities based on objective needs analysis



ASCE ACEC

Coalition of Engineers for Transportation

Solution

- **What is at risk for North Carolina if we do not develop this plan**
  - Ensuring the safety of our citizens
  - Ability to remain competitive in a global economy
  - The quality of life which has drawn so many to North Carolina

ASCE ACEC

VISITOR REGISTRATION SHEET

21st Century Transportation Comm — 11/26/07

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Don McCorquodale	Manning Fulton
Roger Bone	Bone & Assoc
Fred Bone	Bone Assoc.
Charles Hodges	NC Gol/Capstart
Shawn Purvis	NCLM
Shelby Powell	Kerr-Tar RPO / NC Assoc RPO's

VISITOR REGISTRATION SHEET

21 Century Transportation Comm. 11/26/07

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mike Kozlosky	Wilmington MPO
Dominica Graham	TTA
Bill Gary	Gaston Chamber of Commerce
Gene Conti	PBS&J
John Echofield	NC Policy Watch
Joe Milazzo II	RTA
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
John McKay	GOVOFFICE
Bill Rowe	NC Justice Center
Rebecca Troutman	NCACC
John Patterson	NCDOT

VISITOR REGISTRATION SHEET

21 Century Transportation Com. 11/26/07

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Meena Khajuria	NC Metro Coalition
Beau Mills	NC Metro Coalition
Sara Nelson	NC Dept of Commerce
Dee Freeman	Chamber of Commerce
Rita Harris	NC Ports
[illegible]	[illegible] LPA - RAMC
[illegible]	Commerce
Will Pollock	Office of Lt. Gov.
Amy Childers	McGuireWoods
Zadia Brown	Speaker's Office
Johanna Reese	NCDOT

VISITOR REGISTRATION SHEET

21st Century Transportation Comm. — 11/26/07

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rick Zechini	NC Assn. of Realtors
H. Isaacs	NCDOT
Stephanie Ayers	NCSPA
Mary Hayes	LA - Rep Phillip Frye
John McAlister	NC Chamber
John Goodman	NC Chamber
David Peterson	RK&K

Next page

VISITOR REGISTRATION SHEET

21st Century Transportation Com 11/26/07

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Julia Leggett	The Arc of NC
R. Paul Wilms	NCHBA
Chris Valenti	Hwy 17 Assoc of NC.
Marc Finlayson	Highway 17 Association
Mark Reaves	Railway Assoc.
Charlie Dichl	NC Trucking Association
Jay Stein	NC AA
Ed Johnson	NC Capitol Area MPO
Pat Strong	TJCOG
S. Jackson	NC Justice Center

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Becki Gray	John Locke Foundation
Warren Plonk	OSBM
Douglas Washington	OSBM
Grady McCallie	NC Conservation Network
Jennifer Willis	Wake County Govt.
Abby Emanuelson	National MS Society
Rec Boxley	NC Aggregates Assoc.
John Merritt	Womble Carlyle
Amy Simms	DENR
JAMES L. FORTE	OSA

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jon Nance	NCDOT
Lynda Tippett	"
Susan Conard	"
Roberto Canales	"
Anna Lea	NCDOC
Christy Barbee	CHPA
Betty Twiss	Bank of America
Reid Simons	NCTA
Steve DeWitt	NCTA
Gerhard Pilcher	HB Rowe & Co, Inc
Berry Jenkins	NC GO

21st Century Transportation Committee
Agenda
December 12, 2007
1:00 PM
Room 544 LOB

Welcome	Brad Wilson Chair
Adjacent State Revenue Comparison And Innovative Finance	Lisa Hollowell Fiscal Research
Florida Turnpike Presentation	Matthew Click Florida Turnpike Enterprise
Road User Research Study	Kevin Leibel Innovations Management
Transportation Needs from Military Perspective	Will Austin Director Military Foundation
Loop Presentation	Calvin Leggett Manager Program Development, NCDOT
Committee Discussion and Input	Brad Wilson

MINUTES

21ST CENTURY TRANSPORTATION COMMITTEE

Wednesday, December 12, 2007
1:00 p.m.
Room 544, Legislative Office Building

The 21st Century Transportation Committee met on Wednesday, December 12, 2007, at 1:00 p.m. in Room 544 of the Legislative Office Building. Chairman Brad Wilson; Senators Jenkins and Stevens; Representatives Cole, Carney, Coates, Frye and McGee; and Honorables Bellamy, Blackburn, McGrady, and Miller; Dr. Monroe; and Ms.Szlosberg; and Misters Bowman, Plemmons, Whichard, III, L. Wilson, and Zelnak attended.

Chairman Brad Wilson welcomed everyone to the third meeting to the 21 Century Transportation Committee. He announced that some of the sub-committees will be meeting after the full session here today.

Ms. Szlosberg was given a point of personal privilege. She recognized some colleagues; Lanny Wilson, on the Board of Transportation, Board Chairman Doug Galyon from Greensboro, Marion Cowell from Charlotte, Mack Campbell from Cumberland County, and Alan Thornburg from Buncombe County, Asheville are attending the meeting today.

Lisa Hollowell with Fiscal Research was introduced to speak on Adjacent State Revenue Comparison and Innovative Financial Options. (Attachment 1) She presented on power point a chart comparing North Carolina with six other states on; Population 2006 (millions), State-Controlled Highway Miles, Percent Of Total Miles Controlled By State and Vehicle Miles Traveled. She said North Carolina and Texas have the largest state owned highway systems over 79,000 miles each. She also showed the total highway funding for 2004 for these same states. It does not include public transit or the ferries or the services within the Department of Transportation but it is just for the highways. She said the North Carolina's Transportation System is significantly funded by state government resources.

Lisa talked about the per capita highway funding, local property taxes used for highways, as well as federal, state, and local share of highway funding. She showed and discussed charts on how the current revenue have been increasing or decreasing or remaining somewhat stagnate. She compared Licenses and fees between North Carolina and the same 6 other states

Chairman Wilson recognized Honorable Terry Bellamy for a question on page 5 of the handout about local property taxes used for highways. What does this include? Lisa said the numbers are including the highways it doesn't include public transit and it doesn't include other operations of transportation programs.

Ms. Bellamy asked Chair Wilson about the presentation Beau Mills gave at the last meeting from the municipality's side. She said he had different numbers and wondered if the committee could have a little bit more explanation about the sources of information so the committee will have good data.

Chairman Wilson said they would make sure there will be a clear understanding as to what the difference is. Beau Mills was at the meeting and they will meet with him after the meeting and make it clear for Ms. Bellamy.-Lisa said the information she gave was from 2004.

Senator Stevens asked about the tax on diesel and gasoline being listed as the same rate and what is the national trend on this?

Lisa said she will get that information.

Mr. Lanny Wilson asked about the rate being capped at 29.9 cents per gallon. It was also mentioned that it had been anticipated a reduction over the next 6 months in revenue. He wanted to know how much reduction had occurred since the gas has been capped at 29.9 cents per gallon?

Lisa said currently this is the second year of the cap at 29.9. She said it did not reach the cap for the current 6 months that we are in it was at 29.7 and beginning in January that would have increased to 33.4 without the cap. She did not know the figures for last year but will get that information.

Lanny Wilson said Lisa gave a figure for 6 months, and asks if she had a total amount for 2008 for what that cap will cost the Department of Transportation?

Lisa said they had an estimated back when the budget was put together that it was going to be a hundred and forty million dollars over the biennium but did not know now what that variable rate will be six months down the road, she did not know if that estimate is still a good estimate so they will have to look at that.

Bob Weiss, staff member said that it will depend on what gasoline prices do in the next few months and that is pretty much impossible to forecast. A year ago they were lower and now in recent months they have been much higher.

Representative Miller asked about federal funding on page 10 of the handout. He asked for an explanation of the federal funding as to why there is such a disparity from one state to another?

Chairman Wilson said that Lisa is not in command of the answer to that question but we are going to do a deep dive into that question as part of sub-committee work as well.

Lisa continued her presentation explaining Innovative Transportation Funding Options... The committee had asked about what other states were doing that was different than what is going on in North Carolina and she talked about these next and they are included in the handout she gave out.

During Lisa's explanation on Virginia Legislature authorizing Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority to levy taxes and fees to be spent on regional transportation projects, Chairman Wilson asked who serves on the authority and who makes that determination? Lisa said she did not know but she will get that information. Brad answered that, that is a lot of taxing authority that has been granted to that group of people and he is interested in the governance and how that comes into being.

Ms. Szlosberg asked about the examples that are listed and if there is any language that prohibits more in ownership of these public facilities or whether they are owned by foreign governments or companies that are none appropriated in the United States?

Lisa answered that she did not see language on that. The Pocahontas Parkway is actually owned by Transurban which is an Australian company and she was not sure of the others. She said several of the projects out there are owned by non United States companies.

Ms. Szlosberg asked Lisa if in her research that concern was debated in other areas, because the transportation system is a part of our national security interest.

Lisa answered that she did not find that. She said that she will keep looking to see if she can find any of the debates that may have occurred.

Mr. Zelnak added that there is foreign ownership in Indiana and that has become an issue in Texas and this is something we need to become aware of and look at.

Mr. Lanny Wilson said he would like the committee to have some sort of information on the moreatorium that they are considering in Texas. The General Assembly considered this, this past session as a result of the concerns over the public private partnerships. He said he would hope that we would learn from some other state's mistakes.

Representative Cole shared with the committee some of the comments from some of the states that have the P3's. Their comments to the National Conference of the State Legislature in Williamsburg this past August went something like this make sure that you get an authority in the attorney that draws up the agreement. Don't utilize your current staff, don't look for locals, find somebody that is an authority because they have created some problems within their state.

Representative McGee said that Representative Cole alluded to what he is going to address and commented that the May issue notes, bonds and other debts securities could fund the transportation project and may levy sales tax, etc. He asked for clarification on this. He said he did not think this states that bonds may be issued and then directly

attaches the payment of those bonds by being able to levy sales tax. He said he did not think you could actually sell a bond and dedicate the taxes and levy the taxes without having the
People vote on it. Chairman Wilson said that may very well be the case and this example is coming from Virginia and he does not know what the Virginia law is. He pointed out that this is an overview that we are going through and the questions are great so let's continue this discussion but all of this will be considered in great detail by Mr. Zelnak's Finance Committee as we go along.

Mr. Miller noted on page 9 of the handout that approximately $700 million per year is collected from licenses and other fees. How do we balance charging or assessing the North Carolina citizens for those transactions with the fact that we interstate transporters using our highways causing substantial damage that requires cost in repairs. How do we balance that out?

Chairman Wilson said he did not have the answer to that question and this is probably the charge of this committee to determine the balance and the inequities that may exist out of that.

Bob Weiss, staff said the international registration program means that a truck pays a fee based on their mileage in each state, so based on our registration fee , etc. intrastate truckers pay in fees is based on how many miles they drive in North Carolina or just wherever they go.

Lisa continued talking about Innovative Transportation Funding Options, pointing out the pros and cons of taxing districts.

Ms. Szlosberg asked Lisa before she moved on from VMT in her research one advantage about this is that it has the ability to drive from land use decisions, did she get any information about that. She said Oregon is unique in that it is kind of the home of smart growth in Portland.

Lisa answered that she read through the report which was based on the 12 month period and they did not have any type of land use that she read about.

Lisa continued explaining the credit programs, TIFIA that provides federal credit assistance for major transportation investments and the GARVEE bond.

Matthew Click, Director of Governmental Affairs with Florida Turnpike Enterprise spoke next. (Attachment 2) He said Florida's Turnpike is part of the Department of Transportation. He said in Florida they have 7 geographic districts of the Department of Transportation. A central office located in Tallahassee and the Turnpike Enterprise which is the quads eye of public private business units. It leverages the private sector and manages about 460 miles of toll roads. He said they just celebrated their 50th anniversary as the Director of Governmental Affairs. He works for the chief executive officer. Mr. Click's presentation was one he has been doing around the country for about 2 years. He

presented it to the IPE Chapter and they requested that he present it to this committee today. Mr. Click took the committee on a journey into the future by video. He said he wanted to set forth a 50 year vision for surface transportation. It is a national vision and can also be a North Carolina vision. He said the question is will the committee be bold enough to do what needs to be done. He then showed a slide show for the past 50 years of transportation predictions. He talked about the cars of the future and then the modern and involving roadways. He then talked about how to deliver that future. Mr. Click discussed the funding for the future needs for transportation, mentioning fuel tax and toll roads. He described roads as being a utility and one of the answers to this is a user fee. Mr. Click ended his presentation with how do we deliver the future and it is by building a coalition of partners.

Mr. Miller asks Mr. Click to tell the committee the progress of the innovations as presented here in the State of Florida.

Mr. Click said that Florida is very fortunate right now that the main line of Florida's turnpike is 50 years old. He said Florida was basically brought into existence in 1952, four years before there was even an idea that there would be an interstate system. Probably if they had waited the original big turnpikes like Maine, Pennsylvania, New York, New Jersey, Florida would have never been created, but they were and then they have gone through an expansion of building urban roadways. What they have done for the last 8 years has focused heavily on technology and where they are now is they have about a 65% electronic toll collection of participation rank. About 65% of their people use something like this. They are trying to push all electronic toll collection because you have to get to that point before you can take care of congestion pricing or anything else. Their focus is getting these transponders into as many hands as possible. He felt the fact that the turnpike authority here has made the decision to go all electronic and it is a brilliant decision and it needs to be followed with making sure that the right distribution is made after they get the transponders out there. He said that will be the key to that success. Mr. Click said what they are focused on right now is building interchanges that are all electronic, investing in technology and getting to the point where everybody is all electronics.

Ms. Szlosberg – Asked Mr. Click to talk a little more about the mass transit aspect; their tolling operations, rail, etc.

Mr. Click said there are two things to say about tolling in general. Lots of times you hear this conversation if we have billions of dollars shortfall. You have to remember that if go to a VMT type of system that not only gives you revenue influx, but it actually will reduce what your short fall is. The reason is that today we have a very fixed way of how we determine what our deficiency is. We say this road for instance of 4 lanes can carry 36 hundred cars in the peek hour and we want to operate well and it is over capacity so we need to widen it. We always look to design facilities but if you start to think differently so we can manage our demand over a 24 hour basis the entire equation down to 65 billion it is kind of blown and you can actually calculate what actually the deficiency is. It is probably not anymore because the demand will be managed on 24

hour basis. He said transit has always looked to go fixed guide way. To transit professionally you want a light rail system, well why, because you want a time advantage over the automobile trip. The automobile is the most efficient way to deliver somebody from door to door as far as time. What transit is trying to do is get a time advantage by having a fixed rail system next to a clogged roadway, but then you say no we are going to manage the roadway facility. Whoever thought of roadway as a transportation pipe line? You now can put transit right down those same lanes and there is no time advantage or disadvantage. It will go about 55 or 60 miles an hour just like the rest of the traffic. Now people choosing transit is a value decision, it is a cost decision and there is a huge savings in that because you are not trying to fix all this fixed guide way, right of way or lease out parallel tracks or things like that. If you decide to do a BMT type of system it opens up the possibilility for bus rapid transit which is much simpler to operate and much more efficient.

Kevin Leibel with Innovation Management spoke next on the Road User Research Study. (Attachment 3) Mr. Leibel's company is a Chapel Hill based Marketing and Research Company and they were selected by the Iowa Public Policy Center to run the road usage study in the states of North Carolina and Maryland. He presented the updates of the status of this program and some background information about the program.

Chairman Wilson asked Mr. Leibel if he were a participant of his project would. Leibel put a mechanism in his car by which he would be able to calculate how many miles he drives and based on that then there would be a process by which he would then be charged for that road usage and then move it away from the fuel pack dependency for revenue strength?

Mr. Leibel answered that is correct and one addition to that is that they would also know where he did the driving. Not just your mileage but what municipality or township or state so that the allocation could be made on every level possible.

Chairman Wilson – and would you know on which road I was traveling? Whether I was using an interstate or secondary road?

Mr. Leibel – answered, yes and for policy purposes at some point and time you can decide whether different roads have different price structures, and it really is up to whatever the policy is of that municipality.

Chairman Wilson said so the point I would make to the committee is that the Florida Turnpike presentation that we just heard about type of road usage, time of day all of that this technology and this study ties to that; feasibility, practicality, user acceptance all of those sorts of things?

Ms. Szlosberg – ask for more information about how you set rates, based on policy objectives. What about issues such as encouraging the use of hybrids or reducing carbon loads? What about issues concerning disadvantaged population who might have to

because of housing costs have to live further away. Are those the kinds of policy considerations that you have?
Mr. Leibel – answered the study itself is not going to set policy. The study itself is going to give you a tool kit so that you can use all the aspects of the tool to set your own policy. If a municipality has a concern about the issues that you just mentioned then you can create the kind of conditions which would promote or demote certain types of behaviors. They are not changing policy, creating or recommending a policy. With the study what they are trying to do is determine the feasibility of the technology and of the acceptability of the technology and the behaviors that the users will be exhibiting and policy will be up to the policy makers.

Ms. Szlosberg – ask Mr. Leibel – So do you from technological prospective have the ability to really, to use Chairman Wilson's term, dive deep into the user profile so that that data can then be used to ultimately decide that person's skill?

Mr. Leibel – answered – The data will be quite robust and how the data is used will be decided by policy makers but there will be quite a lot of data and there will also be quite a lot of privacy and so how those two kind mixes will be up to the policy makers.

Mr. Miller – We have heard the user being called the customer, how many generations are going to have to pass before you change the human factor of the customer to adapt some of these things?

Mr. Leibel – answered – There is no restrictions here in terms of where and when you go as you please. Nothing changes. The change here is that this study is trying to determine how to best pay for roads and in a few short years the model of gasoline taxes may not be the best way. This study attempts to find a different way to make sure that the roads are built and paid for.

Chairman Wilson said recognizing that North Carolina is the home to a large portion of the nation's defense assets we thought it would be prudent to hear from Will Austin who is the Director of the Military Foundation and he is here to give the committee a military prospective on transportation needs.

Mr. Will Austin, Director Military Foundation said the Military Foundation is a non profit foundation and told the committee they appreciate the committee's commitment and hard work in looking at how the state's future transportation needs are to be addressed. He said North Carolina is home to five major military installations that already have at least an 18 billion dollar impact on the state-wide economy. That foot print is increasing over the next 4 or 5 years and with that increase will come opportunities for business development. Transportation infrastructure that serves these installations is critically important to their long-term viability here in North Carolina. This is the Foundations mission. They were launched a year ago December 2006 with a membership of senior retired military officers, all who reside in North Carolina and 5 corporate founding members who provide the funding for this organization. Their mission is simple; to identify merging defense and security procurement trends that fall

within North Carolina's court strengths and assists the government's academic and business communities to capitalize in them. He said one of the first things the Foundation did was to schedule a meeting with the Commanding General of U.S. Forces Command, General Hondo Campbell at Fort McPherson, Georgia. Transportation issues were the number 1, 2, 3 priorities that he discussed with them at that courtesy call. Their objective there was to understand his priorities for making it a seamless transition over the next four years. Mr. Austin continued to relate the strengths of his Foundation. They have over one hundred thousand active duty, reserve and National Guard personnel in North Carolina, more than any other state in the country other than California, Texas and Virginia and they are growing in North Carolina. This growth impact will demand more housing needs, roads, airports, infrastructure, and medical facilities.

In relating this information to the committee Mr. Austin said he is trying to make the case that this is an important driver in the economy and to protect the assets in the long term the transportation needs must be addressed. He said this growth needs to be handled effectively and to do so we need to work with the military and surrounding communities to make effective and adequate investments in highways, rail, ports and airports. Transportation is also critical to the bases and their efficient operation. They must be able to deploy and redeploy their people and their equipment as efficiently as possible in terms of both time and cost. This involves the highways the rail system and the ports. As they talked with General Campbell his top issues were direct interact access from Fayetteville to Washington, D.C. as being critically important. Mr. Austin described some of these changes that need to be made. Mr. Austin said we should be proactive in addressing these transportation issues early. He ask that the committee consider continued dialogue both in concert with Department of Transportation and Commerce and also with the regional groups that have been established to deal at the ground level with these growth issues.

Chairman Wilson asked Mr. Austin if he had any insight on Mr. Miller's question on federal funding for North Carolina. He said he would assume that because of all you have just said the Department of Defense would be aligned with North Carolina's interest to make federal funding more equitable than it currently is today, see that those are national needs that you are talking about here, as well as local needs.

Mr. Austin answered – That is correct. In the short term Department of Defense will provide and has provided through the Office of Economic Adjustment funds to study the issues. That is just the starting point. We need funds to deal with the issues. I will be more than happy to collect data on what might be forth coming, what is in the works, what the potential is because he said he did not have that data with him but there is that certainly opportunity.

Chairman Wilson said that might be of interest to Mr. Zelnak's committee because you have gone through quite a list of demands that will be made on these regions of North Carolina for transportation infrastructure that would not only serve the military but all of our citizens and it is curious that if we are getting less than dollar for dollar return and

have a lot of needs that would help the country you would think that that would be a relevant point in the discussion and debate.

Mr. Austin answered that he will put something together and follows up on this.

Ms. Szlosberg asked Mr. Austin for clarification on forty thousand new people in the Fayetteville area. What is the time frame for that?

Mr. Austin answered – The relocation of forces command will be scheduled to be complete, all brack actions by 2011. The forty thousand people are for your time frame. He will confirm that with the committee. Mr. Austin continued that Jacksonville is expecting 60,000 people over a 4 year period, also Havelock, Cherry Point, and others.

Representative Cole –said - As one of the Chairs of Transportation Appropriation I think we need to share with you in numbers and percentages. Currently we have received somewhere between 85 and 99 percent of what we send up through the feds. We would appreciate the Department of Defense going after that money to bring it to at least one hundred percent, probably ought to be 110% since the military wants so much/

Calvin Leggett, P.E. Manager Program Development Branch of The Department of Transportation was recognized next to give a presentation on the Loop Funding.(Attachment 4) Mr. Leggett said the Urban Loop Program was developed to relieve congestion, improve mobility and enhance the economic competitive of the major urban areas. The Secretary and the Board of Transportation are very concerned with the rate in which these projects can be delivered so they requested a presentation be made to the committee describing the current status of the Loop Program and what could be accomplished if there were additional revenues in this area. He said the Highway Trust Fund initiated the urban loop program in 1989 in that law 25% of the net revenues were exempted from the equity distribution formula and designated for use only on defined urban loop projects. Mr. Leggett used power point and showed the Trust Fund budget talking about the way it is used. There are 10 urban loop eligible cities. Some loop projects are true loops that are complete circles around cities and some are connectors or bypass facilities. He shows these and talked about their progress. The impact inflation has hit the construction programs very hard and it has been significant on urban loops where growing travel demand construction material cost increases has been joined by sky rocketing land cost. He said many of these facilities are in the suburban areas of our cities that are growing rapidly and the land values have grown dramatically, so they also have to deal with increased cost for miles for these urban freeways where the cost per mile has increased about 250% since 1989. He compared the current revenue stream to the estimated cost to complete the loops. He talked about many of the loops will need repairs or expansion before the completion dates. He pointed out one in Charlotte needing to be widened long before they can start building loops in other cities. Mr. Leggett said all the funding to date has been primarily determined by preconstruction activities. Essentially they have funded everything they have had ready for funding. He said they are rapidly approaching the time when they will have many more projects

eligible for loop funds if the revenue will allow them to be built. He showed the status of each loop through the city and indicated the status of each one.

Mr. Leggett said they estimate that they will have funding available for the next 7 years to start and construct slightly over 40 miles of urban loops. For the additional funding either state tax revenues, toll revenues, local revenues or some other sources, there are additional 120 miles that could be built and open to traffic in that 10 year time frame. There by improving accessibility congestion in the cities around the state.

Chairman Wilson asks if funding were available what would be the total cost of all of that within the next 10 years, based on the best estimates today.

Mr. Leggett – answered – The segments that we identified that we could have open to traffic in 10 years, if the money were available, would require 3.7 billion dollars over and above our current revenue stream. That would buy roughly an additional 120 miles of urban freeway.

Senator Jenkins – What percentage of the 120 miles will be tolled?

Mr. Leggett – answered – To be honest with you I don't know the exact mileage right now of what they are currently studying. The terms of what is feasible could be tolled. Right now they are studying the Western Wake, the Gastonia and the Wilmington Skyway. That is what my memory tells me.

Mr. Lanny Wilson – ask – Hasn't there been some preliminary studies completed about tolling some of the other bypass or some of the other loop projects in North Carolina? It is my understanding that there has been some preliminary studies that are underway and I would like to know if they have been completed or not and if so when will they be completed?

Mr. Rankin answered – The Turnpike Authority has taken a cursory look at a few pieces of the loop but has not conducted any indebt study. He thinks they could pull together some information on that within the next 60 to 90 days, if the committee would like for us to do so.

Chairman Wilson – answered – We would love for you to undertake that and report back at your earliest opportunity.

Representative Carney – ask Mr. Leggett to talk about prioritization process in these loops. You know I have a vested interest in this in representing Charlotte and we are the largest city. We don't have a completed loop and we were first on the list in 1989 and we are projected far out.

Mr. Leggett – answered – As I mentioned to date basically what we have done is fund whatever our preconstruction process had ready to fund. Planning and designing these big urban loops, as you can imagine is a very difficult time consuming endeavor and to

date we have funded everything that has been ready to fund. Once you get past about 2010 the balance is going to shift and all of a sudden we are going to have a lot more projects or a lot more things we could pull in than we have revenue for. In this last cycle to a large degree, when we looked at the budget and the schedules, what had happened was that the cost had gone up enough to absorb a year and one-half's work of budget. When you took the schedules between now and 2010 and said ok lets go ahead and fund those things, then it is interesting that everything else was looking at about a two year delay. From a prioritization plan point from a staff stand point they kind of started out with a two year across the board delay. When you looked at that it did not work that way everywhere because you had a situation in Asheville where the local priorities had changed and they wanted a different piece to be first. Even to hold a two year delay in Asheville barred a lot of additional funding but essentially that was the staff proposal. What we have on the table today is a staff proposal. There will be a lot of public comments. We will meet with the people required as we go through the TIP process and then ultimately there will be a final proposal that will be presented to the Board for approval. From a staff perspective there are numerous things we would like to look at but we have not had the luxury frankly to look at very many of them recently because of the cost increases have been absorbing all the additional money, but we like to built useable sections. If you say we are going to take the amount of money and divide it by ten every year we can build pieces of road into vacant lots or something, but that is not very practical. We like to build roads in sections. There is a need to meet air quality standards. The big urban areas, a lot of them do not meet air quality standards and we have gone through that process. There are local priorities that they hear from, the MPO's. There are a lot of factors but the last couple of cycles they have been through have mostly been spreading the paint around because they have ended up delaying things.

Representative Carney – ask the decision process of projects in prioritization, is that coming from the state Board Department of Transportation?

Mr. Leggett – answered – The decision will ultimately rest with the Board of Transportation.

Ms. Szlosberg - ask – Are there any new projects in the draft TIP that have not slipped?

Mr. Leggett – answered – No.

Ms. Szlosberg – I thought there were two projects that did not have a delay.

Mr. Leggett – answered – No, every city had a delay. The parts of projects that were scheduled prior to 2010 saw no delay. Everything beyond 2010 moved back.

Ms. Szlosberg – The Fayetteville and Wilmington loops were before 2010.

Mr. Leggett – The section of Fayetteville that gets you to Fort Bragg is before 2010. Wilmington is beyond 2010 but it was delayed.

Representative Cole – Followed up on Representative Carney's question. As I travel Northern Mecklenburg County I believe we have bridges in place. We have grading that is taking place, but we don't have a road there. Can you speak to that? I think that is on 485.

Mr. Leggett – The part of the Charlotte that is not complete to date is essentially from I-77 North to I-85 North. That is where there is no facility. We had planned that at one point and we were actually very close to buying right of way and we ran into one of the problems that I think this long slow planning process we have created and that is that the land use assumptions that we designed that road around changed. The facility we planned out there no longer met their urban form desire and they asked us to go back and redesign a section of it around the Prosperity Church Road area. We have gone back into the planning process because doing that sort of negated our plan, our environmental statement so they had to go back and do a supplement environmental impact statement and redesign that area around Prosperity Church Road. We are close to completing that redesign and reevaluation of the planning documents but that was the initial delay in finishing the Charlotte loop. Since then it has been caught in this great budget problem that all of the other loops have been caught in and in the Mecklenburg area we also had a new demand come up to widen the Southern portion. The local opinion has been to date that those two projects need to proceed on the same schedule and there is a lot more work to do on the Southern part than on Prosperity Church Road.

Representative Cole - My question is that I don't think the people in Mecklenburg really appreciate that kind of explanation and they probably need to talk to their leaders a little further about what is out there. Take into consideration that is the largest city in our state it does not have a loop around it complete and I think we need to address it immediately. With regards to prioritization he thinks the Department ought to furnish this committee and especially Senator Jenkins Committee which is going to deal with prioritization as a part of that process of these loops is how it feeds into this. It might cause some additional funding from other sources through the Finance Committee.

Representative McGee – ask Mr. Leggett – On this sheet Trust Fund Progress, I think I heard you say that we need an additional 3.6 billion dollars to finish the projects through the 10 years?

Mr. Leggett – Answered – No that is the amount of money we could spend to have projects open in the next 10 years. There are projects that are in the loop system that even if we had a lot of money I could not stand here and tell you today we could deliver within 10 years and have traffic on them. What happened is that they looked at those projects that BIS has well underway and they feel confident that they could buy the right of way, construct and have traffic on them in 10 years. That is the money that they could efficiently spend in the 7 years, building those.

Representative McGee – To follow up, he said he noted that it says the estimated cost of 5.5 billion dollars excluding the Durham loop. And so you are talking about 6 or 7 billion dollars you could spend over the next 10 years.

Mr. Leggett said being able to spend it depends on the elaborate environmental planning process, having permits, acquiring right of way and moving utilities There are sections of loops that he could not tell anyone today that they could build in the next 10 years. He said if they are not well along in the environmental process we did not include it.

Mayor Bellamy thanked Mr. Leggett for what had been done for Asheville. She said looking at the reality that Asheville will see a 2 year delay because of the funding and later on you said funding to address I-26, I-240, and I-40 interchange will be addressed, she wanted to make sure those 2 statements are not in conflict. She asks if they will see that happen first because that is something they have been talking about as a community since the early 90's.

Mr. Leggett answered, yes, and if you go to the chart that shows what is being proposed to fund in the draft program versus what was in the program the Board adopted last summer, what you will see is the one city that actually showed a significant increase in funding is Asheville. There has been a tremendous increase in the anticipated cost in price there but in order to keep the delay in Asheville to only 2 years most of the additional revenue went to Asheville. It was trying to not have one area delayed much more than any other.

Mayor Bellamy said looking at the 4 dots may seem like a very insignificant thing to people who have not been to our area, but Asheville is the hub for western North Carolina and gateway to South Carolina and Tennessee and it is important to them. She said she would love to see if they are attracting good data to look at the modern DOT funds that Asheville has received versus other cities on the loop program because she said she does not want Asheville to loose its priority in funding. She said their community is working very hard to work with DOT. She thanked the staff for helping to work with them to get that interchange addressed sooner rather than later for the community and she said whatever they need to do to make sure that stays in place they are willing to do it because it is important not only to the city but their region.

Ms. Szlosberg asks Mr. Leggett why Wake County as one of the original loop projects is receiving no funding out of the loop fund.

Mr. Leggett answered - The buying power of the loop fund revenue stream has diminished dramatically this century. They had to go back 4 or 5 years ago where there was some funding assigned to the western Wake freeway, it was somewhere in the 60 something million dollar range, not enough to really build a significant portion of the western Wake. At that point and time Durham which was also one of the original seven cities had no funding at all and the feeling was that that money could make a bigger impact to the region as a whole buying a significant portion of the Durham east end connector than it would make buying a very small piece of the western Wake. That decision was made by the Board and that is where they are today.

Mr. Bowman – ask Mr. Leggett in his financial modeling and estimates of revenue, I am assuming you have built the assumptions in about cost escalation. Whatever the billion dollars if funding were available you could do it in 10 years assumes current escalation of cost?

Mr. Leggett answered – yes we have a number we use. We are estimating the cost at about 5% a year. That is less than it has grown for the last 4 years, slightly more than it has grown if you look back 10 or 15 years. We had no idea whether that figure is very good or not, but that is what they use.

This ended the agenda presentations for the meeting.

Chairman Wilson asks the committee members to please leave the committee notebooks here. He said if you need information from today's presentation let the staff know and they will provide you with that or it is on the web site. The notebooks will be updated for each meeting.

Larry Goode announced in preparing to go to the next meeting to be held in Charlotte that each member should call the hotel and identify that you are with the 21st Century Committee and book your own room by Friday of this week, please.

Chairman Wilson said the Charlotte meeting will be held January 16th and the subcommittee meetings will begin at 9:00 a.m. and the committee as a whole will meet at 10:30 a.m.. He said the agenda for the meeting is being finalized and we are looking forward to the meeting in Charlotte and asked for as many as possible to come the afternoon before on January 15th. He said they hope to conclude in Charlotte by 3:00 p.m. on January 16th.

Chairman Wilson thanked everyone for their attention today and the meeting adjourned at 3:15 p.m.

Brad Wilson, Chairman

Sarah Murphy, Clerk

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27601

December 4, 2007

MEMORANDUM

TO: Members of the 21st. Century Transportation Committee

FROM: Chairman Brad Wilson

SUBJECT: 21st Century Transportation Committee Meeting

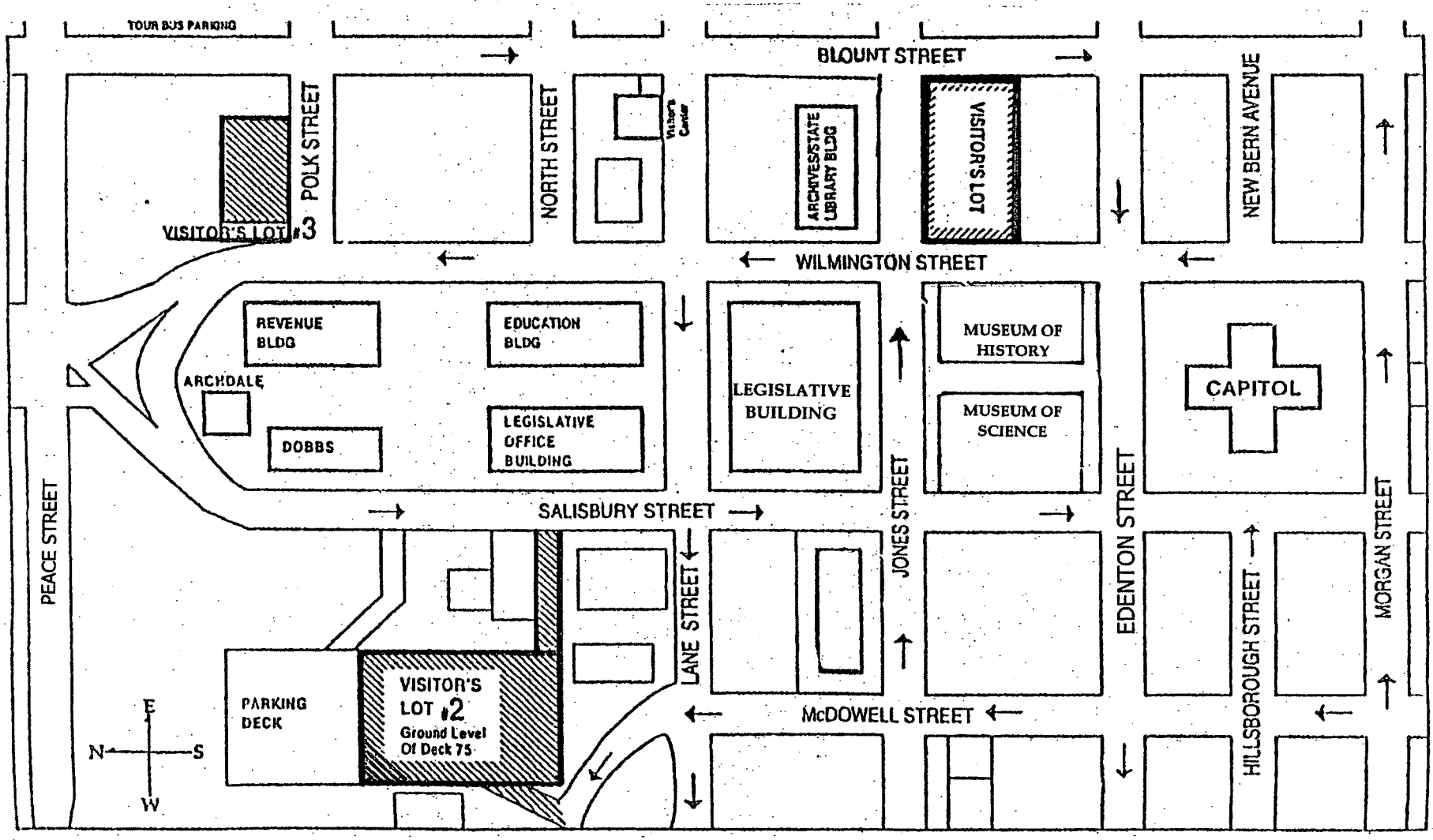
There will be a meeting of the 21st Century Transportation Committee on Wednesday, December 12, 2007 at 1:00 in Room 544 of the Legislative Office Building.

Parking for non-legislative members of the committee is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives (see attached map). The cost for the visitor parking is $1.00 per hour or $8.00 per day and may be reimbursed with a parking receipt submitted with your travel reimbursement form.

Please advise Mr. Larry Goode at (919) 301-1589 or email larryg@ncleg.net if you will be unable to attend.

PARKING FOR VISITORS TO THE NORTH CAROLINA GENERAL ASSEMBLY

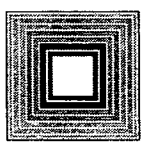
$.50 per hour and $4.00 maximum per day
Monday-Friday Parking with Attendant on Duty



State Transportation Funding Comparisons and Innovative Funding Options

21st Century Transportation Committee

December 12, 2007



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 <u>total per capita highway funding</u> ($468) from federal, state and local sources is on the high side for the region, but below the national average ($485).**
- **<u>State per capita highway funding</u> for North Carolina ($294) and Virginia ($301) is higher than the national average ($243) and high for the region.**
- **<u>Local per capita highway funding</u> 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

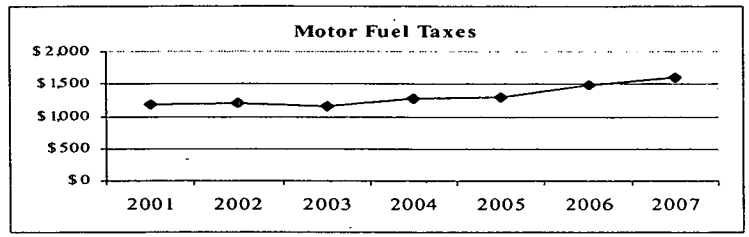
- **<u>Local property taxes per capita</u> are significant in Florida ($13) and Texas ($45) but insignificant in other states in the region. The national average is $25.**

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.**

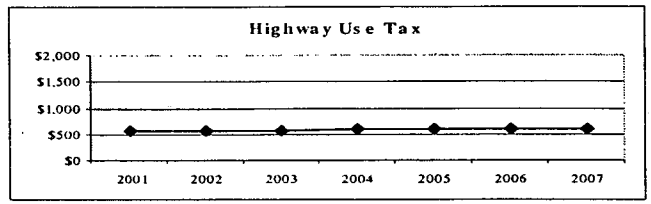
N.C. Motor Fuel Taxes



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*

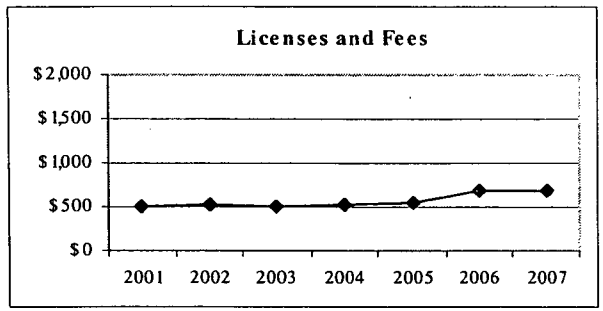
NC Highway Use Tax



- 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.

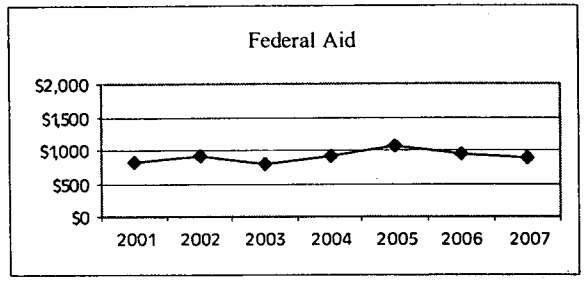
State	Tax	Increase if NC taxed at this rate (millions)
Florida	6% net of trade	$600
Georgia	4%-7% net of trade	$200-$800
South Carolina	5% net of trade, max $300	Reduction
Tennessee	7% net of trade	$800
Texas	6.25% net of trade	$650
Virginia	3%	$115

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

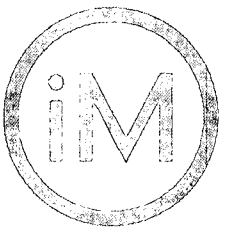
- TIFIA
  - Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) provides federal credit assistance for major transportation investments.
  - Direct federal loans with flexible repayment terms
  - Loan guarantees that provide full-faith-and-credit guarantees by the Federal government 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?

Road User Research Study



innovationManagement®

Project Overview
National Evaluation of a Mileage-Based Road User Charge
(Road User Study)

I'm Kevin Leibel of innovation Management, LLC; a Chapel Hill based marketing and Research Company. (http://www.innovationmanagement.com) We were hired to run the road user study in North Carolina and Maryland in conjunction with the Iowa Public Policy Center.

This overview summarizes a major study to conduct a national evaluation of a new approach for charging vehicles that travel on public roadways. The new approach applies intelligent transportation system (ITS) smart-vehicle technology to the problem of assessing road user charges, allowing them to be fairer, more stable, and more flexible. Though very simple in concept, the new approach requires that a number of institutional and technological issues be resolved. It is to resolve both types of issues that we are undertaking this research.

Part I of this research, which was a three-year effort, was concluded in September 2002. A final report is available from the University of Iowa Public Policy Center. This research was funded through a special consortium comprised of the Federal Highway Administration and 15 state departments of transportation: California, Connecticut, Iowa, Kansas, Michigan, Minnesota, Missouri, North Carolina, Ohio, Oregon, South Carolina, Texas, Utah, Washington, and Wisconsin. As called for by Sections 1919 and 1934 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA–LU) of 2005, Part II seeks to field-test the concepts developed, so that by the time the federal and state governments consider implementing it, the new approach will be fully tested and widely understood.

125 Timberhill Place, Chapel Hill, NC 27514, Tel: 919 933-4676
http://www.innovationmanagement.com

Before implementation can be considered, it is vital that so different an approach be thoroughly tested because the stakes are high indeed—nationally the amount of revenue generated by road user charges is substantial, with the motor fuel tax alone generating upwards of $74 billion annually.

Basic Design from Part I

The basic operation of the mileage-based road user charge is as follows: A receiver installed on board study participants' vehicles uses GPS signals (through triangulation) to determine the vehicle's position. A simple on-board computer stores a file consisting of data polygons, using geographic information systems (GIS). These data polygons define the boundaries of states and, if applicable, sub-state regions such as communities or metropolitan areas. It is thus possible to assess mileage-based road user charges simultaneously for federal, state, and municipal levels of government. A data file is stored in the on-board computer containing the per-mile road user charge for this particular type of vehicle in each participating jurisdiction.

The on-board computer continuously applies the per-mile charge rate to the miles being traveled within a given polygon and thus jurisdiction. What is stored in the on-board computer is the total amount owed to each jurisdiction. Note that route and time information are *not* stored. The on-board computer compares the mileage derived from the GPS signal with that from the odometer. The odometer is the primary source of distance data because in modern vehicles, the manufacturer has made electronic odometers virtually tamper proof to protect warranty limitations.

On a pre-programmed schedule (e.g., on the 15th day of each month), the vehicle uses cellular technology to upload these stored data to a billing and dispersal center. The center operates much like a major credit card billing center. It bills the vehicle owner and apportions the revenue that is collected among the jurisdictions within which this vehicle has actually traveled. To elaborate a bit, when one

purchases a vehicle, an account is established with the billing and dispersal center at the time the vehicle is registered. Payment options could include automatic credit card deduction, sending a billing statement, or payment from a debit account at the time that road user charge data are uploaded.

National Evaluation in Part II

Funded at $16.5 million, the purpose of this four-year evaluation study is to fully test and refine this new approach to assessing and collecting road user charges. The basic approach, just described, is a mileage-based road user charge system that will provide political jurisdictions with great flexibility. An important attribute of the mileage-based approach is that it can accommodate any form of vehicle propulsion system, including current technology gasoline- and diesel fuel-powered vehicles, new electric-hybrid power vehicles, and emerging vehicles that are powered with hydrogen fuel-cells. At the state and federal levels, it is intended to eventually *replace* the motor fuel tax, not constitute an additional charge. Each jurisdiction—federal, state, and local—can enact per-mile rates that vary by vehicle attributes and that advance policy considerations.

Two important and interrelated issues need to be addressed in the evaluation study. The first is appropriateness of the technology. We need to be absolutely certain that the technology ultimately used is cost-effective, reliable, user friendly, flexible, and secure. In Part I of this research, we developed and refined the operating characteristics of the on-board computer and billing and dispersal center. In Part II, we are rigorously field-testing the operation of key components. Well-structured design-testing-feedback-redesign protocols will enable on-board systems and the billing and dispersal center to be fully refined and ready for implementation by the end of the four-year Part II effort.

The second and related issue is user acceptability. Assessing acceptability by road users involves more than acquainting a cross section of the road user population

with the new approach and seeing how it reacts. Rather, the process must be iterative—feedback from a moderately large representative sample of users must be obtained to modify and revise the new approach. In this way, the evaluation study can converge on design and operational features that maximize its convenience and other user benefits while avoiding characteristics to which the traveling public would not respond favorably.

Central to the evaluation program is field-testing. It is vital that a sizable sample of motorists in different regions of the nation operate approximately a sizable number of vehicles equipped with the necessary on-board equipment for an extended period of time. The six sites in which the field tests will occur are: Austin, Texas; Baltimore, Maryland; Boise, Idaho; Eastern Iowa; the Research Triangle Region of North Carolina; and San Diego, California. We will include ample provisions for concerns or suggestions of participants to be reflected in second-year changes to make the on-board system work as well as possible by the end of the project. Over the course of the two-year field-testing, we will have enabled a diverse sample of approximately 2,700 participants to become highly familiar with the mileage-based road user charge. This will allow us to gain considerable insight into (1) the technological workability of the approach and (2) its acceptability to road users. At the conclusion of Part II, we expect to have developed a fully operational system to enable a mileage-based user charge system to be implemented. This system will be maximally acceptable to road users and capable of enabling a series of public policy objectives to be achieved, especially a stable flow of revenue.

Progress to Date

The national evaluation study began on October 1, 2005. Now, 20 months later, considerable progress has been made. Specifically, we have:

- Assembled a study team with key people hired by the University or retained under contractual arrangements.

- Selected the six national evaluation sites and established contact with the appropriate state DOTs and local councils of government.
- Completed the design of all technological components, including several computerized data servers and wireless communication links connecting on-board computers with the servers.
- Completed the design of the on-board computers, constructed prototypes and beta tested them in each of the six evaluation sites, and manufactured 1,200 units. A total of 20 different vehicle classes have been established, and the class for the vehicle in which the on-board computer is installed is programmed. This makes it possible to charge different per-mile rates for various types of vehicles.
- Designed a device through which participants enter the number of gallons of fuel purchased. This amount is sent to the on-board computer, which determines the jurisdiction in which the purchase occurred. A credit is then applied for the motor fuel tax paid to the particular jurisdiction.
- Issued a request for proposals to numerous marketing and communications firms nationally to assist us in public information efforts as the first step in recruiting participants at six sites nationally. Based on the proposals we received, three firms have been selected. Materials for the selection and training of study participants have been finalized.
- Designed a sampling strategy to select from the pool of volunteers the 200 participants in the first year of field-testing (250 in the second year) at each of the six sites, taking into account (1) demographics, (2) attitudinal profile, and (3) driving patterns.
- Developed a database that defines the boundaries of the states and of local jurisdictions within them. This enables the on-board computer to properly record the travel within each jurisdiction and thus the amount due to it. As noted, it is possible to levy separate per-mile charges simultaneously at the federal, state, and municipal levels.
- Designed a user charge data upload convention that virtually assures participant privacy. In fact, the only information that can be associated with a given road

user is (1) the total amount of user charges due and (2) the total number of miles traveled since the last data upload. Using sophisticated asymmetric encryption, the amount of this total to be allocated to each jurisdiction (state or local) is then sent anonymously.

- Developed a series of survey questionnaires for participant recruitment and periodic contacts with participants. These questionnaires have been reviewed and approved by the University's Institutional Review Board (IRB). The questionnaires will be administered monthly and will enable us to evaluate changing perceptions of the mileage charge by a diverse sample of participants.
- Prepared four technical reports that document (1) the overall study design, (2) design of the technological components, (3) the process being followed to select and train participants, and (4) policy options for structuring per-mile road user charge rates for various types of vehicles.

Field Testing

Awaiting federal clearance, current plans are for participant recruitment at the six sites to begin late in 2007 or early 2008. The marketing firms will conduct an aggressive public information campaign using ads in newspapers, television and radio spots, and op eds. Assisting the recruitment efforts will be information regarding the stipend that a participant will receive over the course of his or her efforts in support of the study. Receipt of the monthly stipend is conditional upon completing the periodic survey questionnaires.

People wishing to be considered for participation in the study can apply in either of two ways: (1) through a study Website or (2) by calling a toll-free telephone number. A short prescreening questionnaire is administered first, asking a few fundamental eligibility questions, such as whether the person has a driver's license and a vehicle available. Those who pass through this screen are administered a more extensive questionnaire regarding (1) demographic characteristics, (2) attitudinal profile, and (3) general driving behavior.

Using a sample selection procedure, the study team will select the candidate participants who will then be notified as to their candidacy. Selection will be made on the basis of diversity in terms of the three criteria just listed. Training sessions will fully inform participants about (1) the study objectives, (2) what is asked of them during the field-testing process, and (3) their rights such as privacy protection.

On a designated date each month, the on-board computer will upload road user charges due, and a simulated bill will be sent to each participant. Initially, the billing statements will only reflect the total amount due, in a maximum privacy protection configuration. After a few months, the study team will send billing statements with much greater detail, fully documenting the basis for the user charges levied. The objective is to test whether participants would rather have their privacy almost totally protected or would prefer to have the basis for the charge very well documented.

Every month, a survey questionnaire will be sent to each participant. During the course of field-testing, the questionnaires will address a variety of topics related to acceptance of a mileage-based road user charge. The objective is to determine characteristics and views that tend to be associated with support for the mileage charge. The questionnaires also will serve as one of the several means for assessing the performance of the on-board equipment.

Summary

In summary, the National Evaluation of a Mileage-Based Road User Charge is the product of almost ten years of research. The design of on-board equipment and data transfer mechanisms has evolved over a considerable amount of time, and the sample design for participant selection likewise is quite refined. We look forward to the insights that will result from the two years of field-testing.

Contact information:
Kevin Leibel, President,
Innovation Management, LLC
125 Timberhill Place
Chapel Hill, NC 27514
919 933-4676
Kevin@innovationmanagement.com
http://www.innovationmanagement.com

Highway Trust Fund

Loop Program

Calvin Leggett, P.E.

Manager

Program Development Branch

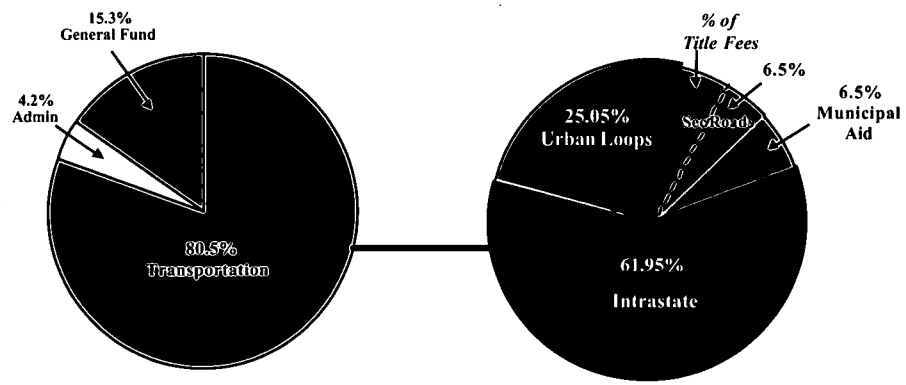
December 12, 2007

Highway Trust Fund

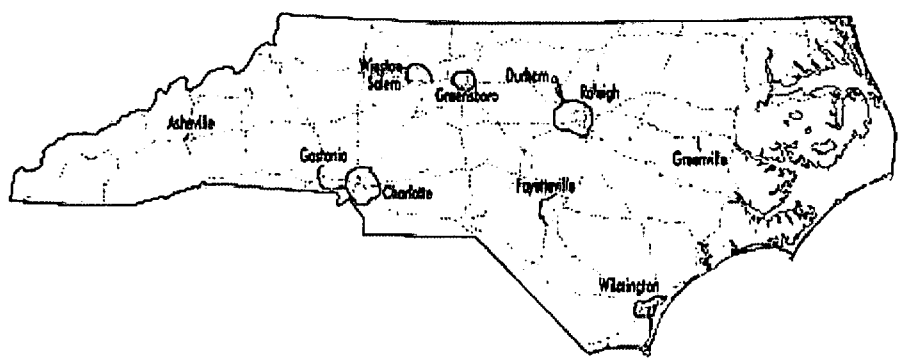
Funds in the Trust Fund are annually appropriated to the Department of Transportation. A sum, not to exceed 4.2% of the amount of revenue deposited in the Trust Fund may be used each fiscal year by the Department for expenses to administer the Trust Fund. The rest of the funds are to be allocated and used as follows:

- 61.95% to plan, design and construct Intrastate Highways
- 25.05% to plan, design and construct the Urban Loops
- 6.5% to supplement the appropriation to cities for city streets
- 6.5% for secondary road construction

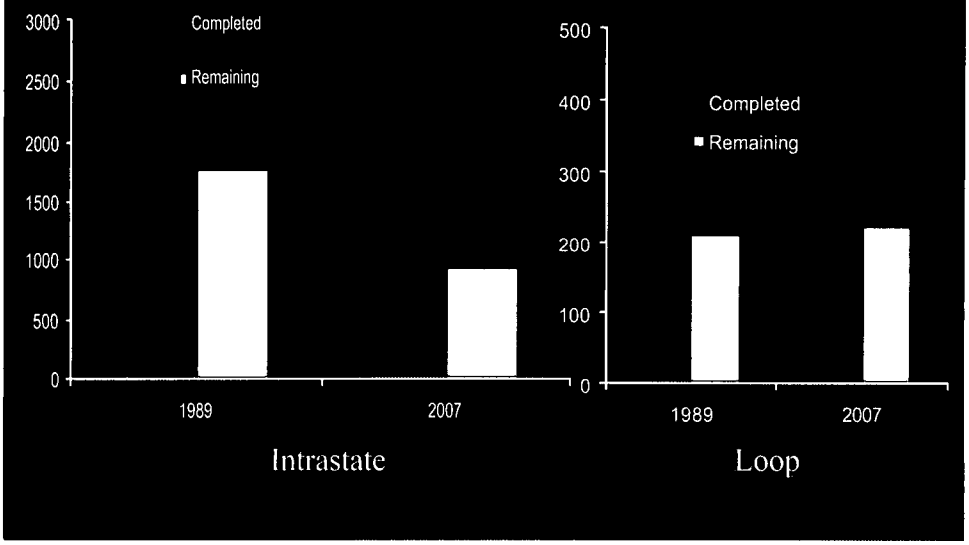
2007-08 Fund Uses
Highway Trust Fund



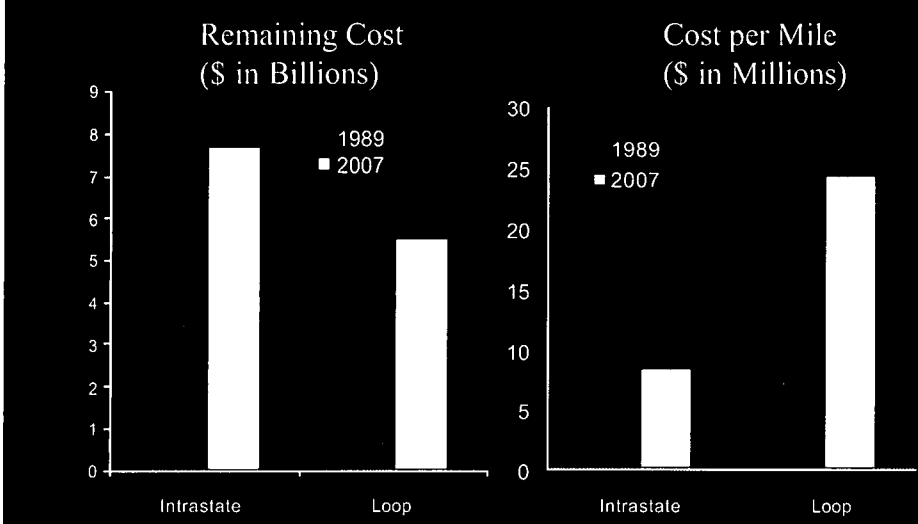
Urban Loop Cities

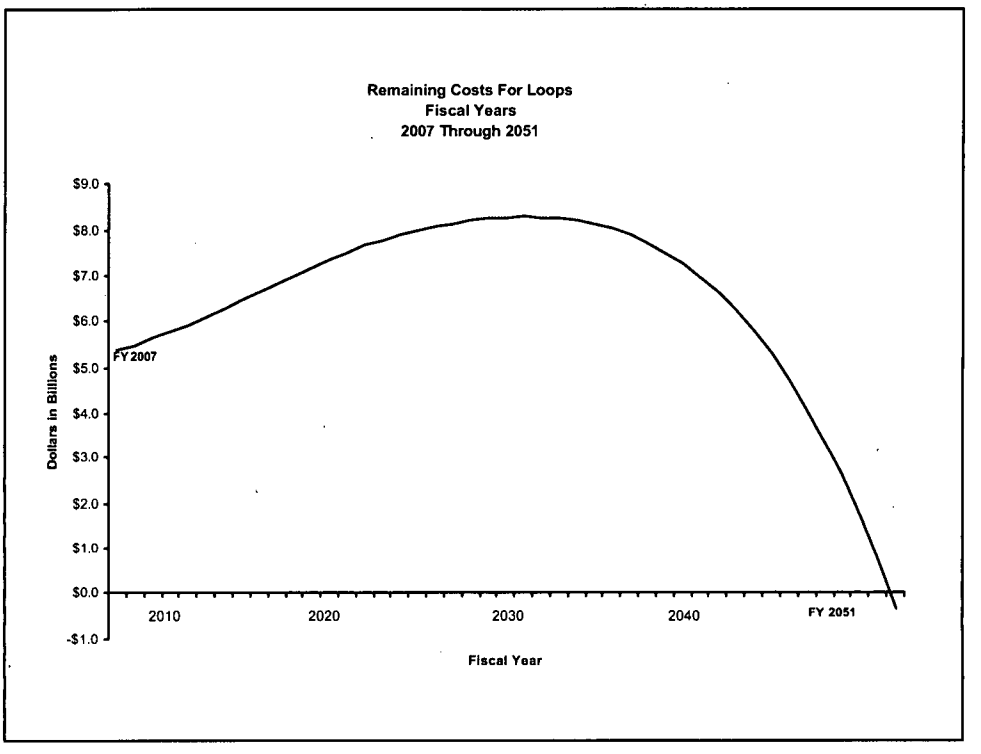


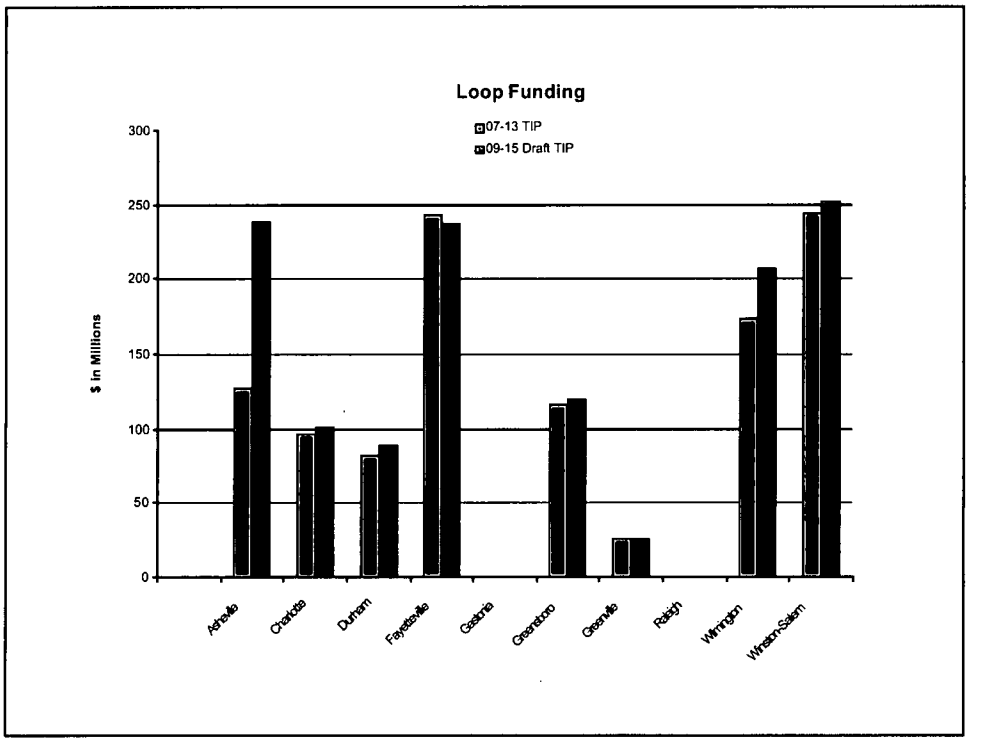
2007 Highway Trust Fund Status Mileage

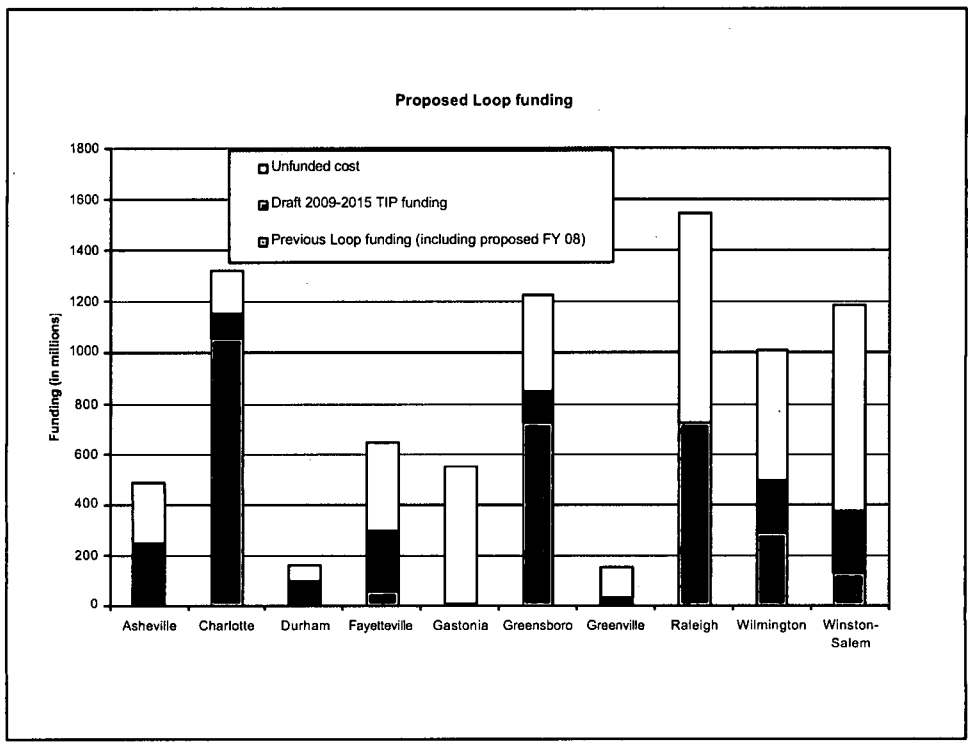


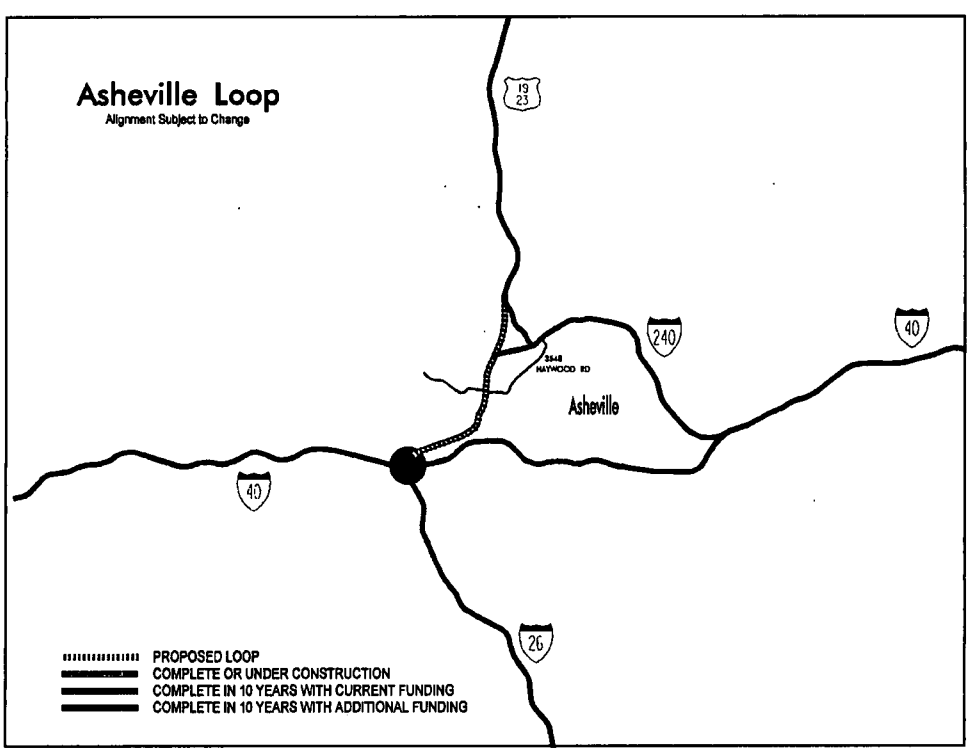
2007 Highway Trust Fund Status

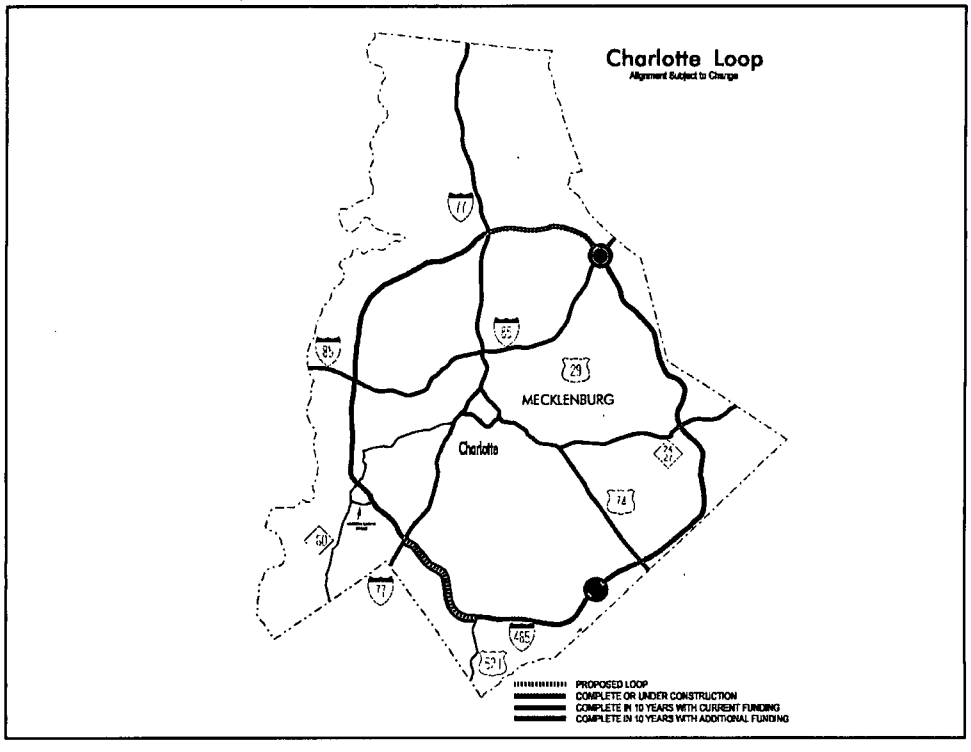


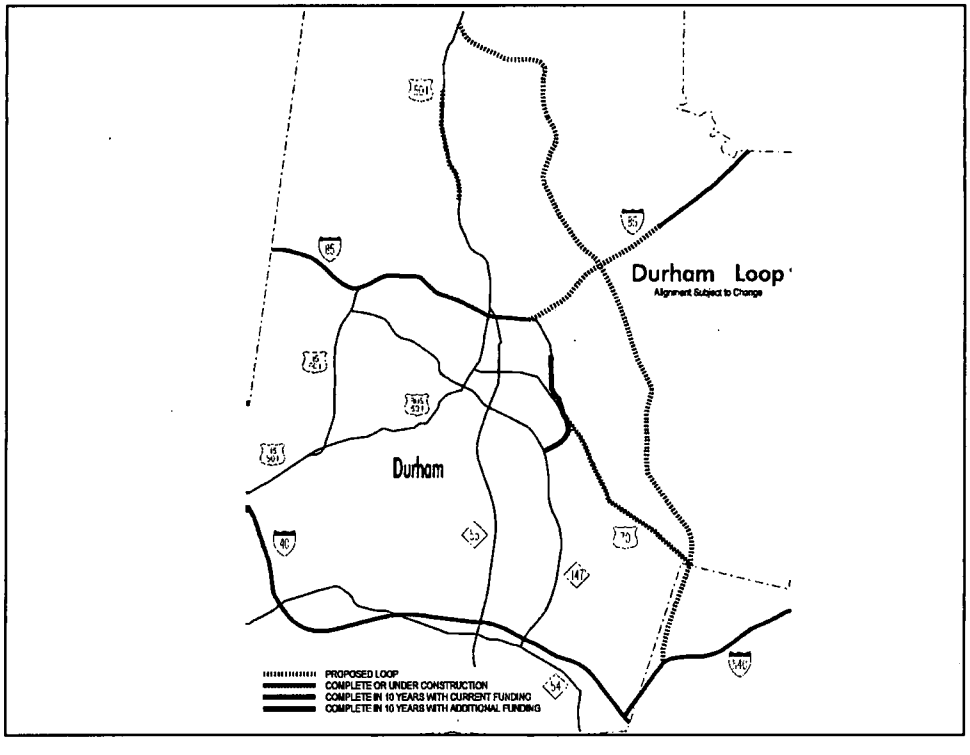

Remaining Costs For Loops
Fiscal Years
2007 Through 2051
$9.0
$8.0
$7.0
$6.0
$5.0
$4.0
$3.0
$2.0
$1.0
$0.0
-$1.0
Dollars in Billions
FY 2007
2010
2020
2030
2040
FY 2051
Fiscal Year

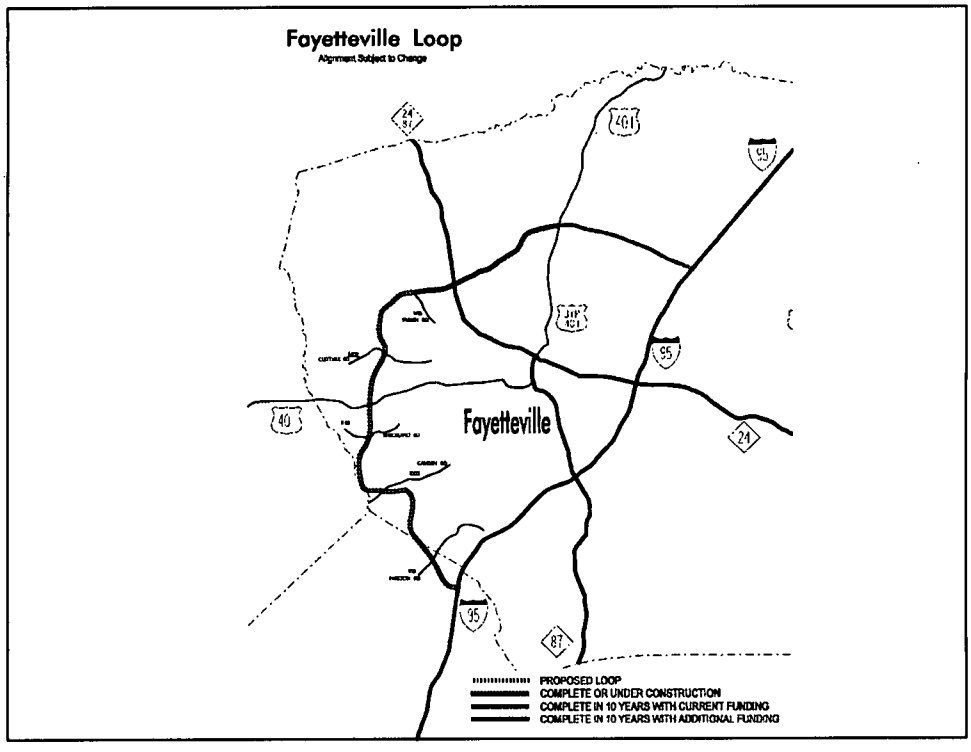

Loop Funding
07-13 TIP
09-15 Draft TIP
300
250
200
150
100
50
0
$ in Millions
Asheville
Charlotte
Durham
Fayetteville
Gastonia
Greensboro
Greenville
Raleigh
Wilmington
Winston-Salem

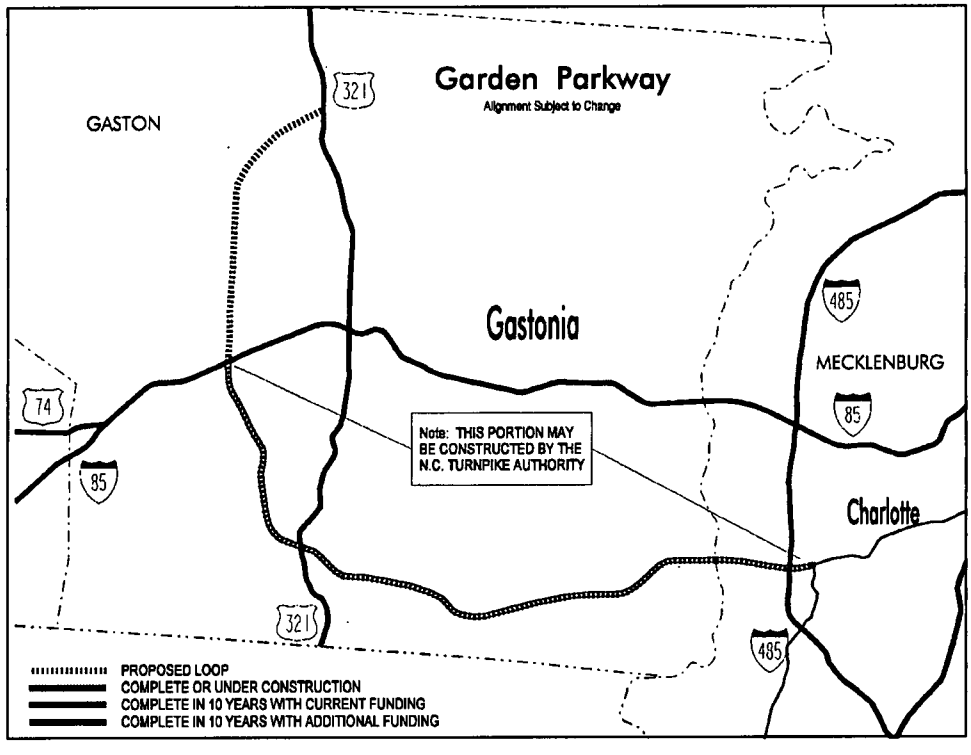

Proposed Loop funding
Unfunded cost
Draft 2009-2015 TIP funding
Previous Loop funding (including proposed FY 08)
Funding (in millions)
1800
1600
1400
1200
1000
800
600
400
200
0
Asheville
Charlotte
Durham
Fayetteville
Gastonia
Greensboro
Greenville
Raleigh
Wilmington
Winston-Salem

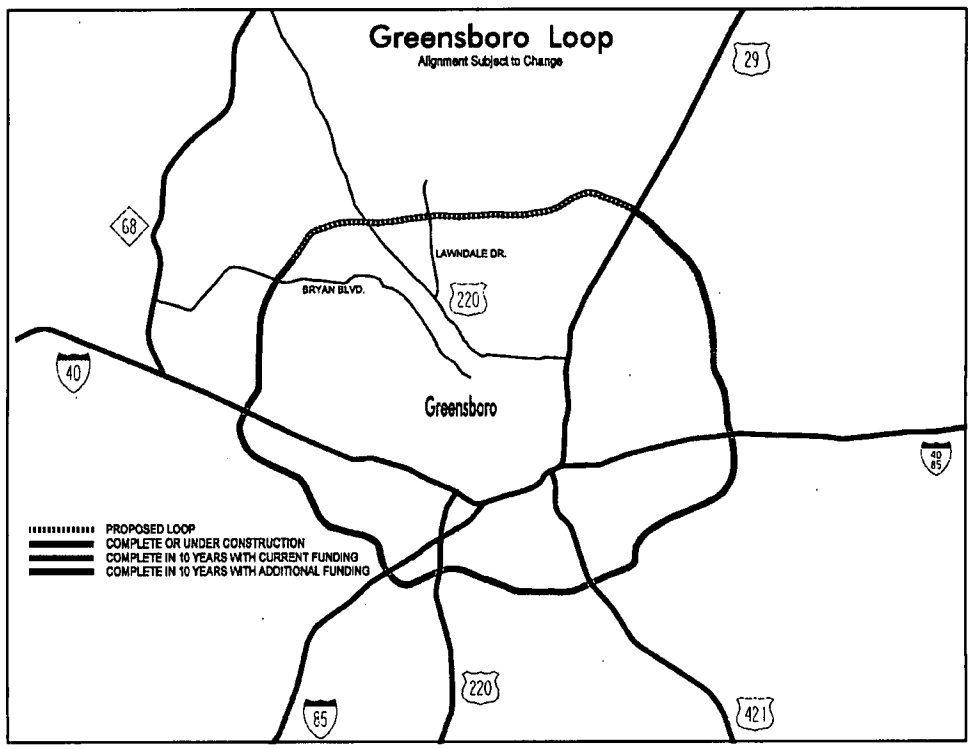

Asheville Loop
Alignment Subject to Change
19
23
240
40
3548
HAYWOOD RD
Asheville
40
26
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING

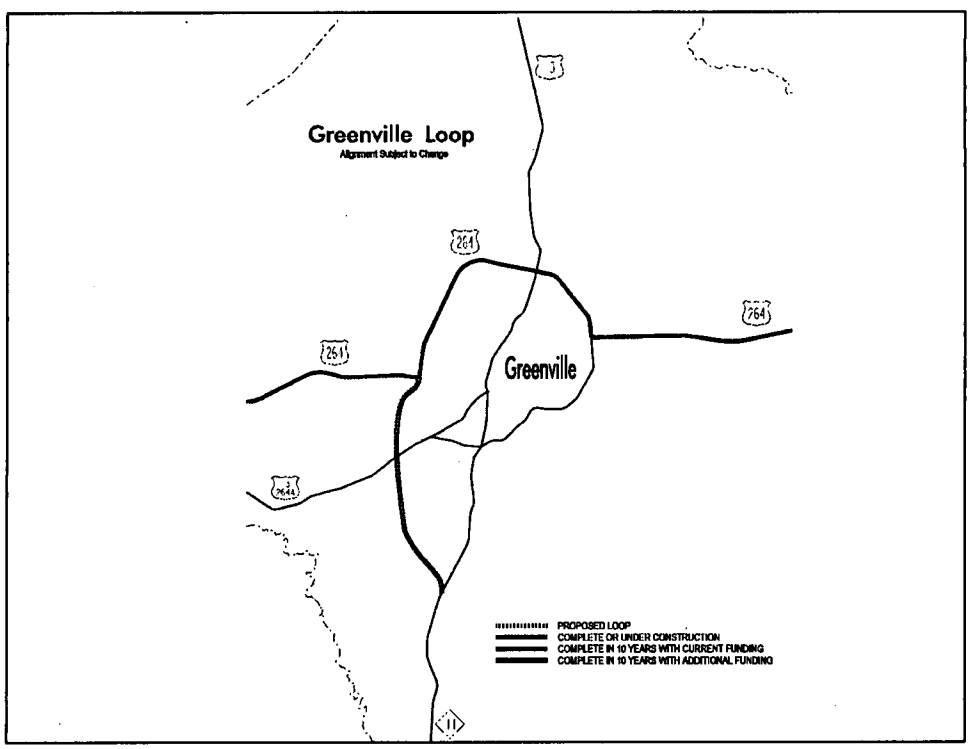

Charlotte Loop
Alignment Subject to Change
MECKLENBURG
Charlotte
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING

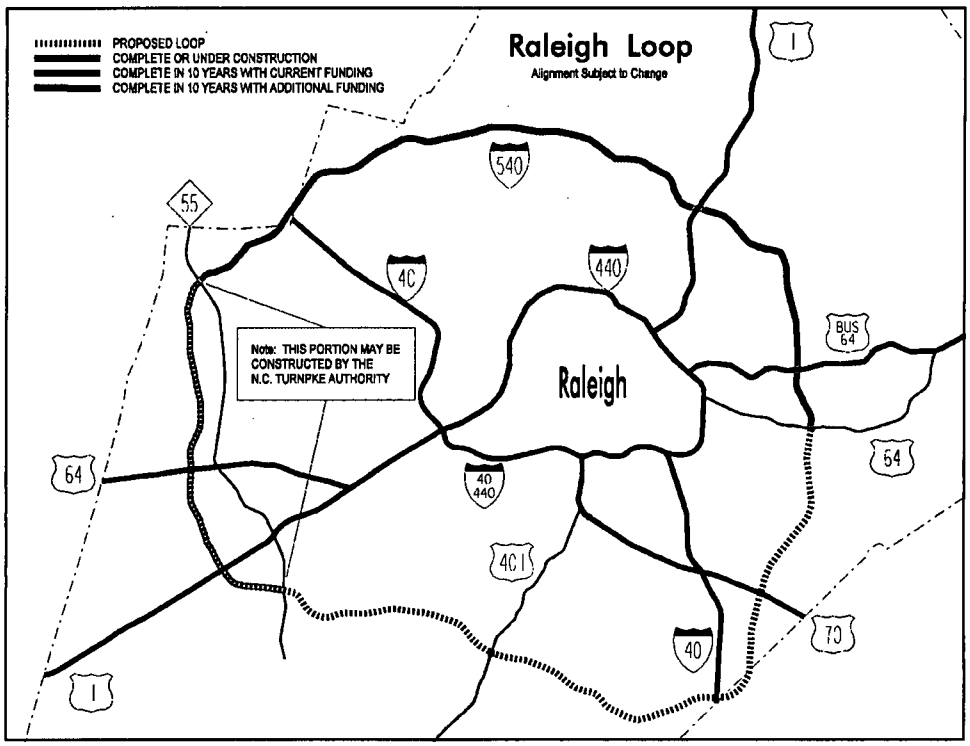

Durham Loop
Alignment Subject to Change
Durham
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING

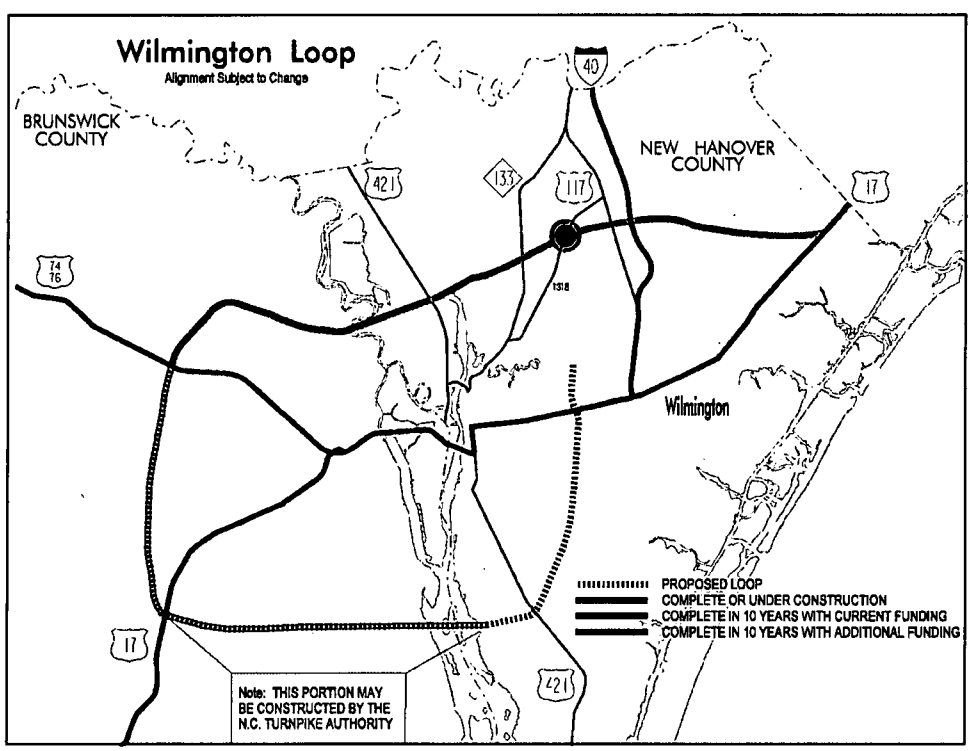

Fayetteville Loop
Alignment Subject to Change
Fayetteville
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING

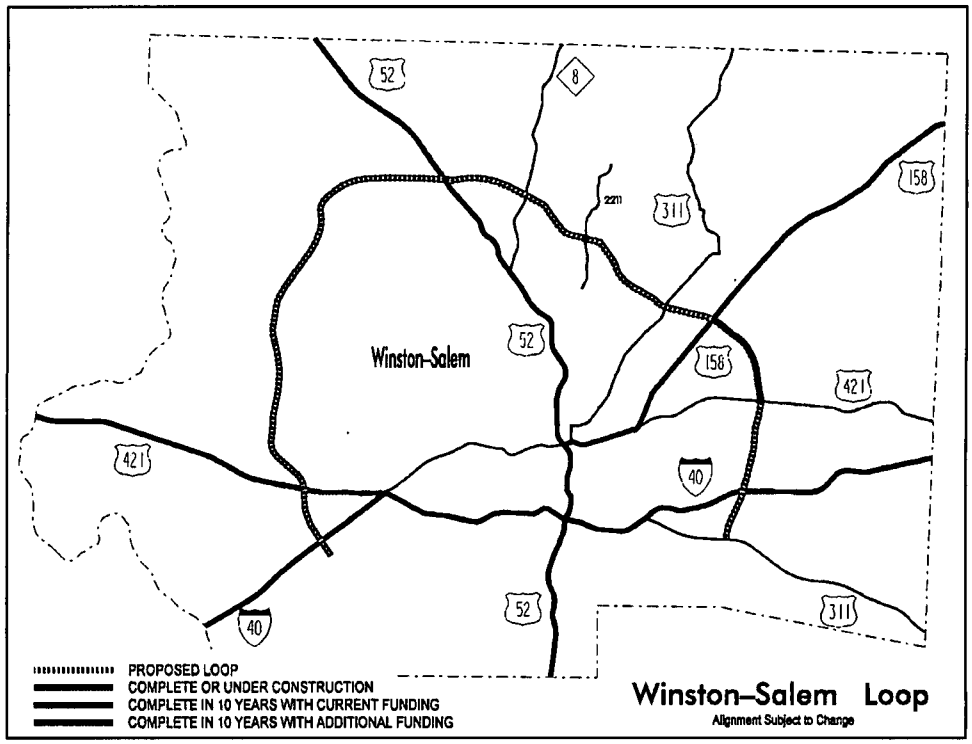

Garden Parkway
Alignment Subject to Change
GASTON
Gastonia
MECKLENBURG
Charlotte
Note: THIS PORTION MAY BE CONSTRUCTED BY THE N.C. TURNPIKE AUTHORITY
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING


Greensboro Loop
Alignment Subject to Change
29
68
LAWNDALE DR.
BRYAN BLVD.
220
40
Greensboro
40
85
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING
220
85
421


Greenville Loop
Alignment Subject to Change
264
264
Greenville
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING


PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING
Raleigh Loop
Alignment Subject to Change
Note: THIS PORTION MAY BE CONSTRUCTED BY THE N.C. TURNPIKE AUTHORITY
Raleigh
I
540
55
40
440
BUS 64
64
40 440
401
40
70
54


Wilmington Loop
Alignment Subject to Change
BRUNSWICK COUNTY
NEW HANOVER COUNTY
Wilmington
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING
Note: THIS PORTION MAY BE CONSTRUCTED BY THE N.C. TURNPIKE AUTHORITY
40
421
133
117
17
74 76
1518


52
8
158
220
311
Winston-Salem
52
158
421
421
40
52
311
40
PROPOSED LOOP
COMPLETE OR UNDER CONSTRUCTION
COMPLETE IN 10 YEARS WITH CURRENT FUNDING
COMPLETE IN 10 YEARS WITH ADDITIONAL FUNDING
Winston–Salem Loop
Alignment Subject to Change

Loop Project Status & Schedules
Based on Draft 2009 – 2015
State Transportation Improvement Program
(STIP)

Asheville Western Loop: Originally defined in 1989 as "Multilane facility on new location from I-26 west of Asheville to US-19/23 north of Asheville for the purpose of connecting these roads", Buncombe County.
Planning for the entire project is underway with completion estimated in Spring, 2009. ROW funding is scheduled for 2009, 2010, & 2011 with initial construction scheduled for 2013.
Project is 9.1 miles long with no miles completed to date. The total amount authorized to date is $ 8.2 M, with $ 239 M in funding programmed in the draft STIP. Approximately $ 250 M in additional funding would be required to complete this project in 10 years.

Charlotte Outer Loop: Originally defined in 1989 as "Multilane facility on new location encircling city of Charlotte", Mecklenburg County. Description amended in 2003 to "Multilane facility encircling City of Charlotte including 6-laning of the portion from Johnston Road/US 521 south to I-77 south of Charlotte- including widening, resurface, and interchange", Mecklenburg County.
Planning for all remaining sections is in progress. Planning document for widening the southern section from US 521 to I-77 is scheduled to be complete in late 2009. Revisions to documents for the final northern portion are estimated to take 2 years. ROW for the northern section from I-77 to I-85 is scheduled for 2010, with construction on the northern segment and widening of the southern section scheduled for 2015.
Project is now estimated to be 73.8 miles long with 63.4 miles either funded for construction or completed. The total amount authorized to date is $ 979 M, with $ 101 M in funding programmed. Completion in 10 years will require an additional $ 175 M.

Durham Northern Loop: Originally defined in 1989 as "Multilane facility on new location from I-85 west of Durham to US-70 east of Durham", Durham and Orange Counties. Description amended in 2002 to "The projects listed below ... (1) East end connector, from N.C. 147 to U.S. 70 East. (2) U.S. 70, from Lynn Rd. to the Northern Durham Parkway. (3) I-85, from U.S. 70 to Red Mill Rd. (4) Northern Durham Parkway, Section B, from Old Oxford Rd. to I-85. (5) Northern Durham Parkway, Section A, from I-85 to I-540. (6) Northern Durham Parkway, Section C, from Old Oxford Rd. to Roxboro Rd. (7) Roxboro Rd. from Duke St. to Goodwin Rd", Durham and Wake Counties."

Planning for the 1st segment, the East End Connector, is underway with completion estimated in Spring, 2008. ROW funding is scheduled for 2010, with construction for this initial section scheduled for 2014.

The Durham Loop projects are now estimated to total 26.7 miles long with no mileage complete. The total amount authorized to date is $ 9.3 M, with $ 89 M in funding programmed, Completion of the East End Connector in 10 years will require an additional approximately $ 70 M in additional funding. Costs for the remaining portions are unknown.

Fayetteville Western Outer Loop: Added to the loop eligible program in 2003 as a "Multilane facility on new location from US 401 north of Fayetteville to I-95 south of Hope Mills", Cumberland County.

Planning for the entire loop is complete. ROW acquisition is underway on segments from US 401 N to Cliffdale Road. Construction on the section from US 401 N. to All American Freeway is scheduled for 2008 with construction of the segment to Cliffdale Road scheduled for 2015.

The project is estimated to be 28 miles long, with no mileage completed to date. The total amount of funds authorized to date is $ 58.6 M, with $ 237 M in funding programmed. An additional $ 360 M in funding would be required to allow completion of the entire project in 10 years.

Gastonia Loop: Added to the loop eligible program in 2003 as a "Multilane facility known as the Garden Parkway, on a new location beginning at I-485, extending west across southern Gaston County to I-85, and continuing north to US 321", Gaston, Mecklenburg Counties.
Planning is underway by the North Carolina Turnpike Authority (NCTA) on the southern portion from I-485 in Mecklenburg County to I-85 west of Gastonia. The estimated completion date is May 2010.
The project is estimated to be 29 miles long, with no mileage completed to date. The total amount of funds authorized to date is $ 3.3 M, with $ 548 M in remaining costs. Completion of the southern portion in 10 years would require approximately $ 450 M.

Greensboro Loop: Originally defined in 1989 as "Multilane facility on new location encircling city of Greensboro", Guilford County. Description amended in 2003 to "Multilane facility on new location encircling City of Greensboro including interchanges with Cone Boulevard Extension and Lewiston-Fleming Road Extension", Guilford County.
Planning for the western loop is complete. Planning for Eastern Loop is underway with completion expected in May, 2009. ROW acquisition for the Eastern Loop is scheduled for 2009, with construction scheduled in 2013.
Project is now estimated to be 42.3 miles long with 25.8 miles either funded for construction or completed. The total amount authorized to date is $ 805 M, with another $ 120 M in funding programmed. An additional $ 375 M would be required to allow completion of the entire loop in 10 years.

Greenville Loop: Added to the loop eligible program in 2003 as a "Multilane extension of the Greenville Loop from US 264 west of Greenville to NC-11 south of Winterville", Pitt County.
Planning for the entire project is underway with completion estimated in Spring, 2008. ROW acquisition is scheduled for 2009. No construction is currently scheduled.
The project is estimated to be 7.8 miles long, with no mileage completed to date. The total amount of funds authorized to date is $ 4.2 M, with $ 25 M in funding for ROW programmed. Completion in 10 years would require an additional $ 120 M.

Raleigh Outer Loop: Originally defined in 1989 as "Multilane facility on new location from US 1 southwest of Cary northerly to US 64 in eastern Wake County", Wake County. Description amended in 2003 to "Multilane facility on new location encircling City of Raleigh", Wake, Durham, and Johnston Counties.
The Planning Document for the Western portion of the Loop, NC 55 north to NC 55 South, has been recently revised by the NCTA. Planning for the Southern and eastern portion of the loop is just beginning.
Project is now estimated to be 70.8 miles long with 31.1 miles either funded for construction or completed. The total amount authorized to date is $ 758 M, with no funds currently programmed. The remaining cost is approximately $ 1.2 Billion. Completion of the Western Wake section in 10 years will require an additional $ 600 M.

Wilmington Bypass: Originally defined in 1989 as "Multilane facility on new location from US 17 northeast of Wilmington to US 17 southwest of Wilmington", New Hanover County. Description amended in 2003 to "Multilane facility on new location from US-17 northeast of Wilmington to US 421 in southern Wilmington, continuing from US 421 in southern Wilmington northeast along Independence Blvd., and extending to Martin Luther King, Jr. Parkway, and including the Blue Clay Road interchange", New Hanover County.
Planning for the extension of I-140 to US 17 South is complete. Planning for the Skyway Bridge project is underway by the NCTA with completion expected in Summer 2009 .
The entire Wilmington Loop is now estimated to be 38.6 miles long with 14.5 miles either funded for construction or completed. The total amount authorized to date is $ 262 M, with $ 207 M in funding programmed. The remaining cost is
$ 540 M. To complete I-140, the Skyway Bridge, and the Blue Clay Road interchange in 10 years would require an additional $ 490 M.

Winston-Salem Northbelt: Originally defined in 1989 as "Multilane facility on new location from I-40 west of Winston-Salem northerly to I-40 in eastern Forsyth County" Forsyth County. Description amended in 2003 to "Multilane facility on new location from I-40 west of Winston-Salem northerly to US 311/Future I-74 in eastern Forsyth County", Forsyth County.

Planning for the entire loop is complete. ROW acquisition is scheduled on segments from I-40 to US 311 on the Eastern portion in 2008 and 2009, with initial construction scheduled to begin in 2013.

Project is now estimated to be 32.6 miles long with no mileage completed to date. The total amount authorized to date is $ 93 M, with$ 252 M in funding programmed. Completion in 10 years will require an additional $ 805 M.

Trust Fund Progress

Through FY 2007

	Intrastate	% of System	Loops	% of System
1989 status				
Total system miles	3600	100%	211	100%
Miles already complete in 1989	1843	51%	0	0%
Estimated total miles to complete	1757	49%	211	100%
Estimated cost to complete	$5.33 billion		$2.11 billion	
Projected cost per mile	$3.0 million		$10.0 million	
Funds authorized as of FY 2005[a]	$5.4 billion		$2.6 billion	
FY 2005 Status including 2003 & 2004 Legislative changes				
Total miles complete as of FY 2005	2734.5	74%	114	30%
Remaining miles to complete	945.2	26%	264[b]	70%
Estimated remaining costs (does not include preliminary engineering)	$6.79 billion		$4.50 billion[c]	
Projected cost per mile	$7.2 million		$17.0 million	
Status Ending FY 2006				
Total miles complete as of FY 2006	2740.5	74%	130.7	34%
Remaining miles to complete	943.2	26%	248.3	66%
Estimated remaining costs (does not include preliminary engineering)	$7.5 billion		$4.98 billion[c]	
Projected cost per mile	$7.95 million		$20.05 million	
Status Ending FY 2007				
Total miles complete as of FY 2007	2783.1	75.6%	155.1	40.9%
Remaining miles to complete	900.6	24.4%	223.9	59.1%
Estimated remaining costs (does not include preliminary engineering)	$7.7 billion		$5.5 billion[c]	
Projected cost per mile	$8.5 million		$24.4 million	

[a] Includes preliminary engineering; represents state funds authorized as of 6/30/05 and federal funds authorized as of 9/30/05

[b] Reflects mileage adjustments since 1989

[c] Cost for Durham loop is not known and is not included in estimates of remaining costs

Sutton
11-30-07

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **December 12, 2007**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Will Austin	NC Military Foundation PO Box 2169 Raleigh 27602
Martin Click	Florida's Turnpike Enterprise
Mac Campbell	NCDOT
W. H. Pell	Office of Lt. Gov.
Charles Hodges	Capstone
John Schofield	NC Policy Watch
[illegible]	RAPE + ON
Pat Stone	TJCOG
Jim Blackburn	NC ABSN County Comms
Beau Mills	NC Metro Coalition
Marc Finlayson	Highway 17 association
Damien Graham	Triangle Transit Authority
Steve Jackson	Budget & Tax Com
Shuby Powell	Kerr Tar COG / Kerr Tar RPO
Patrick Gannon	Wilmington Star-News
[illegible]	NCACC
[illegible]	CAFF
[illegible]	Bank of America
[illegible]	NCDOA
Bart Caudle	City of Charlotte
Murphy Sullivan	Charlotte Chamber
Allison Waller	Charlotte Chamber
Dangale Washington	OSBM
L. Doug Shilton	NC National Guard
BERRY JENKINS	CAROLINAS AGC
HEATHER SCARBROUGH	UNC MPA STUDENT

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **December 12, 2007**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
WHIT WEBB	NATTB
David Allsbrook	ACPA
Jeff Mann	NCAA
DOUG GALYON	NCBOT
Rita Harris	NC State Ports Auth
GENE CONTI	PBSJ
Thomas Caves	NC Dept. of Crime Control & Public Safety
EDDIE WETHERILL	WETHERILL ENGINEERING
JOHN ALFORD	" "
Scott Saylor	N.C. Railroad Comp
Deydo Tippett	NCDOT
Susan Coward	NCDOT
Mercedes Benton	OSBM
VAN ARGABRIGHT	NCDOT
Ray McIntyre	NCDOT
Johanna Reese	DOT
Geady RANKIN	NCTA
Reid Simons	NCTA
MIKE FOSTER	NCDOT
Alan Thornburg	NCBOT
MARION CRUELL	NCBOT / NCRR Comm
Anne Sutton	NCDOT
David Wasserman	NCDOT

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **December 12, 2007**

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Simes	DENR
Lacy Love	NCDOT
Chris Hayes	Civitas
Drew Moretz	GRCC
Jennifer Willis	Wake County GMT

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **December 12, 2007**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	Shoothe RK's
Amy Schulden	McGuireWoods

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **December 12, 2007**

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Farren	SELC, 200 W Franklin St. Chapel Hill
RANDALL RICKMAN	WPTF RADIO NEWS, 3012 HIGHWDS, RAL 27604
Mike Kraftwitz	Stewart Engineering
Paula D Page	NC FB
Becki Gray	John Locke Foundation
JOHN GOODMAN	NC CHAMBER

21st Century Transportation Committee
Agenda
January 16, 2008
10:30 AM
Room 203B
Charlotte Convention Center

Welcome	Brad Wilson
Welcome to Charlotte	The Honorable Pat McCrory, Mayor, City of Charlotte
Regional Demographics	Jeff Michael, Executive Director The Urban Institute UNC Charlotte
Regional Roads Committee Report	Bob Morgan, President Charlotte Chamber Allen Tate, Chairman Regional Roads Committee
Urban Congestion/City of Charlotte	Jim Humphreys, Former Director Charlotte DOT
Charlotte Public Transportation	Keith Parker, CEO, Charlotte Area Transit
NC Railroad	Scott Saylor President NC Railroad
NCDOT Transit and Rail State Perspective	Miriam Perry Director Public Transportation
AAA	Dave Parsons President AAA Carolinas
NCDOT Transformation	Mark Foster CFO

Committee Reports

Finance	Intermodal
Intergovernmental	Prioritization

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Wednesday, January 16, 2008
10:30 AM
Charlotte Convention Center

The 21st Century Transportation Committee met on Wednesday, January 16, 2008, at 10:30 a.m., in the Charlotte Convention Center, Charlotte, North Carolina. The following members were present: Chairman Brad Wilson, and members; Senators Hoyle, and Jenkins; Representatives Cole, Carney, Coates, Frye, and McGee; Honorable Bellamy, Blackburn, Hunt, Joines, and Miller; Doctor Monroe; Ms. Szlosberg; and Misters Bowman, Plemmons, Sewell, Whichard, III, Lanny Wilson, and Stephen Zelnak, Jr.

Chairman Brad Wilson welcomed everyone to the fourth meeting of the 21st Century Transportation Committee and the first meeting outside of Raleigh. He expressed appreciation for the committee being invited to meet in the state's largest metropolitan area and the agenda that has been put together for the meeting today. He explained about the four sub-committee meetings that are meeting subsequently to the full committee and invited those interested in this subject to pay particular attention to the work of the sub-committees that will submerge and come to the full committee for consideration.

Representative Becky Carney was recognized and thanked the chairman for choosing the Charlotte-Mecklenburg region for the first out of Raleigh meeting on behalf of herself, Senator Hoyle and Charles Bowman. She introduced the Charlotte-Mecklenburg delegation members; County Commission members; City Council members and Anthony Fox, Transportation Chairman for the City and thanked them for attending the meeting today.

Chairman Wilson also thanked the Charlotte-Mecklenburg delegations for attending the meeting and for the service that they render this area and the entire area of the state every day.

Chairman Wilson introduced Mayor of Charlotte Pat McCrory to speak and thanked him for his engagement and involvement in transportation not just today but throughout his entire tenure as Mayor of Charlotte.

Mayor McCrory recognized the mayors from Asheville and Winston-Salem, Terry and Allan and expressed appreciation for being able to work with them on transportation. He also thanked the members of the committee for taking time out of their schedule to deal with this very important issue. Mayor McCrory thanked his delegation, the state's support and others for supporting the first light rail line that has opened in the State of North Carolina in the Mecklenburg County.area They are having a problem with the overflow ridership He invited the committee to ride the light rail today. Mayor McCrory said the goal in Charlotte and this entire region is to prepare for the next 25 years. He

recommended to the committee that a vision and a goal should be put in place for the next 50 to 100 years. He gave recommendations and goals for this to be able to happen. (Attachment I)

Jeff Michael, Executive Director of The Urban Institute UNC Charlotte was introduced to speak next on Regional Demographics. He gave an overview from the advantage point of researchers at UNC Charlotte about what is happening in this region demographically and in terms of growth. He showed images about basic population statistics and math images to demonstrate what is happening in this region spaciously. This information comes from a recently released report from the UNC Charlotte Urban Institute called the Charlotte Regional Indicators Project. (Attachment 2)

Bob Morgan, President of the Charlotte Chamber of Commerce and Allen Tate, Chairman Regional Roads Committee were introduced to speak next. Allen Tate spoke first and said he is representing the Charlotte Chamber of Commerce and two chamber sponsored committees they are involved with. The first was the big BCRT which was originated in the 1990's and was very active in determining which regional roads were important. Last year this committee was rejuvenated and the name of the committee was changed to Regional Roads Committee. The President and the Chief Executive Officer of the Chambers of Commerce in the 13 counties surrounding Mecklenburg County meet usually 4 times a year. Their major purpose is to educate the members on the importance of roads and how they all fit together on a regional basis. He pointed out the results of this committees' work. Mr. Tate said they are looking for ways to pay for roads and mentioned toll roads as being a solution to some of their needs and are working with the Turnpike Authority on this. He thanked the committee for the time and energy they are giving to try to bring a solution to the problems of transportation in North Carolina.

Bob Morgan welcomed the committee to Charlotte and continued talking about the Regional Roads Committee and the work they are doing and what they are dealing with. He talked about population growth, gas tax revenues, their support for the Turnpike Authority, increase in construction costs and other areas where funds are needed to complete loops. Mr. Morgan pointed out that Charlotte remains the largest metropolitan area in the United States without a completed outer belt loop. About 70% or more of the loop is completed with another lane scheduled to open from NC 16 to highway 115 later this year or early next year. The final lane which would connect from NC 115 over by 77 to I-85 now projected to begin construction has been moved out to the year 2015. He said the Charlotte region is one of the largest economic regions of the State of North Carolina. With the county population growth they know is coming they are either going to succeed at moving people and products in and through this region or look like Atlanta. Atlanta was competitive 5 year ago now they are not because they are not handling the congestion that has resulted from their population growth due to not building infrastructure to move people and products in and through that region. Mr. Morgan said Charlotte-Mecklenburg needs the committee's help and thanked the committee for their attention to all the information submitted during the meeting today. (Attachment 3)

Jim Humphreys, Former Director of Charlotte DOT spoke next. He retired from DOT in late December and has committed to continue working with the city on this and other subjects. He talked about urban congestion/City of Charlotte and said he hoped he could help the city and this committee as the work is being done on this very important subject. He presented a video on Moving Economic Prosperity over a twenty year period of time. He told the committee that Charlotte is at the center of a regional issue of growth and that growth is increasing the congestion. He said in Charlotte if something is not done to increase funding for roads 69% of all of their thorough-fares will be operating at a severe level of congestion. Mr. Humphreys continued to talk about growth patterns, funding, revenue options, roadway maintenance, goals and other transportation issues. (Attachment 4)

Keith Parker, CEO of Charlotte Area Transit spoke next on the Charlotte Public Transportation. He pointed out from the video that was shown the centers and corridors vision that was adopted by the Charlotte City Council about 14 or 15 years ago. This has served as the frame work for the entire transit land use scenario that they see in the Charlotte area. He explained the design, focus and background. He talked about the transit system in Charlotte and the 2030 Corridor System plan. (Attachment 5)

Scott Saylor, President North Carolina Railroad was the next presenter. He said what he hopes to do is give the committee some ideas about how investing in this asset may help solve some of the issues they are facing. He pointed out that just a few week ago congress increased vehicle fuel economy standards for the first time in 32 years. Just a few weeks ago Charlotte residents voted to keep their mass transit ties and the Association of American Railroads announced their second best year ever for freight. He said people have started to think differently about transportation, investment, jobs, economic development and there is no single solution. Mr. Saylor talked about how investing in rail can make a significant difference particularly in an asset that is already owned. He talked about the rail system goals for products and people. He gave the history of the railroad from 1850. The state makes no appropriation to the North Carolina railroad. They earn about 90% of their revenues from the freight operations at Norfolk-Southern that pays in the form of rent. They have about 70 freight trains a day on the line that is about a million and one half rail cars annually and in addition 8 Amtrak trains. He pointed out the businesses that use the railroads and they rely on freight services as part of their transportation system. He said 24% of the state's economy is touched by the freight railroad. It saves the customers on the line about two hundred million dollars a year in direct transportation cost compared with trucking. Mr. Saylor talked about the railroad goals in future planning to be faster, safer, and better. He talked about the commuter rail study and said the following universities will be touched: UNC Chapel Hill, NC State, A&T, Duke, Elon, NC Central, UNC Greensboro, and Shaw. They will all be in walking distance of those lines and that will connect a huge number of people; students, and employees. Mr. Saylor said they think they have some very straight forward and efficient plans that can help the committee address the transportation needs in the future. (Attachment 6)

Miriam Perry, Director of the Public Transportation Division for NC DOT spoke next on North Carolina Department of Transportation Transit and Rail State Perspective. Ms Perry presented overviews of the transit mode that includes the Ferry Division, Bicycle and Pedestrian, Aviation, Public Transportation and Rail System. She spoke about funding impacts and hurdles that all these divisions are confronted with. Ms. Perry pointed out that the work mode choice for North Carolina compared to what is happening nationally, is that North Carolina is slightly above the average for single occupant vehicle. Rides are not being shared, people are not taking a bus or walking. There are a fair number of individuals in the state who telecommute. She also pointed out in the national perspective as it relates to the change among various modes that the number of rail cars has actually decreased, but the number of transit vehicles has increased since about 1975. Aviation has a steady increase in its capacity and continues to be the preferred model choice. North Carolina's Ferry system is the second largest in the country, second to the State of Washington. It is primarily used by tourist although it is used by commuters who have to get to work as well as children who have to get to school. North Carolina's "Bicycling Highways" system was the first in the nation and bicycling is becoming more popular with about 1/3 of North Carolinians actively bicycling. Ms. Perry explained the funding, expenditures, future needs, and infrastructure needs for each of the transit modes. (Attachment 7)

Tom Crosby, Vice-President in Communications with AAA Carolinas spoke next and said they have more than one million seven hundred thousand members in North and South Carolina with one million members in North Carolina. He said they have had as a part of their mission to improve safety as well as enhance mobility for the state's highway and bridge infrastructure in our state. He continued to tell the committee how "AAA" has worked in this capacity suggesting that bridges that carry the most people with the worst grading should be given the highest priority for renovation. He said our state's grading for bridges and highways is the worst of any of our border states. Mr. Crosby said "AAA" supports user taxes when the money collected goes to support the service used and gave suggestions as to how to do this. He said "AAA" Carolinas fully supports the efforts of this committee to correct this problem. (Attachments 8)

The presentations on the agenda for today were finished except for Mr. Mark Foster with CFO and he will present at the Wilmington Meeting in February. Chairman Wilson said the committee members will continue with a working lunch at this time to hear reports from the four sub-committee chairs.

The meeting continued and heard reports from the sub-committee chairs:

The Honorable Sam Hunt	-	Intermodal Committee
Senator Clark Jenkins -	-	Prioritization
Mr. Jordan Whichard, III -	-	Intergovernmental
Mr. Stephen Zelnak, Jr. -	-	Finance

Chairman Wilson said the next full 21st Century Transportation Committee meeting will be in Wilmington. He said for next two meetings the agenda will be less and less sitting

and listening and more focusing on the committee reports. He said the burden is going to shift from the committee listening to the committee engaging in these issues and conversations and reacting too, and ultimately adopting recommendations in time for the short session of the General Assembly.

Chairman Wilson asked Mr. Lanny Wilson to share with the committee some information about the up coming visit to Wilmington

Mr. Lanny Wilson said the meeting will be in Wilmington on February 20th and 21st. On February 20th the full committee meeting will begin at 2:30 p.m. at the North Carolina State Ports Authority, and there will be a tour of the port and a presentation. From 5:00 p.m. until 6:00 p.m.that afternoon there will be meetings with the various subcommittee chairs. There will be a reception that evening for the members of the committee and staff. The next day, February 21st, the full committee meeting will be at the University of North Carolina, Wilmington. There will be a full agenda planned.

The meeting adjourned and the committee members and staff were invited to ride the Light Rail Transit in Charlotte.

Brad Wilson, Chairman

Sarah Murphy, Committee Clerk

Charlotte.com

Wednesday, Jan 16, 2008

Posted on Wed, Jan. 16, 2008

A transportation plan to move N.C. into the future

MAYOR PAT MCCRORY

The state-appointed 21st Century Transportation Committee is meeting today in Charlotte to discuss new transportation strategies.

I hope the committee will focus on the importance of mobility in promoting economic development throughout our state. This approach takes away the rural vs. urban, East vs. West or any other oversimplified way of allocating scarce resources. We must focus on what yields the greatest return for our state, helps prepare our infrastructure for the future, and protects our environment.

Mayors across the state have expressed concerns and have offered alternatives to state leaders about the policies, strategies and politics of transportation decisions in North Carolina. Clearly, the current funding formula for roads is not adequately structured to meet the state's transportation needs.

The Equity Funding Formula was created in 1989 and outlined road funding for each area of the state. The Equity Formula was legislatively undone two years ago by adding new roads to the equation, but not additional funding. Most importantly, the Equity Formula has never been equitable. For example:

- Congestion, safety and the environment are not factors in the Equity Formula. We must make transportation decisions based upon where the most people and cars are.
- No region's equity funding can possibly pay for constructing major interstates and large bridge replacements, which primarily serve drivers outside the region.
- Millions of dollars from the State Highway Trust Fund are diverted to non-transportation programs.
- Many regions suffer from inadequate maintenance funding for lights, litter removal, road repaving and bridge replacement.

Further, there must be total reform of the Department of Transportation to address the growth demands and transportation patterns of the state's major regions. Changes should include these actions:

- Overhaul the Board of Transportation to select members based on transportation and management knowledge, not political donations and connections.
- Revise or reduce the NCDOT road division boundaries to better encompass regional growth centers.
- Place NCDOT officials close to their primary customers. (The closest office to Charlotte is in Albemarle.)

Simply put, take politics out of road building and funding.

Look for new solutions

In addition to funding and organizational issues, we need to inject innovation and alternatives into our transportation strategies. Some new ideas I offer include:• Convert interstate shoulders into additional lanes during peak travel times.

- Expand reversible lanes to maximize one-way lane capacity.
- Establish public-private road-building partnerships.
- Expedite toll roads in select areas, especially near the state's borders.
- Explore HOT (High Occupancy Toll) lanes.
- Partner with regions that provide mass transit alternatives to road congestion.
- Expand high-speed intrastate rail that connects the coast to the mountains.

These alternatives will not only help stretch limited public dollars, but also develop a transportation program that meets our growing needs, including roads, transit, bikeways and so much more.

Look ahead 100 years

It has been 80-plus years since North Carolina first earned the distinction of being the "Good Roads State" when the emphasis was on paving farm-to-market roads.

Just as that strategy served us well back then, we need a new transportation strategy that will truly move North Carolina into the 21st century.

This new strategy must start with a 50- to 100-year vision for transportation.

We can't continue the same old formula for addressing the ever-changing and growing mobility needs of the present and future.

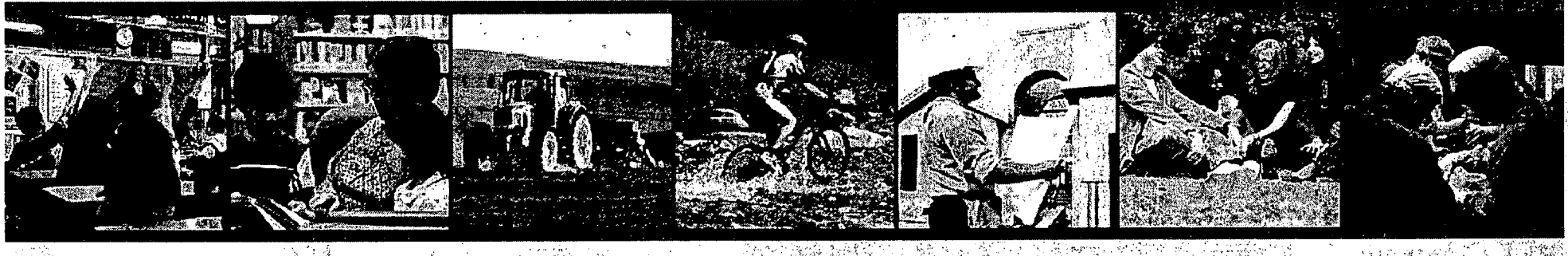
We need new ideas and methods for eliminating roadway congestion, protecting the environment and creating the mobility necessary to support economic growth throughout North Carolina.

21st Century Transportation Commission

Overview of Regional Growth

Jeff Michael, Director
UNC Charlotte Urban Institute

January 16, 2008

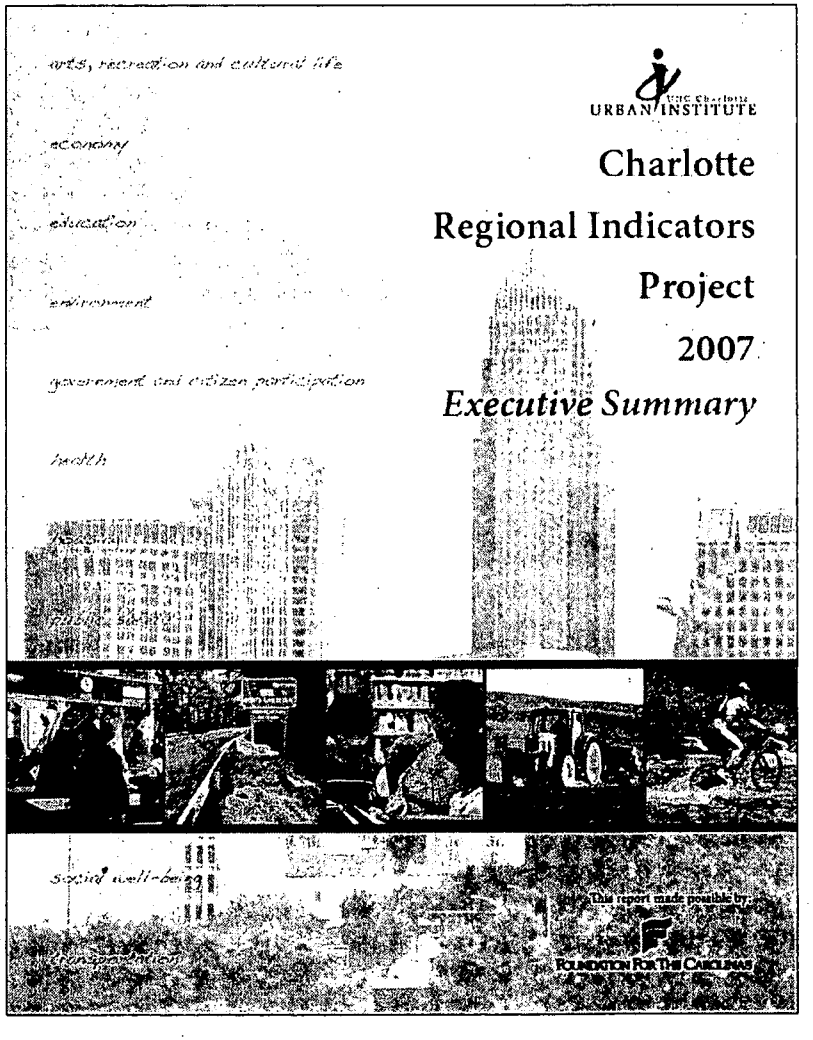


UNC Charlotte URBAN INSTITUTE

UNC CHARLOTTE

UNC Charlotte URBAN INSTITUTE

Charlotte Regional Indicators Project

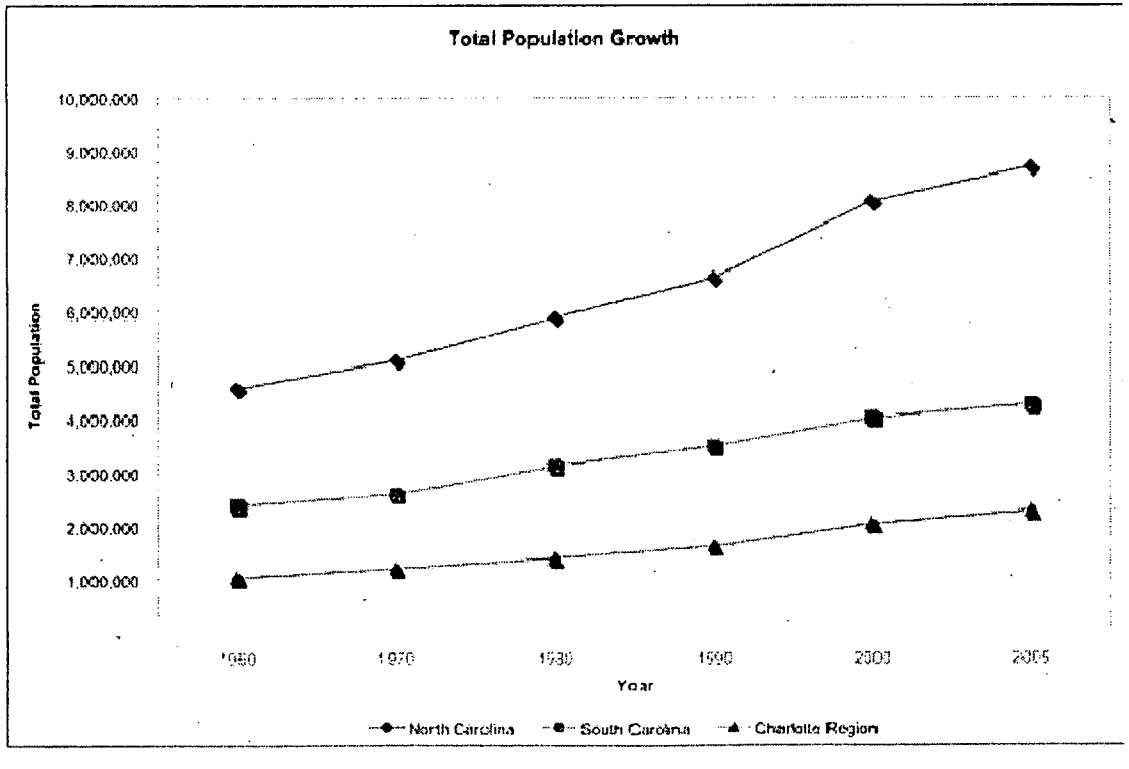


- Based on indicators of success for the 14 county Charlotte Region
- 10 Theme Areas
- 54 Indicators

URBAN INSTITUTE UNC Charlotte

Demographics: Total Population Growth

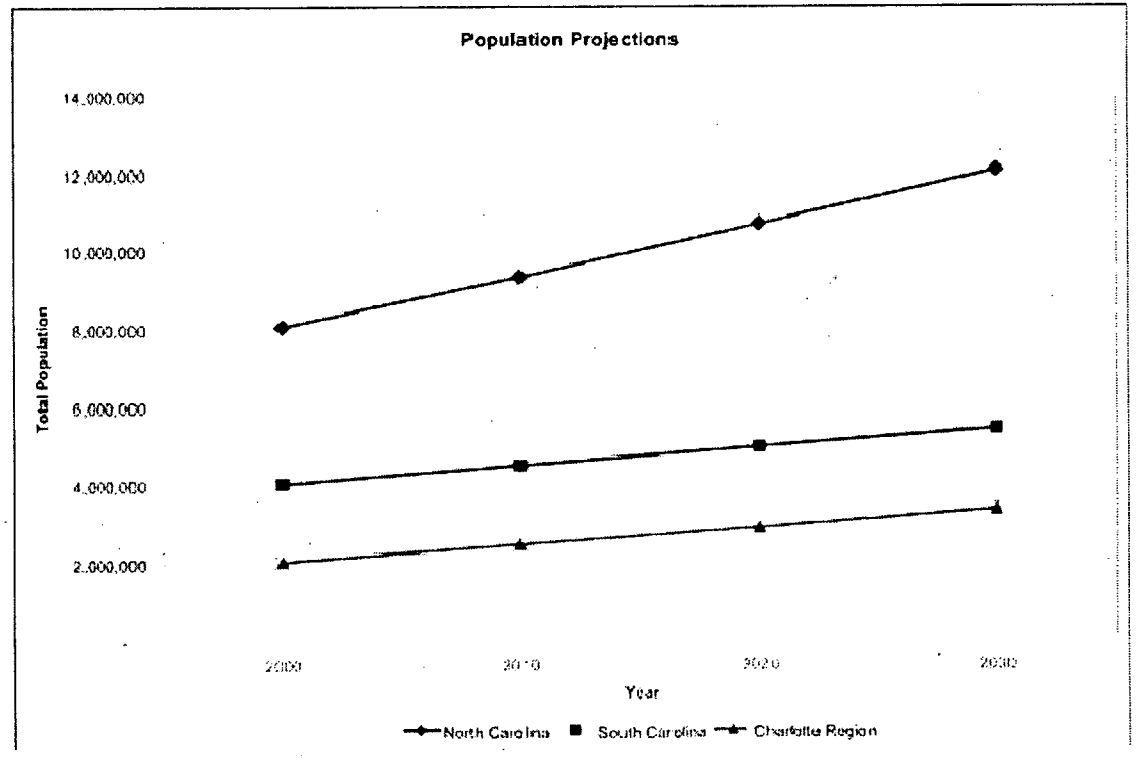
- The 14 county Charlotte Region is home to 2.2 million people
- Migration accounted for 68% of growth from 2000 to 2005 (compared to growth by birth rates)
- The Region added 400,000 people in the 1990s



UNC Charlotte URBAN INSTITUTE

Demographics: Population Projections

- The Region is expected to add 400,000 people from 2000 to 2010 (the Region experienced an increase of 200,000 from 2000 to 2005)
- The projected regional population for 2030 is 3.3 million people



UNC Charlotte URBAN INSTITUTE

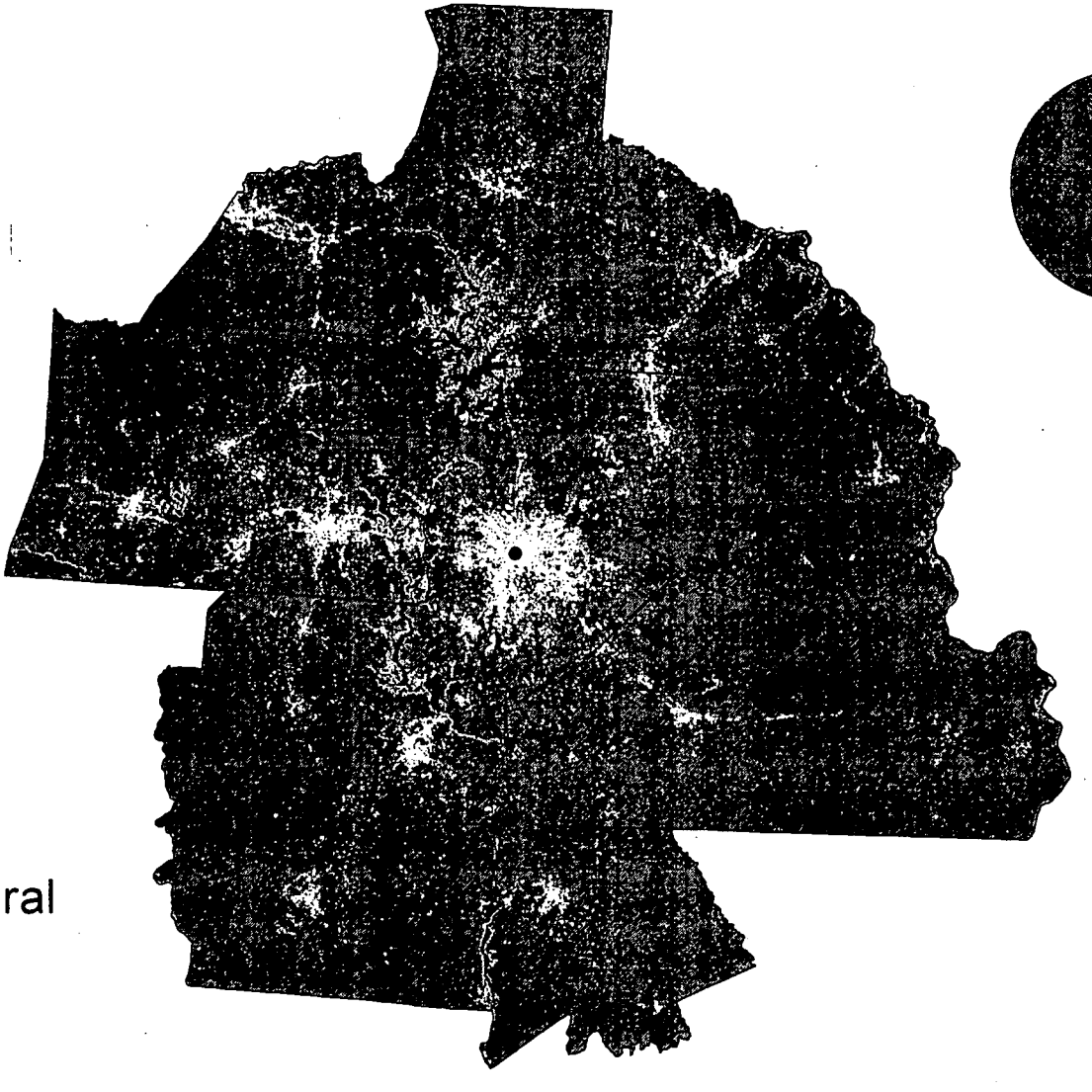
Land Conversion

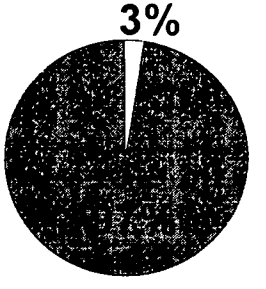
- Conversion of undeveloped land to development
- 1976, 1985, 1996, and 2006 satellite imagery
- Project funding from the Open Space Protection Collaborative (OSPC)
- Results:
  - 3% developed—1976
  - 23% developed—2006

UNC Charlotte URBAN INSTITUTE

Land Conversion

1976



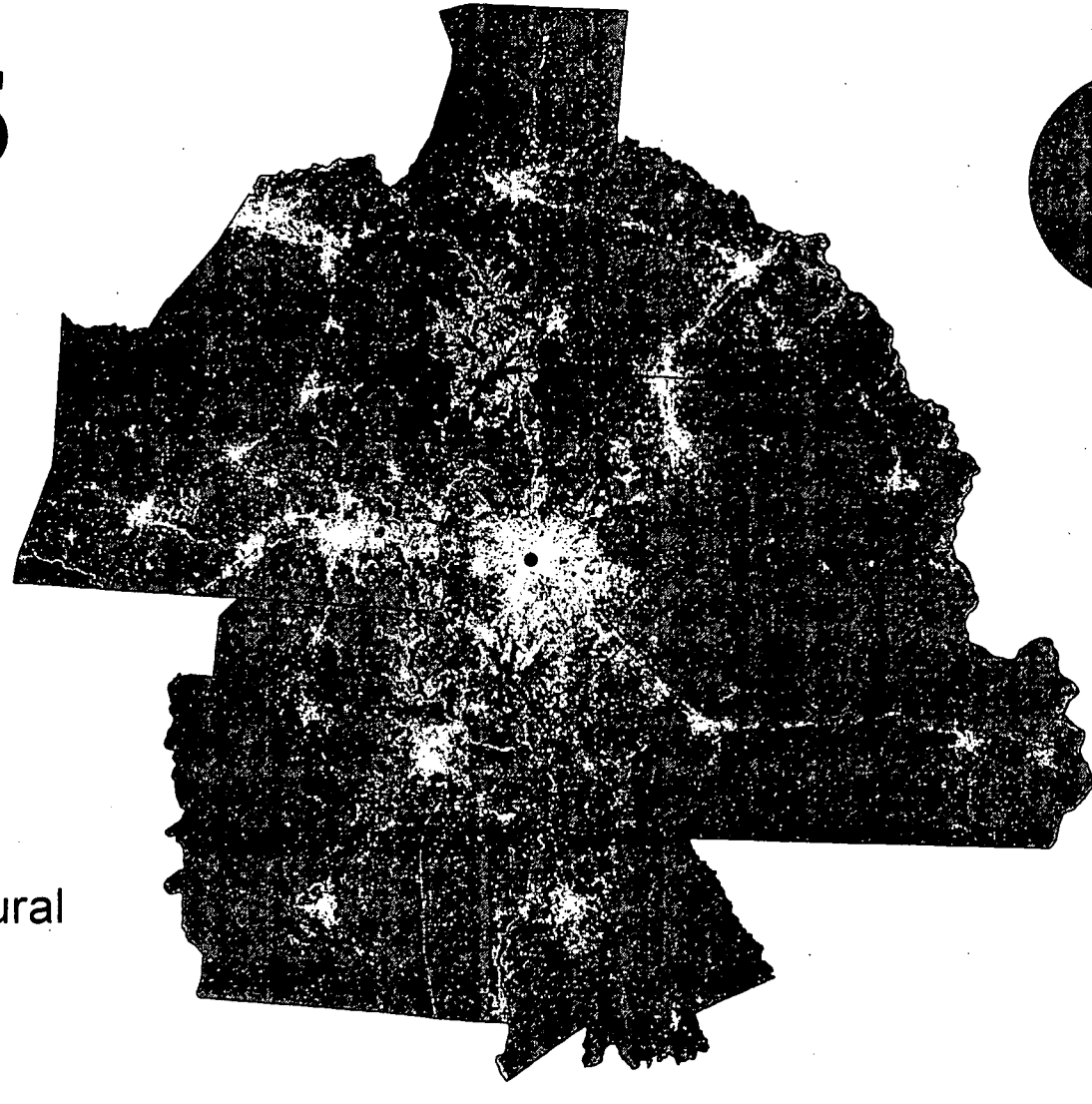


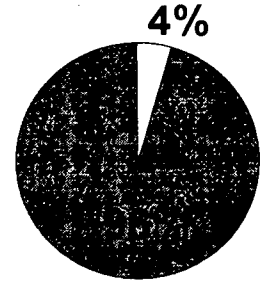
- Charlotte
- Developed
- Natural/ Rural
- Protected
- Water

UNC Charlotte URBAN INSTITUTE

Land Conversion

1985



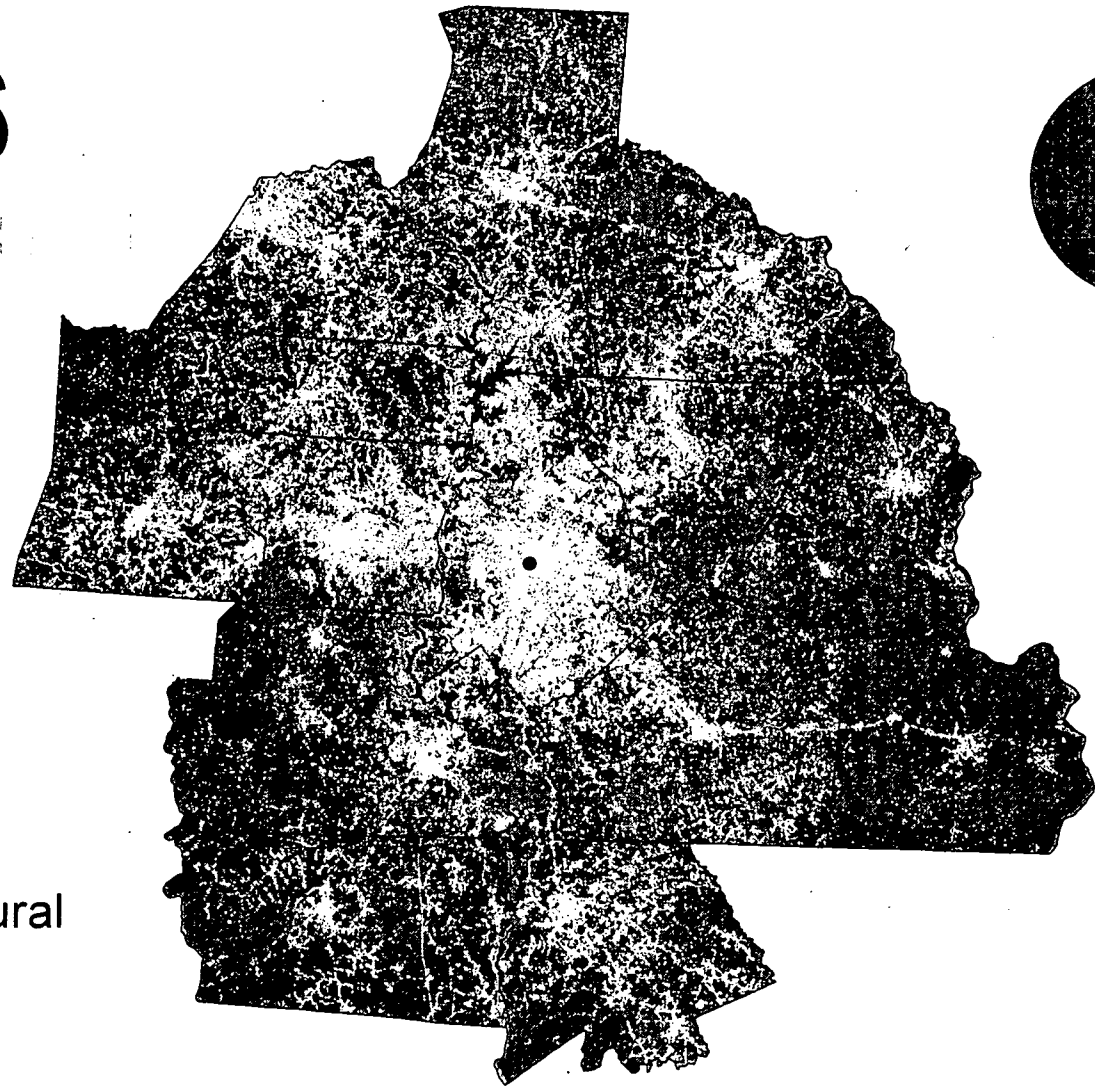


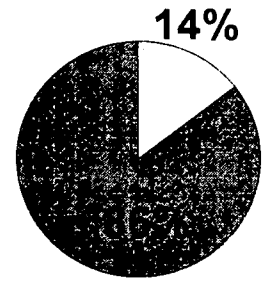
- Charlotte
- Developed
- Natural/ Rural
- Protected
- Water

UNC Charlotte URBAN INSTITUTE

Land Conversion

1996



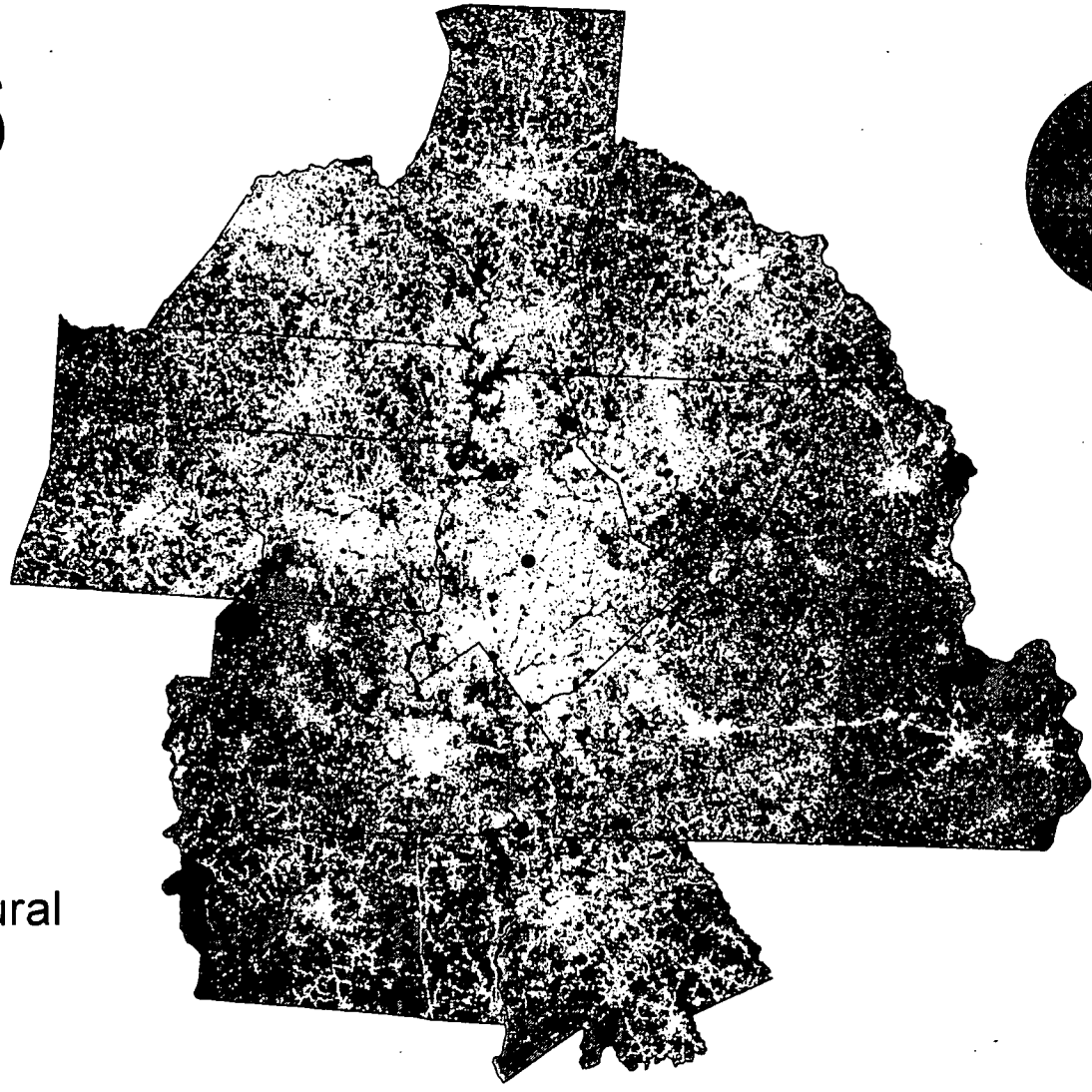


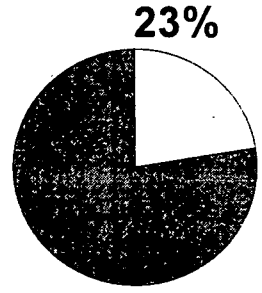
- Charlotte
- Developed
- Natural/ Rural
- Protected
- Water

UNC Charlotte URBAN INSTITUTE

Land Conversion

2006



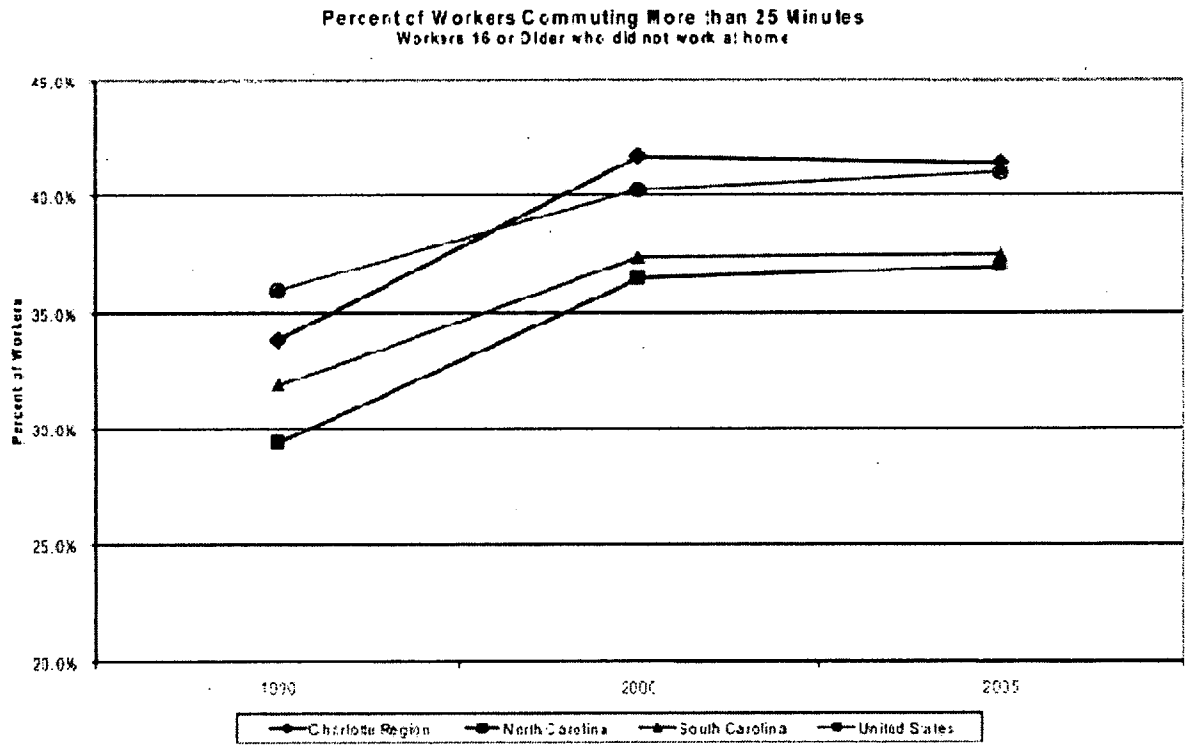


- Charlotte
- Developed
- Natural/ Rural
- Protected
- Water

UNC Charlotte URBAN INSTITUTE

Transportation: Commuting Time

- In 2005, 41.5% of workers traveled more than 25 minutes to their jobs, up from 33.9% in 1990*

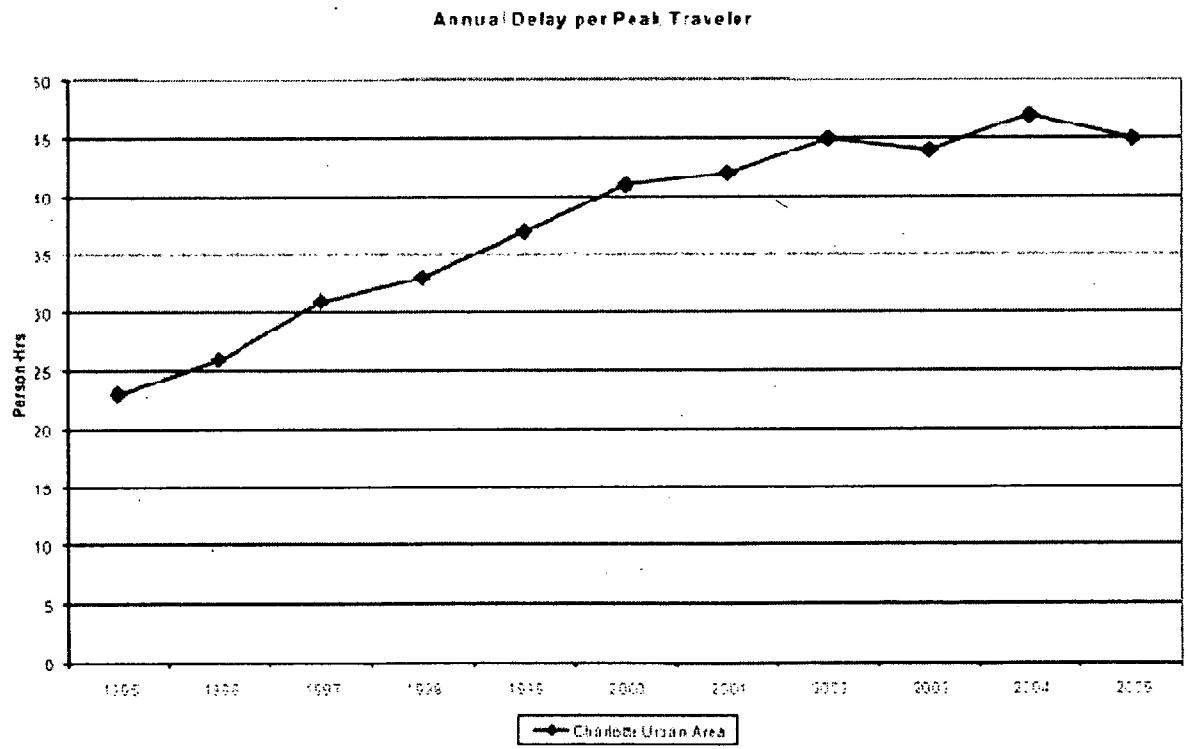


*10 county region – no data for Anson, Chester, Lancaster and Stanly counties

UNC Charlotte URBAN INSTITUTE

Transportation: Average Annual Delay Per Traveler

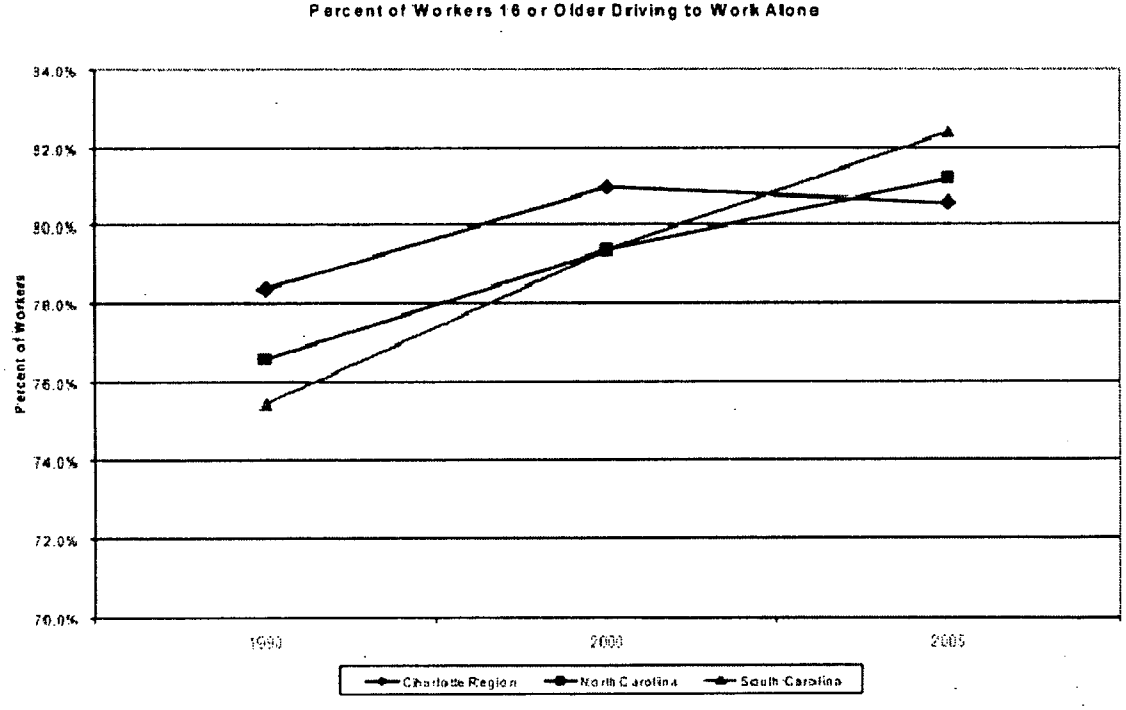
- The average peak traveler was delayed 45 hours in 2006
- Average annual delay per traveler in the Charlotte Urban Area nearly doubled from 1995 to 2005



UNC Charlotte URBAN INSTITUTE

Transportation: Commuting Alone

- In 2005, 80.5% of workers in the 10 county region commuted alone*

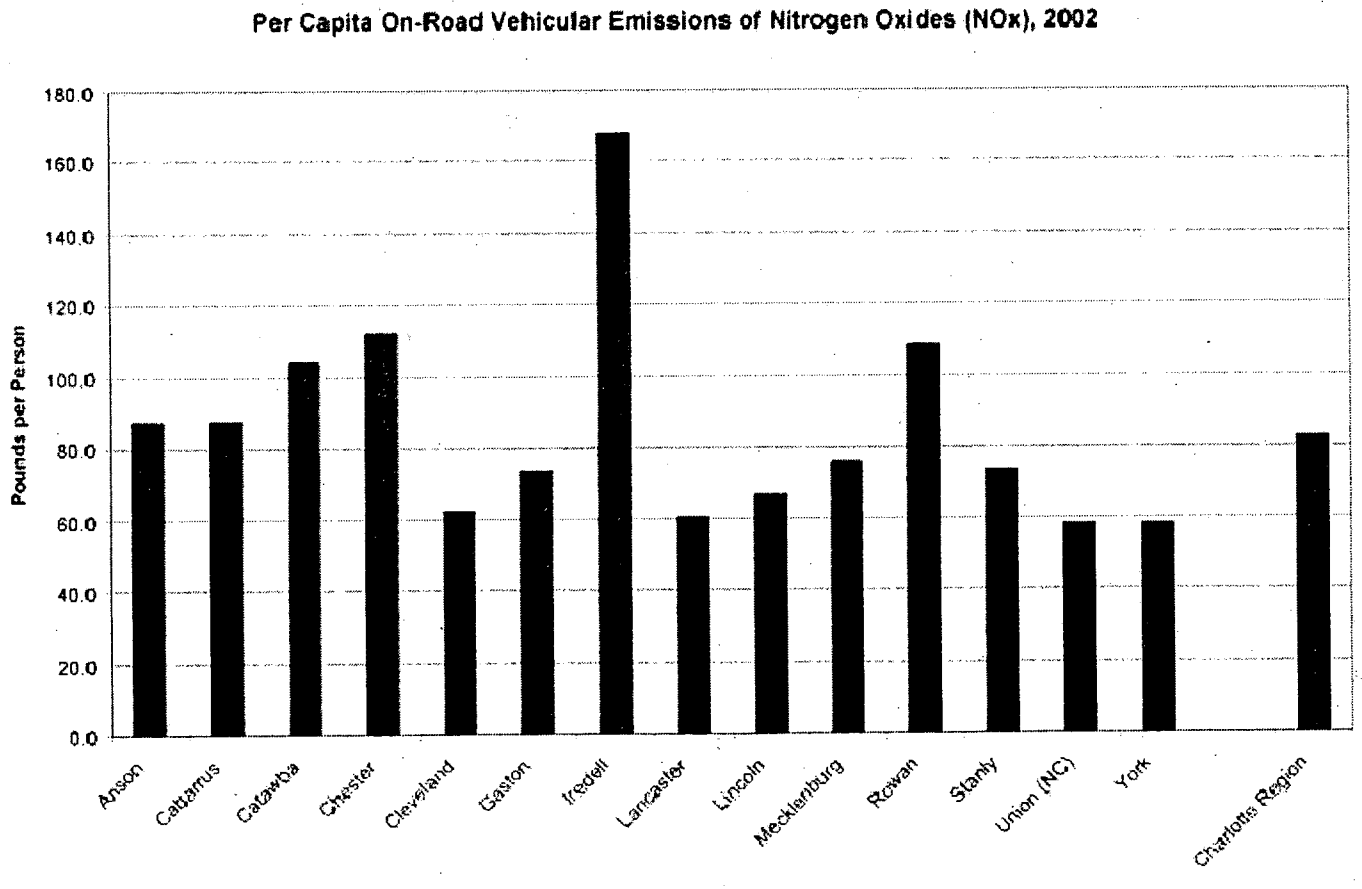


*No data for Anson, Chester, Lancaster and Stanly counties

URBAN INSTITUTE UNC Charlotte

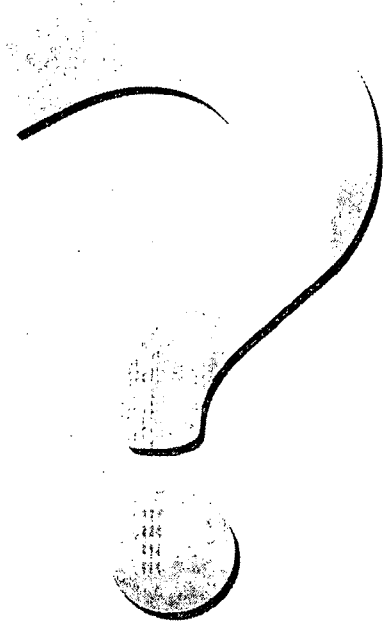
Environment: Vehicular Emissions

- Nitrogen oxides (NOx) contribute to the production of ground-level ozone
- For 2000, vehicles in the region produced 82.8 lbs of NOx per person



UNC Charlotte
URBAN INSTITUTE

Questions?



21st Century Transportation Commission

Overview of Regional Growth

Jeff Michael, Director
UNC Charlotte Urban Institute

January 16, 2008



UNC Charlotte URBAN INSTITUTE

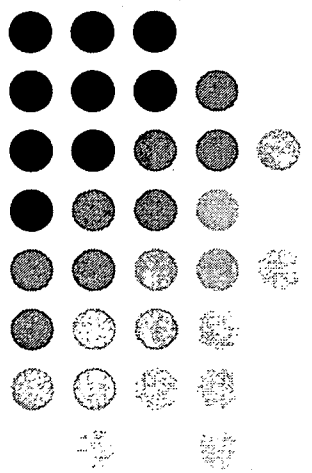
UNCCHARLOTTE

2007 Regional Roads Transportation Infrastructure Inventory

Prepared for: 21st Century Study Committee

Prepared by: Bob Morgan

January 16, 2008

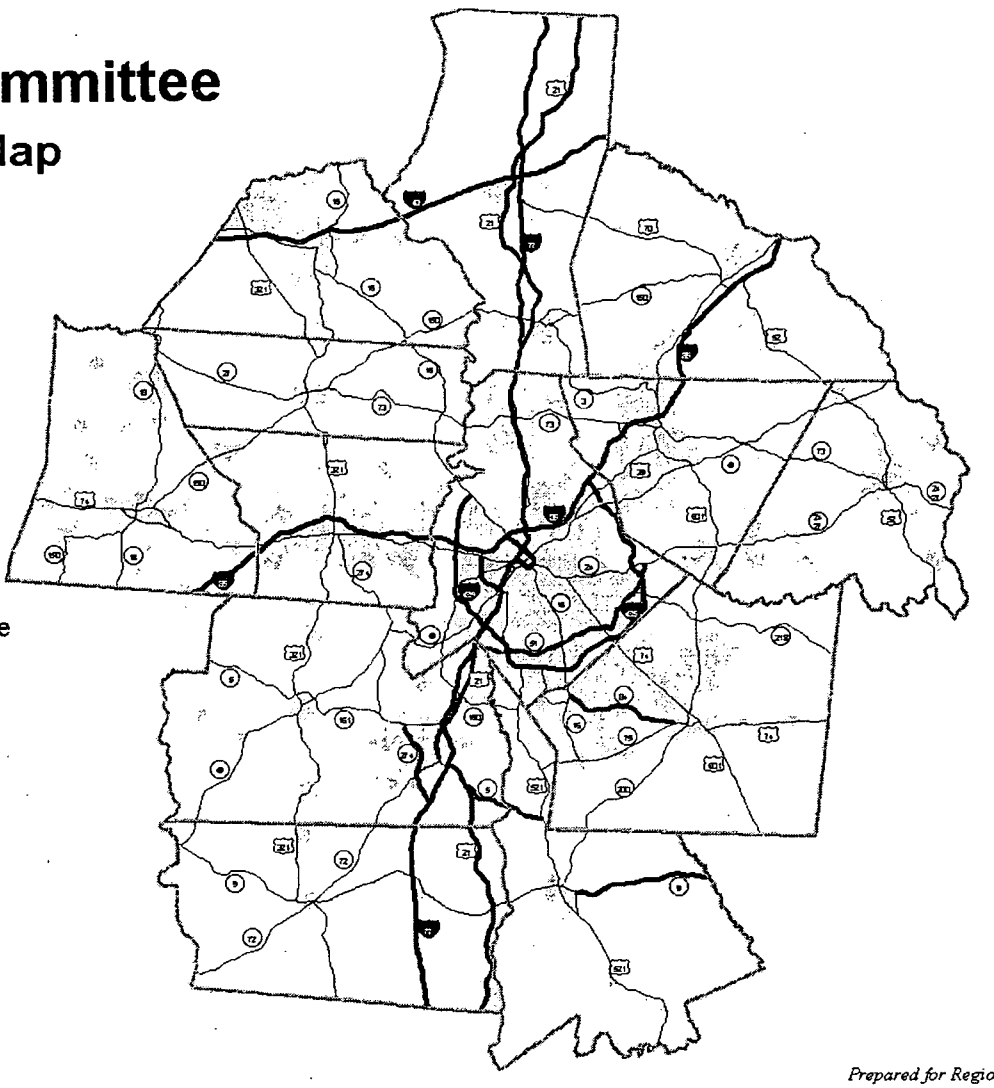


Regional Roads Committee

Cabarrus • Catawba • Chester • Cleveland • Gaston • Iredell • Lancaster • Lincoln • Mecklenburg • Rowan • Stanly • Union • York

Regional Roads Committee

2007 Regional Road Map



Interstate

Other Roads of Regional Significance

2007 Additional Regional Roads

Municipality

County Boundary

0 5 10 20 Miles

N

W E

S

Centralina Council of Governments

Financial assistance provided by Advantage Carolina

Prepared for Regional Roads Committee, April 2007

Process

1. Developed Regional RoadsTransportation Infrastructure Inventory in 2000
   - Identified and contact agencies/staff to peer review
   - Identified roads of regional significance
   - Identified capacity projects for the roads
   - Compiled data on transit plans, operations, and activities in region
2. Updated Regional RoadsTransportation Infrastructure Inventory in 2007
   - All of the above
   - Reviewed and updated roads
   - Assessed 2000 Inventory

2000 Regional Roads Transportation Infrastructure Inventory for North Carolina (10 counties)

- 41 projects
- $3.8 billion total cost
- $2.9 billion needed to complete
- $1.5 billion unfunded

2007 Regional Roads Transportation Infrastructure Inventory for North Carolina (10 counties)

- 9 completed projects
- 12 unfunded projects
- 20 projects underway
- $5.6 billion total cost
- $4.1 billion still needed to complete
- $2.3 billion unfunded
- $0.8 billion in toll funding
- $1.0 billion in TIP funding

2007 Regional Roads Transportation Infrastructure Inventory for South Carolina (3 counties)

2000 Status

- 13 Projects
- $300 million total cost
- All funded

2007 Status

- 8 complete
- 3 under construction
- 2 unfunded
- $110 million unfunded

Issues Affecting Transportation

- Accelerating population growth
  - 2007 Charlotte region population: 1.6 million
  - 2030 projected population: 4.5 million
  - Union County is growing at twice the rate of the 1990s
  - York County added 40,000 people in six years
- Flat gas tax revenues
- Advent of Toll Road Authority in NC
- Congestion is modifying behavior
- Sharp increases in road building costs

Costs Have Increased and Funds Have Decreased

- NC Construction Cost Index increased 43%
- Funds for regional projects in NC-RRC Region decreased 11%

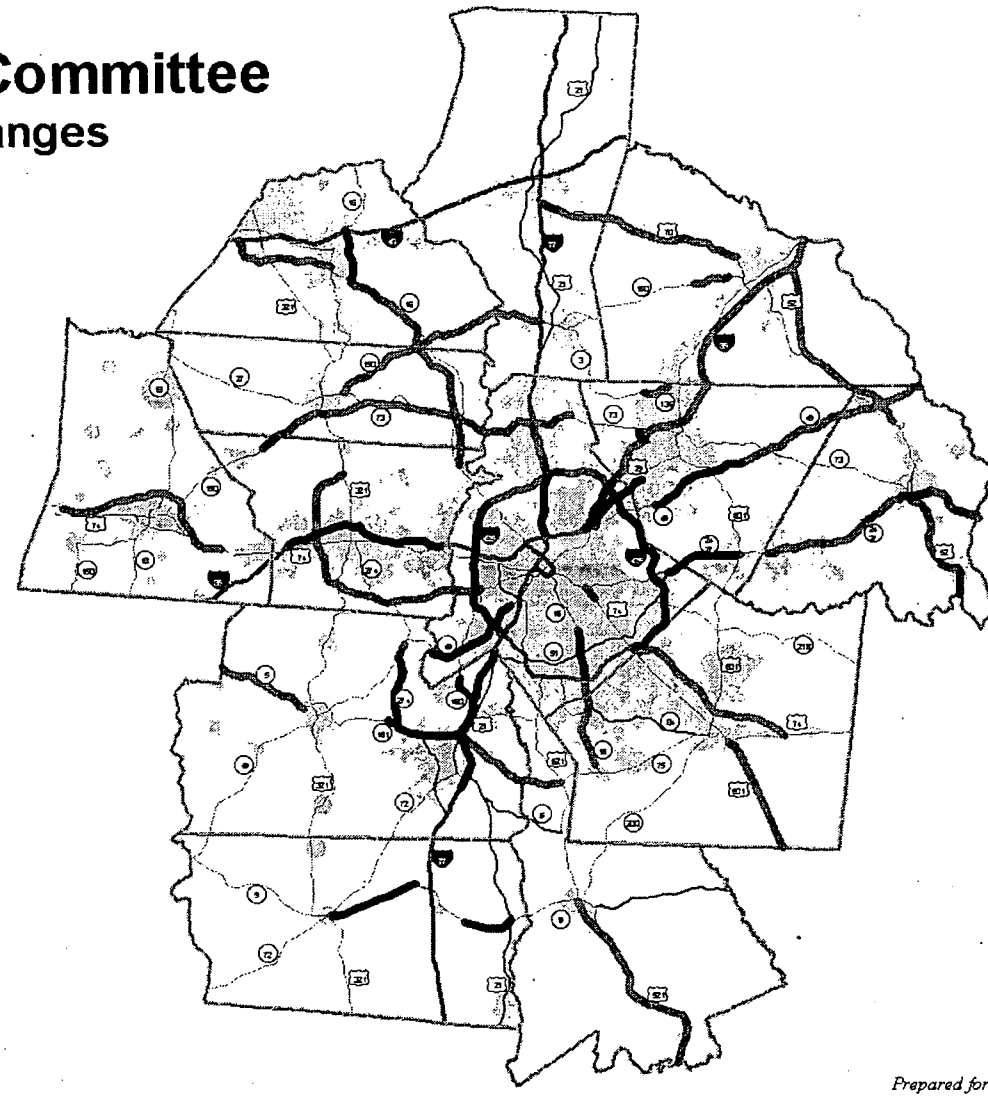
Year	2000	2006
Construction Cost Index	100	143
Regional Road Funding in Current NCDOT TIP	$1.57 billion	$1.40 billion

Examples of Cost Increases Between 2000-2006

- Monroe Bypass: $132 million to $183 million
- NC 16: $132 million to $146 million
- Dave Lyle Blvd: $56 million to $100 million (estimate several years old)

Regional Roads Committee

2000 - 2007 Changes



Road Projects

Completed*

2000 Needs*

Municipality

County Boundary

* Based on 2000 BCRTS report project list, MPO LRTP 2020 project lists, and latest State TIPs

0 5 10 20 Miles

N

W E

S

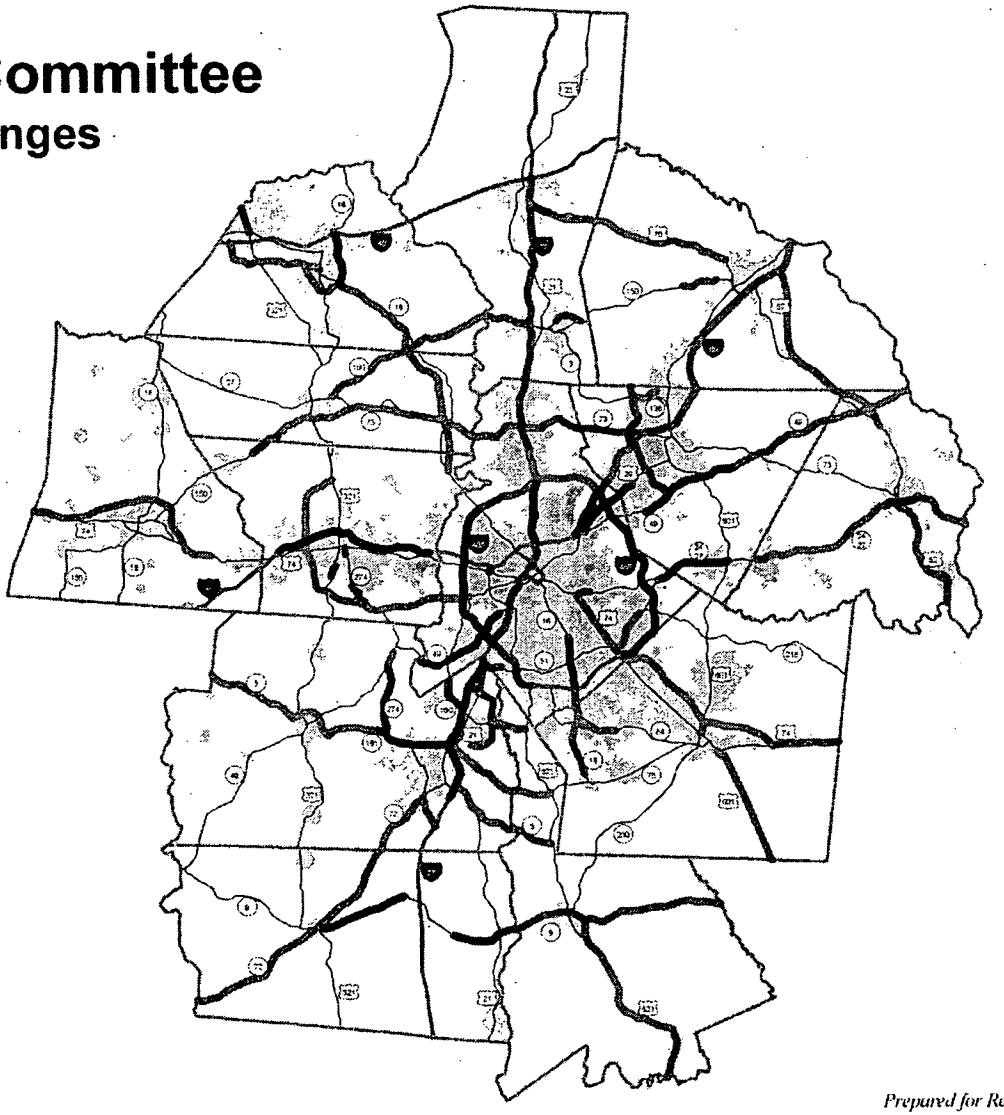
Centralina Council of Governments

Financial assistance provided by Advantage Carolina

Prepared for Regional Roads Committee, April 2007

Regional Roads Committee

2000 - 2007 Changes



Road Projects

- Completed*
- 2000 Needs*
- 2007 Needs*

- Municipality
- County Boundary

* Based on 2000 BCRTS report project list, MPO LRTP 2020 project lists, and latest State TIPs

0 5 10 20 Miles

N
W E
S

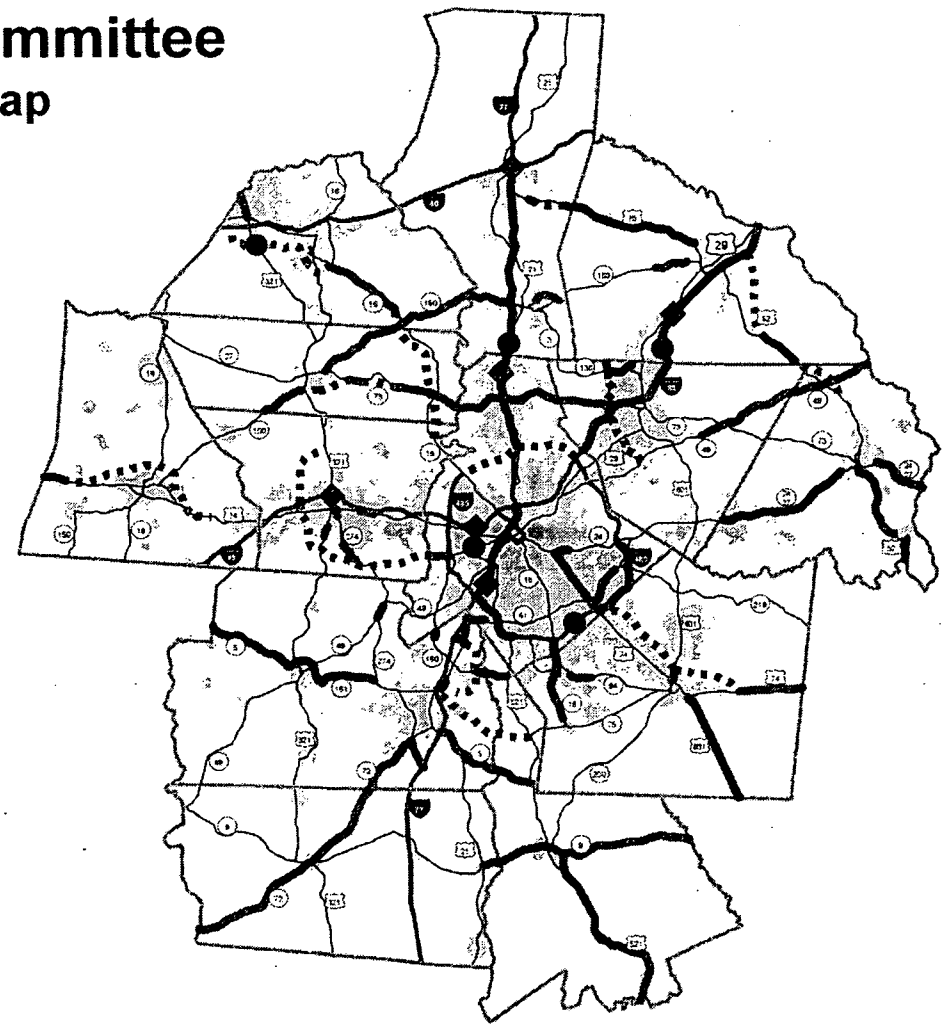
Centralina
Council of Governments

Financial assistance provided by Advantage Carolina

Prepared for Regional Roads Committee, April 2007

Regional Roads Committee

Highway Needs Map



Roadways

- Funded Improvement
- Partially Funded Improvement
- Unfunded Improvement
- Funded New Road
- Partially Funded New Road
- Unfunded New Road

Interchanges

- Partially Funded Improvement
- Unfunded Improvement
- Funded New
- Unfunded New

- Municipality
- County Boundary

0 5 10 20 Miles

N

W E

S

Centralina
Council of Governments

Financial assistance provided by Advantage Carolina

Prepared for Regional Roads Committee, April 2007

Total Regional Roads Committee Study Area Needs

2000

- 54 projects
- **$3.1 billion to complete**
- $1.6 billion funded
- **$1.5 billion unfunded**

2007

- 92 projects
- **$6.7 billion to complete**
- $2.1 billion funded (see note)
- **$4.6 billion unfunded**

Note: $1.3 billion funded through TIP and local sources. $0.8 billion funded through Toll Authority.

Presentation to 21st Century Transportation Committee

January 16, 2008

Jim Humphrey, City of Charlotte

City Council Legislative Goals

Benefit All Municipalities

- Innovative Financing for State Roads
- Remove Interstates/US Highways From Equity Formula
- Eliminate Highway Trust Fund Transfers
- Revenue Options for Local Streets

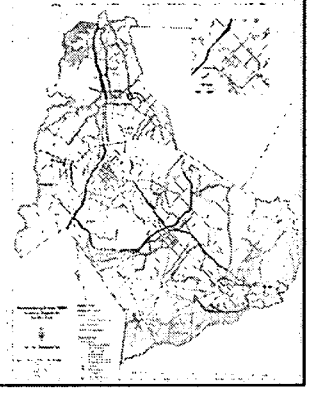
- **Innovative Financing for State Roads**

Roadway Funding Needs

2005 – 2030

Mecklenburg – Union Urban Area

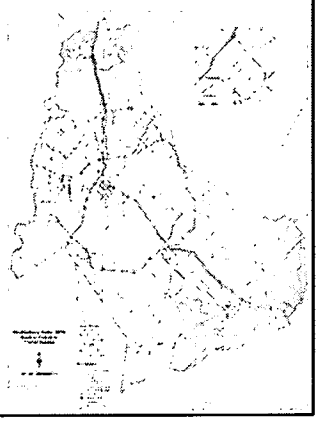
Total Needs : $6.5 Billion (not inflated)



Roadway Projects Current Funding

2005 – 2030

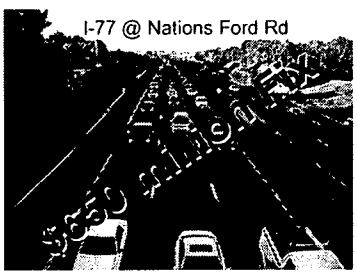
$3 Billion Unfunded



- **Remove Interstates/ US Highways from Equity Formula**

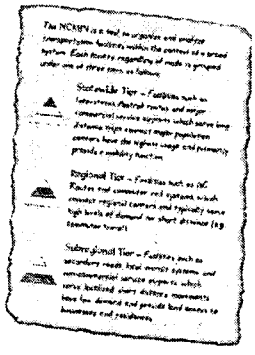
$65 million per year in Equity Funding

...will not get us there in time



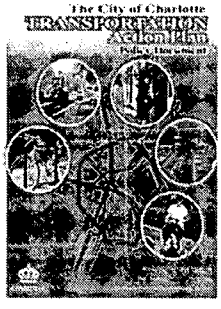
- **Eliminate Highway Trust Fund Transfers**

•Revenue Options for Local Streets



What is the Transportation Action Plan (TAP)?

- The City of Charlotte's first long-range, comprehensive multi-modal transportation plan



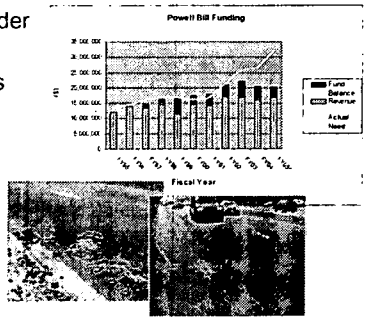
TAP Expenditures (dollars not inflated)

Motorists, Capacity, & Safety	$2.54 billion
Pedestrians	$ .54 billion
Bicycle	$ .05 billion
Centers, Corridors & Livable Neighborhoods	$ .45 billion
TOTAL	$3.57 billion

Roadway Maintenance

Protecting the Investment

- Chronically under funded
- Spiraling Costs
- Deteriorated infrastructure requires costly reconstruction
- Powell Bill Formula Outdated

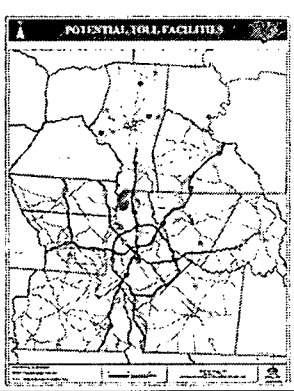


City Council Legislative Goals

Benefit Urban Regions

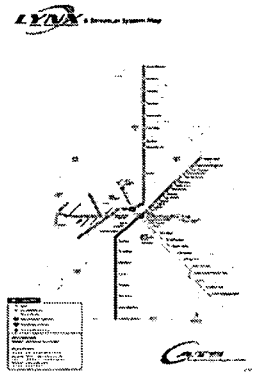
- Gap Funds and Additional Toll Facilities
- Transit Matching Funds
- Lighting, Litter Pick-up and Road Maintenance
- NCDOT Decision-Making Presence

•Gap Funds and Additional Toll Facilities



Facilities being considered for High Occupancy Vehicle/ High Occupancy Toll lanes

•Transit Matching Funds



• Lighting, Litter Pick-up and Road Maintenance Issues



Lights

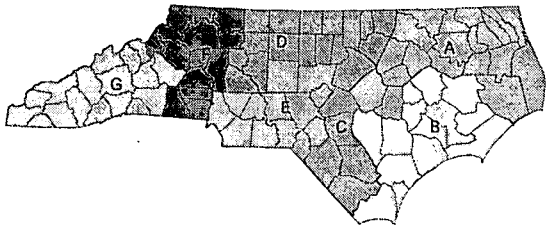
Litter





Potholes

•NCDOT Decision-Making Presence



Questions?

Jim Humphrey
Cell 704-351-5850
jhumphrey@ci.charlotte.nc.us

Boyd Cauble
Office 704-336-2009
bcauble@ci.charlotte.nc.us

Creating Sustainable Communities Through Public Transportation

21st Transportation Committee

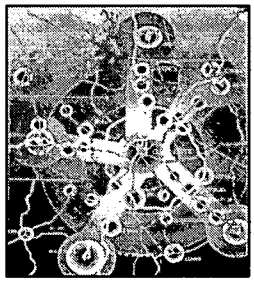
January 16, 2008

Keith T. Parker
Chief Executive Officer
Charlotte Area Transit System (CATS)

City of Charlotte

Charlotte Mecklenburg Centers & Corridors Vision

- Adopted by Council in 1994
- Long-term growth framework
- Five primary transportation and development corridors
- Goals:
  - Focus most growth in Centers & Corridors
  - Maximize use of transportation system & infrastructure
  - Encourage redevelopment & reuse of underutilized sites



City of Charlotte

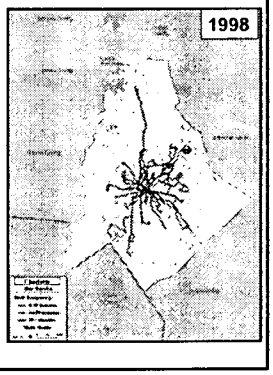
Background

1998:	2025 Integrated Transit/Land Use Plan developed Based on Centers and Corridors Vision Lead to Transit Sales Tax passage
1999:	MTC established
2000:	CATS created Light Rail LPA for South Corridor Major Investment Studies initiated in other Corridors
2002:	2025 Corridor System Plan Adopted
2000-2006:	Transit service expanded and improved
2006:	2030 Corridor System Plan Update Adopted
2007:	LYNX BLUE Line Opened

City of Charlotte

Transit System Expansion

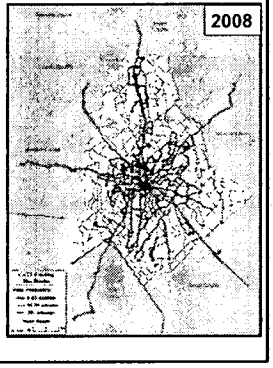
- Basically a City of Charlotte system
- Couple of express routes within Mecklenburg County
- Few neighborhood circulators
- Few customer amenities
- Limited safety/security investments



City of Charlotte

Transit System Expansion

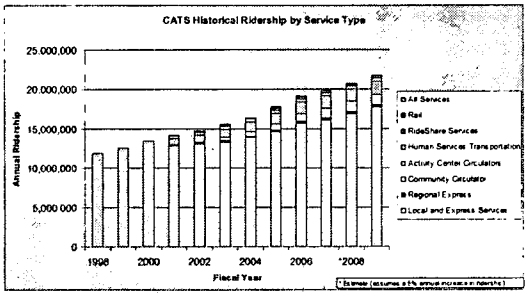
- Expanded Service Hours
- Greater Service Frequency
- More Routes
- Countywide ADA Service
- Regional Expansion
- Improved Safety and Reliability



City of Charlotte

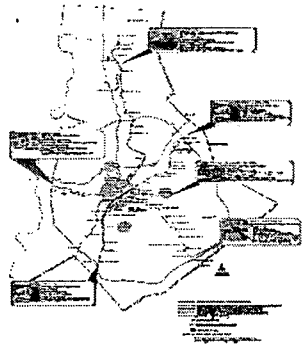
Since 1998 More and More Are Riding

Ridership up 67%



City of Charlotte

2030 Corridor System Plan



City of Charlotte

2030 Corridor System Plan

South Corridor:	9.6 mile Light Rail Line with 15 Stations
North Corridor:	25 mile Commuter Rail Line with 10 Stations
Northeast Corridor:	11 mile Light Rail Line with 14 Stations (extension of the South Corridor)
Southeast Corridor:	14 mile Bus Rapid Transit Line with 16 Stations (special provision on Light Rail)
West Corridor:	Long Term: Streetcar Line to Charlotte Douglas International Airport Short Term: Enhanced "Rapid Bus" Service along Wilkinson, West and Freedom Drive
Center City Corridor:	Streetcar Line with 34 stops replacing Bus routes 7, 9, and Gold Rush Red Line

City of Charlotte

LYNX Blue Line

- Opened November 26
  - Over 160,000 riders first week
  - Averaging over 10,000 per day
- High usage for Special/Uptown Event Trips and Lunch Trips
- Pre-selling major events (ACC, etc.)
- Transit Station Area Joint Development Principles & Policies developed
- City, County & Towns adoption of JDP
- Strong TOD development Demand



City of Charlotte

South Corridor Development 2005-2011

	Acres Rezoned for TOD	Housing Units	Affordable Housing	Commercial	Investment
Total	265	7,581	180	627,712 sq. ft.	$1.86B
Under Construction or Built	26	1,175	100	219,512 sq. ft.	$291.2M
Announced	239	6,406	80	408,200 sq. ft.	$1.569B

Development numbers do not include Center City

City of Charlotte

Taxes Generated from South Corridor Development

- Projected New Tax Revenue
  - $1.86B Total Projected Investment (2005-2011)
  - Tax Revenue: $24.1M Annually
    - City Tax Revenue: $ 8.5M Annually
    - County Tax Revenue: $15.6M Annually

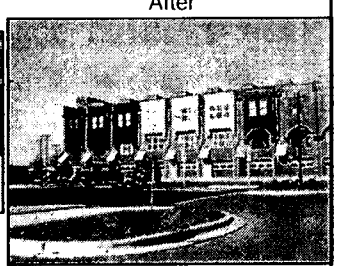
City of Charlotte

New Bern Station
3030 South

Before



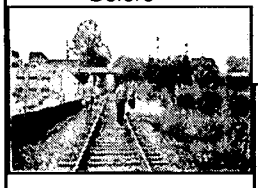
After



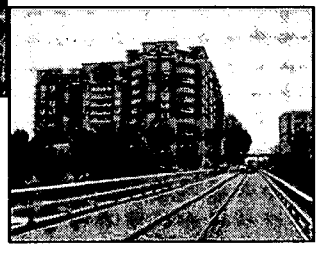
City of Charlotte

Summit Grandview

Before



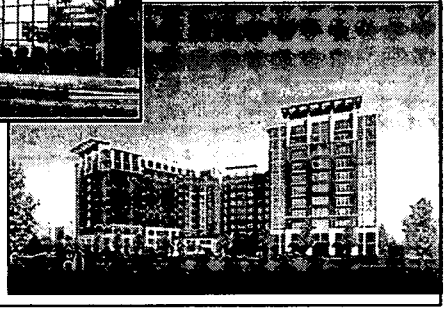
After



City of Charlotte

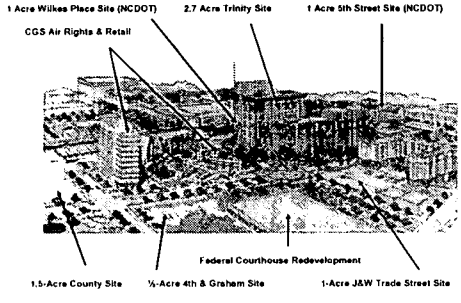
The Ashton
Under Construction East/West Station Area





City of Charlotte

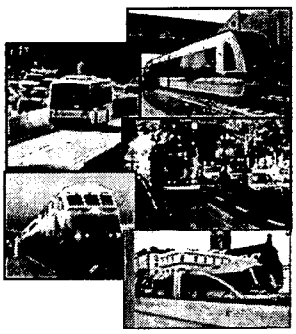
Gateway Center: A Catalyst For Development



City of Charlotte

2030 Transit Plan Characteristics

- System ridership: 52M
- Bus fleet
  - 463 buses
  - 153 paratransit vehicles
  - 3 bus garages
- Rail fleet
  - 67 rail cars (or more)*
  - 3 shops and 4 yards
- 55 rapid transit stations
- 44 streetcar stops
- 31 park and ride lots
- Total cost: $8.9B
  - Capital= $4.5B
  - Operating= $4.4B



* Assumes BRT on SE corridor. Rail fleet would increase if rail technology is ultimately selected for SE corridor

Next Steps

- **Complete next design phase of Northeast Corridor**
- **Address Funding Gap for North Corridor**
- **Advance West Corridor Enhanced bus services**
- **Continue expansion of bus services**
- **Secure necessary funding from State and FTA**
- **Maintain level of customer service on system**

Questions?

NORTH CAROLINA RAILROAD COMPANY

21st Century Transportation Committee

January 16, 2008

Railroads in the News

THE NEWS&OBSERVER

Energy bill will change how we live

NORTH CAROLINA RAILROAD COMPANY

Railroads in the News

The Charlotte Observer

Green light for transit

Voters made an emphatic statement Tuesday about how they view the future of Charlotte-Mecklenburg and its public transportation. The overwhelming majority believe an urban region needs transportation choices, and that a half-penny sales tax remains a satisfactory way to pay for them. The unofficial 70-30 margin far exceeded the 58-42 approval voters first gave the tax in 1998.

NORTH CAROLINA RAILROAD COMPANY

Railroads in the News

Association of American Railroads

U.S. Rail Freight Traffic Second-Highest in History in 2007

WASHINGTON, January 3, 2008 — Although down from 2006's record-setting levels, freight traffic on U.S. railroads was the second highest on record, the Association of American Railroads (AAR) reported today.

Full-year 2007 U.S. carloads totaled 16,952,288, down 2.5 percent (426,598 carloads) from 2006. Full-year 2007 U.S. intermodal loadings were 12,026,660 trailers and containers, down 2.1 percent (255,561 units) from 2006. Total volume for the year was estimated at 1.76 trillion ton-miles, although down 1.0 percent from last year.

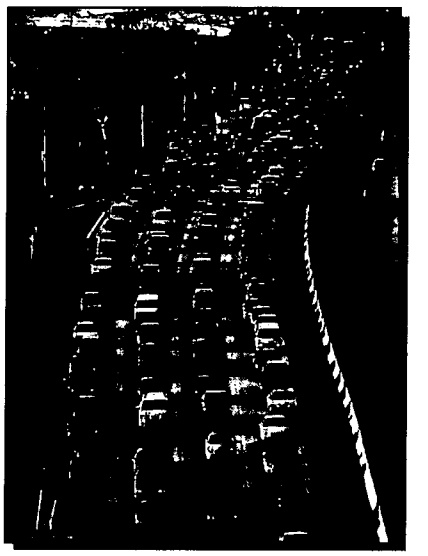
NORTH CAROLINA RAILROAD COMPANY

Change Driven by Necessity



NORTH CAROLINA RAILROAD COMPANY

Change Driven by Necessity



NORTH CAROLINA RAILROAD COMPANY

Rail Moves Products and People



VRE commuter train passing Norfolk Southern freight train in Virginia

NORTH CAROLINA RAILROAD COMPANY

2020 North Carolina Railroad

- Double tracking increased by 50%
- 12 more daily freight trains to intermodal facility at Charlotte airport
- Freight shipments surpassing 2 million carloads
- Rush hour commuter rail linking the Piedmont, Triangle, Metrolina and Eastern N.C.
- Safer crossings and bridge overpasses
- Better performance for trains already in operation

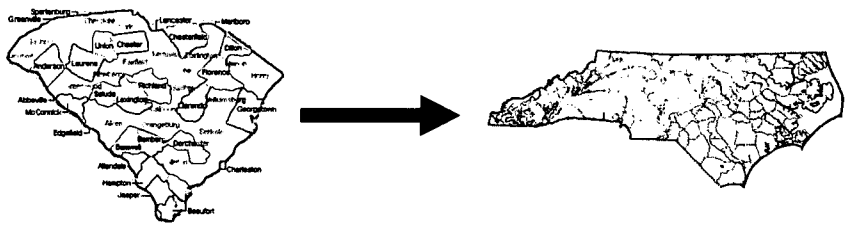
NORTH CAROLINA RAILROAD COMPANY

2030 Growth

- By 2030, 4 million people, equivalent to the population of S.C. will arrive in N.C.
- By 2030, N.C. will have a population of 12 million
- Currently:
  - 21 new residents per hour
  - 504 new residents per day
  - 184,046 per year

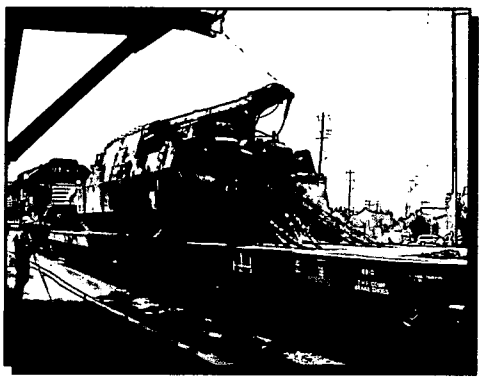
NORTH CAROLINA RAILROAD COMPANY

2030 Growth



NORTH CAROLINA RAILROAD COMPANY

North Carolina Depends on Freight



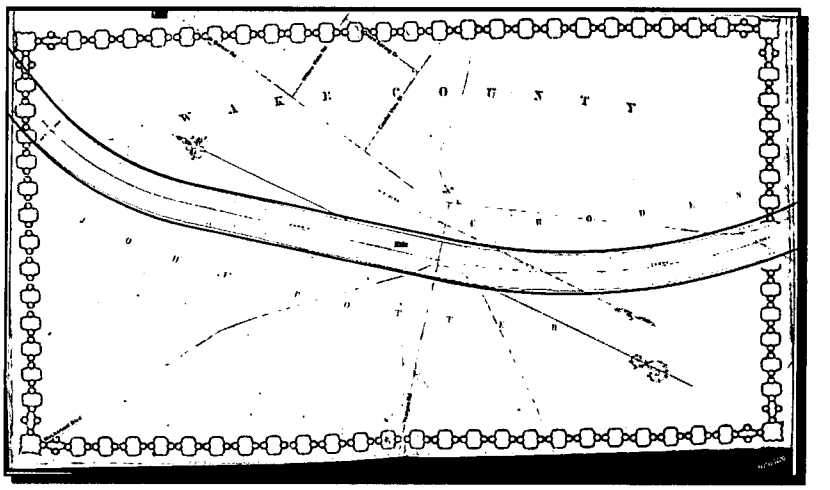
Military cargo being transported through Raleigh, N.C.



A coal train en route to Progress Energy in Greensboro, N.C.

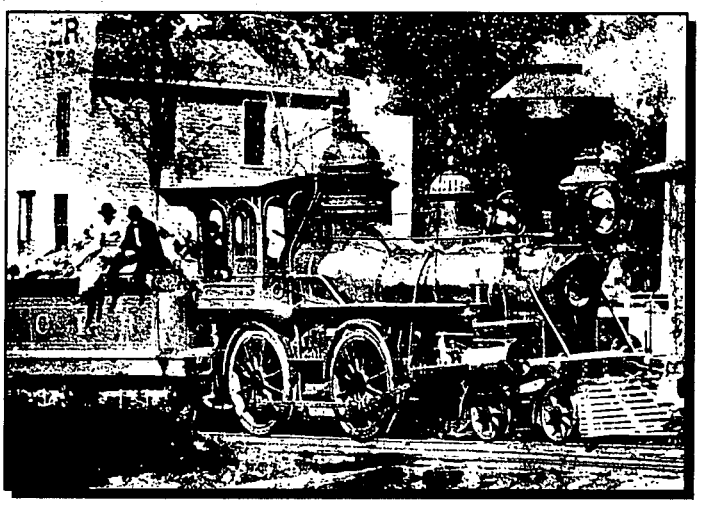
NORTH CAROLINA RAILROAD COMPANY

N.C Railroad Corridor: 1850



NORTH CAROLINA RAILROAD COMPANY

N.C Railroad Corridor: 1850



NORTH CAROLINA RAILROAD COMPANY

New Growth and Jobs



NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad Corridor: 2008



Morehead City State Port

Charlotte, N.C.

NORTH CAROLINA RAILROAD COMPANY

Railroads Mean Business



On N.C. railroad tracks you will find:

- 70 freight trains daily
- 1.5 million freight cars annually
- 8 Amtrak trains daily

NORTH CAROLINA RAILROAD COMPANY

Railroads Mean Business

DIXIEPLY

Cargill

TRANSMONTAIGNE

Duke Energy

Weyerhaeuser

NUCOR

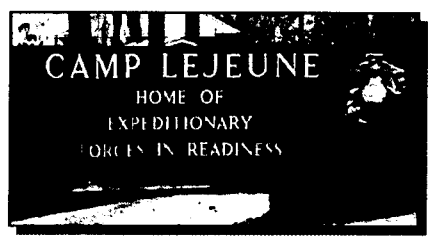
RJReynolds

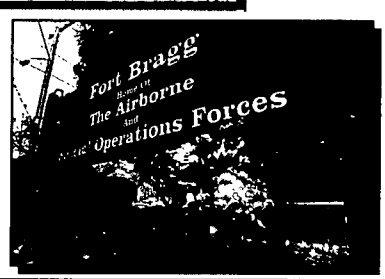
Progress Energy
People. Performance. Excellence.

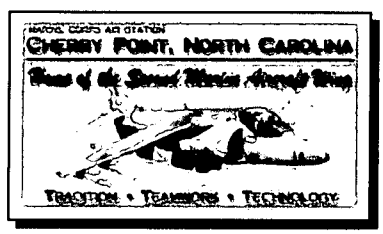
NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad and Military



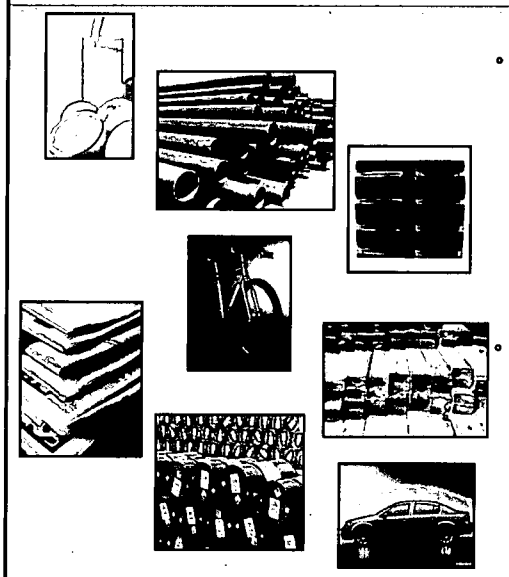






NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad and Business



- These companies ship agricultural products, automobiles, construction materials, chemicals, rubber, steel and wood products and jet fuel
- Products shipped range from orange juice to bicycles to newsprint for newspapers

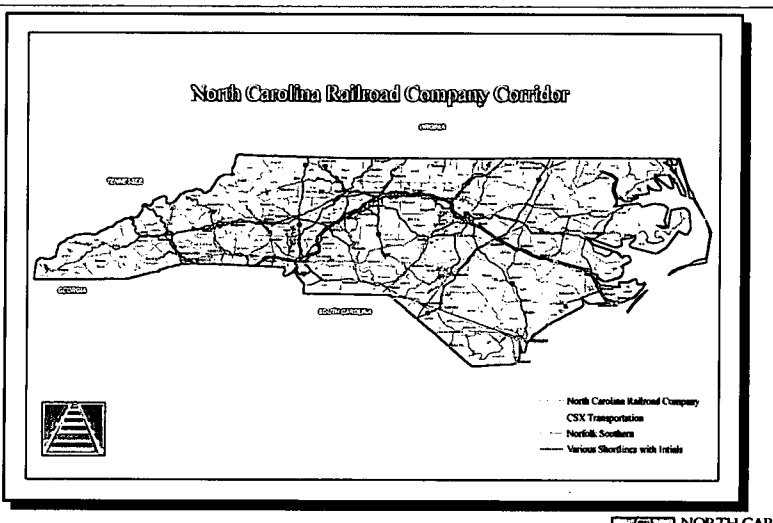
NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad and Business

- 24% of N.C. industrial economic output relies on N.C. Railroad freight services
- N.C. Railroad saves those freight customers $198 million annually
- The 254,000 freight cars on the NCRR replaces 762,000 trucks on N.C.'s highways

NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad Corridor



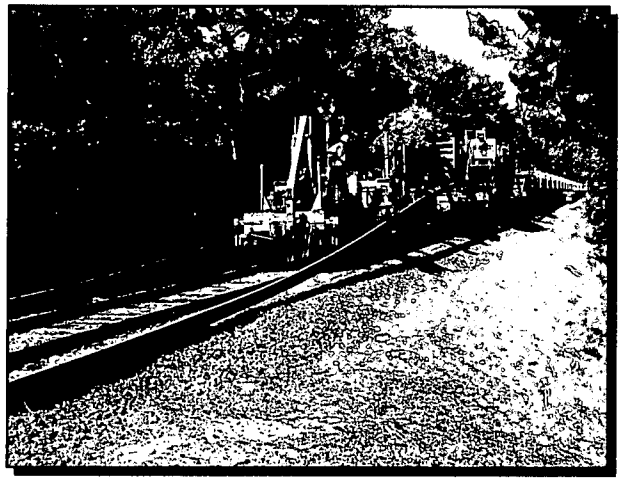
NORTH CAROLINA RAILROAD COMPANY

Faster, Safer, Better

$160 Million Capital Investment Program

NORTH CAROLINA RAILROAD COMPANY

Faster, Safer, Better



Welded rail being unloaded in New Bern, N.C.

NORTH CAROLINA RAILROAD COMPANY

Faster, Safer, Better



New siding and signals under construction in Johnston County, N.C.

NORTH CAROLINA RAILROAD COMPANY

Faster, Safer, Better



Old Highway 54 Bridge

NORTH CAROLINA RAILROAD COMPANY

Faster, Safer, Better



Old Highway 54 Bridge



New Highway 54 Bridge

NORTH CAROLINA RAILROAD COMPANY

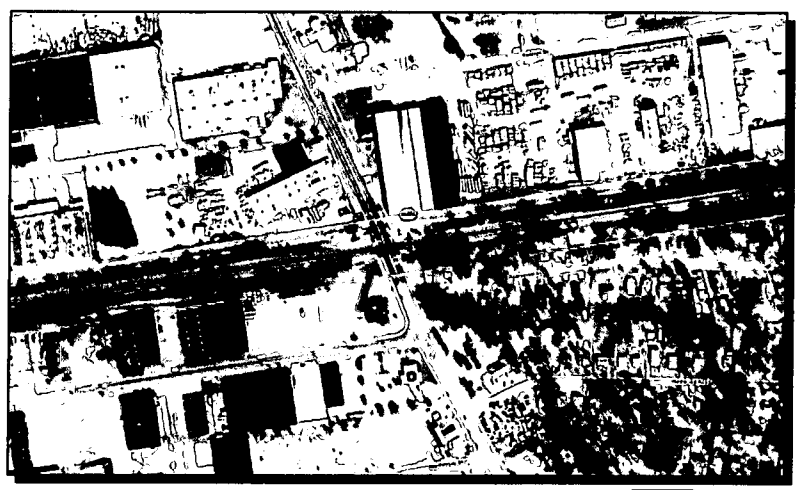
Faster, Safer, Better



Double tracking railroad

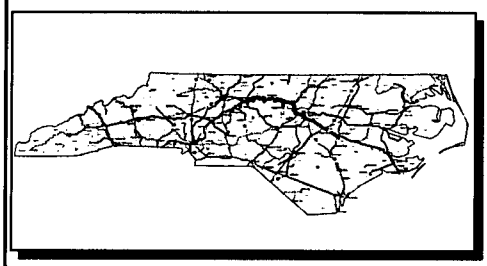
NORTH CAROLINA RAILROAD COMPANY

Capital Investment Program: Sugar Creek Road Bridge



NORTH CAROLINA RAILROAD COMPANY

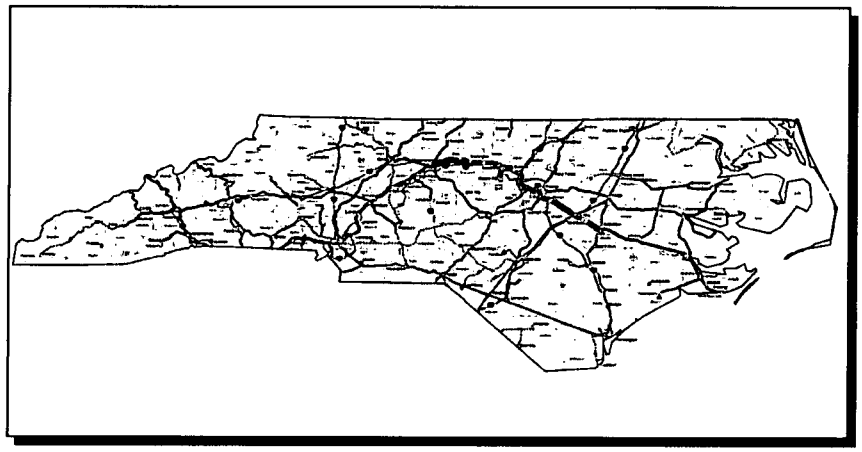
Commuter Rail Capacity Study



- Would share track
- Greensboro to Goldsboro is study corridor
- Study will determine costs for upgrading
  - Sidings
  - Signals
  - Bridges

NORTH CAROLINA RAILROAD COMPANY

Commuter Rail Capacity Study



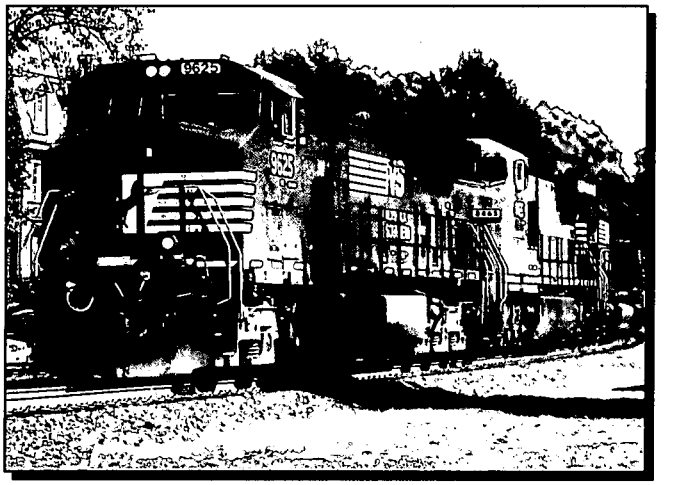
NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad: Corridor for Commerce



NORTH CAROLINA RAILROAD COMPANY

N.C. Railroad: Corridor for Commerce



NORTH CAROLINA RAILROAD COMPANY



NORTH CAROLINA
RAILROAD
COMPANY

Thank You

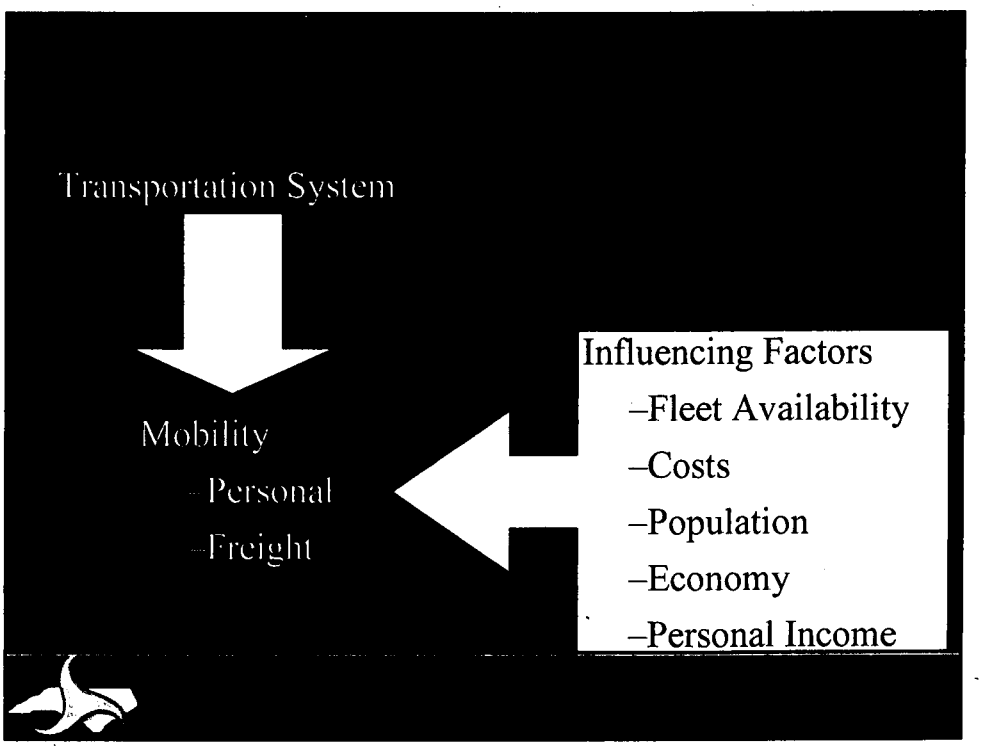


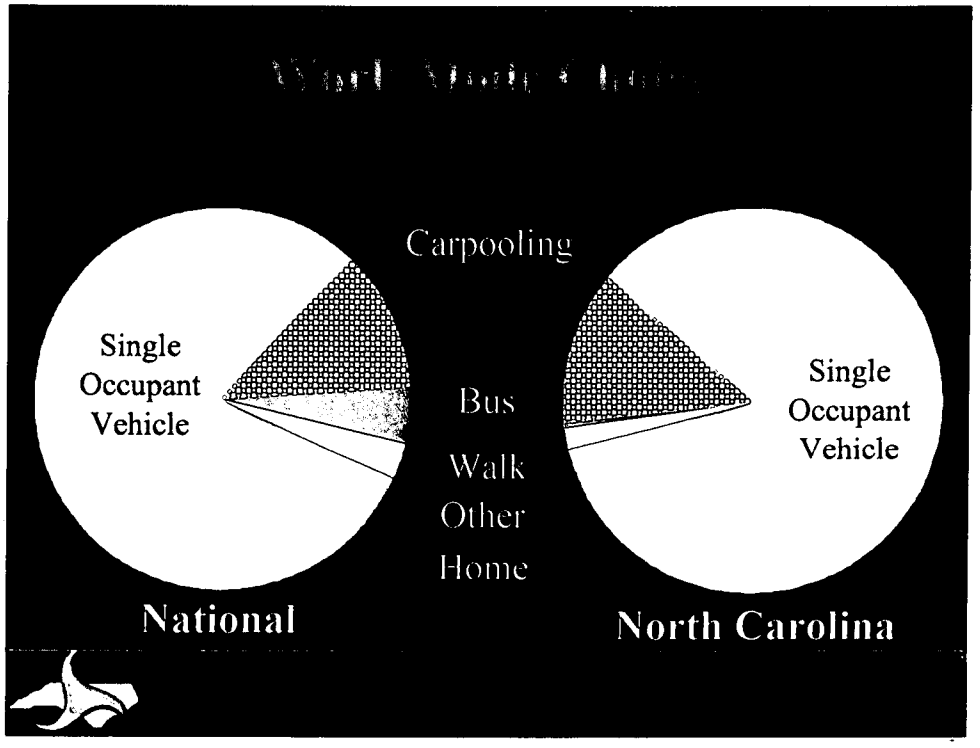
Presented to the 21st Century Transportation Committee

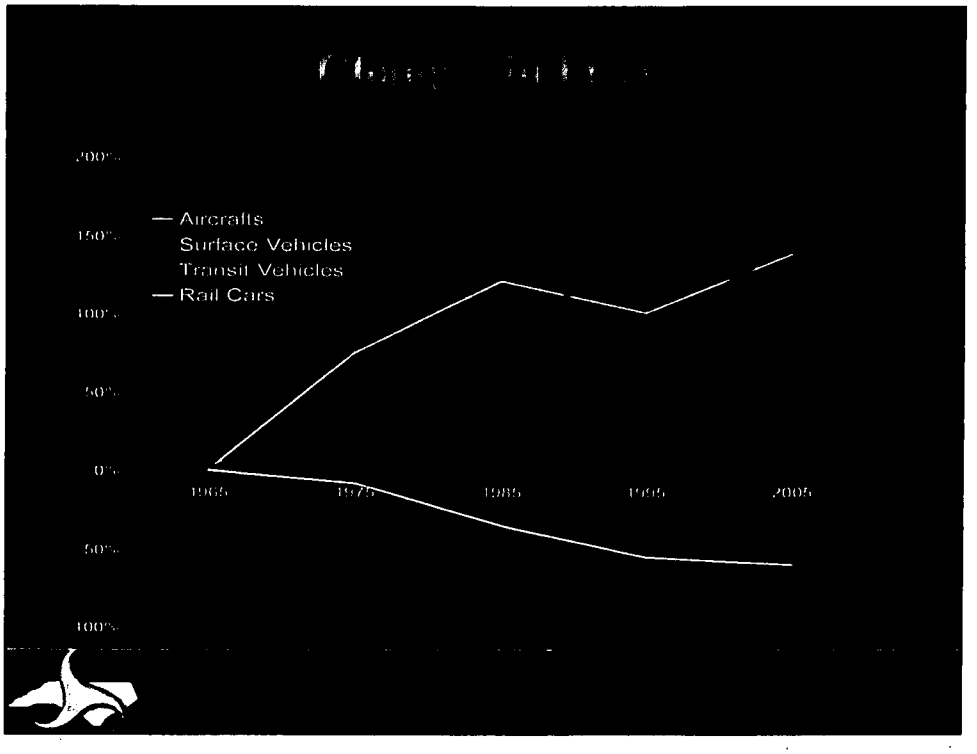
January 16, 2008

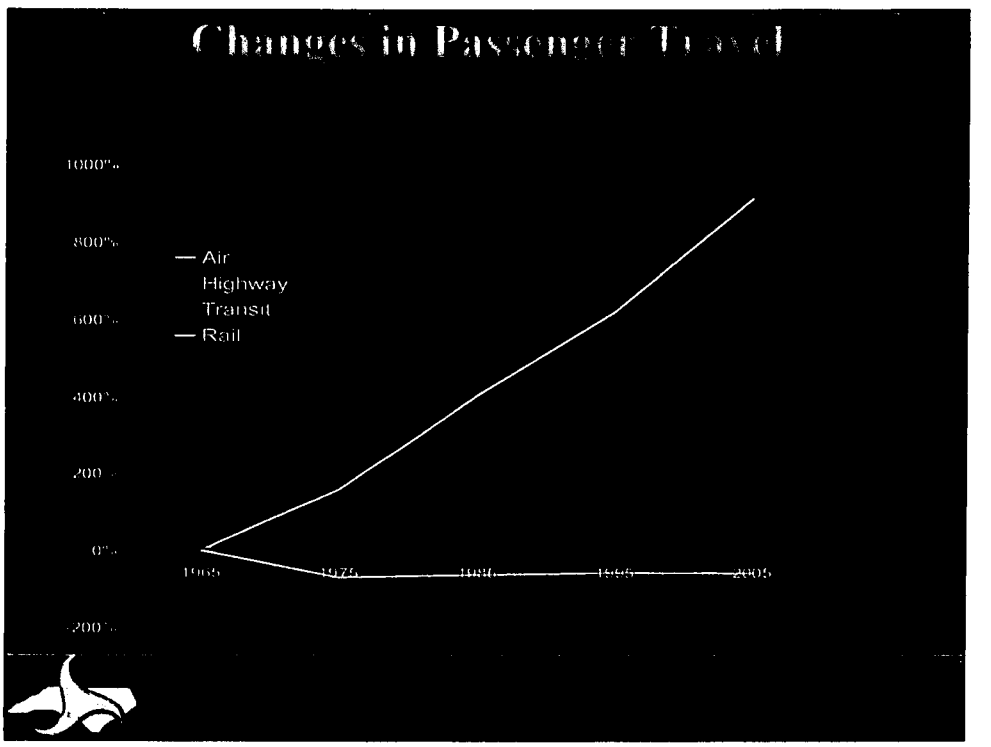
Miriam Perry

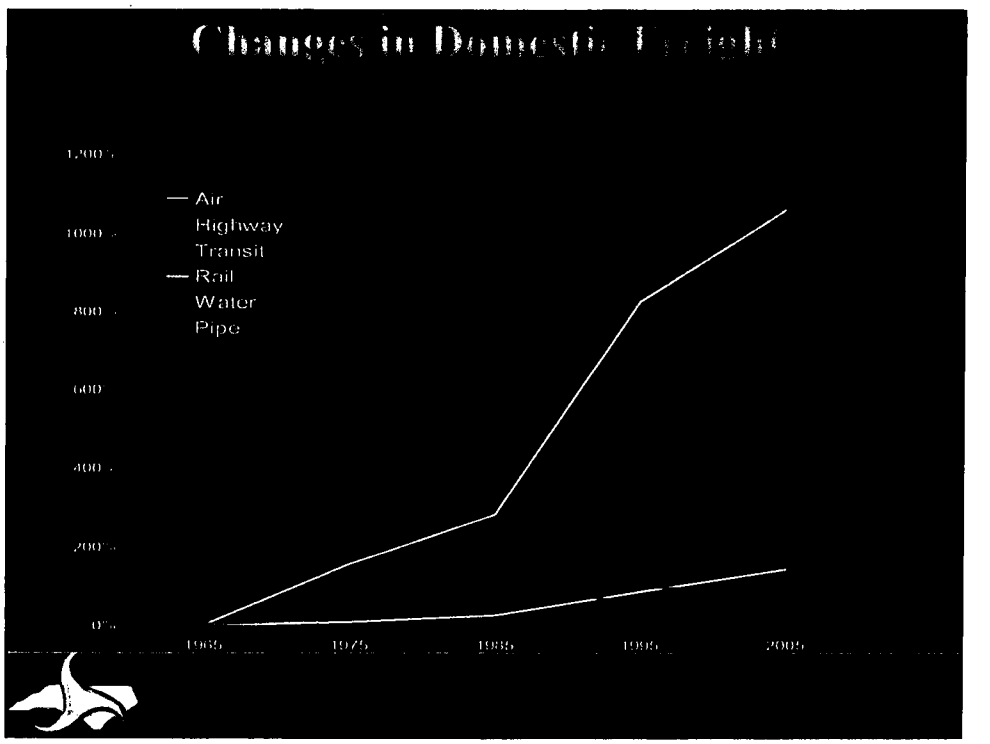





Carpooling
Single Occupant Vehicle
Bus
Walk
Other
Home
Single Occupant Vehicle
National
North Carolina


200%
150%
100%
50%
0%
50%
100%
— Aircrafts
Surface Vehicles
Transit Vehicles
— Rail Cars
1965
1975
1985
1995
2005


Changes in Passenger Travel
1000%
800%
600%
400%
200%
0%
-200%
— Air
Highway
Transit
— Rail
1965
1975
1985
1995
2005


Changes in Domestic Freight
1200%
1000%
800%
600%
400%
200%
0%
— Air
Highway
Transit
— Rail
Water
Pipe
1965
1975
1985
1995
2005

North Carolina

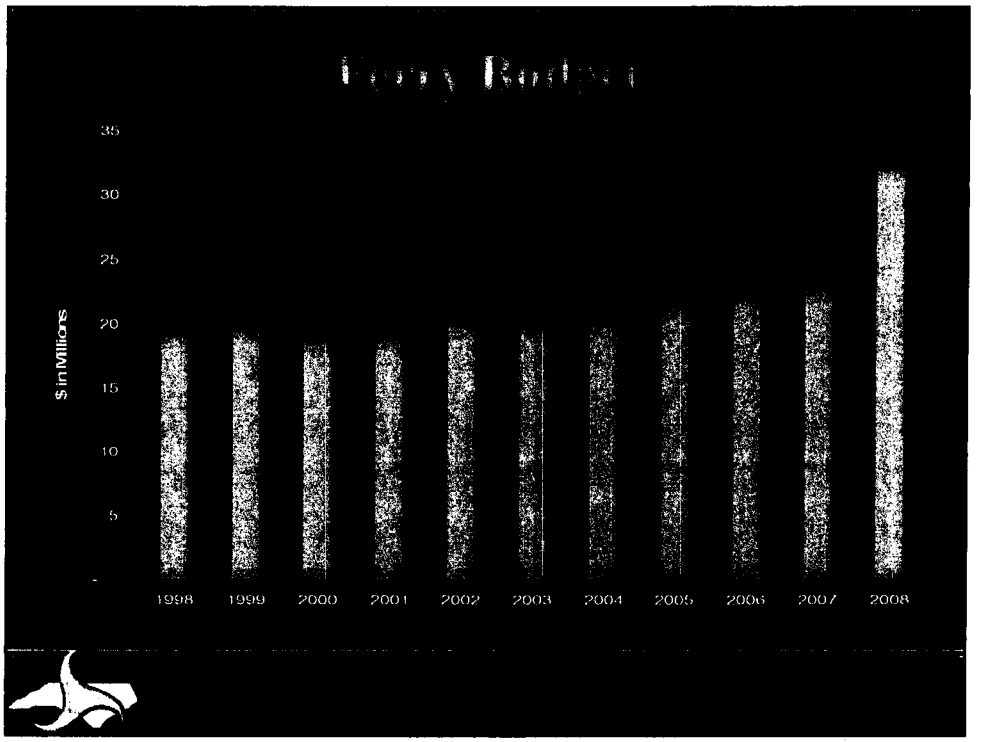
Ferry

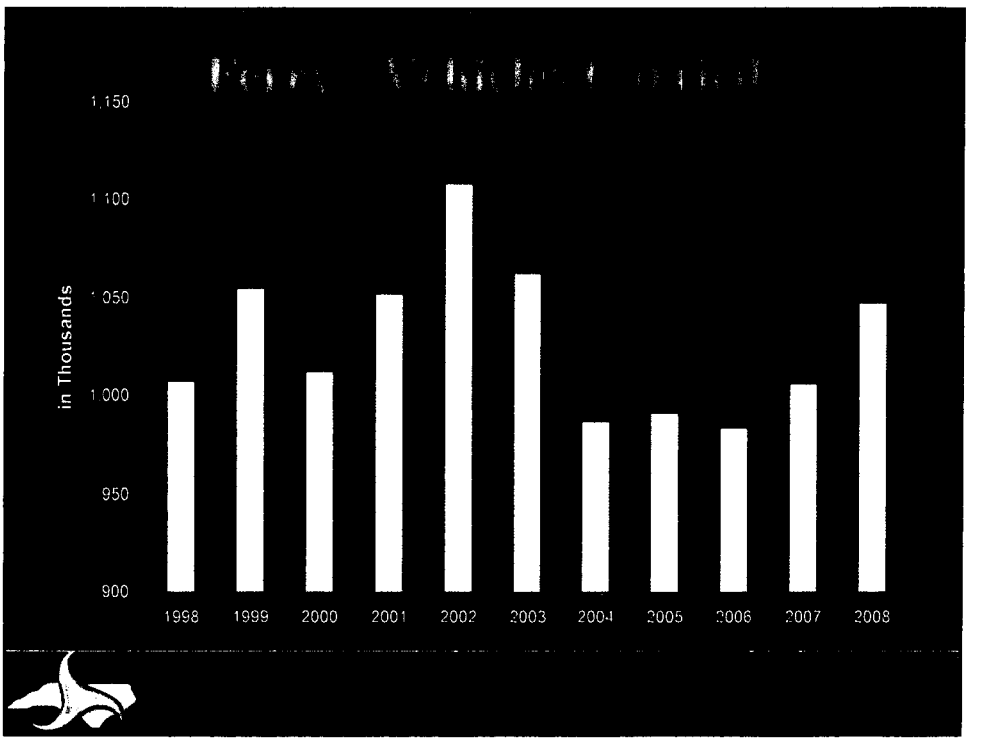


[illegible]

- Second Largest in the Country
- Tourism 80% of Ridership
- Specific Commuter and School Routes
- Future Challenges
  - Replacement of 1/3 of the fleet within the next (10) ten years ($140 Million)
  - Continue maintaining waterways by dredging within environmental regulations and restrictions.




$ in Millions
35
30
25
20
15
10
5
-
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008


in Thousands
1,150
1,100
1,050
1,000
950
900
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008

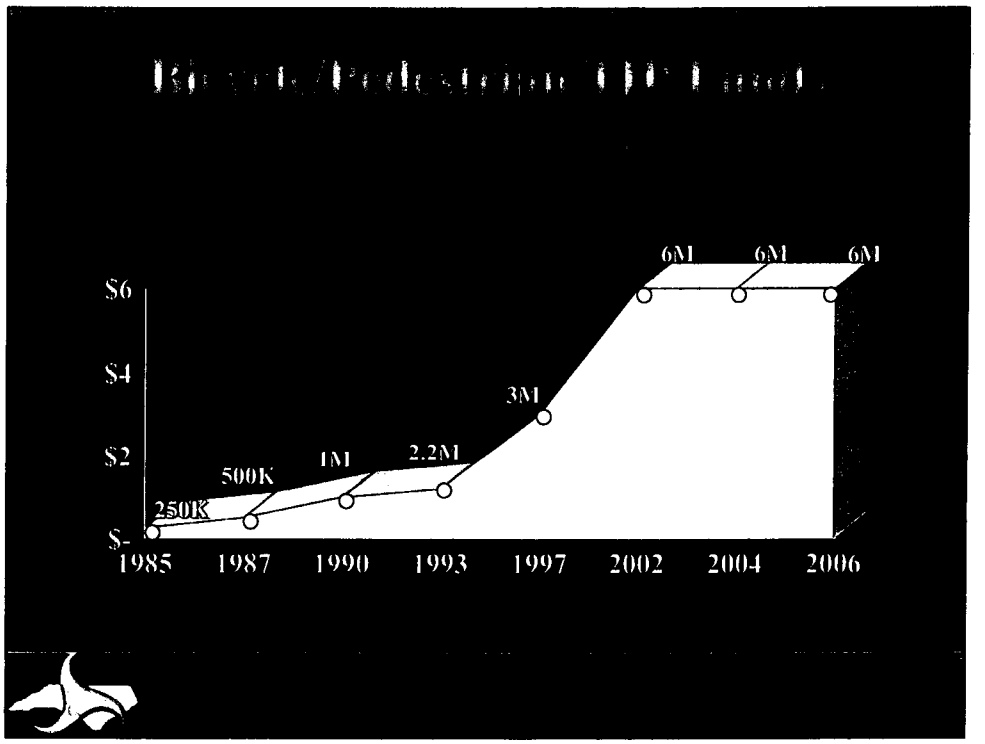
North Carolina

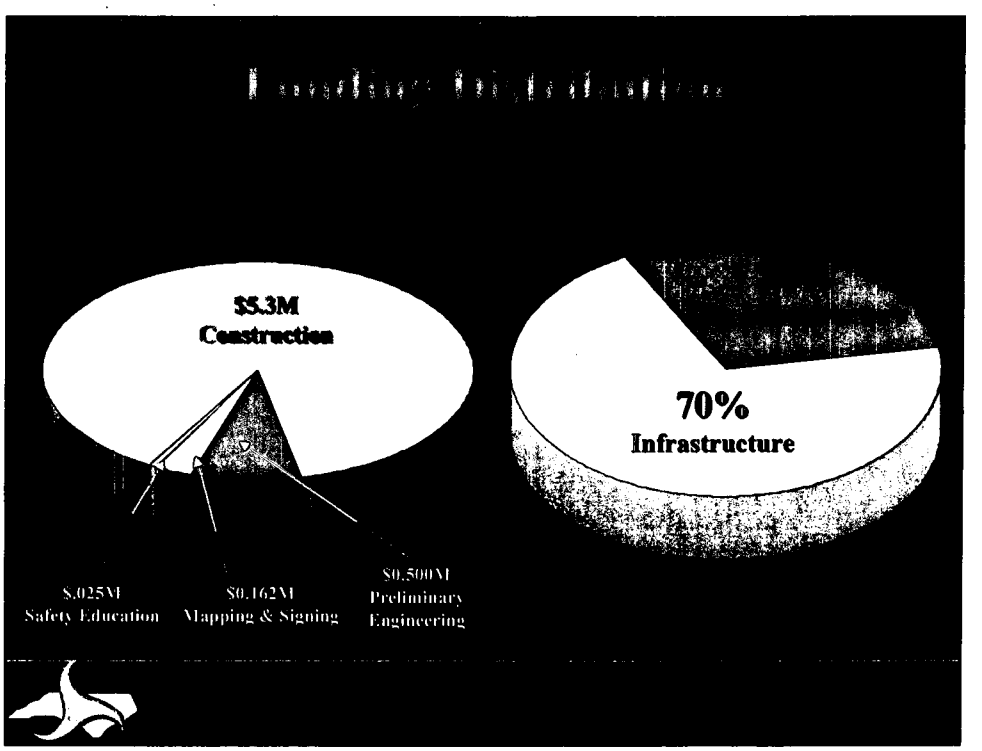
Bicycle and Pedestrians



- Nation's first "Bicycling Highways" system
- Nation's Largest System of Signed and Mapped Bike Routes and Safety Education Programs
- Over 3,000 miles of bicycling highways
- Recent Survey
  - 70 % Walked at least 1 day a week
  - 20 % Walked 7 days a week
  - 1/3 of NC Citizens active in Bicycling




$6
$4
$2
$-
250K
500K
1M
2.2M
3M
6M
6M
6M
1985
1987
1990
1993
1997
2002
2004
2006


$5.3M
Construction
70%
Infrastructure
$.025M
Safety Education
$0.162M
Mapping & Signing
$0.500M
Preliminary
Engineering

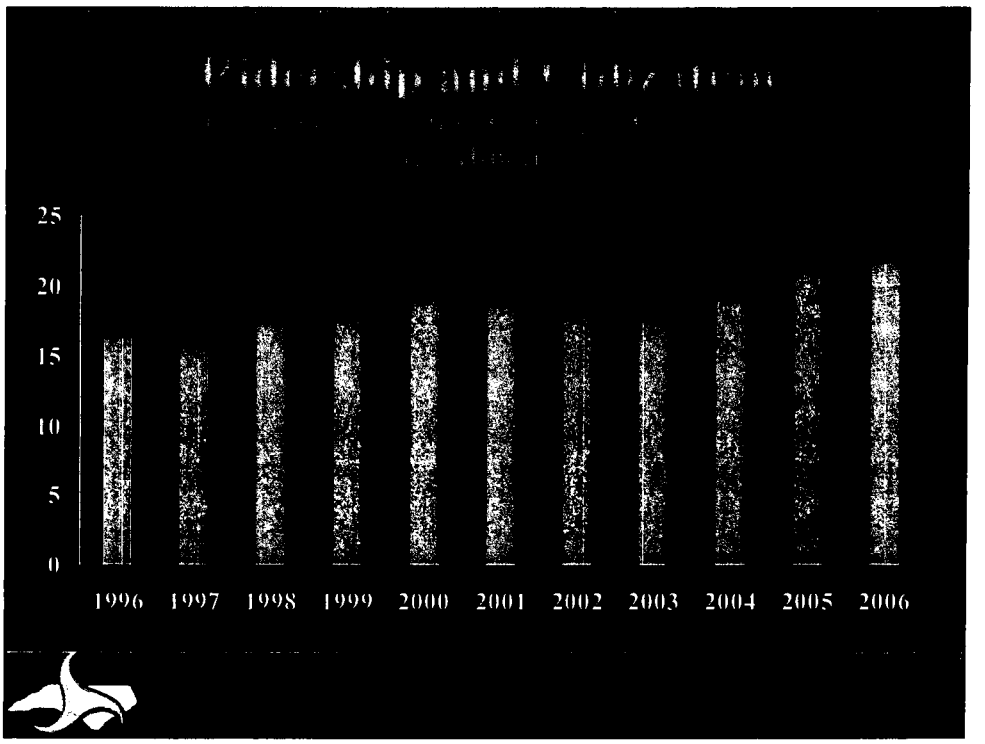
North Carolina Aviation



[illegible]

- 74 Publicly Owned/Public Access Airports
  - 10 Commercial & 64 General Aviation Airports
- High Economic Impact Return On Investment
  - $20M Annual Budget
  - $11.8B Economic Impact
- Maturing Infrastructure Requiring Repair





- Infrastructure Needs
  - $250M Current Capital Needs Requests
- Airport Ownership Issues
  - Airports are owned by the local communities, counties, or municipalities, not the state
  - State Agency can only "suggest" improvement priorities
- Environmental Regulations and Restrictions
- Perception of Local Airports
  - Business oriented
  - Critical Transportation Access

North Carolina

Public Transportation



Public Transportation in North Carolina

- Governor's Transit 2001 Commission increased funding
- 2006 Poll. Public Transportation #1 transportation issue ranking ahead of gas prices, poor road conditions, traffic congestion, and road construction.
- Public Transportation in North Carolina

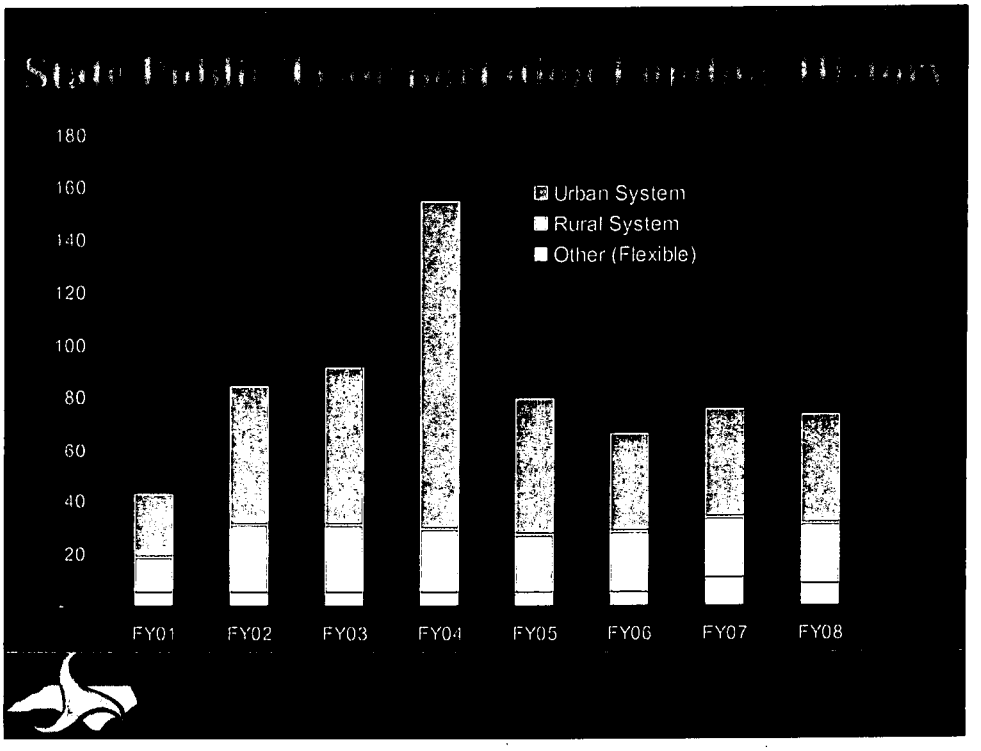
Fixed-route	Subscription Services
Demand-response	Vanpools
Regional Express	Light Rail Service

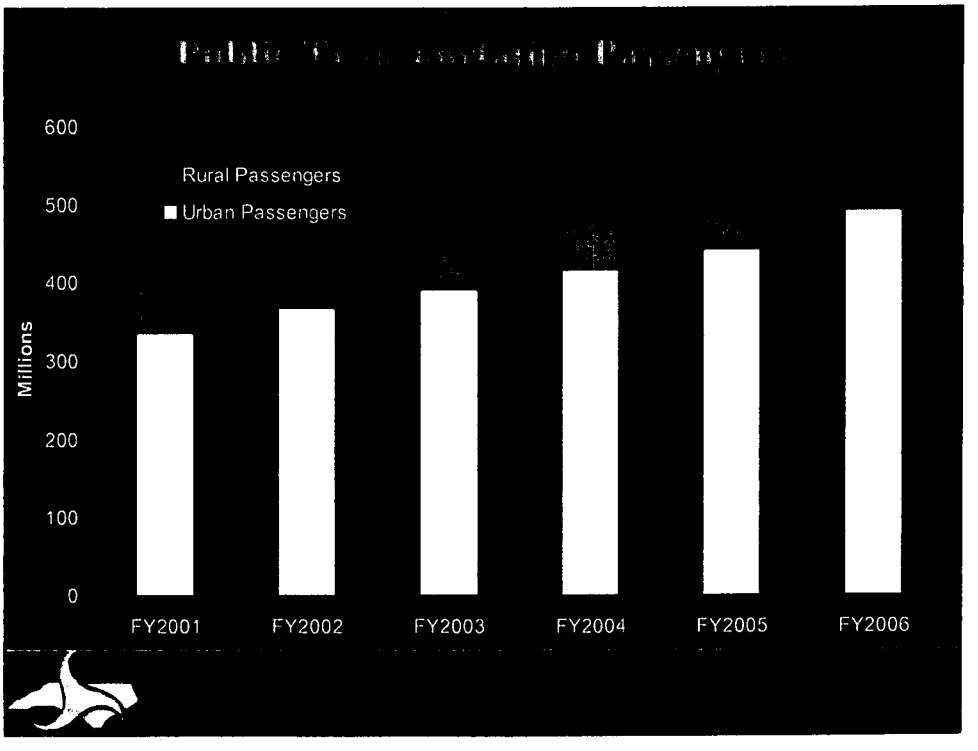
- Transit Trips are generally for:

Work	50%	Education	15%
Medical	10%	Other	25%

- Rural Systems Carry 7 Million Passengers per Year
  - Using 1,800 Small Buses and Vans
- $ 250M industry employing more than 5,000 people




180
160
140
120
100
80
60
40
20
-
Urban System
Rural System
Other (Flexible)
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08


600
500
400
300
200
100
0
Millions
Rural Passengers
Urban Passengers
FY2001
FY2002
FY2003
FY2004
FY2005
FY2006

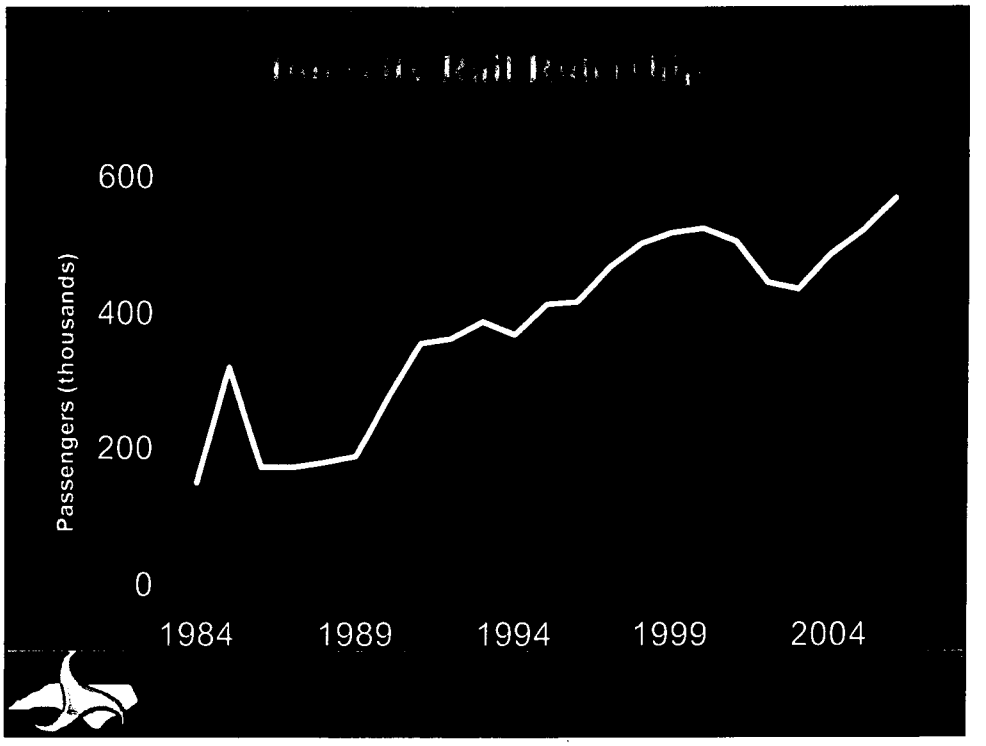
- Extensive Infrastructure Needs
  - Bus Replacement
  - Bus Expansion
  - Transit Facilities
- Providing regional connectivity
  - Benefits to Riders
  - Address Regional Transportation Problems
  - Operational and Administrative Economies
  - Coordination or Consolidation of Services
  - Adequate dedicated funding source
- Providing modal connectivity
- Funding for regional and commuter rail (New Start)
- Increased local commitment to transit investments

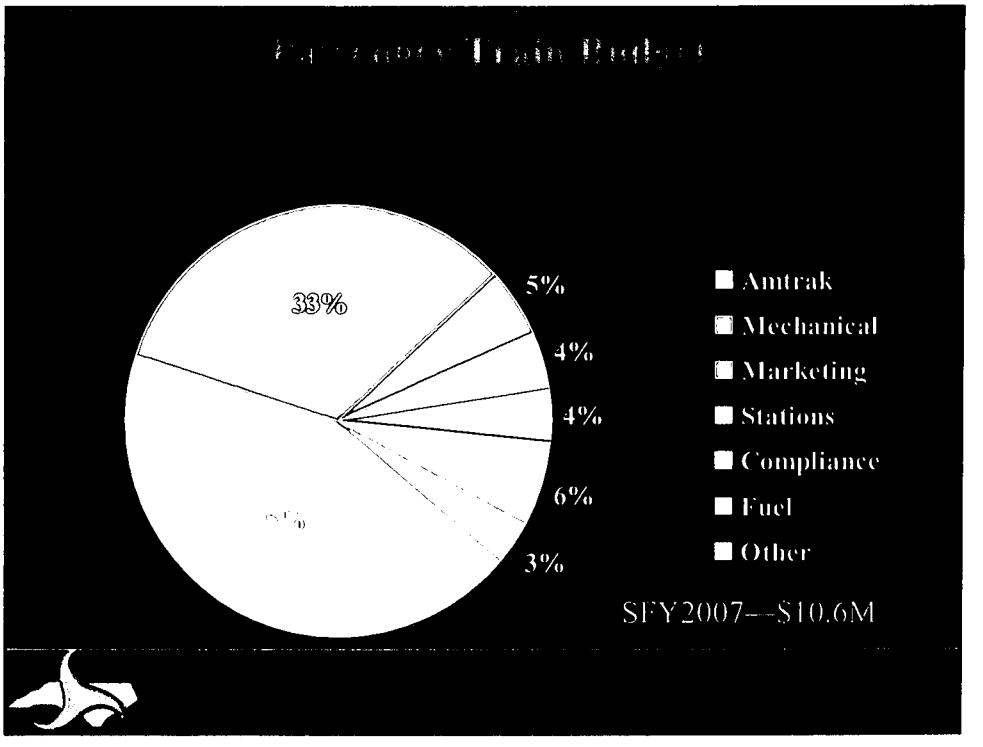


North Carolina

Rail

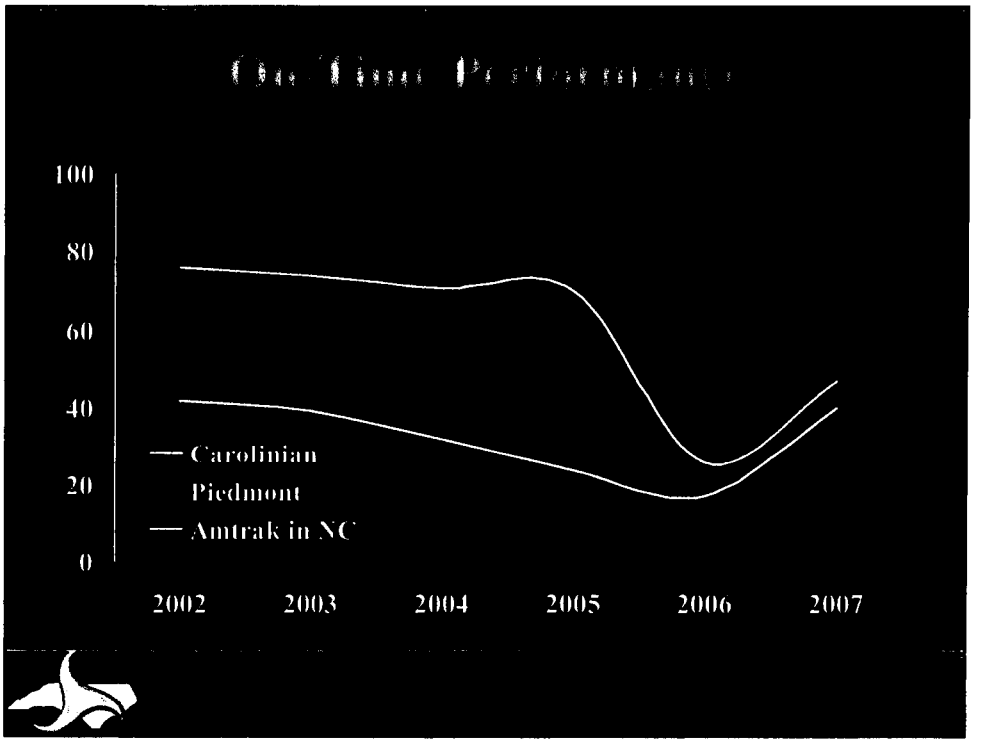



600
400
200
0
Passengers (thousands)
1984
1989
1994
1999
2004


33%
5%
4%
4%
6%
3%
Amtrak
Mechanical
Marketing
Stations
Compliance
Fuel
Other
SFY2007--$10.6M

- 572,445 passengers traveled 94,525,695 miles in 2007, 51% on state sponsored trains
- Goods and services purchased by Amtrak and Herzog in NC were $5,773,100 during 2007
- 212 employees in NC were paid wages of $12,347,298 during 2007
- North Carolina's direct ROI is 1.7
- Travel by train is 18% more energy efficient

Category	Grade
Stations	A+
Equipment	B+
Customer Service	B+
Competitive Travel Time	B
Frequency	C-
Reliability	D



Industrial Access

- $372,000 invested in 4 projects during 2007
- Helped create 172 jobs, $125M leveraged and 2,942 rail cars added
- Since 1994, $7M public investment, 4,088 jobs created, $1,619M leveraged and 60,764 rail cars added annually to network or 243,056 trucks off NC highways

Grants to Shortlines

- $2,041,000 invested in 12 projects during 2007
- Helped retain 4,141 jobs in 97 industries
- 44,922 annual rail cars equals 179,688 trucks off NC highways

NEWS RELEASE

AAA Carolinas
P.O. Box 29600
Charlotte, NC 28229-9600
6600 AAA Drive
Charlotte, NC 28212
(704) 569-3600
Fax (704) 532-4346

January 16, 2008

Charlotte Convention Center

10:30 a.m. Room 203B

Good morning, my name is Dave Parsons and I want to thank the 21st Century Transportation Study Committee for allowing me to speak.

I am president and CEO of AAA Carolinas. We have more than one million seven hundred thousand North and South Carolina members and more than one million North Carolina members.

Historically, both AAA Carolinas as well as our Foundation for Traffic Safety, have had as part of their mission, to improve safety, as well as enhance mobility, for our state's highway and bridge network. This includes supporting a financially healthy highway and bridge infrastructure in our state.

For the past ten years, AAA Carolinas has issued an annual listing of substandard bridges in the Tar Heel state, using federal and state inspection data. We added an additional ingredient to those formulas by placing greater emphasis on the daily traffic crossing a particular bridge.

We believe the bridges that carry the most people with the worst rating should be given the greatest priority for renovation,

However, in the end it is not prioritization that the state needs to cope with its transportation crisis. And it is a crisis when our state's status rating for bridges and highways is the worst of any of the Carolinas' border states and is well below the national average.

When we began compiling our annual substandard bridge list in 1997, the state had a $500 million shortfall to fix the bridges. Now is reported to be $2.5 billion.

It takes $200 million annually just to provide needed bridge and highway maintenance; the legislature typically provides $55-$60 million annually. Currently, roughly one-third of the state's bridges are substandard and roughly one of every five miles of paved road is rated poor.

Following Katrina, the state capped the gas tax at about 30 cents a gallon. Today, state gasoline tax revenues do not increase with the price of gas. The result is lost millions in gasoline tax revenue (one cent per gallon equals about $53-55 million annually).

While we all, as motorists, complain about the high price of gasoline, the truth is that overall consumption in the United States has increased 1-2%, despite average gasoline prices climbing 75-90 cents a gallon during the past year.

Consumers have not curtailed their consumption, despite these sharp increases.

Surveys of our members show they are willing to pay a gasoline tax increase, if the money collected is used solely for transportation purposes and there is no diversion to the general fund.

AAA Carolinas supports user taxes, when the money collected goes to support the service used. Our suggestions:

First, remove the gasoline tax cap. With gas prices increasing – along with miles traveled – the cap diminishes revenue at a time when it is needed most.

Secondly, ensure that all money collected in state gasoline taxes – or any other taxes associated with using the highway system - goes only to road and bridge funding. Make it state law that no gasoline tax money can be diverted to the general fund.

Third, AAA Carolinas supports tolls on existing interstates as long as any tolls collected are dedicated solely to the repair, maintenance and construction on the interstate where the toll is collected.

The most important issue is getting the legislature to understand the magnitude of the funding crisis and pay attention to the committee's recommendation. History is not on the committee's side.

There have been other studies with the purpose of addressing the state's transportation funding crisis.

In 2001, a legislative study recommended a 2-cents a gallon tax increase. This recommendation was not implemented.

In 2006, another study recommended putting all gas tax money in the highway trust fund – no transfers out to the general fund - and recommended local governments have the power to tax locally to raise money for transportation or transportation infrastructure. These recommendations were enacted.

In conclusion, understanding the complexity and seriousness of the problem and coming up with solutions to address it are daunting tasks. The bigger challenge, however, may be getting the legislature to act upon your results.

AAA Carolinas fully supports your efforts and wishes you – and the state of North Carolina – success.

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27601

January 28, 2008

MEMORANDUM

TO: Members of the 21st. Century Transportation Committee

FROM: Chairman Brad Wilson

SUBJECT: 21st Century Transportation Committee Meeting

There will be a meeting of the 21st Century Transportation Committee on Thursday, February 21, 2008 at 12:15 pm in the Community Room of the UNC Wilmington Executive Development Center, 1241 Military Cutoff Road, Wilmington, NC 28405.

Please advise Mr. Larry Goode at (919) 301-1589 or email larryg@ncleg.net if you will be unable to attend.

21st Century Transportation Committee
Agenda
February 21, 2008
12:15 PM
UNC Wilmington Executive Development Center
1241 Military Cutoff Road
Wilmington, NC 28405

Welcome	Brad Wilson
Welcome to Wilmington	The Honorable Bill Saffo Mayor, City of Wilmington The Honorable Robert Greer Chairman New Hanover Board of Commissioners
Wilmington MPO	Mike Kozlosky
NCDOT Debt Affordability Study	Vance Holloman Deputy Treasurer
Public Private Participation	Karen Hedlund Nossaman
Future Federal Funding	John Sullivan Division Administrator
Highway 17 Association	Marc Finlayson Executive Director

Committee Reports

Finance	Intermodal
Intergovernmental	Prioritization

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Thursday. February 21, 2008
12:15 PM
UNC Wilmington Executive Development Center
Wilmington, NC

The 21st Century Transportation Committee met on Thursday, February 21, 2008, at 12:15 p.m. in the UNC Wilmington Executive Development Center in Wilmington, North Carolina. The following members were present: Brad Wilson, Chairman; Senator Jenkins; Representatives Cole, Carney, Coates, Frye, McGee; Honorables Bellamy, Blackburn, Sam Hunt, Joines, McGrady, Miller, Jr.; Misters Sewell, Whichard, III, Lanny Wilson, Zelnak, Jr.; Ms. Szlosberg; Senator Hoyle was excused and Mr. Plemmons came and had to leave for a family emergency before the meeting started.

Chairman Brad Wilson presided and welcomed Senator R. C. Soles. Senator Julia Boseman and Representative Carolyn Justice to the meeting and thanked them for attending. Chairman Wilson announced a change in the agenda for the meeting. The reports from the sub-committee chairs will be the first item on the agenda. Also, the next meeting of the full committee is scheduled for March 24th. Committee members should let Larry Goode know if they cannot attend this meeting. Chairman Wilson said within the next week each member will be contacted about 2 dates in April to meet. He said there will be a September meeting in Asheville probably about the third week in September.

Chairman Wilson recognized a member of the Wilmington City Council Jason Thompson. Mr. Thompson spoke on behalf of the Mayor of Wilmington Bill Saffo and the members of the City Council. He thanked the committee members for coming to Wilmington and told the committee about some things that are very important to the city and local area. (Comments are attached to the minutes as Attachment I).

Bill Caster, Vice Chairman of the New Hanover County Commissioners was recognized to speak next. He welcomed everyone to New Hanover County and invited everyone to take a look at the new library in the vicinity and also the Executive Center located in the building next door. He said they are very proud of both facilities. Mr. Caster pointed out the need of how to get across to the citizens that we have to pay for the services, infrastructures, etc., that we demand. He feels like education is the answer. He told the committee his experiences in teaching this to his students at UNC Wilmington in Local Government. His suggestion for getting the funds to build and maintain roads is to have a one quarter cent sales tax. (Comments are attached to the minutes as Attachment 2).

Sub-committee reports were given at this time by the respective Chairman:

Steven Zelnak, Jr. Finance Committee

Sam Hunt	Intermodal
Jordon Whichard	Intergovernmental
Senator Clark Jenkins	Prioritization

(Reports are attached to minutes as Attachment 3)

Chairman Wilson announced to the committee the procedure of future meetings. There will be only two or three short presentations at the next meeting due to people not being able to get on the agenda at prior meetings that need to be heard. At the remainder of the meetings the committee will need to put together recommendations to be presented to the short session of the General Assembly, unless more work needs to be done as consideration is given to a specific proposal.

Mike Kozlosky, Executive Director of the Wilmington MPO and the President of the North Carolina Association Metropolitan Planning Organizations spoke next. He gave a presentation summary on MPO History and Responsibilities as well as touched on some national statewide and local issues, comprehensive transportation planning, and how they can help to partner with the 21st Century Transportation Committee to improve mobility throughout the State of North Carolina. (Comments attached to minutes - Attachment 4)

Vance Holloman, Deputy State Treasurer, Director of the State and Local Government Finance Division of the State Treasurer gave the next presentation. He spoke on the state debt affordability and specifically transportation debt affordability. He said the State and Local Government Finance Division basically has three functions and he explained each of the functions. (Comments attached to minutes – Attachment 5)

Questions:
Sam Hunt ask what Mr. Holloman said about obligations of debt funding?
Mr. Holloman – said earlier it was discussed about toll road projects and he mentioned a gap funding. The portion of the debt that would be paid from the toll roads, those toll charges, that would not count against debt capacity. However, the remainder, of that gap funding would be coming out of general fund revenue and not user charges. Therefore, whatever was allocated toward that gap funding would count against that capacity number.

Mr. Zelnak – If you have a 30 million dollar gap funding per year and it lasts 40 years, do you have to count 1.2 billion against the capacity?

Mr. Holloman – No sir, you would count 30 million against each year. This is a 10 year model and the next year when you do the study again you would take into account that 30 million dollar commitment, just like you take into account any debt you have outstanding. That would influence the number that is produced the following year for the capacity. So if you were to do the 30 million in funding for gap, you would have a hundred and twenty-five million left for each year. You would not count the entire forty years against it and in essence you would count three hundred million over the ten year period against each of the ten years. There would still be one hundred and forty-five million left in each of those ten years. Mr. Holloman said that if you have 30 million

commitment each year it would lesson that number you see before you. It would lesson each of those years by 30 million.

Mr. Holloman discussed what constitutes the capacity of availability of funds and what it is based on, in answer to several questions.

Karen Hedlund with the law firm of Nossaman Guthner Knox and Elliott LLP was recognized to speak next on the role of public-private partnerships in delivering transportation projects. She told the committee about a sense of controversy that has erupted in Washington over the last year about the use of public- private partnerships. She said it is almost a kind of culture war that has broken out between advocates on the one hand of increasing traditional forms of highway transportation funding and those on the other hand that are advocating pricing as a solution to both congestion and to new revenues. She said that is an example of a first argument of the National Service Transportation Policy Commission which recently issued their report and they advocated raising federal gas tax to over 40 cents in five years by matching increases by the states. Mary Pearce the Secretary of Transportation chaired that commission and issued a very strong decent. She rejected the increase approach and said we ought to look to the states to bear a bigger share of the burden including through a more aggressive use of pricing, tolling and public private partnership. She continued to tell about suggestions and thoughts from others on the federal level as to what should be done. She said she would submit that a lot of the heat that is being generated over the use of public-private partnership is really the result of a couple of recent transactions having to do with the privatization of existing toll roads.

Ms. Hedlund said their law firm has had the privilege of advising over 30 states Department of Transportations around the country on innovative financing and innovative contracting as project delivery methods for delivering large transportation projects. They have been working with the Turnpike Authority helping to get some of their first projects off the ground. She continued to talk about all phases of public-private partnerships for projects. (Comments attached to minutes - Attachment 6)

John Sullivan, Division Administrator for North Carolina with the Federal Highway Administration spoke next on Future Federal Funding. He gave a brief overview about some of the terminology in the Federal Aid Highway Program and talked about the future of the revenue and where it stands in North Carolina. (Comments attached to minutes – Attachment 7)

Marc Finlayson, Executive Director of the Highway 17 Association spoke next. He gave a brief history of Highway 17 which is known in North Carolina as the Ocean Highway. Members of the Association are advocates of the highway and they take a policy in funding point of view. They have regional support with a mission, vision and goals. He said Highway 17 is the economic life line in the coastal part of North Carolina. It is the only north-south route to the east of I-95. He told the committee about the progress that is being made and the support they have for the betterment of Highway 17. Mr.

Finlayson said what this commission is doing is vitally important to the future of North Carolina. (Comments attached to minutes – Attachment 8)

Larry Goode reminded the committee members to let him know as soon as possible as to whether they will be able to attend the 21st Century Transportation Committee meeting on March 24th, in Raleigh.

The meeting was adjourned.

Brad Wilson, Chairman

Sarah Murphy, Clerk



"Charting our Transportation Future through the MPO Process..."

Presentation Summary

- MPO History and Responsibilities
- National/ Statewide/ Local Issues
- Comprehensive Transportation Planning Process
- How can the MPOs help.....

The Metropolitan Planning Organizations were created.....

- Congress enacted Federal law in 1962 and required that all contiguous urbanized areas of 50,000 or greater provide transportation planning
- Federal Highway Act was amended in 1970s to require shorter-range capital improvement programs along with long-range plans, to better integrate urban transportation planning at the local level, and to place more emphasis on non-capital intensive measures to reduce traffic congestion as alternatives to major construction projects.

Section 134(a) of Title 23 United States Code

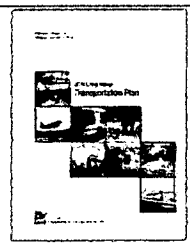
- "It is in the national interest to encourage and promote the development of transportation systems embracing various modes of transportation in a manner which will efficiently maximize mobility of people and goods within and through urbanized areas and minimize transportation related fuel consumption and air pollution. To accomplish this objective, metropolitan planning organizations, in cooperation with the State, shall develop transportation plans and programs for urbanized areas of the State."





3-C Transportation Process

- The process for developing such plans and programs shall provide for consideration of all modes of transportation and shall be continuing, cooperative, and comprehensive manner.



Coordination with Government Agencies

These urban transportation planning requirements are administered by the MPO in conjunction with the Statewide Planning Branch and the Public Transportation Division of the North Carolina Department of Transportation (NCDOT) with the approval of the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA)



MPO voting structure

Transportation Advisory Committee (TAC)
(elected officials and NCDOT Board Member)



Technical Coordinating Committee (TCC)
(staff from TAC member agencies)

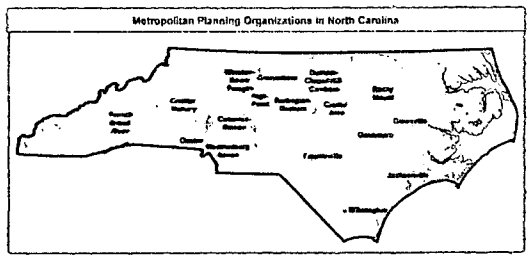
MPO Responsibilities

- 5-year update to Long Range Transportation Plan
- Implement annual Planning Work Program to support Long Range Transportation Plan
- Coordinate all meetings of the TAC and TCC
- Coordinate planning activities with the NCDOT and ensure compliance with Federal requirements
- Provide accounting for use of Federal planning funds and invoicing member agencies

MPO Responsibilities (Cont')

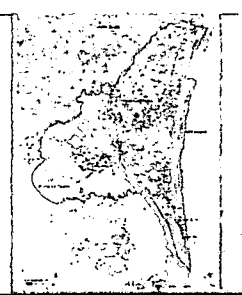
- Regional Travel Demand Modeling (traffic forecasting)
- Development Review
- Manage consultant contracts
- Collector street/scenario/ long range planning initiatives

MPOs in North Carolina



Wilmington Urban Area MPO

- City of Wilmington
- Town of Wrightsville Beach
- Town of Carolina Beach
- Town of Kure Beach
- Town of Leland
- Town of Navassa
- Town of Belville
- New Hanover County
- Brunswick County
- Pender County
- Cape Fear Public Transportation Authority
- NCDOT



National Congestion Issues

The 2005 Urban Mobility Annual Report Texas Transportation Institute (TTI)

Nation's Congestion Continues To Worsen According To Annual Transportation Study;

3.7 Billion Hours Wasted In Traffic Congestion Annually

The Reason Foundation

The Number of Congested Lane Miles On Urban Roads Will Increase Over The Next 25 years

To Alleviate Traffic Congestion The Country Needs To Add 104,000 Lane Miles At An Aggregate Cost of $533 Billion Over 25 Years

North Carolina's Transportation Report Card

"The state of North Carolina is failing in implementing plans and funding to sustain, maintain and complete the state road system."- ASCE

Once known as the "Good Roads State," North Carolina has let its high-quality roadways deteriorate.- *News and Record*

North Carolina Roads- 2006 Report Card D



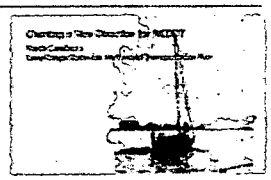


Funding Issues

Total Transportation Needs- $84 billion

Total Transportation Revenues- $55 billion

$30 billion dollar shortfall

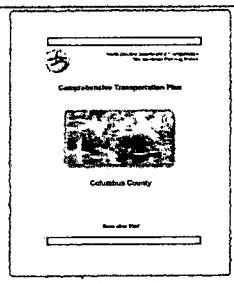


Transportation Funding Options

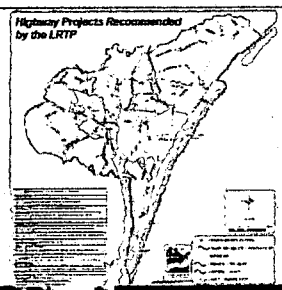
- Increase Federal Funding
  - Increase overall funding and/or return donor funds to North Carolina
- Increase State Funding
  - Increase State funding for Transportation Infrastructure
  - End Transfer from the Highway Trust Fund
- Provide opportunity for local funding options
  - Provide enabling legislation for local revenue sources

Comprehensive Transportation Planning

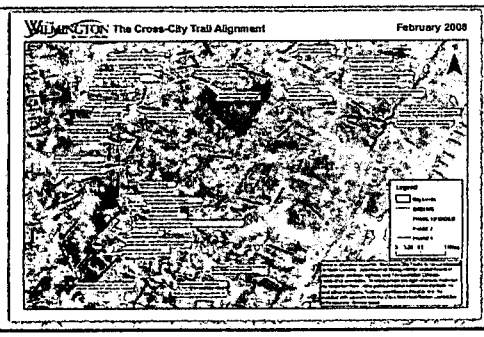
- Enables a seamless transfer of information about transportation needs and environmental and community considerations
- Consistent with the spirit of the Merger 01 process
- Well-documented, integrated planning process
- Systems level purpose and need framework
- Process to identify fatally flawed alternatives



2030 Long Range Transportation Vision-Highways

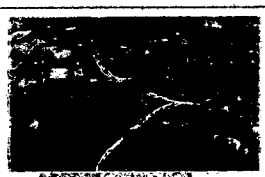


City of Wilmington Cross City Trail



Future Transportation Needs

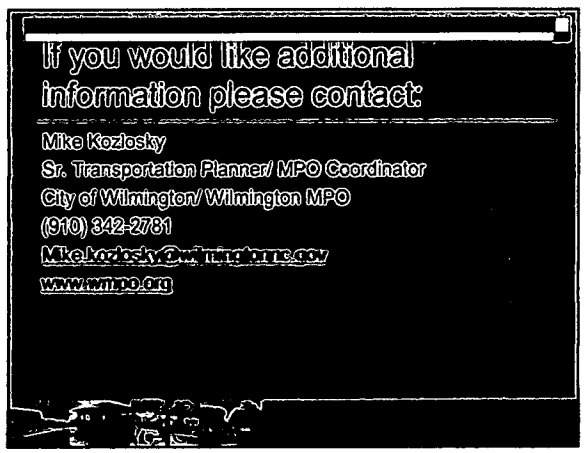
- Cities and State need alternative choices to raise capital funds
- Eliminate the transfer from the Highway Trust Fund



What can NC AMPO and MPOs do to help.....

- Help to set policies and priorities to improve transportation infrastructure in our regions
- Help to better integrate transportation and land use planning initiatives
- Help to develop transportation plans that are consistent with the community vision and also improve mobility in our regions
- Help to provide for better communication between the local municipalities and NCDOT
- Partner with the 21st Century Transportation Committee to develop strategies to improve transportation infrastructure throughout the state of North Carolina

Questions?


If you would like additional information please contact:
Mike Kozlosky
Sr. Transportation Planner/ MPO Coordinator
City of Wilmington/ Wilmington MPO
(910) 342-2781
www.wmpo.org

Transportation Debt Affordability and the 2008 Recommendations of the Debt Affordability Advisory Committee

February 21, 2008

T. Vance Holloman
Deputy State Treasurer

NORTH CAROLINA
Debt Affordability Advisory Committee

Debt Affordability Advisory Committee - Background

- The Committee is legislatively directed to:
  - Annually advise the Governor and the General Assembly of the estimated debt capacity of the State (General Fund) for the upcoming ten years.
  - Annually advise the Governor and the General Assembly of the estimated debt capacity of the Transportation and Transportation Trust Funds for the upcoming ten years (beginning with the February 1, 2008 study).
  - Recommend other debt management policies it considers desirable and consistent with the sound management of the State's debt.
  - Study makes no recommendations regarding the use of available debt capacity.

2

Members of the Debt Affordability Advisory Committee

Richard H. Moore
State Treasurer

David McCoy
State Budget Officer

Robert Powell
State Controller

James V. Porto
House Appointee

Reginald S. Hinton
Secretary of Revenue

Leslie W. Merritt, Jr.
State Auditor

Christopher Henson
Senate Appointee

3

Review
What is Debt Affordability?

- The amount of debt that may be prudently authorized and issued in a given period of time without negatively affecting the credit position or impairing the budget flexibility of the issuer.
  - The amount of debt that is affordable ("capacity") is finite.
  - Capacity can be measured and compared.
  - Issuance beyond a prescribed level can erode credit ratings.

4

NORTH CAROLINA
Debt Affordability Advisory Committee

Outstanding Debt by Type at June 30, 2007 (millions)

General Obligation Bonds	
General Fund GO Bonds	$ 5,199.9
Highway GO Bonds	702.1
Total General Obligation Bonds	$5,902
Net Tax-Supported Special Indebtedness (COPs, Lease Revenue Bonds, installment purchase contracts, etc.-supported by GF)	$943
Total GF and Transportation Tax-Supported Debt	$6,845
Other Debt	
GARVEEs (issued Oct. 2008)	$287.6
Other (energy and other non-GF supported)	$131.4

5

NORTH CAROLINA
Debt Affordability Advisory Committee

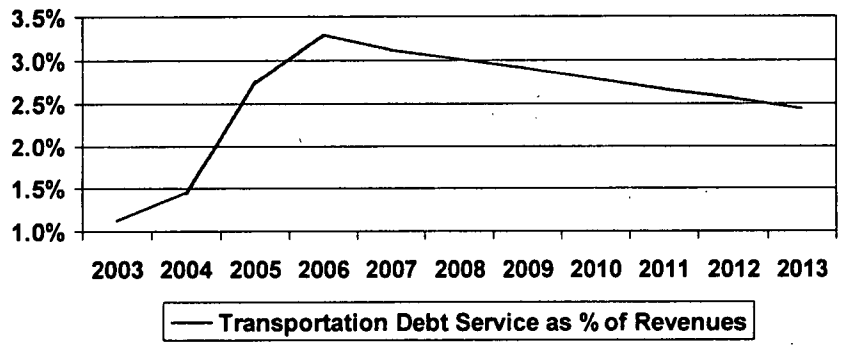
Transportation Debt Capacity - Background

- Highway Fund and Highway Trust Fund Debt Capacity calculated on a combined basis.
  - The Funds are interdependent (e.g. Both receive Motor Fuels Tax and make Powell Bill Transfers; administrative costs and debt service paid from one or another)
- Existing Transportation GO bonds are **not** supported by a pledge of HTF revenues.
- GARVEE bonds are supported by a pledge of Federal Revenues and do not count against Transportation Debt Capacity.

6

NORTH CAROLINA
Debt Affordability Advisory Committee

Transportation Debt Service as % of State Transportation Revenues



Transportation debt service = $91.2 in FY 2007

7

NORTH CAROLINA
Debt Affordability Advisory Committee

Peer States Transportation Debt Comparisions

State	*Ratings (Fitch/S&P/Moody's)*	*Maturity*	*DS % Tran. Revenues*
Florida	AA+/AAA/Aa1	20	6.0%
Georgia	AAA/AAA/Aaa	20	21.0%
Kentucky	AA-/AA-/Aa2	20	12.1%
Missouri	AAA/AAA/Aaa	20	6.7%
N. Carolina	AAA/AAA/Aaa	20	3.4%
S. Carolina	AAA/AA+/Aaa	15	10.8%
Tennessee	AA+/AA+/Aa1	N/A	0.0%
Texas	AA+/AA/Aa1	20	5.9%
Virginia	AAA/AAA/Aaa	25	3.8%
	Excludes Federal Revenues and GARVEE Debt Service	**Median**	**6.0%**

8

NORTH CAROLINA
Debt Affordability Advisory Committee

Transportation Debt Affordability Model Highlights

- 10-Year Model Horizon
- All State –level Transportation Revenues included
  - Revenue growth 1.2% per year (DOT projection)
- Repayment of existing tax-supported debt incorporated (GARVEE debt service excluded)
- Assumes future debt issued at 6.15% for 25 year term

Guideline Adopted: Transportation-related debt service should not exceed 6% of the State's Transportation Revenues

9

NORTH CAROLINA
Debt Affordability Advisory Committee

What is the State's Tax-Supported Debt Burden?

- The three bond rating agencies view all debt supported by state-wide taxes, fees, or levies as "tax-supported debt" and measure it on a combined basis. The measurement includes both General Fund and Transportation debt.
- Debt supported by NC's Motor Fuels Tax would count as tax-supported debt.
- Debt supported by specifically pledged project revenues (e.g. tolls) would not count as tax-supported debt.

10

NORTH CAROLINA

Debt Affordability Advisory Committee

"AAA" States Tax-Supported Debt Comparisons

State	Debt/Personal Income	Debt per Capita	DS % GF Expenditures
Delaware	5.5%	$1,998	3.9%
Georgia	3.0%	916	3.0%
Maryland	2.8%	1,171	5.6%
Missouri	1.9%	613	1.5%
N. Carolina	2.4%	728	2.0%
Utah	2.3%	621	3.5%
Virginia	1.8%	692	3.2%
Median	**2.4%**	**$728**	**3.2%**
Source: Moody's 2007 State Debt Medians	S&P 2007 Public Finance Report Card and calculated information		

11

NORTH CAROLINA

Debt Affordability Advisory Committee

Combined General Fund and Transportation Tax-Supported Debt Burden
February 2008 DAAC Study

	Target D.S. % Revenues	Ceiling D.S. % Revenues
General Fund	4.0%	4.75%
Transportation	6.0%	6.0%
Combined Result	4.27%	4.92%
Based on 2007 revenues		

12

NORTH CAROLINA
Debt Affordability Advisory Committee

February 1, 2008 Transportation Debt Affordability Study
Results (in Millions)

6 %	2008	2009	2010	2011	2012
Total Capacity	$1,190	$62	$62	$62	$64
Capacity Available Each Year	$175	$175	$175	$175	$175

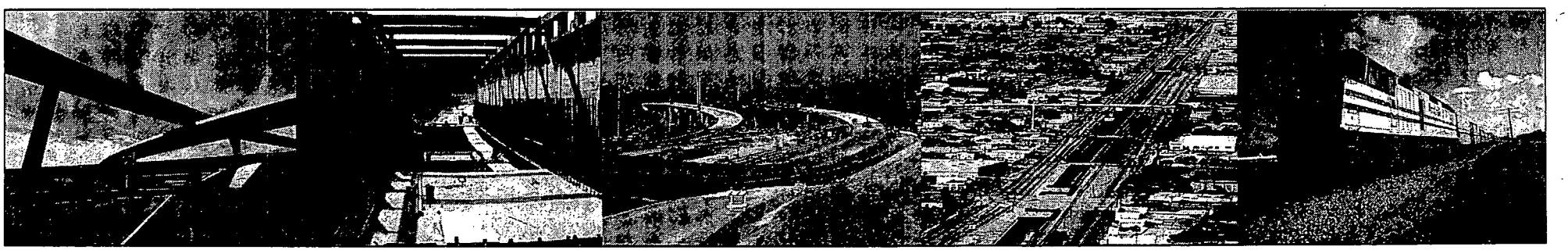
13

STATE OF NORTH CAROLINA
21ST CENTURY TRANSPORTATION COMMITTEE

The Role of Public-Private Partnerships in Delivering Transportation Projects

February 21, 2008
Wilmington, North Carolina

KAREN J. HEDLUND
NOSSAMAN GUTHNER KNOX & ELLIOTT LLP

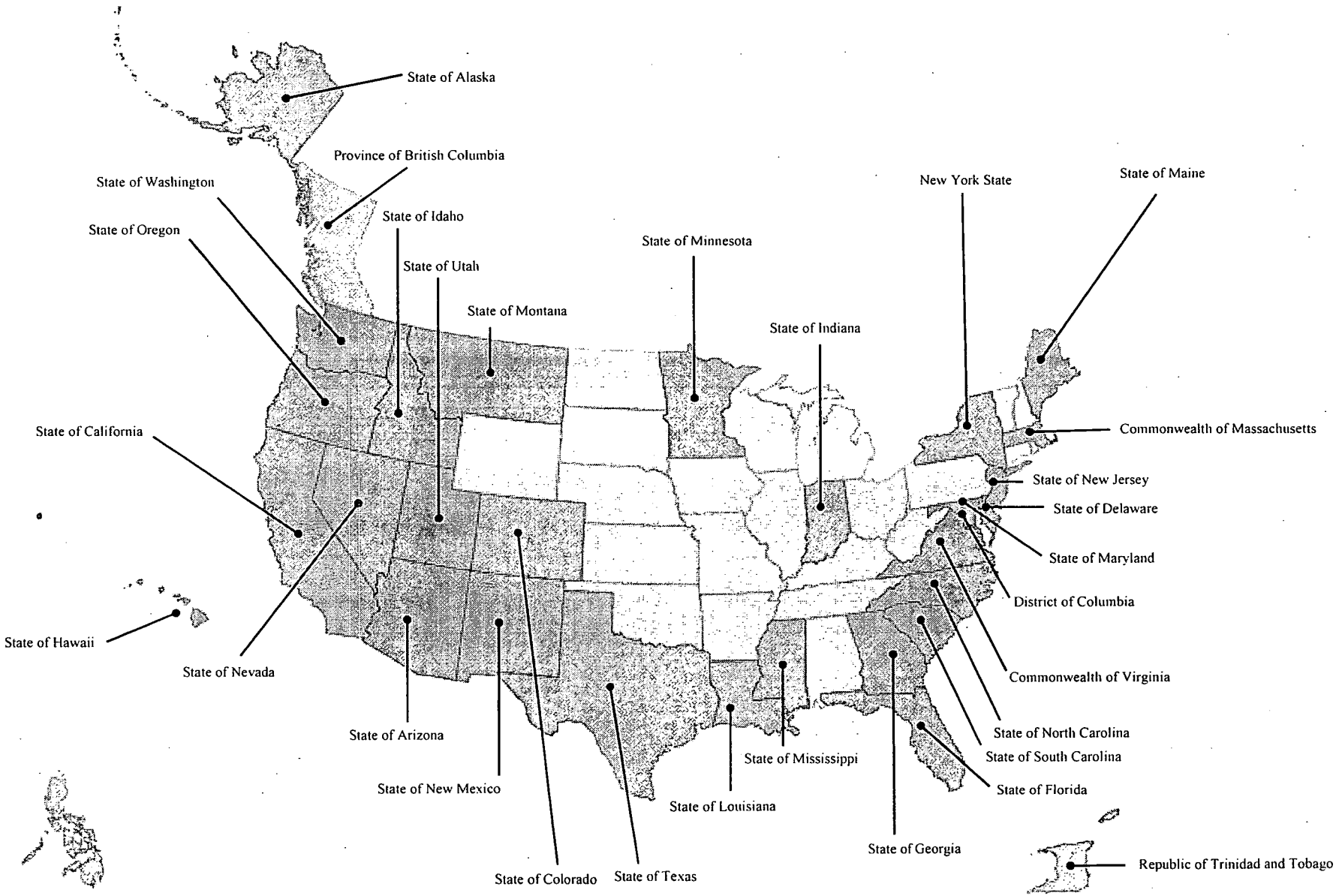


© Copyright, 2008 Nossaman Guthner Knox & Elliott, LLP. All Rights Reserved.

Nossaman Infrastructure

- Law and consulting firm specializing in innovative procurement, contracting, and financing of large infrastructure projects
- Honored to work for more than 30 State DOTs and regional transportation authorities around the country
- Projects include most of the large signature projects other agencies seek to emulate
- Special counsel to North Carolina Turnpike Authority

Nossaman Infrastructure Clients

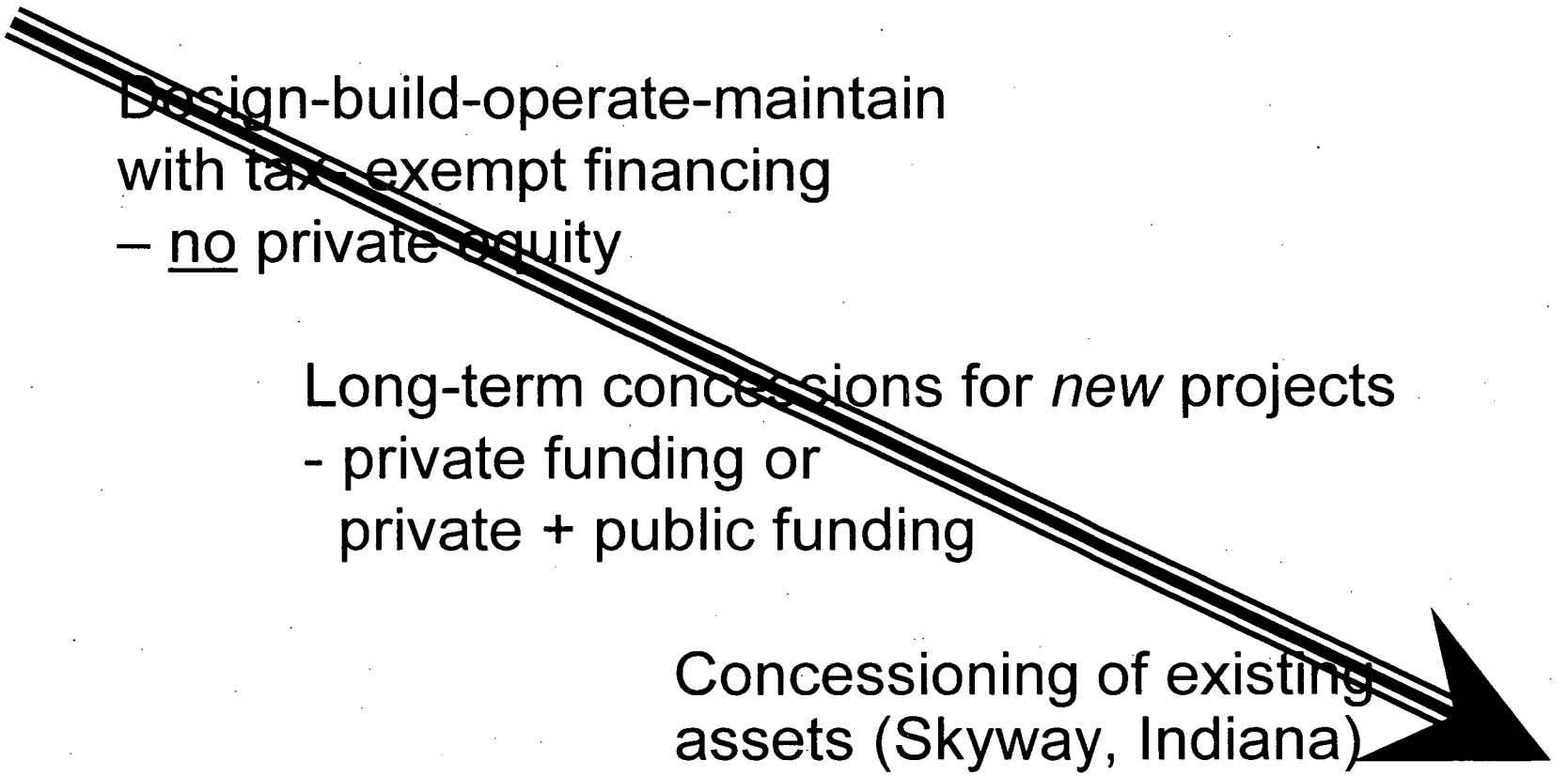


Where do PPPs work best?

- Form of relationship with private sector should be dictated by the projects needs and characteristics
- PPPs embrace a wide variety of contractual relationships
- Concessions: “Greenfields” vs “Brownfields”
- Key variables:
  - Project Definition
  - Work Responsibility
  - Risk Allocation
  - *FUNDING*



Forms of Public-Private Contracting



Parties at the Table

- Equity Participants
  - Integrated Transportation Companies (Transurban)
  - International Construction Companies (Dragados, Cintra)
  - Funds (Macquarie, Carlyle)
- Lenders
- Design and Construction Companies
- Operating Companies



1. Traditional Procurement Tradeoffs

Advantages:

- Government maintains total control over design
- Competitive initial construction cost
- High transparency and low political risk

Disadvantages:

- No guarantee of lowest ultimate price
  - Limited cost control over design process
  - "Overdesign"
  - Exposure to change orders
  - Life cycle cost no taken into account
- 100% public funding

2. Design-Build Contracting + *Private* Operation (DBOM)

Advantages:

- Long-term performance risk shifts to the contractor
- Fixed fee for operations
- Incentives to minimize life-cycle costs

Disadvantages:

- Agency retains revenue risk
- Need adequate remedies if contract terminated early
- IRS bond rules limit financial incentives to contractor

3. Delivery of New Projects through Long-Term Franchises/Concessions

Advantages:

- Large, new sources of capital
- Minimizes dependence on public revenues
- Developer assumes more environmental and development period risk
- Developer asssumes traffic and revenue risk

Disadvantages:

- For-profit entities require taxable financing – PABs now available
- Less public control over operations
- Limits on rates and charges must be set by contract

4. Delivery of New Projects through Long-Term Franchises/Concessions (cont.)

Other Considerations:



- Political risk if "bad deal"
- Limit on return on investment?
- Confidentiality needs vs transparency
- Length of term - 35, 50, 65, 99?
- How adjust for unanticipated changes
- Need for "gap" funding

5. Monetization of Existing Assets through Long-Term Concessions

Advantages:

- Large, new sources of capital to fund other projects
- Private sector assumes long-term revenue risk and O&M burden

Disadvantages:

- Future rates and charges may be higher than if asset retained in public ownership
- Public share in future net revenue gains is limited
- Difficult contractual issues

Concessions: Key Public Sector Objectives

- Effective Competitive Procurement Methods
- Maximize Private Sector Investment and Risk Sharing
- Limited Public Financial Exposure
- Reasonable Tolling Structure and Profits
- Opportunity for Revenue Sharing
- Quality Design, Construction, Operation and Maintenance
- Effective Assurances of Performance
- Effective Remedies

Effective Competitive Procurement Methods

- **When and How to "Marry Up"**
  - "Hard Money" PPP – Characteristics:
    - Public partner defines project
    - Clears it environmentally
    - Achieves public consensus on project and PPP
    - Validates financial feasibility
    - Sets toll rate schedule
    - Develops complete business and contract terms, technical specifications

Effective Competitive Procurement Methods

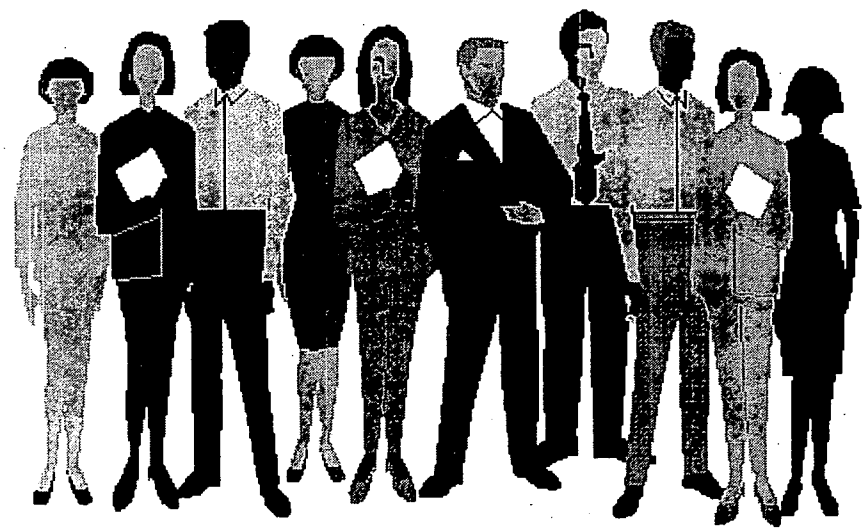
- **"Hard Money" PPP - Nature of Competition**
  - Competing hard money bids
  - Selection primarily a price competition
  - Qualifications submittal and short listing
  - Proposer assembles design, construction, O&M pricing and forces
  - Proposer delivers firm equity/debt commitments

Effective Competitive Procurement Methods

- **"Predevelopment" PPP – Characteristics:**
  - PPP formed at beginning or during environmental process
  - Complex, large development project
  - Project configuration fluid
  - Finance plan rudimentary or non-existent
  - Preliminary T&R analysis done and suggests financial feasibility

Effective Competitive Procurement Methods

- **"Predevelopment" PPP – Nature of Competition:**
  - Selection is qualifications and "concept" based
  - Successful work earns exclusive right to negotiate concession agreement



Limited Financial Exposure

Objective: reduced capital expenditure, reduced exposure to claims from unanticipated events

- 100% private financing – financial model indicates toll revenues fully pay debt and return on equity
  - No public capital needed
  - Up-front cash payment or share in revenues
  - *but most projects have a gap*
- Mixed private/public financing –public sector financial contributions needed to fill gap

Limited Financial Exposure

No single formula for risk sharing – project specific

- **Revenue risk**
  - Real toll concession – no public sector revenue risk
  - Availability payment concession – public sector takes revenue risk
    - Public sector controls tolls and throughput
  - Shadow tolls – no tolls, but contract payments based on traffic
- **Other risk transfers**
  - Cost escalation
  - Differing site conditions
  - Hazardous materials management/remediation
- **Shared risks**
  - Change in law
  - Force majeure

Reasonable Tolling Structure and Profits

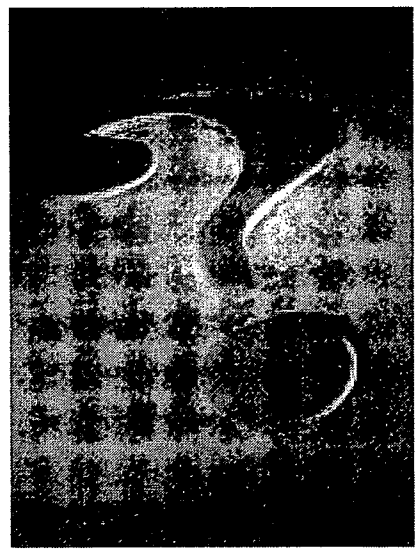
- **Public sector needs:**
  - Maximize its upfront income or long-term revenue share?
  - Minimize toll rates?
  - Prevent excessive profit?
  - Manage traffic demand and congestion?
  - Depoliticize setting toll rates?
  - Toll exemptions for critical public purposes?

Reasonable Tolling Structure and Profits - Tools

- Indexed toll rate schedule – caps future toll rates,
- Use of stated caps or inflation indices (CPI)
- Banded revenue sharing – generates public partner revenues, prevents excessive profit
- Examples:
  - Pocahontas: 40% of real net cash flow after IRR on total investment = 6.5%; 80% after IRR=8.0%
  - Segments 5 & 6: 4.65% of gross revenue until IRR on equity = 11%; 9.3% of next band of gross until IRR = 15%, 50% of all further gross

Quality Design, Construction, Operation and Maintenance

- **Issues**
  - How can public partner assure quality?
  - Operation and maintenance standards?
  - Major rehab and restoration?
  - Capacity enhancements, tech'y upgrades?
  - Operation within regional network?
  - Congestion pricing?
  - Interoperability?

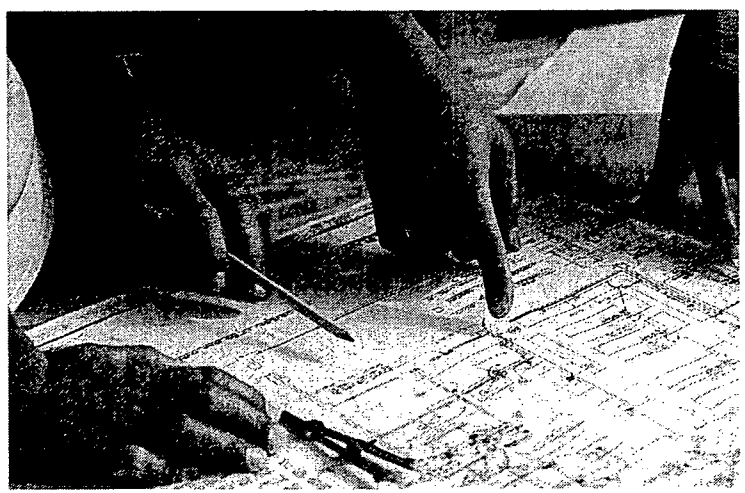


Quality Design, Construction, Operation and Maintenance

- **Tools**
  - Performance-based measures and standards – specify outcomes, and inspections to measure outcome achievement
  - Regular reports by private partner to determine and maintain asset condition
  - Financial audits, monitoring, spot testing and inspection
  - Renewal and replacement scheduling and reserves
  - Handback requirements

Effective Assurances of Performance

- Lender skin in the game
- Bonds from design-build contractor
- Guarantees from parents of design-build contractor, O&M contractor
- Letters of credit for specific obligations – routine O&M; renewal and replacement work; handback work
- Reserves



Effective Remedies

- Scale remedies to the type and severity of breach
- Liquidated damages – for delayed completion, noncompliance with routine covenants
- Step-in rights, including receivership
- Anticipatory breach and assurances of future performance for persistent default
- Termination for major uncured default
  - Lender rights to notice and cure

Manage for Success

- Bring in experts that have “been there, done that”
- Obtain knowledge of the market
- Develop internal expertise
- Obtain public buy-in
- Start with one, suitable project to learn the process



Contact

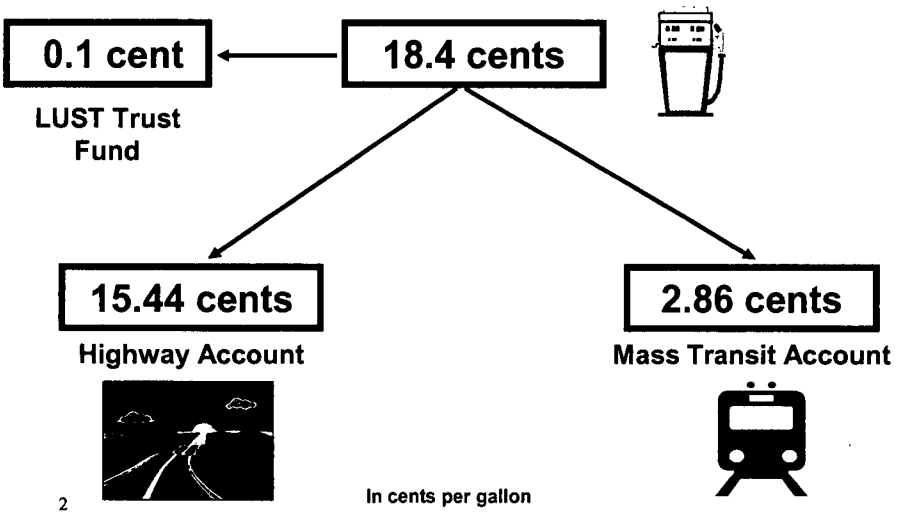
Karen J. Hedlund, Esq.
Nossaman Guthner Knox & Elliott LLP
2111 Wilson Blvd.
Suite 600
Arlington, VA 22201
Phone: (703) 351-5010 Fax: (703) 351-9506
khedlund@nossaman.com

www.nossaman.com

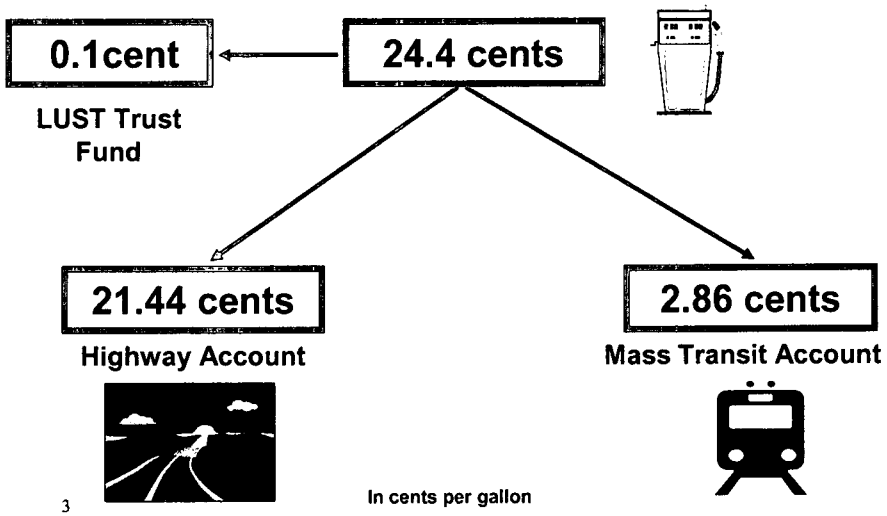


Federal Highway Funding

Federal Gasoline Tax

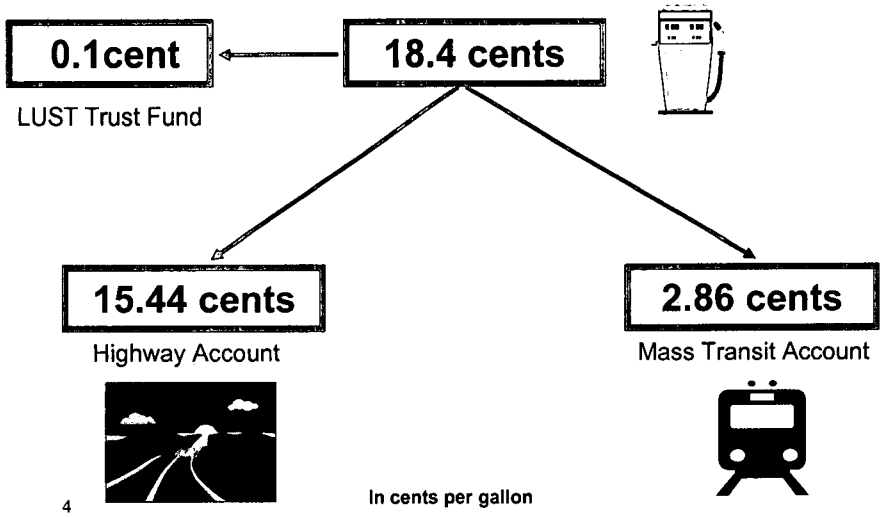


Federal Diesel Tax



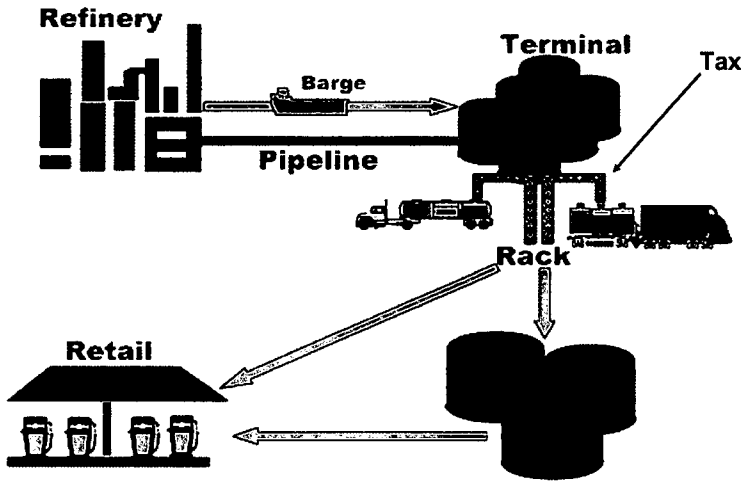
3

Federal Gasohol Tax



4

Fuel Distribution System
Federal Fuel Tax Imposed at Rack



5

Federal Truck User Taxes

Truck Sales: 12% of retail price for trucks over 33,000 lbs or trailers over 26,000 lbs GVW

Truck Use:

Up to 55,000 lbs	No tax
Over 55,000 lbs	$100 + $22/1000 lbs over 55,000 $550 maximum

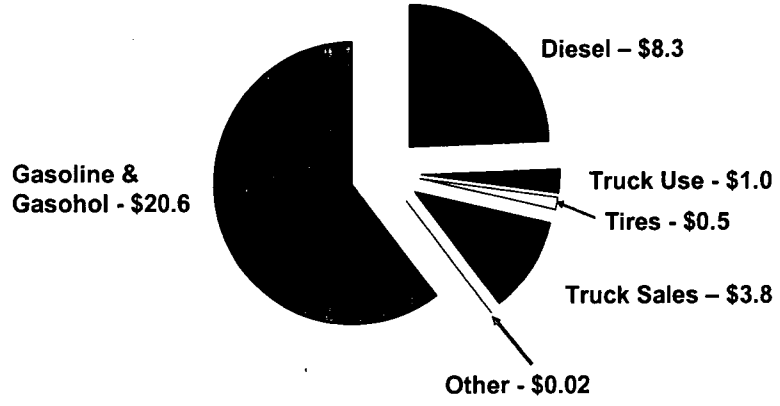
Tires: 9.45 cents for each 10 pounds exceeding 3500 lbs maximum rated load capacity (4.725 cents for bias-ply or super single tire)

Effective January 1, 2005

6

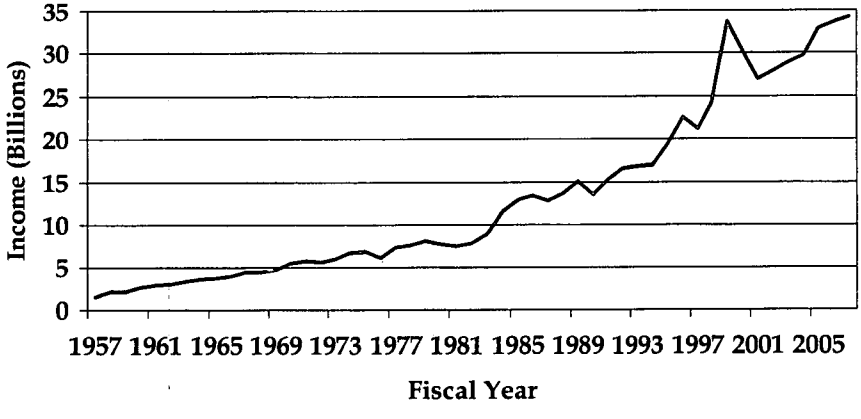
Net Highway Account Income– FY 2007

Total = $34.3 Billion



7

Highway Account Income 1957-2007



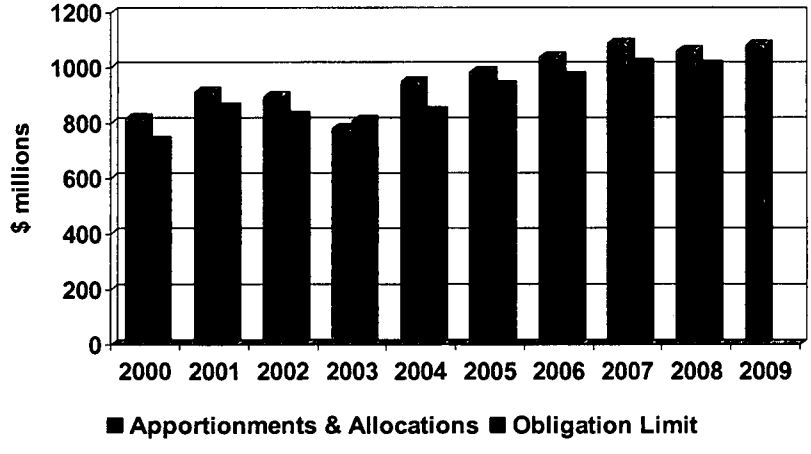
8

SAFETEA-LU Total Funding

	FY 2005-2009	FY 2004-2009
Federal-aid Highways	**$193.0 B**	$227.4 B
Public Transportation	$ 45.2 B	$ 52.6 B
Highway & Motor Vehicle Safety	$ 5.8 B	$ 6.5 B
Totals	$244.1 B	$286.4 B

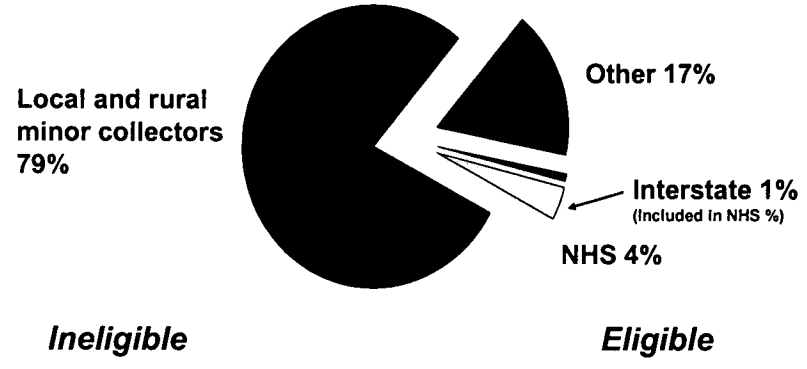
9

North Carolina



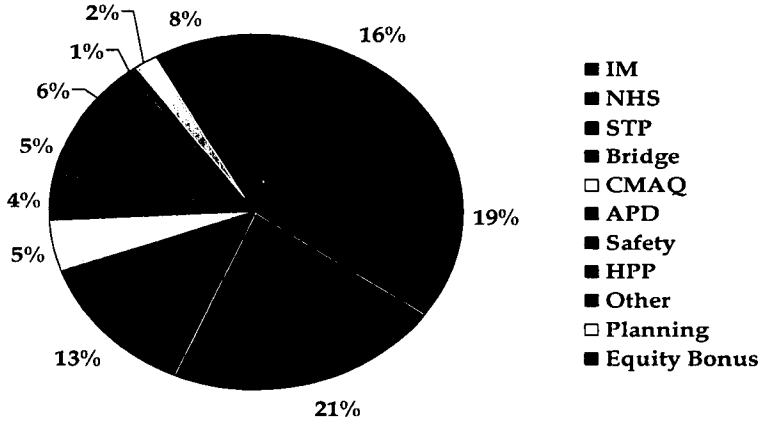
10

Functional Classification
Eligibility for Federal Financial Assistance



103,128 total miles of public roads (NC)

Federal-aid Highway Programs
NC Apportionments



Looking Ahead

Estimating Cash Balances

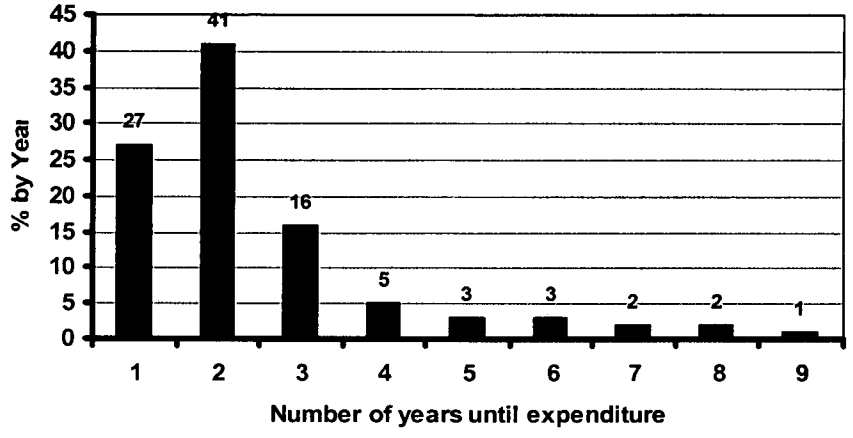
Beginning Year Cash Balance

+ Receipts

- Outlays

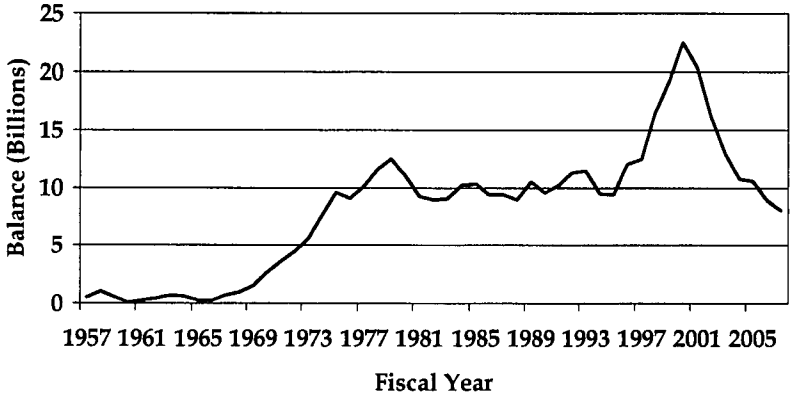
= End of Year Cash Balance

Outlay Rates
How fast obligated funds become expended



15

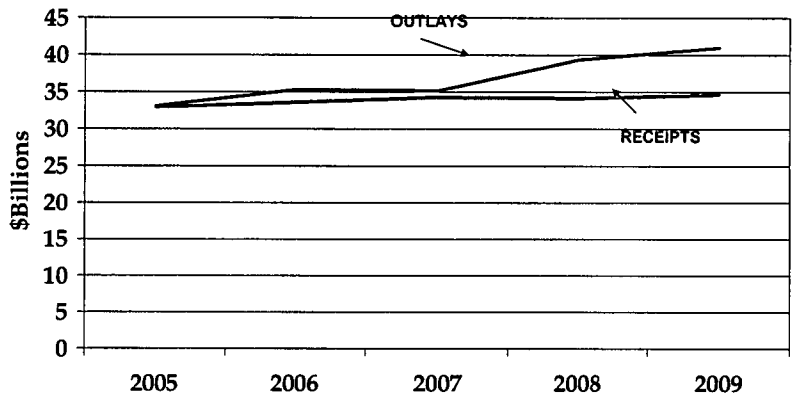
Highway Account Balance
1957-2007



16

Looking Ahead: Receipts and Outlays

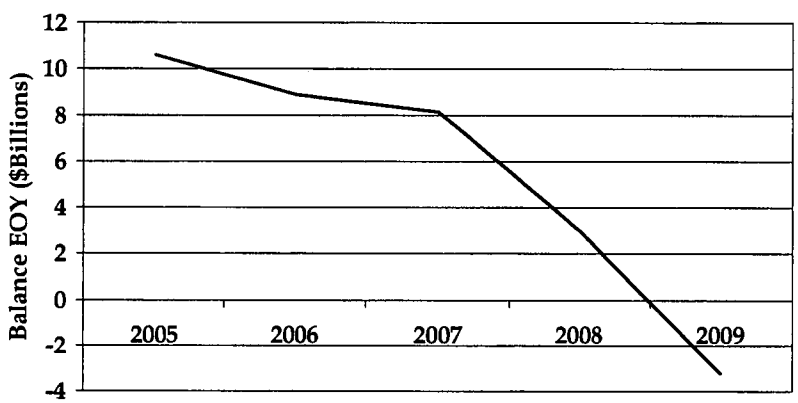
Highway Account – 2009 President's Budget Projections



17

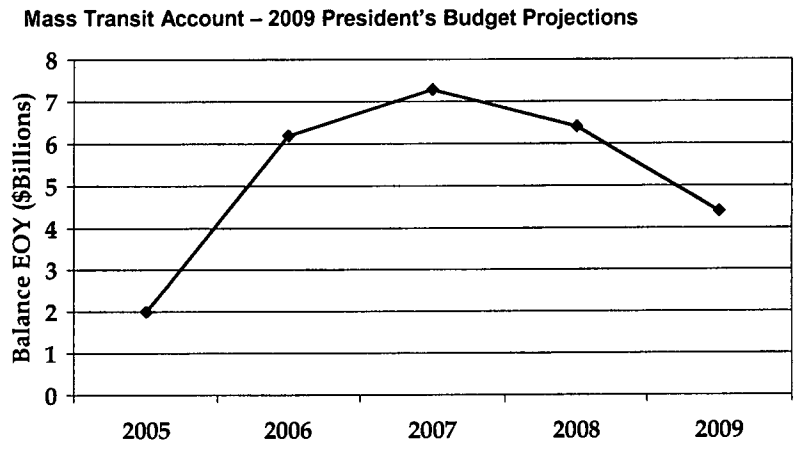
Looking Ahead: HTF Balance

Highway Account – 2009 President's Budget Projections



18

Looking Ahead: HTF Balance



Factors in Projecting the Cash Balance

- Estimated obligations are based on the obligation limitations established by SAFETEA-LU
- Outlays are derived from the estimated obligations
- Receipts are estimated by the Department of Treasury

Negative Balances

- The HTF cannot legally have a negative balance.
- A negative balance reflects ***the gap*** between estimated **future spending** and estimated **future receipts.**

Would all spending stop if the Highway Trust Fund ran out of cash?

- No. Spending on programs would continue as new receipts are received. Taxes would continue to be collected and deposited twice a month in the HTF.
- Payments may not be timely. Very problematic for States, who rely on prompt reimbursements.

Obligation Limitation ($000)	2008 Enacted	2009 Proposed
SAFETEA-LU base limitation	$39,585,075	$41,199,970
RABA	$630,976	-$1,001,243
Additional for Bridge prog.	$1,000,000	$0
Adjustment	$0	-$800,000
	$41,216,051	$39,398,728

Policy Proposal: Address Highway Account Shortfall

- Highway Account cash shortfall of $3.2 billion projected
- Propose repayable advances from the Mass Transit Account, as needed
- Short term (2009) solution only; long term to be addressed in reauthorization

Studies – Financing Surface Transportation for the Future

- National Surface Transportation Policy and Revenue Study Commission
  - Follow Commission activities at http://www.transportationfortomorrow.org
- National Surface Transportation Infrastructure Financing Commission
  - Follow Commission activities at http://financecommission.dot.gov/index.htm
- Road User Fees Study

U. S. Department
of Transportation

Federal Highway Administration

Office of Highway
Policy Information

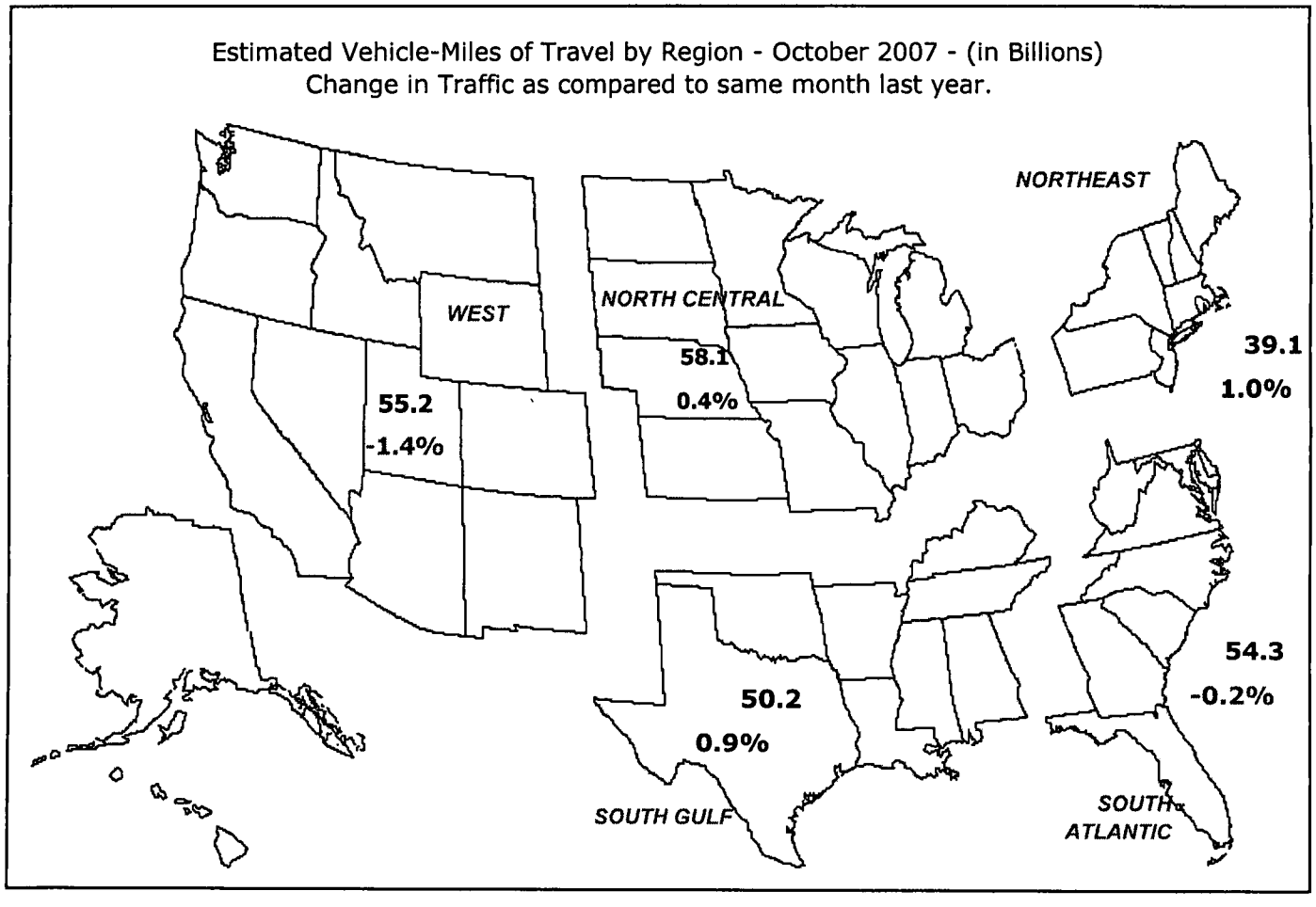
TRAFFIC VOLUME TRENDS

October 2007

Travel on all roads and streets changed by **+0.1** percent for October 2007 as compared with October 2006. Travel for the month is estimated to be 256.9 billion vehicle miles.

Cumulative Travel for 2007 changed by **0.0** percent. The Cumulative estimate for the year is 2,506.0 billion vehicle miles of travel.

Estimated Vehicle-Miles of Travel by Region - October 2007 - (in Billions)
Change in Traffic as compared to same month last year.



Note: All data for this month are preliminary. Revised values for the previous month are shown in Tables 1 and 2.
All vehicle-miles of travel computed with 2005 Table VM-2 as a base.
Compiled with data on hand as of December 14, 2007.

Traffic Volume Trends - October 2007

Based on preliminary reports from the State Highway Agencies, travel during October 2007 on all roads and streets in the nation changed by **+0.1** percent resulting in estimated travel for the month at **256.9**** billion vehicle-miles.

This total includes **90.5** billion vehicle-miles on rural roads and **166.5** billion vehicle-miles on urban roads and streets.

Cumulative Travel changed by **0.0** percent.

Travel for the current month, the cumulative yearly total, as well as the moving 12-month total on all roads and streets is shown below. Similar totals for each year since 1982 are also included.

Travel in Millions of Vehicle Miles

All Roads and Streets

Year	October	Year to Date	Moving 12-Month
1982	138,780	1,338,281	1,587,506
1983	144,044	1,385,632	1,639,831
1984	147,610	1,443,403	1,706,878
1985	154,587	1,492,306	1,765,674
1986	159,434	1,540,799	1,823,255
1987	166,836	1,613,072	1,910,513
1988	175,478	1,697,830	2,009,086
1989	182,583	1,769,776	2,097,531
1990	182,634	1,807,316	2,144,580
1991	188,445	1,829,739	2,169,924
1992	194,836	1,888,773	2,231,248
1993	197,793	1,927,555	2,285,934
1994	202,864	1,974,427	2,343,576
1995	206,745	2,035,303	2,418,464
1996	215,654	2,081,096	2,468,568
1997	221,219	2,150,629	2,551,735
1998	228,523	2,197,882	2,607,626
1999	233,631	2,236,138	2,663,619
2000	236,554	2,305,690	2,749,010
2001	241,162	2,335,446	2,776,682
2002	245,646	2,390,651	2,850,815
2003	254,425	2,418,184	2,883,040
2004	254,839	2,479,041	2,951,308
2005	251,659	2,504,597	2,988,046
2006	256,655	2,507,000	2,995,143
2007	256,913	2,506,000	2,995,435

Traffic Volume Trends is a monthly report based on hourly traffic count data. These data, collected at approximately 4,000 continuous traffic counting locations nationwide, are used to determine the percent change in traffic for the current month compared to the same month in the previous year. This percent change is applied to the travel for the same month of the previous year to obtain an estimate of travel for the current month.Because of the limited sample sizes, caution should be used with these estimates. The Highway Performance Monitoring System provides more accurate information on an annual basis.

** System entries may not add up to the given "All Systems" total due to rounding on pages 2 to 8.

Highway 17 Association

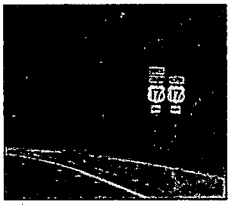
Brief History of Highway 17

- Built originally in the 1920s
- Begins in Shenandoah Valley, ends on Florida Gulf Coast
- About 1,200 miles
- Known as the Ocean Highway through North Carolina



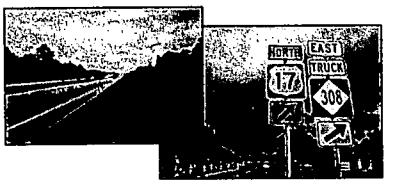
Brief History of the Organization

- Founded in 1975
- Ad hoc and Voluntary
- Reorganized in 2006



Growing Regional Support

- Nine Counties
- Eight Municipalities
- Three Economic Development Organizations



Mission, Vision and Goals

- Build a fully controlled access, four lane Highway 17 from Virginia to South Carolina
- Fund all the unfunded Highway 17 projects in the TIP by 2009, or as soon as possible
- Be regional in vision and scope for Eastern North Carolina

Eastern North Carolina is Falling Behind

Well over half of North Carolina's poorest counties are in eastern North Carolina, including six of the thirteen counties in the Highway 17 corridor.

DECLINING INCOME

NC Office of State Budget and Management, 2000

Eastern North Carolina is Falling Behind

The east has 16 of the 20 North Carolina counties with the highest percentage of food stamp recipients, including three in the Highway 17 corridor.

SOCIAL SERVICES DEMAND

NC Department of Health and Human Services, 2000

Eastern North Carolina is Falling Behind

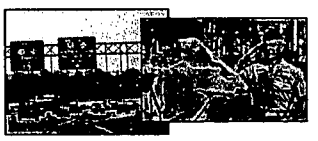
23 of North Carolina's 41Tier 1 counties are in the east, including five in the Highway 17 corridor.

ECONOMIC DISTRESS

NC Department of Commerce, 2008

Dramatic Military Growth

- More than 25,000 Marines and their Families
- Another 15,000 people serving USMC growth
- Projected growth of 21,000 + without Marines



Highways are vitally important

- Highways are a key factor in recruiting industry
- Highways enable goods to move in and out of our ports
- Highways allow tourists a safe and efficient way to visit
- Highway 17 is the economic lifeline of the coastal region





We Face a Big Task

- Approximately 50 miles still two lanes
- $500 million unfunded



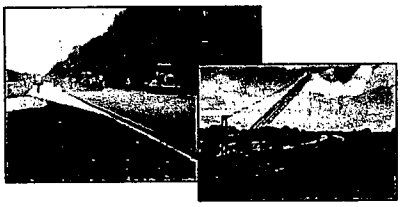
We Face a Big Task

- Several four-lane stretches are bottlenecked
- About $250 million unfunded



Progress in Funding

$38.5 million for previously unfunded projects



Progress in Funding

More than $600,000 in federal budget



Progress on Highway

Jacksonville to Belgrade Completed

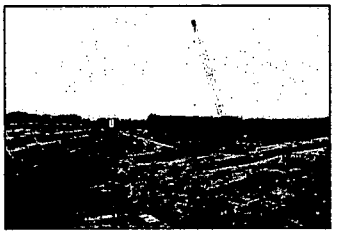
- 6.2 miles
- $30 Million



Progress on Highway

Windsor Bypass Ahead of Schedule

- 9 miles
- $64 Million



Progress on Highway

Washington Bypass Underway

- 15 miles
- $306 Million



Progress in Outreach

- Fully Engaged with NC DOT
- Active Presence at the NC General Assembly
- Monitoring 21st Century Transportation Commission



Progress in Outreach

- Partner with NC GoI Coalition
- Collaborating with East Carolina University





Optimism for the Future

- Continue funding momentum
- Solve problems affecting key projects
- Help create sustainable transportation funding for North Carolina
- Gain support for Highway 17 Association from all 13 counties, all key cities

Thank you

17
Highway 17 Association

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **February 21, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Julia Leggett	The Arc of NC.
Joe McKinney	Land-of-Sky Regional Council
Brentie Goff	McGuire Woods / Charlotte NC
Bill Caster	New Hanover County Commissioner
Steve Jones	The Sun News
Tim Clinkscales	Paramounte Engineering
TIM DANIELS	BALFOUR BEATTY INFRASTRUCTURE, INC
Marc Finlayson	Highway 17 Association
Chris Villani	Highway 17 Association
Don McCorquodale	Manning Fulton
Reid Simons	NCTA
Mike Kozlosky	Wilmington MPO
CS Hollis	Kennedy County Tom
S. JACKSON	Budget & Tax Center.
David Farren	Southern Env. Law Ctr.
Sabra Faires	Pro Tem's office
Jonathan Spivey	The State Port Pilot, Southport
Schorr Johnson	Pro Tem's office
Chris Dillon	" "
Jerry Williams	RANC
Vera Hollowell	LGC
Dora Fazzini	LGC
Mane Sutton	NCDOT
Amy Schilder	McGuireWoods
JOHN BILOURAN	Providence Homeowners Association
Laura Wilson	NC State Ports BOD
Rita Harris	NC State Ports Authority
John Dillard	CSX

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **February 21, 2008**

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	Shoreline Rd Assoc NC
ANDY KOEPPEL	P.O. BOX 4443, WILM, NC 28406
JENNIFER V. HENAGAN	WILM. CITY, PLANNING COMMISSION
Jesse Henagan	Pres. Council of Neighborhood Assn.
Rep Carolyn Justice	General Assembly
EDDY DAVIS	MID-EAST RPO
SUSAN COWARD	NCDOT
ROBERTO CANALES	NCDOT
Rob Bridgers	Clancy & Theys Construction Company
SHANNON LASATER	NCDOT
Johanna Reese	DOT
JOHN MITCHELL	ASHEVILLE CHAMBER OF COMMERCE
Lauren Bradley	City of Asheville
Miriam Perry	NCDOT
Mike Krannitz	Stewart Engineering
Ed Johnson	NC CAPITAL AREA MPO
WIN BATTEN	TOWN OF WAKESIA & DURHAM COUNTY
Brent McKinney	PART
Tripp Sloan	BASE
RTC Volunteer	[illegible]
WHIT WEBB	HNTB
VANESSA BEAN	CITY OF WILMINGTON
allison Waller	Charlotte Chamber
Murphy Sullivan	
Cameron Moore	BASE
JASON THOMPSON	City of Wilm
JACKSON PROVOST	NCDOT
Patrick Riddle	NCDOT

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE — **February 21, 2008**
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
William F Blythe	Brunswick Co. Planning Board
Johnni Henagan	WILM. CITY PLANNING COMMISSION
Ilse Henagan	CONCA, Pres.
ANDY KOEPPEL	P.O. BOX 4443 WILM, NC. 28406
John Hall	MWC
Carolyn Coyne	MWC
CHRIS COUDLIRT	New Hanover County
Melanie Cook	Coastal Carolina Tomorrow
Alex Rickard	Down East & Eastern Carolina RPO
Calvin Leggett	NCDOT
H. TASAICO	NCDOT
BILLY TUCKER	WILMINGTON TERMINAL R.R.
Tom Johnson	Nexsen Pruet, PLLC 701 Green Valley Rd. Suite 100 Greensboro, NC
Julia Boseman	Senate
Chris O'Keefe	New Hanover Planning
Mark Lanier	UNCW
Ben Hughes	NCDOT
Alpesh Patel	NCDOT
DON VOELKEL	NCDOT
JOHN SULLIVAN	FHWA
Lainie Johnston	City of Whiteville
KAREN HEDLUND	NOSSAMAN
Tom Cunningham	Greater Wilmington Chamber of Commerce
Len Sanderson	PB
Tommy Hannelson	East Tech
Bill Kopp	N.H.Co. Commissioner
Joshua Mello	Wilmington MPO
Anthony Prinz	Wilmington MPO

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **February 21, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pat Gannon	Wilmington Star-News, 17th St Wilmington
Damien Graham	TTA
Christie Barbee	CAPA
ALBERT EBY	WAVE TRANSIT - WILMINGTON

2007-2008

NORTH CAROLINA GENERAL ASSEMBLY

21st CENTURY TRANSPORTATION COMMITTEE

Mr. BRAD WILSON, CHAIRMAN

21st Century Transportation Committee
Agenda
March 24, 2008
1:00 PM
Room 643 LOB

Welcome	Brad Wilson
Transportation Reform and Modernization	Bill Wilson, AARP David Farren, Southern Environmental Center
Committee Reports:	Finance Intergovernmental Intermodal Prioritization
Discussion	

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Monday, March 24, 2008
1:00 P.M.
Room 643 LOB

The 21st Century Transportation Committee met on Monday, March 24, 2008, at 1:00 p.m., in Room 643 of the State Legislative Office Building, Raleigh, North Carolina. The following members were present: Chairman Brad Wilson; Senators Jenkins, and Stevens; Representatives Cole, Carney, Coates, Frye, McGee, and Wainwright; Honorables Blackburn, Hunt, Joines, McGrady, and Miller; Ms. Szlosberg, and Misters Whichard, III, Lanny Wilson, Bowman, and Zelnak, Jr..

Chairman Brad Wilson called the meeting to order and expressed appreciation for everyone attending the meeting. He said there will be only one presentation today for the committee and then each subcommittee chair will give their report.

Bill Wilson Associate State Director with AARP North Carolina was introduced to speak on NC TRAM. Mr. Wilson gave a power point presentation and said NC TRAM is a growing coalition supporting transportation reform and modernization and currently represents 18 organizations. The coalition's membership includes well over one million North Carolinians and these organizations support a set of policy principles that they believe will provide a better approach to meeting North Carolina's transportation needs. The principles reflect a view that the transportation system should serve all parts of our society promote sound economic development and contribute to a high quality of life for the state's residence. He ask the committee to incorporate these principles as recommendations are made. Mr. Wilson gave his presentation in three parts. He focused on access to jobs and services for all North Carolinians and continued to talk about the five principles they have set forth. (Presentation attached to the minutes as Attachment I)

Mr. David Ferron with the Southern Environmental Law Center spoke next. The Environmental Law Center is based in North Carolina. Mr. Ferron has worked on transportation reform efforts in several other southern states. He illustrated the Coalition's principles and suggested some positive solutions in the environmental, public health and quality of life issues and addressed how the principles support both of these areas. (Continuation of Attachment I to the minutes)

Chairman Brad Wilson asked Mr. Ferron if he has any ideas as to where revenue should be generated from to help pay for public transportation.

Mr. Ferron said he thinks bonding is certainly something that needs to be looked at, and authorizing local sales taxes like they have done so successfully in Charlotte. There is a variety of ways to get funding that could move forward. Mr. Ferron said gap funding is

being heard about but it is not just the gap that we have. He said we have a chasm and we need to be looking in a very big picture way.

Ms. Szlosberg asked Mr. Ferron to elaborate on his referral to some of the best practices in other states related to the linkages between land planning efforts and transportation efforts.

Mr. Ferron said one example is in Georgia where in the late 90's Atlanta lost its federal highway funding because it did not deal with its transportation related air pollution. They established a state umbrella organization to be involved in this linkage between transportation planning and land use planning,The Georgia Regional Transportation Authority, and they went about a process of putting in place a system of carrots and sticks so that local jurisdictions would improve their land use planning to allow denser developmental on corridors to have more effective land use planning to protect investments and transportation. That is one great example. South Carolina with their new prioritization. Looking at local land use. In some other states they have gone through these vision processes either on a metro era basis or on a statewide basis. We want growth, but where do we want growth, where do we want to encourage growth, where do we want to discourage growth and can we get a plan where we match up our grey infrastructure, our roads, waters and sewers with what we want in the way of a green infrastructure and move from the vision to carrots and sticks at the state level, at the DOT level, but also equally important at the local level.

Ms. Szlosberg asked Mr. Ferron to talk about the triple PPP's and tolling. What happened, why they are looking at that differently now in Georgia?

Mr. Ferron answered that Georgia has gone forward with PPP's and skips and starts through the last few years, there was a proposal for a major new highway between Atlanta and Athens. There was a proposal that perhaps this new proposed highway in northwest Atlanta be a PPP and what the state found was that the DOT was really ill equipped to evaluate the merit of these projects relative to the overall needs of the state in terms of transportation planning. When the new DOT executive came in she basically called the time out and said we need to rethink this. We need to make sure that the projects that are going forward with as PPP's are really the projects that this state needs as we look to long-term feature needs.

Senator Jenkins observed that its a concerning to him that we use South Carolina as a model. He was not aware they had gone through some great reformation because about every study you see has ranked South Carolina as number 50. He said he would be concerned if we would use them as an example. He said Virginia is broke and asked, is that four million dollars they spent or was that a four million dollar budget?

Mr. Ferron answered he thinks that is their entire budget. He said he would also observe that North Carolina has a much larger road network. Our maintenance needs are much greater than Virginia.

Chairman Wilson asked the sub-committee chairmen to give their reports at this time. They reported in the following order. (Reports are attached to the minutes as Attachment 2).

Mr. Stephen Zelnak, Jr., Chairman of the Finance subcommittee presented the report from his committee

Ms. Szlosberg asked Mr. Zelnak if the focusing around financing has been primarily in the traditional transportation federal funds also bonding and revenue collected by licensing and that sort of thing? Have you looked at the carbon market as a potential source of funds?

Mr. Zelnak answered that they have not in this round focused on carbon market. As we get into the second round of the committee's work, my expectation is that we are going to focus on broader array. He said they have had some considerable discussion on vehicle miles traveled as a potential way to raise revenue and have the person using the roadway actually pay based on usage.

Ms. Szlosberg said the reason she suggested it and perhaps it is something to look into, that she was in Washington a couple of weeks ago and was briefed on the Lieberman-Warner Bill. That is a new carbon constrained rule of cap and trade. The expectation and the preliminary estimate is that that bill will raise about four trillion dollars in revenue which is peanuts compared to the reauthorization bill. Right now there is just a little toe hold in it around transportation, its about 1% which ends up being about one billion dollars the way the whole thing gets configured. That is happening on the federal level, but certainly there will be some opportunity in North Carolina also to be engaged in some kind of cap and trade and because transportation accounts for 30% of our green house gas omissions, it makes sense that that might be a place to go to get money for mitigating strategies on transportation.

Mr. Zelnak said that is a very good point and we are going to take a look at everything we can possibly look at because we are moving at a different direction in transportation.

Mr. Jordon Whichard, Chairman of Intergovernmental Subcommittee presented a report from his committee next. (Attached to Minutes)

Senator Stevens asked Mr. Whichard if his committee looked at donor counties as well as North Carolina being a donor state?

Mr. Jordon said they have not broken it down it that way, but they will be delighted to have any input he might have and they will look at it also.

Honorable Sam Hunt Chairman of the Intermodal Committee presented the report from his committee next. (Attached to Minutes) Mr. Hunt said in their meeting today they approved a Draft Bill to be sent to the full Committion that establishes an Intermodal Transportation 21st Century Fund. (Attached to the Minutes). Mr. Hunt explained the

Bill and said that he thinks it is a good bill and will be well received as it goes forward. He submitted the Bill to Chairman Wilson and the full committee.

Representative Carney asked if there is a Bill and was told it is on the web site. She also said she applauds Chairman Hunt of the subcommittee and said she does support public transportation and she is on record of saying that way before now. She also shared with the committee that Charlotte was able to go to Washington asking for matching money and having that local option sales tax showing that they had money in hand and when they saw that they had that ability to generate their money locally then they got their funding right up front. She said she is an advocate for that happening for the other congested urban areas in this state. She said the public must be sold on this and that this education component piece must go along with this and that goes for all the members of the General Assembly. When we put money in this investment we are leveraging money as well as when we have the toll projects. We are also leveraging dollars for other road projects. Selling the big picture is a critical piece of what we should bring out of this committee.

Honorable Hunt thanked Representative Carney for her comments and said the inspiration for what we are doing here is from Charlotte. The fact that Charlotte has had the referendum twice and it just passed again by 70%, and there is a successful effort underway. Senator Jenkins was at the tournament and did a survey while he was up there and he reported that the traffic congestion leaving the tournament was entirely better than he expected due to so many people riding the light train out.

Representative Carney said Charlotte could not have done that without the support of this General Assembly and a lot of hard working people to give Charlotte that one half cent sales tax option.

Honorable Hunt said his final comment would be having been a member of this General Assembly and the privilege that it was to be a member that he always looked forward to issues when something was needed and it was popular too and he said he thought that is what this is.

Senator Jenkins Chairman of the Prioritization Subcommittee presented the report from this Subcommittee. (Attached to the Minutes).

Chairman Wilson added to Senator Jenkins report that the committee is now in receipt of those items out of the Consultant's study that has already been implemented, those that are about to be implemented and those that are a little more long range. Chairman Wilson said he thinks it is Senator Jenkins' focus now that between now and the April 24th meeting that those will be cataloged in to the extent that they believe those are meritorious recognitions for that which has been done and things that ought to be done and add to that the subcommittee's thinking so that when the meeting is held on April 24th, a set of recommendations will be ready for reform, improvements, sufficient for this committee to begin to get their teeth into.

Senator Jenkins said his subcommittee will meet before the full committee meets April 24th, probably about the middle of April to form all the information together and finish their report.

Chairman Wilson said the plan is that all the subcommittees will try to wrap up their work well enough in advance of April 24th, so that when committee members get the notice of the April 24th meeting, attached thereto will be a proposal of what we would anticipate will be forthcoming from the subcommittee at the April 24th meeting. The April 24th agenda will be only committee reports and an opportunity for explanation and discussion. He said he would not expect April 24th to be a time for action unless the full committee is ready to vote on that day. For example he said it is entirely possible that the Intermodal recommendation could be acted upon that day to move forward as a specific recommendation from this committee to the full General Assembly. However, it may not be ready yet because some of the component parts in relationship to finance may not be quite ready to go forward, so the action might need to be withheld. Look for the next notice of this committee. It will include a lot more information to digest prior to the 24th,and you want to come prepared to roll up your sleeves and begin to make changes, listen to other ideas if there are any, and position ourselves to put together the comprehensive report for the General Assembly. Chairman Wilson said that he would anticipate that there will be one more meeting between April 24th, and the beginning of the Legislative Session at which time the committee would need to be in a position to vote for or against a set of recommendations to move forward for the short session. Chairman Wilson encouraged everyone who has interests in the moving pieces in these committees to watch for notices of those meetings, talk to the committee chairs in the interim, come to those subcommittee meetings if you would like and offer as much input as you can as preparation is made to wrap up phase I of the committee's work.

Ms. Szlosberg ask Chairman Wilson how all of the work of the four committees will be knitted together?

Chairman Wilson told Ms. Szlosberg that she will see it all at one time. You will have the opportunity to look at the component parts and then think about how it all comes together. Also, Staff will be weaving it together in narrative form at some point and time and Chairman Wilson said he will spend a lot of time making sure that there is balance to the pattern that we are about to take action on.

Chairman Wilson told the committee there is a lot of work left to do. The most of the Intermodal Subcommittee's work will take place after the short session. We are not going to know the answers to all the questions that we will have on every subject in time to take action on the short session report. We are trying to get together a set of recommendations for the General Assembly for this short session and there will be plenty left to do thereafter. In case the General Assembly does not take something up, refines it or its there and maybe passed by one house or the other, with some suggestions we will revisit all of that at the conclusion of the short session. He encouraged everyone to do

your home work. As this information comes out, read it, understand it, ask questions about it, talk to each other and come to these meetings prepared.

Representative Cole said just to follow up on Senator Jenkins comments regarding Mr. Ferron's presentation with regards to the Georgia Department of Transportation. They only have 17,000 plus miles of road that they maintain. If this lady had done her homework she would have known the State of Texas, and the State of Indiana have both said, you hire professional lawyers that deals with only that kind of legislation because there are too many loopholes.

Representative Cole ask Mr. Ferron if they had done any out of the box thinking and if he will share that with us with regards to how we can attain these air quality requirements in the future?

Mr. Ferron answered that on the transportation side of the equation he thinks we need cleaner cars. There have been bills proposed in the legislature here to have North Carolina adopt the California tailpipe standards. Those have not gone so very far in this General Assembly. The other end of the equation which is the linking transportation planning with land use planning moving forward with strategies both at the state and local level to address per capita VMT. We have some of the highest per capita VMT rates in the country and some of the highest per capita transportation related pollution in the country..

Representative Cole shared his perspective of where we are with regards to our state, our population and our medium income. We just broke in the top nationally with regards to population, but he estimated that we are probably lowest in medium income. Wouldn't it make sense to consider getting the older cars off the road, they are the more polluting cars, and have you done anything or have you run any numbers to see what it would take to get those off? The State of California has done that with minimal success at $500.00 per car and that is a bounty on an older car with an older emission system. What would $1,000.00 do to get some of those cars off the road in North Carolina?

Mr. Ferron said he did not have specific figures on that but he thinks that is an important issue to look at for these older cars. He thinks as they look over the next 10 to 20 years, if we are looking at that as a time frame for a horizon for transportation planning and land use planning that problem is going to take care of itself as more and more of those older cars retire themselves. What is much more important is what are going to be the standards for the cars from here on out.

Ms. Szolsberg asked to make a couple of points and one that was related to what Representative Cole was talking about. She said she attended the American Public Transportation Association Legislation Conference a few weeks ago where they released some major findings on public transportation and climate change. One of the statistics she thought was really compelling was the relationship between the newly adopted café standards of congress which will be required in 2020 to have miles per gallon of 35, if you track that, that alone will not mitigate the carbon loading because of the increase in

VMT, because that just keeps going up. While it is important to folks on fuel efficiency in cars, we have also got to think about what some other strategies are because we just can't do it alone with that. Related to the public transportation piece the findings were pretty astounding. Like 37million metric tons of carbon taken out of the atmosphere because people use public transportation in America and that is with a very under funded system currently today. The study also showed that people who live near transit reduce their VMP annually by 44 hundred miles a year which is significant. Ms. Slozberg said there are all kinds of other findings in that report. Jerry Cohen has put it on the web site and she encourages everyone to take a look at it. She will send out some of the selling points to all members of the committee. Ms. Slozberg also added that today the Wall Street Journal has a huge section on CEO's in this country who understand that if you go green it means green in terms of dollars and cents, and those who do not get on the program and public transportation is a part of it, will be left behind in the new economy. She recommended if the members do not already have a Wall Street Journal to get one because it is pretty interesting reading in terms of what we could do in this committee to actually help jump start this new economy in North Carolina.

Chairman Wilson asked if anyone had anything else to bring to the attention of the committee and there not being the meeting adjourned at 2:15 PM.

Brad Wilson, Chairman

Sarah Murphy, Clerk

Finance Report

The Finance Subcommittee met today and reviewed a specific list of items related to points of focus for the recommendations due April 24th. The items discussed were as follows:

1. TRANSFER FROM THE HIGHWAY TRUST FUND TO THE GENERAL FUND. The committee is at this time fully in favor of ending the current transfer of approximately $172 million. Although some members would like to end the transfer all at one time, budget considerations make it most likely that a phased in approach will be required. The current thinking of the committee is to phase in the end of the transfer in equal increments over three years.

A likely recommendation is to use the funds from two of the three years to apply to gap funding for the current 5 projects put forward by the Turnpike Authority. The use of the third year is yet to be determined.

2.BOND FUNDING. The Committee is focused on the potential availability of $1.8 billion in bond capacity over a ten year period. The expressed desire of Committee members is to see such bonding approved in 2008, or as timely as is prudent and practical. Allocation of funds is yet to be determined, but would be aligned with the priorities of accelerated bridge replacement and congestion relief.

3. YADKIN RIVER/I-85 BRIDGE REPLACEMENT. The Committee has heard arguments both for and against a toll road solution for replacement of this critical bridge. Given that a toll solution will nearly pay for itself, that a non toll solution will require approximately $275 million from other sources which would seriously impact the other priorities of the state, and that the construction and upgrading of an alternative roadway across the Yadkin River through the town of Spencer would create a development corridor for that area, the tolling solution is currently favored by the Committee.

4. GAP FUNDING. The gap funding provided would go to the currently specified 5 projects (Monroe Bypass, Triangle Expressway, Garden Parkway, Mid-Currituck Bridge, and Cape Fear Skyway) plus the Yadkin/I-85 Bridge.

5. DOT OVERSIGHT. The Committee believes that it is important to assure proper oversight for any bond funds that may be recommended at this time. Part of the Committee's recommendations will deal with such oversight.

6.FEDERAL RESOLUTION. The Committee believes that the legislature should go on record with the Federal Government that there is an expectation that the Feds meet their obligations on funding and that the donor state issue where NC only receives $.86 for every $1.00 sent to the Federal level from the Federal gas tax must be addressed to significantly close that gap. The Committee will work with the Intergovernmental Committee on a draft resolution and the Intergovernmental Committee will take the lead in presenting a recommended resolution to the full Committee.

The Committee plans to present a set of recommendations by the next meeting date of April 24.

Prioritization/Best Practices/Efficiency Subcommittee Report – March 24, 2008

Senator Clark Jenkins, Chairman

Subcommittee Membership Includes:

Representative Becky Carney

Representative William McGee

Mr. Lanny Wilson

Mr. Richard Blackburn

Mr. Billy Sewell

Since the last 21st Century Transportation Committee Meeting on February 21, 2008 in Wilmington, the Prioritization Subcommittee met on March 5th.

At this meeting in Raleigh we focused on status and update of Transformation Activities at NCDOT.

Significant findings from these presentations can be summarized as:

1. Based on the Department's internal assessment there is a
    a. Lack of formalized statewide, department-wide, long-term thinking, planning, and executing
    b. Little relationship exists between the Department's goals and staff level job duties and performance
    c. Too many poorly selected priorities dilute focus, overtax resources, and slow delivery.
    d. Lack of accountability in project delivery
2. NCDOT Transformation Management Team has completed a comprehensive organizational assessment of all its Business Units, which included missions, end products, cost to produce end products, and efficiencies, however, there was little details presented at this meeting – this is an area our subcommittee will follow-up on details at future meetings.
3. At this point the only organizational structural changes we have identified that NCDOT is currently recommending and pursuing is
    a. The establishment of a Chief Operating Officer
    b. The creation of a Strategic Planning Director and Staff

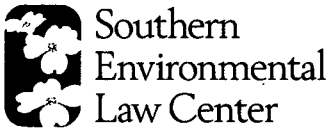
Intermodal Committee Report is on the 21st Century Transportation Committee website.

NC TRAM

TRANSPORTATION REFORM AND MODERNIZATION FOR NORTH CAROLINA

Presentation to 21st Century Transportation Committee
March 24, 2008





Bill Wilson
Associate State Director – Advocacy
AARP North Carolina
(919) 508-0299
BiWilson@aarp.org

David Farren
Senior Attorney
www.SouthernEnvironment.org
(919) 967-1450
dfarren@selcnc.org

1

NC TRAM

Transportation Reform and Modernization for North Carolina

AARP North Carolina
Sierra Club – NC Chapter
NC Justice Center
NC Conservation Network
Southern Environmental Law Center
El Pueblo
The Arc of North Carolina
NC Health Access Coalition
NC Housing Coalition
NCPIRG
Common Sense Foundation
IDA and Asset Building Collaborative of NC
Appalachian Voices
Western North Carolina Alliance
Environmental Conservation Organization
Mental Health Association of North Carolina
Environmental Defense
Self Help

2

TRAM Policy Principles

- Project Prioritization
  - establish objective criteria
  - transparent and meaningful public participation
- Fix it First
  - protect the investments already made
  - balance maintenance & new construction
- Multi-modal Alternatives
  - increase spending to provide accessible & affordable transportation options
- Link Land Use and Transportation
  - promote long-term congestion relief, transit-oriented and mixed use development
- Funding Fairness
  - attention to fairness, equity, & sustainability

Elon University Poll

Most Important Issue Facing Transportation in NC

Issue	***Percent***
Gas Prices	30.8
Public Transportation	17.1
Road Conditions/ Quality of Roads	12.7

Polling Data Gathered 3/10-3/13/2008

Released 3/17/2008

Elon University Poll

Best Options to Address Congestion

Option	***Percent Effective***	***Percent Support***
Improve Public Transportation Services	83.9	82.4
Widen Existing Roads	82.7	82.1
Increase Public Transportation Services	75.6	75.2
Increase Park and Ride Locations	74.3	72.7
Build More Roads	72.2	71.9

Polling Data Gathered 3/10-3/13/2008 5

Released 3/17/2008

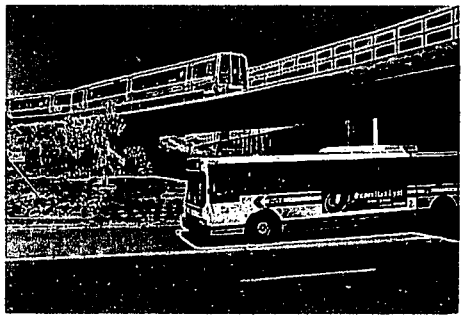
Needs-Based Transit Riders

No Access to a Car -

- 7.5% of households had no access to a vehicle *(2000 Census Data)*

Non Driver Categories:

- Older adults
- Disabled
- Low income



Needs-Based Transit Riders

Older Adults in North Carolina:

•969,000 age 65+; 2.145 million in 2030
•200,000 aged 65+ did not drive; 450,000 in 2030
•Non-drivers aged 65+ make 65% fewer trips to social, family and religious events and 15% fewer trips to doctors



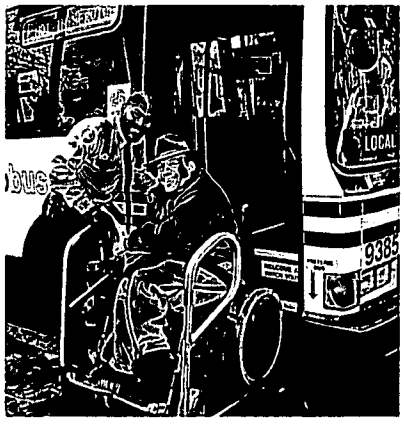
Older Adults – 2005 Harris Interactive Poll:

- 98% say mobility is extremely important
- 83% say public transportation provides them with mobility options
- 60% would use public transportation more often if it was available

Needs-Based Transit Riders

Disabled Persons in NC:

- 21% of population; 1.5M in 2000
  - *2000 Bureau of Census*
- One-third of disabled report not having adequate access to transportation
  - *Harris Survey of Americans with Disabilities, 2000*



Needs-Based Transit Riders

Low Income in NC –

- An average N.C. lower income family of four spends around 25% of their household income on transportation
  - *NC Budget & Tax Center, 2008 Living Income Standard*
- Compelling need for transportation options for one third of families in low income brackets
  - *Economic Policy Institute 2008*

The "Mobility Gap" –
Needs-Based Transit Riders

- 7.5% households with no access to vehicle
- 20% age 65+ not driving; 60% would use accessible = 7.2% of NC's total population
- 33% of disabled with insufficient access to transportation = 6.7% of NC's total population

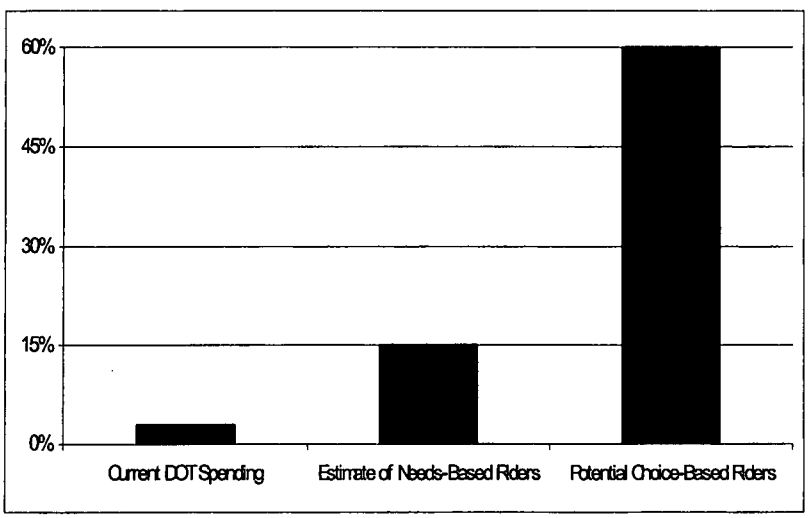
But only 3% of 2007-08 DOT budget spent on public transportation

Now add in choice riders…

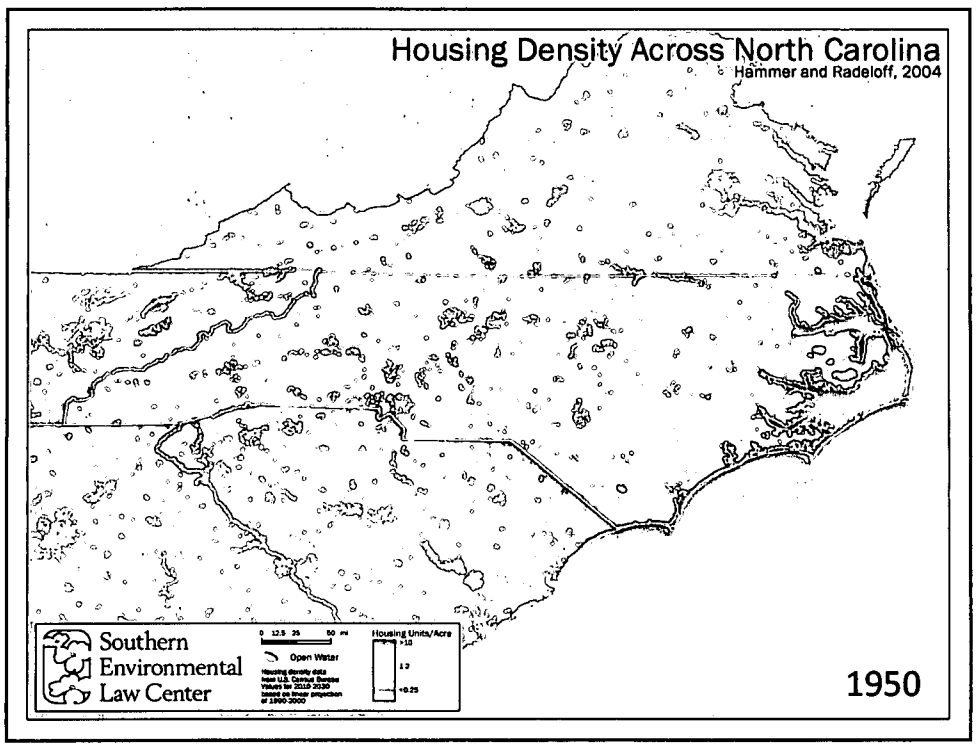
- 25% increase in price of gas in last 12 months
- Elon poll – Almost 60% would consider using rail
- When service is improved…
  - CATS ridership up 76% since 1998, almost 10% YTD
  - LYNX ridership 33% over estimates

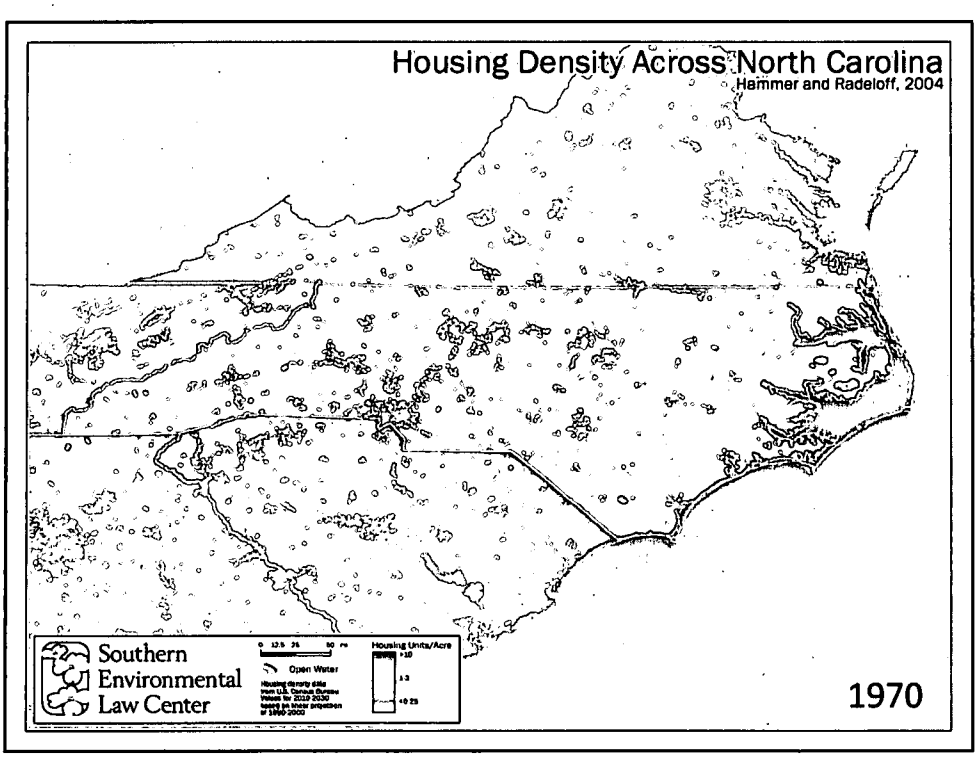
11

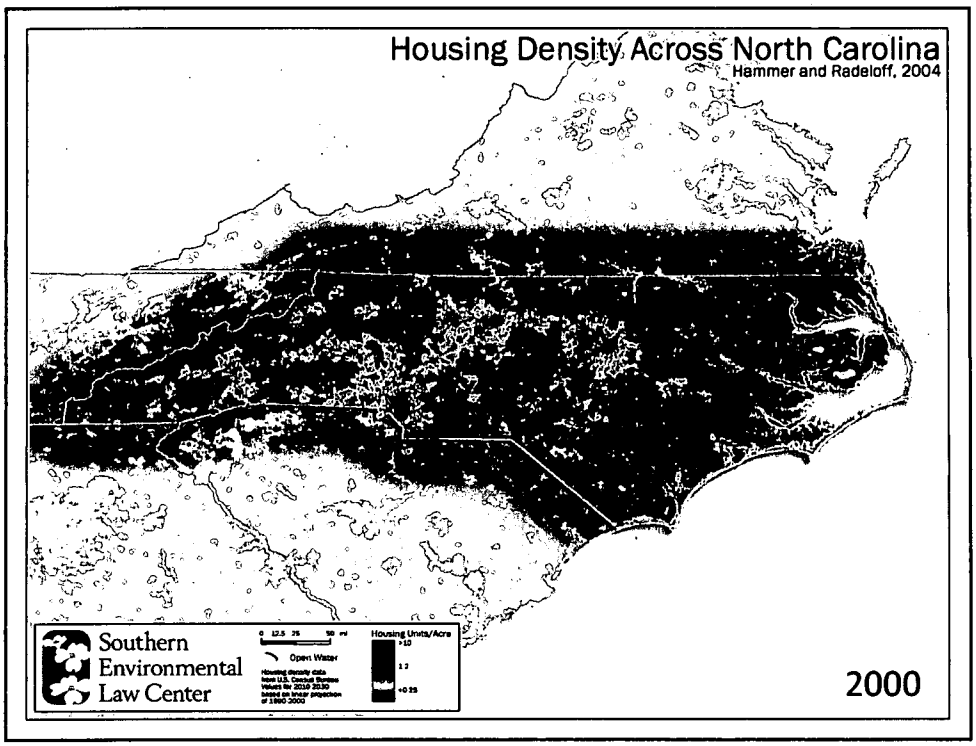
The "Mobility Gap"

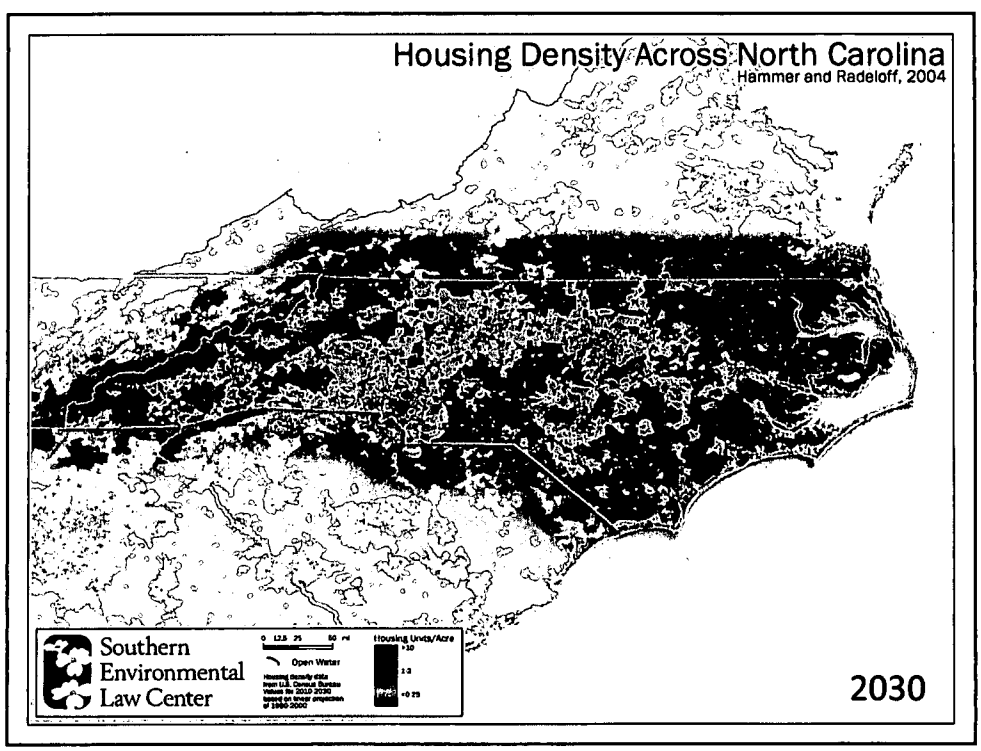


12

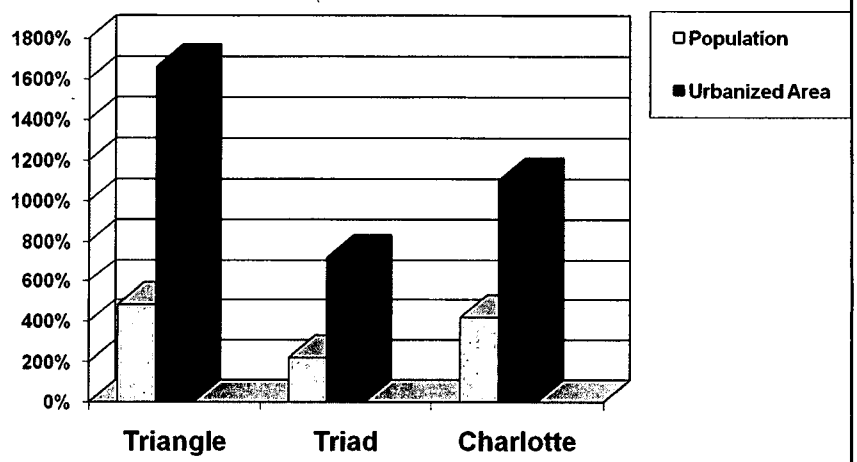

Housing Density Across North Carolina
Hammer and Radeloff, 2004
Southern
Environmental
Law Center
Open Water
Housing Units/Acre
1950


Housing Density Across North Carolina
Hammer and Radeloff, 2004
Southern
Environmental
Law Center
Open Water
Housing Units/Acre
1970


Housing Density Across North Carolina
Hammer and Radeloff, 2004
Southern
Environmental
Law Center
Open Water
Housing Units/Acre
2000

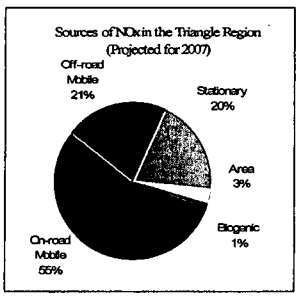

Housing Density Across North Carolina
Hammer and Radeloff, 2004
Southern
Environmental
Law Center
Open Water
Housing Units/Acre
2030

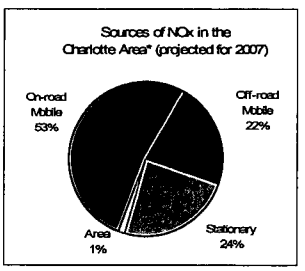
Land Development Rapidly Outpacing Population Growth

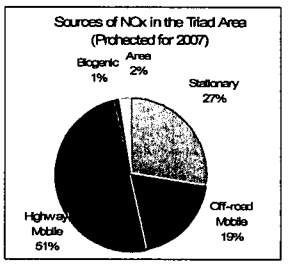


Commission on Smart Growth, *Growth Management and Development: Findings and Recommendations*, Fall 2001

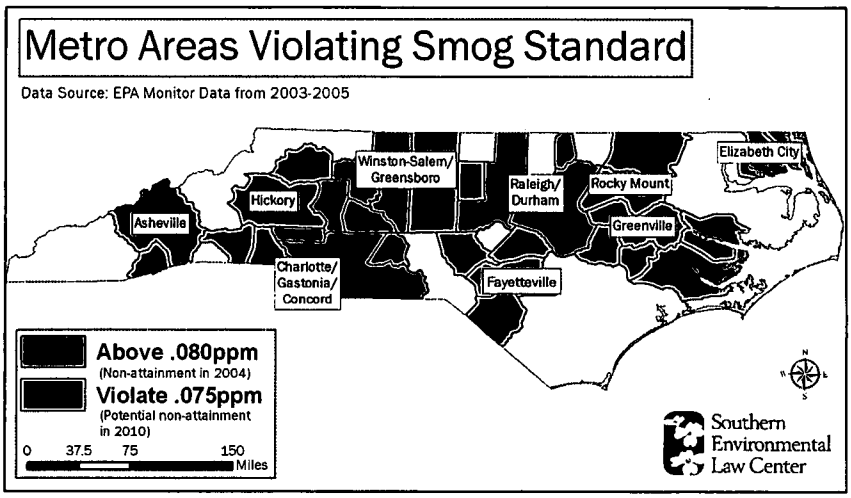
Mobile Sources: The Largest Source of Smog in North Carolina





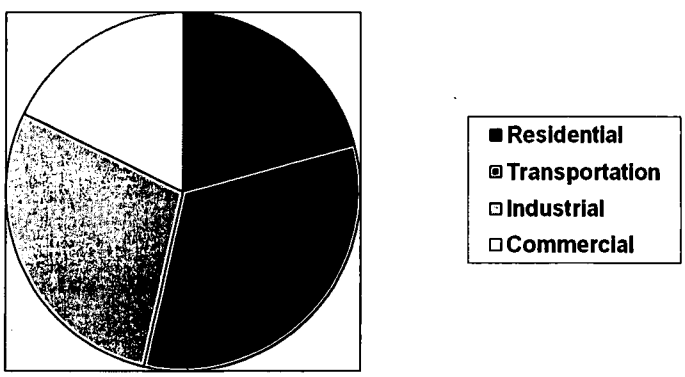


Data from N.C. Division of Air Quality



19

U.S. Carbon Emissions from Fossil Energy Consumption by End-Use Sector in 2005



Transportation for Tomorrow, Report of the National Surface Transportation Policy and Revenue Study Commission, 12/07

20

Appendix G
Transportation and Land Use
Mitigation Option Recommendations

Summary List of Mitigation Option Recommendations

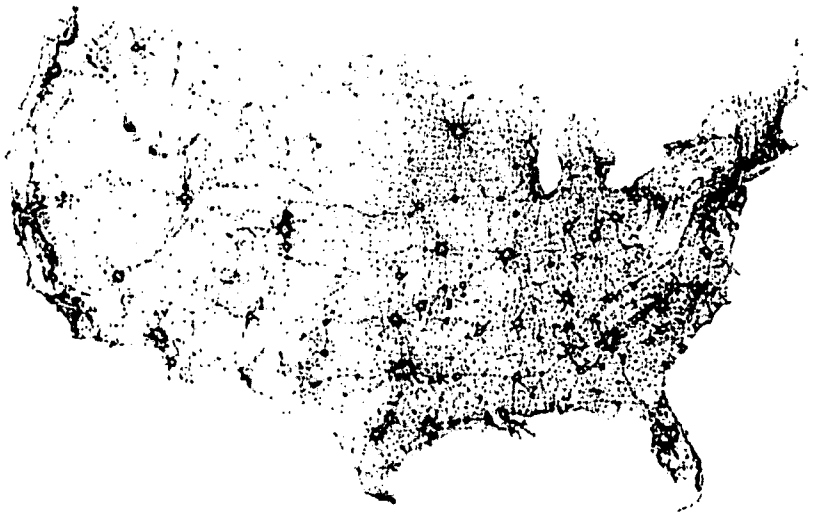
Option No.	Mitigation Option	GHG Reductions ($MMtCO_2e$) 2010	2020	Total 2008–2020	Net Present Value 2008–2020 (billion $)	Cost-Effectiveness ($/tCO$_2$e)	Level of Support
TLU-1a	Land Development Planning	2.6	8.0	58.2	*Net savings*		SMJ
TLU-1b	Multi-Modal Transportation and Promotion (Formerly TLU-2)	3.7	5.8	52.4	–1,300	–25	UC
TLU-3a	Surcharges to Raise Revenue	1.2	2.2	15.7	–1,800	–117	SMJ
TLU-3b	Rebates/ Feebates to Change Fleet Mix	0	< 0.5	2.8	*Not quantified*	–40 to +10	SMJ
TLU-4	Truck Stop Electrification	Included in TLU-8			*Net savings*		UC
TLU-5	Tailpipe GHG Standards	0	8.1	44.5	–1,690	–38	SMJ
TLU-6	Biofuels Bundle	1.9	4.6	35.4	*Not quantified*		UC
TLU-7	Procure Efficient Fleets	Included in TLU-8					UC
TLU-8	Idle Reduction/Elimination Policies	0.1	0.2	2.2	–6	–4	UC
TLU-9	Diesel Retrofits	0.3	2.2	13.5	*Not quantified*		UC
TLU-11	Pay-As-You Drive Insurance	2.3	5.3	42.0	*Expected net savings*		SMJ
TLU-12	Advanced Technology Incentives	*Not quantified*					UC
TLU-13	Buses – Clean Fuels	Included in TLU-8					UC
	SECTOR TOTAL AFTER ADJUSTING FOR OVERLAPS	11.1	25.9	232.3	*Not quantified**		
	REDUCTIONS FROM RECENT ACTIONS	0	0	0	0	0	
	SECTOR TOTAL PLUS RECENT POLICY ACTIONS	11.1	25.9	232.3	*Not quantified*		

UC = unanimous consent (all agree), SMJ = supermajority (at least 80% or more agree). TLU-2 was renamed TLU-1b because of its linkage to TLU-1a. There is no policy option TLU-10, because this catalog option was determined not to be a priority for analysis by the Climate Action Plan Advisory Group.

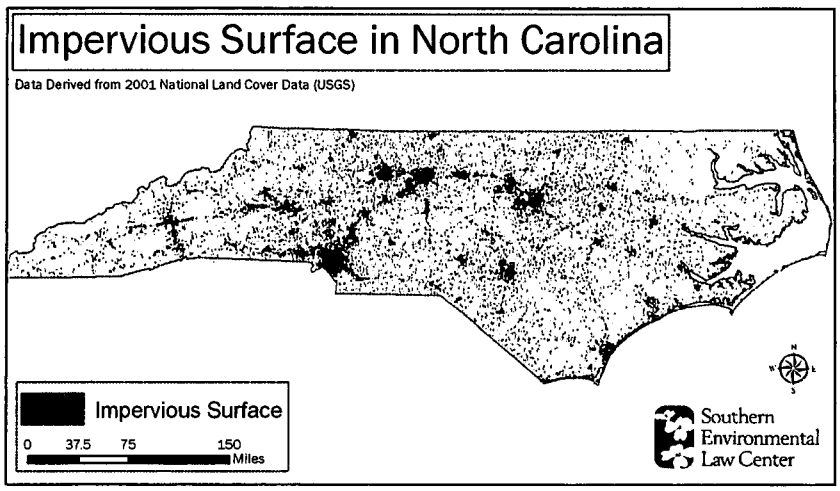
* Given that several of the recommendations that would produce large reductions do not have associated cost-effectiveness figures, it is not appropriate to attempt to sum the cost-effectiveness figures for those recommendations for which the analysis was possible.

Note that for TLU-5, the estimated greenhouse gas (GHG) emission reduction for each year from 2008 through 2020 was multiplied by the cost-effectiveness value of –$38/ton to estimate cost savings for each year, and then the cost savings for each year was discounted and summed to estimate the net present value. Thus, the cost-effectiveness value of –$38/ton cannot be replicated by dividing the cumulative cost savings by the cumulative emission reduction shown in this table.

Water Quality / Water Supply



Source: NOAA, National Geophysical Data Center



NC TRAM

TRANSPORTATION REFORM AND MODERNIZATION FOR NORTH CAROLINA

Our policy principles

North Carolina needs a transportation system for the 21st century. Current state transportation planning and financing policies are failing to address the challenges presented by rapid population growth, economic shifts, and rising construction costs. In addition, the recent McKinsey report and other studies show that too many NC Department of Transportation (DOT) projects are wasteful and politically driven. It is time for the North Carolina to adopt a better approach, based on these principles:

1. Project prioritization. Resources will always be limited. Projects should be prioritized to receive funding using established, objective criteria that reflect statewide needs – not, as they too often are today, by political patronage exercised behind closed doors. The prioritization process should be transparent and allow for meaningful public participation.

2. Fix it First. The first priority for limited resources should be to protect the investments we've already made, but our current practices heavily favor new construction. A better approach is to balance maintenance and new construction to ensure we can keep our existing transportation infrastructure safe and operating at peak efficiency.

3. Multi-modal Alternatives. North Carolina should significantly increase spending to provide accessible and affordable transportation options to meet the growing needs of communities, including rail, bus, para-transit, and bike and pedestrian alternatives.

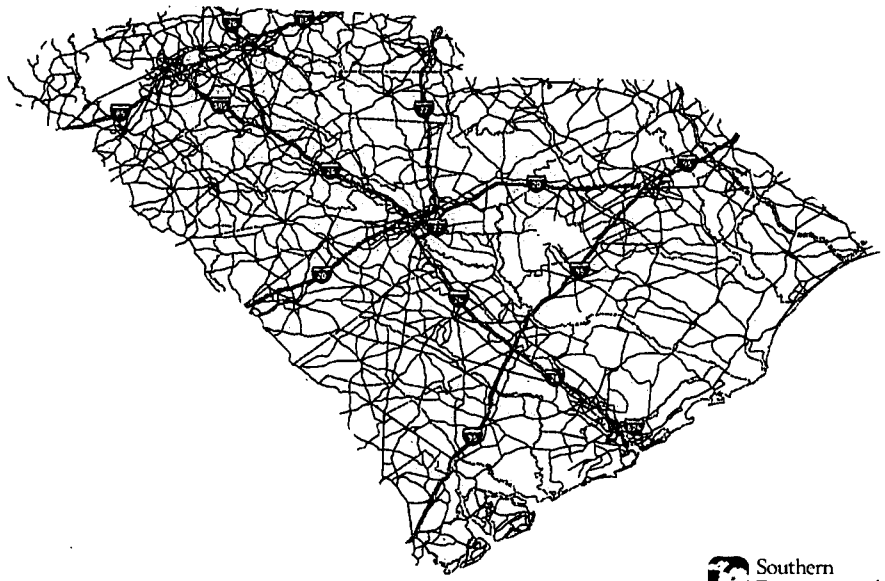
4. Linking Land Use and Transportation. As our transportation needs change, spending should be coordinated with land use planning to promote long-term congestion relief; transit-oriented and mixed use development; affordable housing options; access to jobs and services; improved public health; and air, water and land conservation.

5. Funding Fairness. New revenue sources for transportation should be chosen with attention to fairness, equity, and sustainability – not raiding health, education and human service budgets, or pursuing privatization schemes that would transfer public infrastructure to the private sector.

These recommendations reflect the view that transportation infrastructure should serve all segments of society; promote sound economic development; and contribute to a high quality of life for North Carolina's residents. Any increase in funding from the NC General Assembly to NC DOT should be conditioned on the incorporation of these policies and independent verification that "best practices," including necessary structural changes, have been adopted and internalized at the staff and board levels.

- February 2008

Prioritization



Southern Environmental Law Center

SC DOT Reform Law

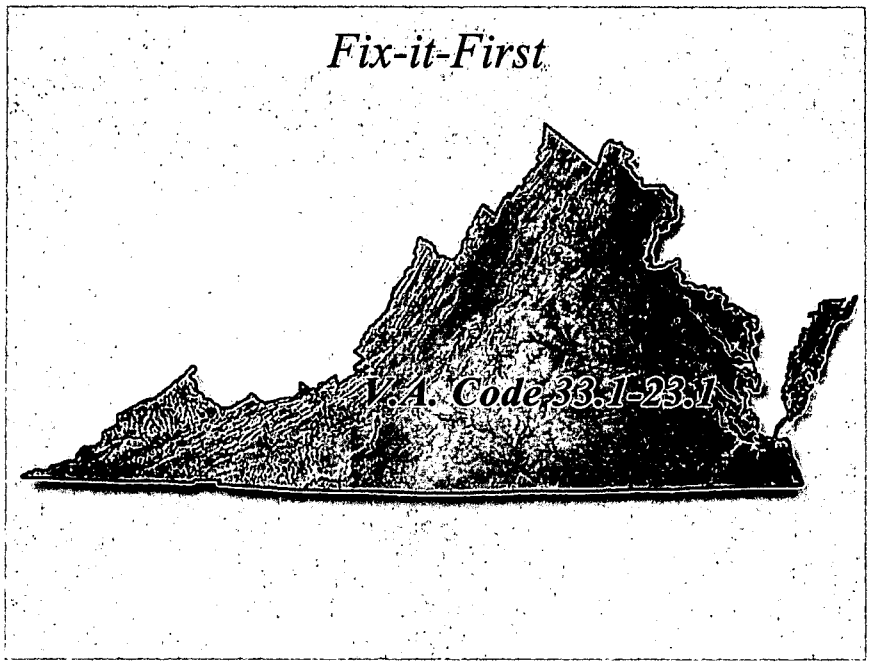
SC Code of Laws, Title 57

Chapter 1. Article 1.

57-2-370(B)(8)

(8) when selecting projects ... the commission shall establish a priority list of projects to the extent permitted by federal laws or regulations, taking into consideration at least the following criteria:

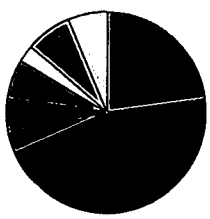
(a) financial viability including a life cycle analysis of estimated maintenance and repair costs over the expected life of the project;
(b) public safety;
(c) potential for economic development;
(d) traffic volume and congestion;
(e) truck traffic;
(f) the pavement quality index;
(g) environmental impact;
(h) alternative transportation solutions; and
(i) consistency with local land use plans.



North Carolina

Total 2008 spending: $3.9 billion

Maintenance 23%

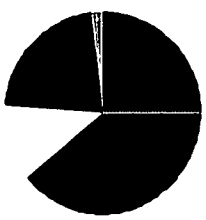


- Highway maintenance
- TIP road projects
- Other road projects
- Municipal roads
- Transfer to General Fund
- Rail, ferries, etc
- Public transit
- Administration
- Other agencies

Virginia

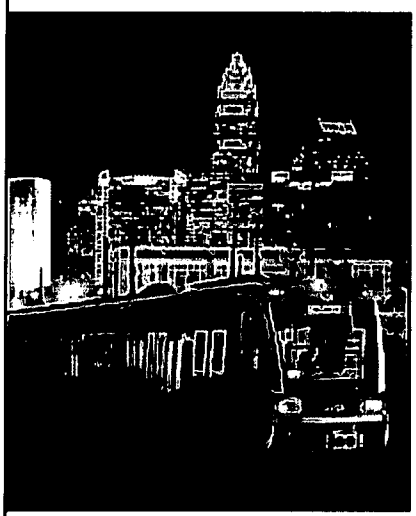
Total 07-08 spending: $4 billion

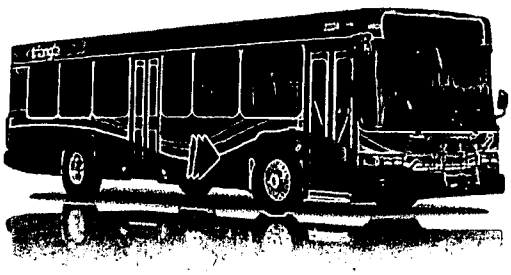
Maintenance 39%



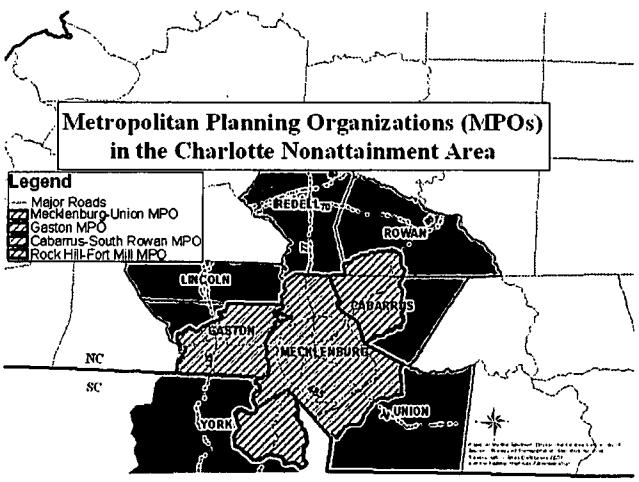
- Highway Maintenance
- Operations, Tolls and Administration
- Debt Service
- Earmarks and Special Financing
- Other Agencies and Transfers
- Public Transportation and Rail
- Highway Construction

Multi-Modal Transportation





Linking Land Use and Transportation



Funding Fairness

Toll roads up in air
DOT chief plans hard look, could halt all projects

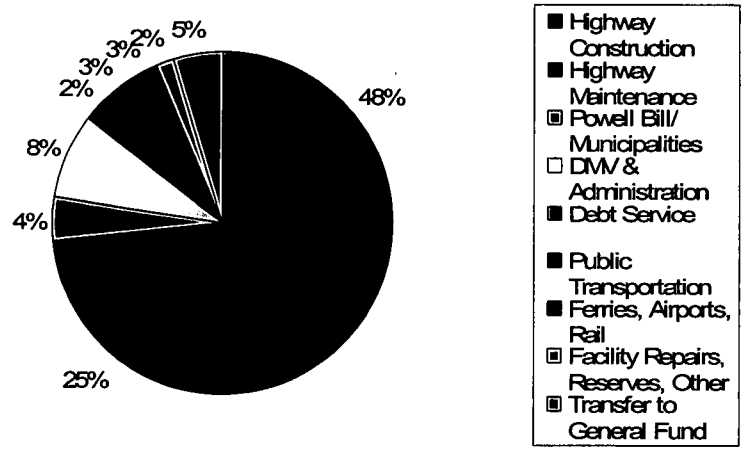
By Ariel Hart
The Atlanta Journal-Constitution
Published on: 01/11/08

The Georgia Department of Transportation's staff lacks the experience to lead multibillion- dollar negotiations with contractors on toll road projects, new DOT Commissioner Gena Abraham said Thursday, and she might scrap the whole list of projects and start over.

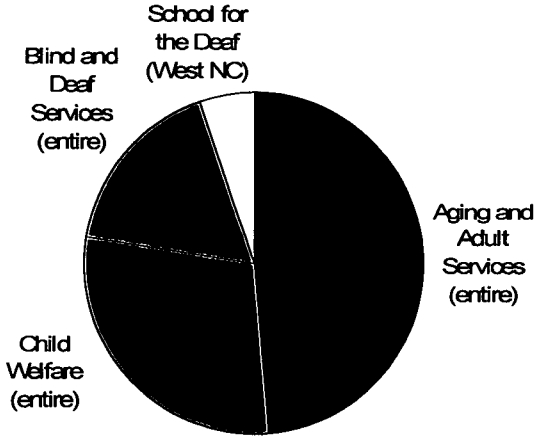
* * * *

The public-private toll road program had long been under criticism on several fronts. Since the state first passed the law allowing the prjects, one went down in flames beause of public outrage over toll lanes that were already free and others have languished with no movement for months or years. The only one under an initial contract, the I-75 project, has ballooned in cost, and interest groups have threatened lawsuits.

DOT Budget + "Transfer" 2007/08

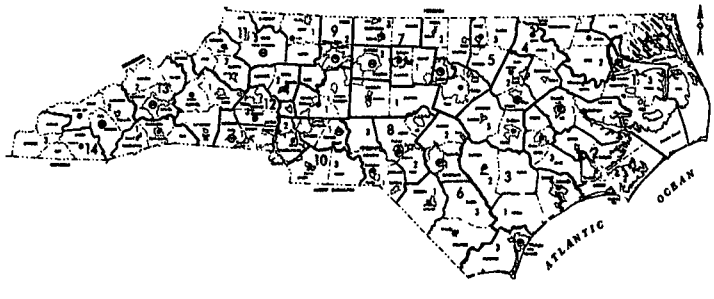


Example of What the $173M Could Buy in the 2008/09 Health and Human Services Budget

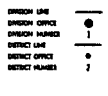


Reforming DOT Structure

NCDOT Board Member Districts



NORTH CAROLINA
BOARD OF TRANSPORTATION
and
Division and District Offices



Map provided by the North Carolina Department of Transportation

NC TRAM

TRANSPORTATION REFORM AND MODERNIZATION FOR NORTH CAROLINA

Our policy principles

North Carolina needs a transportation system for the 21st century. Current state transportation planning and financing policies are failing to address the challenges presented by rapid population growth, economic shifts, and rising construction costs. In addition, the recent McKinsey report and other studies show that too many NC Department of Transportation (DOT) projects are wasteful and politically driven. It is time for the North Carolina to adopt a better approach, based on these principles:

1. Project prioritization. Resources will always be limited. Projects should be prioritized to receive funding using established, objective criteria that reflect statewide needs – not, as they too often are today, by political patronage exercised behind closed doors. The prioritization process should be transparent and allow for meaningful public participation.

2. Fix it First. The first priority for limited resources should be to protect the investments we've already made, but our current practices heavily favor new construction. A better approach is to balance maintenance and new construction to ensure we can keep our existing transportation infrastructure safe and operating at peak efficiency.

3. Multi-modal Alternatives. North Carolina should significantly increase spending to provide accessible and affordable transportation options to meet the growing needs of communities, including rail, bus, para-transit, and bike and pedestrian alternatives.

4. Linking Land Use and Transportation. As our transportation needs change, spending should be coordinated with land use planning to promote long-term congestion relief; transit-oriented and mixed use development; affordable housing options; access to jobs and services; improved public health; and air, water and land conservation.

5. Funding Fairness. New revenue sources for transportation should be chosen with attention to fairness, equity, and sustainability – not raiding health, education and human service budgets, or pursuing privatization schemes that would transfer public infrastructure to the private sector.

These recommendations reflect the view that transportation infrastructure should serve all segments of society; promote sound economic development; and contribute to a high quality of life for North Carolina's residents. Any increase in funding from the NC General Assembly to NC DOT should be conditioned on the incorporation of these policies and independent verification that "best practices," including necessary structural changes, have been adopted and internalized at the staff and board levels.

- February 2008

LEGISLATIVE
MAR 2 4 2008
DRAFTING

DRAFT FOR REVIEW ONLY

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

D

BILL DRAFT 2007-LBx-401P [v.1] (1/22)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
3/24/2008 11:56:16 AM

Short Title: Congestion Relief/Intermodal Transport Fund. (Public)

Sponsors: Representative.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND, TO PROVIDE FOR ALLOCATION OF THOSE FUNDS TO: (1) LOCAL GOVERNMENTS AND TRANSPORTATION AUTHORITIES FOR PUBLIC TRANSPORTATION PURPOSES, (2) SHORT LINE RAILROADS, FOR ASSISTANCE IN MAINTAINING AND EXPANDING FREIGHT SERVICE STATEWIDE (3) RAILROADS FOR INTERMODAL FACILITIES, MULTIMODAL FACILITIES, AND INLAND PORTS, (4) MAKE CAPITAL IMPROVEMENTS ON RAIL LINES TO ALLOW INCREASED FREIGHT SERVICE TO THE PORTS AND MILITARY INSTALLATIONS, (5) EXPAND INTERCITY PASSENGER RAIL SERVICE, AND TO EXTEND COMMON LEVELS OF LOCAL TRANSIT FUNDING AUTHORIZATION TO THREE URBAN REGIONS, AND ALLOW OTHER LOCAL GOVERNMENTS SIMILAR OPTIONS FOR LOCAL TRANSIT FUNDING, AND TO EXTEND THE STATE PORTS TAX CREDIT

The General Assembly of North Carolina enacts:

INTERMODAL COMMITTEE DRAFT ADOPTED 3/24/2008

CHAPTER I. Fund Created.

SECTION 1. Chapter 136 of the General Statutes is amended by adding a new Article to read:

ARTICLE 19.

Congestion Relief and Intermodal 21st Century Transportation Fund

"**§ 136-250. Congestion Relief and Intermodal Transportation 21st Century Fund.**

There is established in the State Treasury the Congestion Relief and Intermodal Transportation 21st Century Fund, hereinafter referred to as the fund. The fund shall

consist of all revenues appropriated and allocated to it. Interest on earnings of the fund shall remain within the fund.

"**§ 136-251. Findings of fact.**

The General Assembly finds that:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, and a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Port would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

"**§ 136-252. Grants to local governments and transportation authorities.**

(a) Cities, counties, regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes.

(b) No grant may be approved from the fund unless:

(1) The application is approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the service area of the grant applicant.

(2) The applicant has approved a transit plan that includes local planning policies and adopted plans that reasonably support transit ridership and appropriate land use.

(3) The applicant has an adequate and sustainable source of funding established for its share of project costs.

(c) Grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan. The Board of Transportation shall approve, and amend from time to time, a rolling multi-year projection of up to 15 years for allocation of funds under this section. No applicant is eligible under the 15-year plan projection for more than one-third of the total funds to be granted under this Article during that 15-year period.

(d) No grant under this section may exceed twenty-five percent (25%) of the cost of the project, and must be matched by an equal or greater amount of funds by the applicant. In evaluating projects, qualification for federal funding shall be considered.

"**§ 136-253. Grants to other units.**

Grants from the fund may also be made to state agencies and railroads for the following purposes:

(1) Assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. This may involve both the Rail Industrial Access program and the Short Line Infrastructure Access Program, as well as other innovative programs. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

(2) Assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(3) Assistance to the state ports in terminal railroad facilities and operations, and to improve access to military installations, and to the North Carolina International Port. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant.. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(4) Expansion of intercity passenger rail service, including increased frequency and additional cities serviced. Routes under this section must either connect urban regions or extend beyond the territorial jurisdiction of a transportation authority.

"**§ 136-254. Grant approval.**

All grants made under this Article are subject to approval of the Board of Transportation. The fund may be administered in conjunction with G.S. 136-44.20, but any funds allocated under that section shall continue to be available as provided therein."

CHAPTER II. Public Transportation Sales Tax: Mecklenburg, Triangle, Triad.

SECTION 2.(a) Section 1(a) of S.L. 1997-417 is recodified as G.S. 105-510.1.

SECTION 2.(b) Article 43 of Chapter 105 of the General Statutes, as enacted by S.L. 1997-417 and amended by subsection (a) of this section, reads as rewritten:

"ARTICLE 43.

"Local Government Sales and Use Taxes for Public Transportation.

Part 1. General

"**§ 105-505. Short title; purpose.**

This Article is the Local Government Public Transportation Sales Tax Act and may be cited by that name. This Article gives the ~~counties~~ counties and transportation authorities of this State an opportunity to obtain an additional source of revenue with which to meet their needs for financing local public transportation systems. It provides ~~counties~~ them with authority to levy one-half percent (1/2%) sales and use taxes. All such taxes must be approved in a referendum.

"**§ 105-506. Definitions.**

The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

(1) Board of trustees. – The governing body of an Authority.

~~(1)~~(2) Net proceeds. – Gross proceeds less the cost of administering and collecting the tax.

~~(2)~~(3) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

(4) Transportation authority. A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.

"**§ 105-506.1. Exemption of food.**

A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 2011.

Part 2. Mecklenburg County.

"**§ 105-507. Limitations.**

A county may not levy a tax under this ~~Article~~ Part unless the county or at least one unit of local government in the county operates a public transportation system. In addition, a county may not levy a tax under this ~~Article~~ Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-508. Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied in accordance with this ~~Article.~~ Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-half percent (1/2%) local sales and use taxes, in addition to the current ~~two percent (2%)~~ local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-509. Levy and collection of sales and use tax.**

If the majority of those voting in a referendum held pursuant to this ~~Article~~ Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-half percent (1/2%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this ~~Article,~~ Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this ~~Article~~Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes'.

~~A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the~~

~~State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51.~~

"§ 105-510. Distribution and use of taxes.

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this ~~Article~~ Part by that county. If the Secretary collects taxes under this ~~Article~~ Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this ~~Article~~ Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this ~~Article~~ Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"§ 105-510.1. Applicability.

This ~~section~~ Part applies only to Mecklenburg County.

Part 3. Transportation Authorities.

"§ 105-510.5. Limitations.

A transportation authority may not levy a tax under this Part unless:

(1) It operates a public transportation system.

(2) It has developed a financial plan and distributed it to each unit of local government located within its territorial jurisdiction. The financial plan must provide for equitable use of the net proceeds within the special district created under this Part. The plan may be revised from time to time.

(3) The tax is approved by the voters.

"§ 105-510.6. Local election on adoption of sales and use tax- regional public transportation authority.

(a) Special district. A transportation authority may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the transportation authority shall serve, ex officio, as the governing body of a special

district it creates pursuant to this subsection. The proceeds of a tax levied under this section may be used only for the benefit of the special district and only for the purposes provided in this Article. In the case of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes, the special district may not include counties other than Forsyth and Guilford Counties.

(b) Resolution. –The board of trustees of the authority, with the concurrent vote of:

(1) In the case of a single-county special district, a majority of the county board of commissioners within the special district

(2) In the case of a multi-county special district, a majority vote of all the county boards of commissioners within the special district

may direct the respective county board or boards of elections to conduct an advisory referendum within the special tax district on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied within the district in accordance with this Part. The election shall be held on a date jointly agreed upon by the authority and the county board or boards of elections and shall be held in accordance with the procedures of G.S. 163-287. The board or boards of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-half percent (1/2%) local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.7. Levy and collection of sales and use tax – regional public transportation authority.**

If the majority of those voting in a referendum held pursuant to G.S. 105-510.6 vote for the levy of the tax, the transportation authority may, by resolution, levy one-half percent (1/2%) local sales and use taxes within the special district, in addition to any other State and local sales and use taxes levied pursuant to law. In determining the results of the election in a multi-county district, all the counties of the district shall be considered to be one unit. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to 'this Article' mean 'Part 2 of Article 43 of Chapter 105 of the General Statutes'. Any repeal of the tax shall be done by the same procedure as its enactment under section, and a petition for repeal under G.S. 105-473 shall be judged by the total votes in all three counties.

"**§ 105-510.8. Expansion of district.**

If a special district established under this Part does not include all the counties in the territorial jurisdiction of a transportation authority, it may be expanded to include an additional whole county or counties by joint action of the board of trustees of the transportation authority and the board of commissioners of the county or boards of commissioners of the counties to be added, with the approval of the voters in the county or counties to be added. The procedure for addition of a county or counties shall be the

same as for the initial creation of the district, but the referendum shall be held separately within each of the counties to be added.

"**§ 105-510.9. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each transportation authority the net proceeds of the tax levied under this Part within the special tax district, to be used for the benefit of that district.

(b) Use. – A transportation authority must expend the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-510.5 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. The transportation authority shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

Part 4. Other Counties.

"**§ 105-510.12. Limitations.**

A county may not levy a tax under this Part unless the county or at least one unit of local government in the county operates a public transportation system, or contracts with a transportation authority to provide a public transportation system. In addition, a county may not levy a tax under this Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-510.13 Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-quarter percent (1/4%) may be levied in accordance with this Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'**[ ] FOR [ ] AGAINST**

One-quarter percent (1/4%) local sales and use taxes, in addition to the current local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.14. Levy and collection of sales and use tax.**

If the majority of those voting in a referendum held pursuant to this Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-quarter percent (1/4%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of

this Chapter to this Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes'.

"**§ 105-510.15. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this Part by that county. If the Secretary collects taxes under this Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"**§ 105-510.16. Applicability.**

(a) This Part only applies in counties that meet one or more of the following criteria:

(1) Have a population of 160,000 or over according to the most recent decennial federal census.

(2) Are members of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Are contiguous to Mecklenburg County.

(4) Are contiguous to Wake, Durham, or Orange County.

(b) This part does not apply to Durham, Forsyth, Guilford, Mecklenburg, Orange, or Wake Counties."

CHAPTER III. Extension of Vehicle Registration Charge to Mecklenburg County.

SECTION 3. Section 6.2 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 reads as rewritten:

"**SECTION 3.1.** (a) A county authorized to impose a tax under Part 2 of Article 43 of Chapter 105 of the General ~~Statutes, as enacted by Part 1 of this act,~~ Statutes is considered an authority ~~under~~ under:

(1) Article 50 of Chapter 105 of the General Statutes, as enacted by Section 3 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50. G.S. 105-554 of Article 50 does not apply to the proceeds of a tax

imposed by a county considered an authority under this section. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The proceeds may supplant existing funds allocated for a public transportation system. The term 'public transportation system' has the same meaning as defined in ~~G.S. 105-506 of Article 43.~~ G.S. 105-506.

(2) Article 51 of Chapter 105 of the General Statutes, as enacted by Section 4 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506."

CHAPTER IV. Local Vehicle Registration Charge Adjusted for Inflation.

SECTION 4.(a) Effective July 1, 2008, G.S. 105-561(a) reads as rewritten:

"(a) Tax Authorized. – The board of trustees of an Authority may, by resolution, levy an annual license tax in accordance with this Article upon any motor vehicle with a tax situs within its territorial jurisdiction. The purpose of the tax levied under this Article is to raise revenue for capital and operating expenses of an Authority in providing public transportation systems. The rate of tax levied under this Article must be a full dollar amount, but may not exceed ~~five dollars ($5.00)~~ seven dollars ($7.00) a

SECTION 4.(b) Effective July 1, 2008, G.S. 105-561(d) reads as rewritten:

"(d) Special Tax District. – If a regional transportation authority created under Article 27 of Chapter 160A of the General Statutes has not levied the tax under this section or has levied the tax at a rate of less than ~~five dollars ($5.00)~~ seven dollars ($7.00) it may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. The rate of tax levied within the special district may not, when combined with the rate levied within the entire territorial jurisdiction of the authority, exceed ~~five dollars ($5.00).~~ seven dollars ($7.00).The regional transportation authority may not levy or increase a tax within the special district unless the board of commissioners of each county in the special district has adopted a resolution approving the levy or increase.

A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the regional transportation authority created under Article 27 of Chapter 160A of the General Statutes shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this subsection

may be used only for the benefit of the special district and only for the purposes provided in G.S. 105-564. Except as provided in this subsection, a tax levied under this subsection is governed by the provisions of this Article.

CHAPTER V. Extension of Vehicle Registration Charge and Motor Vehicle Rental Charge to Counties Contiguous to the Triangle and Mecklenburg County and to Other Urban Counties

SECTION 5. Subchapter IX of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 52. Urban County Vehicle Rental Tax and Registration Tax.

"**§ 105-557. Urban County Vehicle Rental Tax.**

(a) A county authorized to impose a tax under Part 4 of Article 43 of Chapter 105 of the General Statutes is considered an authority under Article 50 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50.

(b) To the extent that any county does not levy the full percentage authorized by Article 50 of this Chapter, any city located wholly within that county is considered an authority under Article 50 of this Chapter, and may levy a percentage under that Article as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 50.

If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(c) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506.

"**§ 105-558; Urban County Vehicle Registration Tax.**

(a) A county authorized to impose a tax under Part 4 of Article 43 of Chapter 105 of the General Statutes is considered an authority under Article 51 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51.

(b) To the extent that any county does not levy the full amount authorized by Article 51 of this Chapter, any city located wholly within that county is considered an authority under Article 51 of this Chapter may levy an amount under that Article (in whole dollars) as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 51.

If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(c) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506. Any levy by a city under this section is in addition to any authority granted by G.S. 20-97 or any other local act.

CHAPTER V. Extension of State Ports Tax Credit.

SECTION 6.(a) G.S. 105-130.41(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 6.(b) G.S. 105-151.22(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 7. This act is effective when it becomes law.

REPORT OF THE INTERMODAL COMMITTEE AND EXPLANATION OF CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND

The Intermodal Committee recommends legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund,
2. Set out a framework for grants for intermodal transit capital projects out of this fund, including standards for eligibility. These projects include urban transit and rail freight.
3. Authorize local option revenue options for major urban areas to match these grants
4. Authorize local option revenue options for other urban counties or counties contiguous to urban counties to allow them to raise additional revenues for public transportation systems.
5. Extend the State Ports Tax Credit for five years.

These recommendations allow the State's urban regions to remain good places to live, environmentally sound and economically viable. They allow new urban growth to be absorbed in an environmentally friendly manner, reducing demands on highways and infrastructure, and helping localities target and benefit from economic development. They will also allow strengthening the State's rail freight infrastructure, reducing demand on the highway system, allowing energy efficient movement of goods, and aiding development of the State's ports.

BACKGROUND

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), the North Carolina Railway Association which represents short line railroads, and the North Carolina State Ports Authority all relating to needs for improving freight rail capacity, as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.976 billion over the next 12 fiscal years. This includes $120 million for state aid for rail access to the State ports, $119 million for Class 1 railroads, $65 million for short line railroads, $30 million for statewide bus grants to local governments, $34 million for expansion of intercity passenger rail, and $1.594 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee recommends capping the maximum amount of urban transit capital grants for any one region at 33% of the fund.

NEEDS

On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $100 million in Fiscal Year 2009-2010, $112 million in 2010, between $151 and $173 million annually for the four years beginning 2011 through 2014, $189 million in 2015, between $154 million and

$180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $161 million per year. The committee recommends this level of funding on an ongoing basis with a continuing source of revenue because if not, grantees will be unable to plan and successfully carry out the programs. These figures are all in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, early emphasis will be placed on grants for acquisition of buses by transit systems across the state (including $12.5 million the first year to cover the state share of $50 million in bus purchase). Other projects anticipated for funding during the first three years include between $10 and $12 million annually for intercity passenger rail, potential uses including a third daily AMTRAK frequency from Charlotte to Raleigh or Selma and a demonstration project by the North Carolina railroad in Eastern North Carolina.

FINDINGS

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Port would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

RECOMMENDATIONS

Based on these findings and demonstrated needs, the legislation:

1. Establishes the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allows for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and Triangle Transit in the Research Triangle.)
3. Provides that grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Sets the following preconditions for the local government grants: (i) the grant application is approved by all Metropolitan Planning Organizations whose jurisdiction includes any of the service area of the grant applicant; (ii) The

applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.

5. Allows grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan.
6. Provides that Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. Provides that no applicant may receive more than 33% of the total funds in a 15-year period.
8. Requires that qualification for federal funding shall be considered in the review and approval process

SHORT LINE RAILROAD GRANTS

9. Provides grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

RAILROAD GRANTS

10. Provides grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars ($10,000,000) per fiscal year.

STATE PORTS RAILROAD GRANTS

11. Provides grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant.. Total grants may not exceed fifteen million dollars ($10,000,000) per fiscal year.

INTERCITY PASSENGER RAIL SERVICE

12. Provides from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities served.

LOCAL REVENUE SOURCES

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor vehicle rentals. Other urbanized or urbanizing counties also have significant needs for

new revenues for public transportation. The committee has examined the existing revenue options and the legislation will provide the following:

LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the board of Triangle Transit.
15. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the major counties in the Triad (Forsyth or Guilford), who are likely to finance a major urban transit project. The tax will also require approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART).
16. Allow a ¼% sales tax for public transportation purposes to be levied after a favorable referendum in the remaining counties in the Triad: (Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). These eight counties are expected to have major needs for public transportation services, but not to the same extent as Forsyth and Guilford Counties. Programs in these counties might include significant expansion of bus service, including express bus service to employment centers, or extension of a commuter rail line.
17. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.
18. Allows a single county ¼% sales tax for public transportation purposes to be levied after a favorable referendum in any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland and New Hanover as of 2008) These counties have substantial needs for urban transit, but not to the same level as those counties suggested to have a ½% limit. Programs in these counties might include significant expansion of bus service, or commuter rail links to other urban counties.

LOCAL VEHICLE REGISTRATION FEE AND MOTOR VEHICLE RENTAL FEE

The 1991 General Assembly allowed Triangle Transit to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars ($5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

19. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.
20. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 17 will give all three major urban areas the same local option authority.
21. The committee recommends extending the motor vehicle registration fee authority to any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) In addition, to the extent that any of those counties does not levy the full permitted seven dollars, and city located wholly within that county will be authorized to levy a full dollar rate to the extent that the city and county rate added together does not exceed the seven dollar cap. It is felt that the extension of the motor vehicle registration fee to counties contiguous to urban areas will allow them to add additional public transportation services, especially commuter and express bus service to help improve air quality and commuting. Extension of this fee to large counties such as Buncombe, Cumberland, and New Hanover will allow them to provide enhanced public transportation services.
22. The committee also recommends extending the authority to levy a motor vehicle rental charge of not to exceed five percent which is now authorized in the Triad, Triangle and Mecklenburg to the same counties and municipalities that paragraph 21 proposes to extend the motor vehicle registration fee and for the same purposes and rationale.

STATE PORTS TAX CREDIT

The state ports tax credit encourages businesses to use the two State-owned port terminals at Wilmington and Morehead City. The committee recommends extending the credit from its current 2009 expiration out five years to 2014. This extension has been requested by the North Carolina Ports Authority. The five-year extension of the Ports Tax Credit would allow the Ports to continue offering this business incentive to existing and potential customers and to stimulate economic growth for the State. Extending the NC Ports tax credit costs the State's general fund less than one million dollars each year, and allows companies such as Goodyear, CK International, JB International, Drexel Heritage Furniture, QVC, Martin Marietta, EN Beards Hardwoods Lumber, Edwards Wood Products, Culp, Inc., Broyhill, Kilop USA, Thomasville Furniture, Cormetech, Stein Fibers, Ltd., New South International, and Sonoco to be competitive in world markets.

The NC Ports tax credit supports these and other industries and the thousands of jobs and millions of dollars in tax revenues that they contribute to our State.

The state ports tax credit, originally enacted in 1992, encourages exporters and importers to use State-owned port terminals. This credit, extended in 1995, 1997, 2001, 2002 and 2004 expires January 2009.

The tax credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carry forward on excess credit. The maximum cumulative credit that one taxpayer may claim is $2 million. The estimated cost to the General Fund is less than one million annually.

Adopted by Intermodal Committee March 24, 2008
F:/MyDocuments/21st Century Intermodal Committee Report 03242008.doc

Intermodal Fund 3/24/2008 Report Illustrative Allocations

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
all numbers in millions													millions
Triangle Region (needs)	$16	$45	$85	$118	$171	$346	$461	$373	$287	$300	$416	$518	$3,136
Triangle Region w/33% cap 2011	16	45	75	107	161	336	449	361	267	280	396	488	2,981
Triad Region	$7	$16	$46	$80	$64	$72	$134	$142	$148	$90	$95	$200	$1,094
Statewide Bus Improvements	50	16	10	5	5	5	5	5	5	5	5	5	$121
Hwy and Rail Grade Separation	$12	$6	$5	$0	$5	$5	$0	$0	$5	$5	$5	$5	$53
Charlotte/ Mecklenburg Region	$167	$218	$414	$379	$354	$124	$106	$67	$102	$136	$117	$117	$2,301
Total	$252	$301	$550	$571	$428	$542	$694	$575	$527	$516	$618	$815	$6,550
25% State Share of Investment	$ 63	$ 75	$ 138	$ 143	$ 107	$ 136	$ 174	$ 144	$ 132	$ 129	$ 155	$ 204	$ 1,638
Short Line Grants - State Share	5	5	5	5	10	5	5	5	5	5	5	5	$65
Freight Rail Grants- State Share	10	10	10	9	20	5	5	10	10	10	10	10	$119
Ports Rail Grants - State Share	10	10	10	10	20	5	5	10	10	10	10	10	$120
Intercity Passenger Rail	12	12	10	0	0	0	0	0	0	0	0	0	$34
(3rd Amtrak train Raleigh-Charlotte)													
(NC RR demonstration project)													
Total Fund Needs	$ 100	$ 112	$ 173	$ 167	$ 157	$ 151	$ 189	$ 169	$ 157	$ 154	$ 180	$ 229	$ 1,935
TOTAL STATE REVENUES millions	110	110	167	167	167	167	167	167	167	167	167	212	$161
Carry Forward/Shortfall	$ 10	$ 8	$ 2	$ 3	$ 13	$ 29	$ 8	$ 6	$ 16	$ 29	$ 17	$ (0)	

This spreadsheet offers potential allocations from the Intermodal Fund based on potential projects from the March 24, 2008 committee report. It is only illustrative.

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **March 24, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Stem	NCAA
Damian Graham	Triangle Transit
John Goodman	NC Chamber
Steve Jarocco	NC Budget & Tax Center
Julia Leggett	The Arc of NC
Sara Nichols	NC DOC
Johanna Reese	DOT
Bill Carswell	DMDS
Clark Cl	WSRAK
Jake Cashion	Winston-Salem Chamber
Drew Moretz	Raleigh Chamber
Reid Simons	NCTA
Ed Johnson	NC Capital Area MPO
Mark Moore	NC Railway Assoc
Beau Mills	NC metro Coalition
Mark Foster	NCDOT
Ed Turlington	Brooks Pierce
David Joyner	NCTA
Tommy Hamilton	Earth Tech
Amy Simes	DENR
Lane Padgett	Wilmington
Jim Hunt Jr	Charlotte
Alpesh Patel	NCDOT
Don Voelker	NCDOT
Greg Thorpe	NCDOT
Shannon Lasater	NCDOT
Rob Schofield	NC Policy Watch

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **March 24, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Gaynor Payne	MWC
[illegible]	[illegible]
Meredith Benton	OSBM
John McMillan	MFOS
CS Hollis	KCC
Murphy Sullivan	Charlotte Chamber
Charlie Diehl	NC Trucking Association
[illegible]	QD AC PA
Idzra Mitchell	Intern - Rep Carney
Laura Wilson	N.C. State Ports (BOD)
Rita Harris	NC State Ports
Stephanie Ayers	NC State Ports Authority
Tom Eagar	NC State Ports Authority
Zadia Brown	Speaker's Office
Thomas Moore	Edwards Wells
Rick Techini	NC Assn. of Realtors
Cady Thomas	NC Assn. of Realtors
Sam Nixon	NC DOC
Steven Waters	America Walks
DAVID KING	Triangle Transit
Miriam Perry	NCDOT
Berry Jenkins	NC GO
Susan Coward	NCDOT
Lan Sondersan	BB
Mike Krannitz	Stewart
Shana Becker	NCPIRG
Gradey Mullin	NC Conservation Network
JOE McKinney	Land-of-Sky Regional Council

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **March 24, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
JAMES L. FORTE	OSA
Sam Erby, Jr.	NCCPA - PO Drawer 230 Gr. Falls NC 28630
David Allsbrook Jr	NC Concrete Pavement Association
WHIT WEBB	HNTB
Betty Travers	Bank of America
John C Adams	FBSES
STEVE CAVANAUGH	CAVANAUGH
Kathryn Sawyer	ACEC/NC

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **March 24, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Will Poin	Office of Gov.

21st Century Transportation Committee
Agenda
April 24, 2008
1:00 PM
Room 643 LOB

Welcome	Brad Wilson
Committee Reports	
	Finance
	Intergovernmental
	Intermodal
	Prioritization
Discussion	

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Thursday, April 24, 2008
1:00 P.M.
Room 643 LOB

The 21st Century Transportation Committee met on Thursday, April 24, 2008, at 1:00 p.m., in Room 643 of the State Legislative Office Building, Raleigh, North Carolina. The following members were present: Chairman Brad Wilson; Senators Hoyle, Jenkins and Stevens, Representatives Cole, Carney, Coates, McGee and Wainwright, Honorables Bellamy, Blackburn, Hunt, Joines, McGrady, and Miller, Jr., Ms Szlosberg and Misters Bowman, Plemmons, Whichard, III, Lanny Wilson, and Zelnak, Jr..

Chairman, Brad Wilson called the meeting to order and announced the agenda for the day to hear reports from each of the 4 subcommittees. He said he felt it wise to take stock on exactly where the committee is in the committee process and be reminded of what the assignment is as the short session of the General Assembly is approached. He said when the work began in November four specific areas were outlined on which the committee wanted to focus in preparation for the short session. The overriding question as it related to those four specific areas was a very narrow question and that is, what recommendations can the committee make to the short session, that if the General Assembly finds itself in a position to adopt those recommendations would actually make a difference in the improvement of transportation in North Carolina between the enactment by the General Assembly in the end of this calendar year. Recognizing things aren't ever quite that neat there would be some run over, but the focus, discussion, and work has been limited to things that can be recommended to the short session that would position activity in a very, very short term. At the conclusion of this work and at the conclusion of the session this committee will continue its work and the focus will then change and be more far reaching. What recommendations can the committee make to the General Assembly that will truly improve transportation, infrastructure, processes and funding for the long-term? Recognizing (l) we do not have time to answer that question now and secondly that there will be a new administration and a new General Assembly after the first of the year. We concluded it would certainly be more appropriate for the longer term. The committee might recommend more fundamental changes to be the subject matter of the second part of the work. Chairman Wilson said, to remind the members of the committee and the members of the public that have been following the work of the committee, that what is heard today and what the committee will ultimately take action on are a very limited set of recommendations that are focused on, the present and the immediate.

Chairman Wilson said secondly in response to a lot of inquiry and suggestions from many members of the committee and recognizing that this is the first time that the full array of subcommittee reports will be outlined and made available for all of the committee to hear at the same time, as well as the public the next meeting will be held at

9:00 a.m., on the morning of May 13, 2008, which is the day that the General Assembly will convene at 12:00 noon. This will give a full 2 and one-half weeks or better for continued study, analysis, questions, subcommittee meetings, public input reaction and meet the morning of the 13th prepared to vote on the recommendations made by the four subcommittees in their reports. Chairman Wilson emphasized again that no action will be taken today on any of the subcommittee recommendations. Today is, however an opportunity to ask questions, express points of view about any component parts of the subcommittee work such that each one will continue to build an information base upon which an ultimate decision can be made. Please use this time to have debate and discussion between each other about the various proposals.

At this time Sub-Committee Chairmen presented reports from each of the four sub-committees:

Prioritization – Senator Jenkins, Chairman presented nine recommendations that are works in progress. (Attached to minutes as Attachment 1.}

During questions and answers Ms. Szlosberg thanked Senator Jenkins and his committee for the good work they have done. She had questions about new revenues, half of it going to the loops and interstate route and then half of it being allocated through the existing equity formula. She ask for help in understanding the thinking about that.

Senator Jenkins said basically what is being looked at is that half of it will be used for urban congestion and half if it to supplement the needs of the state. There are needs all across the state right now that equity formulas might meet.

Ms. Szlosberg ask, is the thinking that half of the revenue should go toward congestion, mitigation and the other half would go toward meeting needs that have been identified on TIP?

Senator Jenkins answered - this is correct, he thinks that is a good way to go.

Mayor Bellamy ask for additional information about Number 9 – Use of Highway Trust Funds for Secondary Roads, for Bonding Authority for Item Numbers 5 and 6 included in the Prioritization Report. She would like the break down for highway impact counties.

The staff will supply information on any questions that were posed in the subcommittee as well as Mayor Bellamy's questions and it will be distributed to the entire Transportation Committee.

Finance - Chairman Larry Zelnak presented the report from the Finance Subcommittee giving seven proposals for consideration. He also presented a Draft Bill in the form of A Joint Resolution. (Attached to the minutes as Attachment II)

Chairman Wilson commented on the Finance Committee's recommendation on tolling. He said the working assumption is, if we were going to make a recommendation about how to pay for this project today so that something could happen on it tomorrow, what would we do, how would we take a look at that? Chairman Wilson said he did not believe the Finance Committee has tried to answer the question more broadly. When the Yadkin River Bridge is replaced sometime over the next 5 years, how would we do it if we had that much runway? His sense of the committee's focus is, how would we do it under the current economic circumstance, no new revenue, such that that work could begin tomorrow. The committee talked about different approaches but this is the one that floated to the top and there is not unanimity on this particular recommendation.

Mr. Zelnak said Chairman Wilson said it very well.

Representative Cole asked Chairman Wilson to recognize Lisa Hollowell, Staff, to give the current status of the transportation funding.

Ms. Lisa Hollowell with the General Assembly Fiscal Research Division presented information based on the February revenue collection for motor fuel tax and the highway use tax.

Representative Cole ask to speak and said when the budget was developed for the last fiscal year as a result of capping the gasoline tax the budget estimates were cut by one hundred and forty million dollars. He also said that he talked with automobile dealers recently and based on their comments about the level of business right now and the vehicles they are selling which is the sales mix that deals with current purchases now are more fuel efficient, lower cost vehicles versus less fuel efficient SUV's and luxury cars. Representative Cole said he estimates that we will see a number closer to two hundred million dollars short-fall than the ninety-two that we are looking at.

Lanny Wilson said he has a concern in that the hundred and seventy-two million dollars that goes from the Highway Trust Fund to the General Fund and the committee recommending that that be eliminated. I just found out today and I think that it will be news to all those committees, the fact that hundred and seventy-two million dollars has already been programmed into the Transportation Improvement Program that will come out in June of this year. It has already been programmed into the TIP that is going to come out and the later years of that will result in going back to our division across the state delaying projects. Mr. Wilson said he thinks the committee needs to be very careful as to why first of all that the money has already been programmed by the Department of Transportation and then how it impacts as it is being proposed here today. Mark Foster is here today and I think he can verify that based on a resolution that was attached to the budget

bill last year that the Department of Transportation preceded forward with the programming this one hundred and seventy-two million dollars.

Mr. Zelnak said with respect to the recommendation of the Finance Committee if you look at the one hundred seventy-two million dollars there is seventy-five of it that they have recommended to go toward gap funding for the Turnpike Authority. That leaves ninety-seven million dollars which in the committee's recommendation is aimed toward bond funding, which would come back to the DOT. If the choice was made not to support bond funding with that then logically ninety-seven million dollars in annual gap flow would come back to the DOT.

Larry Goode said everything that has been said is correct. The legislative intent was in the budget for that to be phased in. If the draft TIP is based on those funds being in there that would be a negative affect on it.

Representative Cole asked to comment as one of the appropriations chairs and was recognized, said that money has not been appropriated for this coming fiscal year. He said while that might be programmed in there, the legislation said it is the intent of the General Assembly. That does not say that it is going to do it. I appreciate what Mr. Wilson has to say, but they have done that and they did that in error my opinion.

Mr. Wilson said he agreed with Representative Cole and he said he just found out today that they have programmed that money but in doing that they are issuing a TIP and all of these communities are going to assume that these projects are coming to their communities and now you're going to have to go back as soon as the TIP is issued and start looking at the land projects that people think are going to be funded over the next seven years. Maybe Mr. Foster can explain why the Department of Transportation went on ahead without knowledge of the General Assembly and programmed and assumed that this transfer was going to be eliminated. Maybe Mr. Foster can explain the rationale behind that decision.

Mr. Mark Foster CFO with the Department of Transportation was recognized. He said he appreciated the opportunity to speak to the committee. He said he thinks Chairman Zelnak was close to the mark when he talked about the intent of their recommendations. It is true based on the legislation, a measure that was passed last year. It did say that the transfer was going to be phased out over a number of years. In the current TIP there is roughly six hundred and fifty million dollars of projects that were created by the phase out of the transfer. As you remember the legislative intent was that transfer was coming out over a long period of time. However, if you do the bonds and support it with what the chairman of finance committee has recommended there will be more money for projects in the TIP than just in the six hundred and fifty million that is there today. He said their estimate, if they go to the capacity that the Department of Treasurer has said is available roughly, 1.7 billion dollars is that that bonding would exceed the amount that is in the TIP by roughly a billion dollars a project. Assuming that that

happens then nothing would be taken away from the 14 divisions and in fact they would have almost one billion dollars in new projects for congestion relief and other transportation purposes to bring to their communities.

Mr. Lanny Wilson ask Mr. Foster, I guess it does impact some of these other programs that we were looking to set up and utilize the funds for?

Mr. Foster replied, the numbers I just gave you are outside of the support that has already been recommended for the Turnpike Authority. The seventy-five million that is in the proposal today is excluded from those numbers. It is assuming that that is off the top.

Representative Cole was recognized and said he thinks that at this point and time, that is a draft TIP, correct?

Mr. Foster replied, correct.

Representative Cole said there is still time to change it and I would suggest from the House side that it be changed back to the original number starting immediately. We have not done that transfer and we just heard the numbers. and I don't see that is within the realm of possibility.

Senator Hoyle said he would like to digress just a moment. I don't see how the Department can presume that we are going to stop the transfer. We said it is our intent but I think it pretty presumptuous and I would agree with Mark that I believe through Mr. Zeknak and his committee's hard work that there will be more money available to the Department than less. Even by setting up seventy-five million or one hundred million whatever the number would be for gap funding. I don't believe unless the dooms day thing comes that Representative Cole was talking about that the revenue is going to drop off the face of the earth. Car sales are going to stop and people are going to quit driving and therefore transportation revenues are going to drop precipitously, if they do then everything is pushed out. We have been pushing out for a long time and people are getting tired of it and I think that is the reason this committee is working. If things stay as they are, we adopt the recommendation of the bonding, we need to talk about garvee bonds and that needs further discussion between now and January. With that I think we are doing some work but I don't think what the proposal is would be detrimental for gap funding. This is my take on it.

Senator Hoyle said he would like to thank Mr. Zelnak for his excellent presentation and the presentation he made reference to the discussion of the proposal that came from the Finance Committee. I had given the committee a history of the toll authority's legislation this morning and I wasn't going to say anything today but I feel like maybe it ought to be for the record where I am on recommendation number 6, Tolling The Bridge Over The Yadkin River. When I went to Senator Basnight in 2002, I said I would like to put in a piece of

legislation that would allow one toll project in North Carolina and it would be connecting Mecklenburg-Gaston and another corridor. He threw me out of his office and told me not to come back, but the fact that we live together I got him again in a night or two at the apartment. He finally relented and said ok and a few other choice words, one road and one road only and lets see if you can get it passed. Our delegation and the delegation from the greater metropolitan area of Mecklenburg got together and we had great support Republican and Democrat. to get it passed. It was a new idea. To get it passed we had other folks coming from the East and West and maybe this is a method that we can get a road built today that is going to take us 30 or 40 or 50 years so we got enough support to advance the toll legislation by adding 3 roads instead of one and through the study three additional roads that could come up and I think it had been expanded since then. There was a debate on the floor when we were advancing the legislation. I was asked, do we intend to toll existing highways? I did not say we might, I did not say maybe, I said no because that was the only way that we could be fair and honest with the people in North Carolina and give our word and our bond that we would not do that and I think that is the only way we can get the legislation passed. People are very frightened of toll roads and certainly would be extremely upset to think we are going to start. Highway 321 would be a perfect road to toll it connects I-85 and I-40 and lot of people ride on it. My word is my bond and I have just said, I cannot support any proposal that does include the toll on the bridge. Senator Hoyle said that is where he is coming from. He said he also told the committee this morning that he believes in these commissions and this is a high level study commission. This is about as important a blue ribbon commission as I have seen since I have been here said Senator Hoyle. There are always dangers having members of the General Assembly in any quantity on these commissions because they seem to come in like a 600 or 800 pound gorilla and try to move things or take things over and that certainly is not my intent at all. I appreciate the work of all my colleagues but I am the one that is going to have to probably answer to some people about what we do in this arena. I would like for the record to say that I am not in favor of proposal 6 for the reasons I just stated. One point of clarification I am absolutely in total agreement that the Yadkin River Bridge needs to be started on tomorrow. I drive across that bridge every week and I am very nervous getting on and happy to get off I have made it again. We need to build that and how can we do it. He said he suggested by executive order just to tell DOT to start on it. Where are we going to get the money? We are going to issue some bonds, we have the opportunity to issue some garvey bonds today, I think, and we intend to find some revenue and any project that is coming up in the next few months or year could be pushed out 6 months until we get this other revenue in place. It would not be the end of the world. One thing for clarification. I got a call from the Governor's Office asking me a question. I said I was a making a comment this morning and I said this is what I would recommend to the Governor that he do it by executive order but the Governor is in Italy. One of the staff members said I called the Governor an idiot. I just wanted to make clear the word "Italy" and "idiot" are very close but the Governor is certainly my friend and not that. I just wanted to clarify that.

Ms. Szlosberg ask for a follow up on this particular issue. Have we done an analysis of what will happen when we exempt the interstate maintenance money from the equity formula? What does that pot of money look like and could that be applied to this project? Has that been an item that has been discussed?

Mr. Zelnak said that was not something that we dealt with in the Finance Committee. That came out of Senator Jenkin's committee.

Ms. Szlosberg – That might be something to look at if we need to explore options other than tolling for all of the committee to review let us look at what that might mean. She ask another question saying she is having a little bit of trouble stepping back and seeing the 20 thousand foot picture because there are a lot of discreet things happening. She said she would like to see some kind of analysis. If these recommendations are implemented what does that do to the pie chart. What does that mean in terms of the investments in preservation and maintenance versus expansion? What we know is that the model across the country is shifting more of the pie chart toward preservation and maintenance and Intermodal. It just means there has been a redirection because we have a very big system and very little money to maintain it and preserve our investments. She said she would like to see what that pie looks like if these recommendations were implemented. Would we be spending 50% of the revenues on expansion or would that take us to 30%? What would that look like? She asked if someone could do that analysis for that would be helpful for her.

Chairman Wilson said both points are duly noted.

Senator Stevens was recognized and said one other thought about theYadkin River Bridge. It was clear in our committee this morning and hope in this whole committee that this is a very, very important project. It needs to be done. All of this difference of opinion about how to do it. However it is paid for it has got to be designed. Environmental work has to be done. Seems like one of the things we might think about is the modification for our report is to lets get on with that part now. Maybe we can suggest that be done in the short session.

Mr. Sewell was recognized to ask a couple of questions regarding the seventy-five million dollars that we are making assumptions on that we would send to the Turn Pike Authority. How and what projects and how were they chosen? What will those seventy-five million dollars be spent for? Secondly, on the secondary roads point here about eighty million dollars less in annual funds being spent on secondary roads. Where does a county like Ashe County with Commissioner Blackburn that has 500 miles of secondary roads and half of those are dirt, what do we do to help those less urban counties fix their need that they still have? Lastly, one recommendation. He said he would give a suggestion to the budget office with the thought of Representative Cole's input. The sales tax revenues will be down in the second quarter. The gas sales revenues will be down in the

second quarter. With all of that in mind we will have "A" less money to spend and less money in a gap fund to use. I would ask that we get some spread sheet analysis of recommendations of what to do instead of trying to spend money that we don't know that we are going to have.

Chairman Wilson ask the staff to take care of the third point.

Mr. Zelnak answered Mr. Sewell's first two questions and said with respect to the projects that North Carolina Turnpike Authority has. First of all those are all legislatively approved projects and have to be for them to be able to go forward with it. They have a priority list. That priority list might change as they go forward. He mentioned the first two that are in the key right now Triangle Expressway and Monroe Connector in 2008 and 2009. What comes behind that we will have to see. What you should know is that if you take the full array of projects they have approved right now, the total gap funding to do those would be something on the order of one hundred and twenty million dollars versus the seventy-five so they are not suggesting the Turnpike Authority be fully funded for all of its approved projects. We just think there needs to be funding there to get started on what is ready and coming ready.

Mr. Zelnak said with respect to the secondary roads question there is a lot of discussion about that. The view is that given the extraordinary effort has gone toward paving of unpaved roads. As I indicated the bulk of that work has truly been done in terms of carrying traffic but they need to do over time and there will be approximately a similar amount of money that continues to be available for that program. The money is not going away just the piece that was directed toward the unpaved roads specifically as a very special effort. It's reallocated and then you take those on a priority basis so there is no desire to emasculate the secondary roads program.

Larry Goode supplemented the answer to the question. Senator Jenkins' committee discussed it today. We are going to look at the county and possibly we are looking at only a portion of that Secondary Roads Trust Funds. The Secondary Roads Trust Fund was to pave the roads that had 50 or more cars per day. Most of those have been paved and the Legislative Fiscal Research Staff recommended that funds be redistributed, which is what the Trust Fund Law said to do anyway.

Commissioner Blackburn said this is the kind of information they had asked for in the subcommittee meeting that morning and Mr. Trogdon said it would be forthcoming. He referred back to the comments Senator Jenkins gave and said he did change the title of the recommendations from use of the Highway Trust Funds to use of some. This was his question and it has been partially answered with the Finance Committee considering recommendation number 4 inserting the language, redirect some secondary roads, supplemental. That would make us feel like it is still alive and being considered. He said he is all for what it takes to have

a balanced approach to fixing transportation in North Carolina and he will be for that. He added we all know how good roads are to economic development and many of the counties in this state and certainly many of them in the mountains, in order for us to go further into tourism and economic development and industrialization, etc., we certainly need to continue to be able to give consideration to the secondary road projects in those counties. He would like for some to be considered in the recommendation.

Mr. Zelnak answered that they will certainly have the discussion. He thinks there is another piece of this that perhaps is missing. When you go back to the allocation of funds from bonds 50% of those are to be distributed under the equity formula. There is an opportunity for that to flow back and when the numbers are looked at that maybe actually better based on the ability to go ahead and get the funding early. He said they will take a careful look at that.

Chairman Wilson said he hopes the committee is hearing the theme from the questions and discussion. He said focus on what could be done today that would be meaningful in the short term and it is all bond dependent. If you remove that from Mr. Zelnak's report then the rest doesn't hang together. He said he hopes that is coming across very clearly for that is the under pending of that recommendation.

Mr. Zelnak agreed that is a fair statement.

Lanny Wilson ask Mr. Zelnak if he could also go back and look how that six hundred and fifty million dollars that DOT has already allocated of the money how that would be impacted? That has been programmed and the Board is going to pass it in June and they have to for air quality reasons so it can't be delayed.

Mr. Zelnak answered that the bottom line is that the committee is not the allocater of those funds. That is the legislatures responsibility. We can look at it but they are going to have to decide what they are going to allocate. The amount of bond funding as Mark Foster indicated would give you significantly more money. The importance of the ability to eliminate the transfer, and working with secondary roads to come up with support for a major bond issue. If they can do the bond issue that is an opportunity to solve a lot of peoples problems in short term and really give them a step or two forward as they try to come to the second phase of this activity where they have a bonafide long term plan that puts North Carolina back in the position as a good transportation state.

Chairman Wilson addressed Mr. Lanny Wilson and said is your question, what would the TIP look like if the transfer piece was done and the bond was not done? Is that the information you are looking for?

Mr. Lanny Wilson answered he was thinking what was said was that six hundred and fifty million dollars would be accounted for in the bonds and he was thinking

how is all of this going to look as far as on the allocation of revenue whenever the bond you just mentioned 50% was going to be allocated under the equity formula and the other 50% how that was going to be allocated. At the end of the day what is the picture like whenever DOT has already spent that six hundred and fifty million dollars that has not really been talked about until today.

Chairman Wilson requested that when the information is available that it be provided to the entire committee, not just to the Finance Subcommittee.

Ms. Szlosberg - Ask for clarification on the seventy-five million dollar gap money. She wanted to know if that is a two year allocation or is it a re-occurring annual allocation?

Mr. Zelnak answered that it is a re-occurring annual allocation to support those projects. Just as you have bond money and you have to make payments against the bonds with the tolls, you likewise will have a piece of that that is not funded, from the tolls and in affect it is a bond. so you are making annual payments. It is accumulative, the 41st year there is an additional 35, a total of 75 in year 2 and then it goes forward as 75 a year.

Ms. Szlosberg asked if it is a 33 year term.

Mr. Zelnak answered 39 years.

Chairman Wilson said these are good questions and they have been logged in and the information will be forthcoming, as well as clarity around the position that the committee is taking on various components.

Representative McGee asked to make a comment concerning the one hurdred and seventy-two million dollars being left in the transportation rather than being transferred into the General Fund. If we try to sell a billion dollars worth of transportation paying bonds that only pays for six years of the transfer of one hundred seventy-two million dollars. He thinks the committee needs to look very carefully at trying to raise and sell bonds and have the public vote on them and at the same time continue to transfer the money out of the transportation budget.

Intergovernmental - Mr. Jordan Whichard, Chairman of the Intergovernmental Subcommittee was recognized and presented the report from the Intergovernmental Subcommittee. (Attached to the minutes as Attachment 3) The subcommittee asked the full committee to approve a Resolution which is also included with the report. Mr. Whichard said this is a preliminary draft of the language, however the subcommittee led by Representative Miller suggested there is an opportunity to add several more ,where as' to it that will highlight some of the things that have been mentioned in the report and to share this with other federal agencies including the Administration to specifically ask for a response from the parties to whom the resolution is submitted and have some of the things quantified so there will be work to do even before the recommendation is acted on.

This is the specific recommendation for this session arising from the Governmental Committee.

Chairman Wilson thanked Mr. Whichard for his report. There were questions nor discussion

Intermodal - Honorable Sam Hunt, Chairman of the Intermodal Subcommittee gave the report from the Intermodal Subcommittee. (Attached to the minutes as Attachment 4) Draft legislation is also attached) He said he felt they have answered most people's questions that have come from the different communities and have tried to make the adjustments that were necessary to get as many people as they can supporting this. There is a resolution from the Triangle Transit Authority. Their Board voted to endorse this and they have many verbal official endorsements.

Mayor Bellamy was recognized and said the Metro Coalition of Mayors met April 23rd , and a couple of things that did surface was the fact that additional funding is needed for the replacement of buses and so that amount may have to increase. Also, there is a need for operating money because of the decrease from the federal government. There was also a third thing that was discussed and it can be seen in the report resolution. It would be great if cities have the authorization to levy these taxes as well as the cost is county-wide. There are some instances the cities are the lead in a lot of these operations.

Chairman Wilson said there is some home work to be done by the able staff. The responses to the questions will be disseminated to all members of the committee. He urged the committee members in the interim to continue asking questions, and give him your feed back. You will get a notice of any subcommittee meetings that may take place between now and then, He urged everyone to come to the next meeting prepared to take action on all the recommendations that have been heard and may be revised as a result of the discussions today.

Mr. Sewell asked if the members could be copied the e-mail on the committee discussions , and draft points before the full committee meets in the future?

Chairman Wilson said point well taken and thanked Mr. Sewell for bringing clarity to what had been said. He said if any subcommittee work is done and any recommendation is changed then as soon as that subcommittee action is taken the staff is asked to immediately disseminate that to all of the members of the committee. When the subcommittee work is finished he asked that the matters upon which action will be taken on May 13th, be sent to the members of the committee as far in advance as possible. It should be made available to the public as well.

The meeting adjourned at 2:15 PM.

Brad Wilson, Chairman

Sarah Murphy, Clerk

21st Century Transportation Committee
Prioritization, Best Practices, and Efficiency Subcommittee
DRAFT Interim Recommendations
For NCGA consideration
Session 2008

There are nine interim recommendations for consideration by the 21st Century Transportation Committee:

Numbers 1 & 2 – Transfer Elimination and Gap Funding : Details with Finance Subcommittee

Number 3 – Organization of NCDOT:

Based on NCDOT's internal assessment, there is a lack of formalized statewide long-term thinking, planning, and executing. There is little relationship between the Department's goals and staff level duties and performance. Too many poorly selected priorities dilute focus, overtax resources, and slow delivery, and there is a lack of accountability in delivery of transportation projects. There has been a considerable amount of work done by NCDOT's Transformation Management Team, and numerous options and recommendations for improvement are being development. Several critical activities are scheduled for completion within the next few months such as a completed organizational review, transportation delivery program improvements, mobility measures and improvements, project dashboard, etc. We commend the managers and employees directly involved with these efforts and encourage NCDOT to allow greater empowerment of these teams to immediately implement new ideas and strategies and encourage much more transparency and communications between these efforts and stakeholders, including this Committee.

The Board of Transportation plays a critical role in balancing diverse requirements and providing a strong linkage between transportation policy, programs, local governments, and our citizens. Additional laws or revised ethics policies can not improve upon the various changes and reorganizations that of previously occurred. Only strong leadership can ensure the NCDOT effectively fulfills its critical responsibilities and objectives. Therefore, the Prioritization Subcommittee recommends that the Secretary of NCDOT be legislatively selected as the Chairman of the Board of Transportation. As the only full time member of the board, the Secretary should provide the leadership to all members of the board necessary to maintain focus on transportation policies, programs, and long-term transportation needs. Additionally, the Subcommittee recommends that the Secretary not serve as the Chairman of the Board for the NC Turnpike Authority. The Legislative intent to provide some level of autonomy to the NCTA to improve on existing delivery processes is somewhat restricted with the existing organization. The State Highway Administrator should serve as the Chief Executive and be solely responsible for the Division of Highways operations and all Departments responsible for planning, programming, preconstruction, construction, maintenance, and operations. The current role for the Secretary to serve as a "CEO equivalent" and ex-officio Board member has

resulted in producing a Chief Executive without a strong professional transportation background, decision making retained at a high level significantly impacting responsiveness, and a Board of Transportation that was marginalized by its ex-officio Secretary acting as CEO.

Number 4 – Roles and Responsibilities of the Board of Transportation –There are currently no recommended changes to the composition of the Board of Transportation. However, it is recommended that the roles and responsibilities of the board be adjusted, as authorized under the current statues by the Secretary, to include increased oversight in the scheduling, delivery, and costs of Transportation Projects and Programs, with less emphasis on reviewing and approving individual project expenditures for rights-of-way acquisition, utility relocation, secondary road additions and expenditures, etc. The Board of Transportation should increase their oversight responsibilities in the area of long term transportation needs and financing options, transportation policies, transportation program delivery, and coordination and cooperation with Municipal Planning Organizations, and local governments.

Number 5 – Mobility Corridors and Congestion Relief-
The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed on loops and interstate routes according to measures of congestion indices, travel time, average daily traffic, and accident rates, to modernize existing facilities, maximize capacity, remove bottlenecks which increase congestion, and add capacity where necessary, based on benefit/cost factors. These funds can also be used to accelerate planned loop projects where measurable congestion relief is provided.

Number 6 – Intrastate System and Bridge Preservation The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed against completion of the current Intrastate System and/or Bridge Replacement and Preservation allocated through the existing equity formula. If Intrastate System projects are not available for construction, these funds can only be used for replacing structurally deficient or functional obsolete bridges within a region or on mobility corridors according to item 5 above on statewide tier routes.

Number 7 – Remove Interstate Maintenance from Equity Calculations - The Prioritization Subcommittee recommends removing the Federal Interstate Maintenance Funds from Equity Formula. IM Funds are approximately 3 % of the total federal and state transportation revenues. By removing them from equity calculations, similar to Congestion Mitigation and Air Quality funds, the Interstate System in NC can be maintained at a higher level of service without competing against other critical projects within a region, and would allow the establishment of an Interstate Resurfacing and Preventive Maintenance funding allocation annually to the Highway Divisions based on their Interstate Mileages to more economically provide preventive maintenance treatments in a timely manner.

Number 8 – Implementation of Key Studies Recommendations

Implement immediately (next 60 to 90 days) key recommendations from previous studies that to date have not been implemented:

- The NCDOT should develop meaningful and reliable highway performance objectives, measures and indicators for preconstruction and construction schedules and costs. Results should be compared to stabled goals as well as the results of prior periods, and should be reported internally and externally. Management should analyze results for variances, trends, and relationships and use them in budgetary, decision making, and improvement processes.
- Change the TIP structure to improve the ability to deliver projects as planned. Improve the Program and Project Delivery processes through streamlining of planning processes, improvements and decentralization of the bridge replacement.
- Establish measurable department-wide strategic objectives for program delivery, an annual business plan for improvements, and management accountabilities for accomplishing them. Provide proactive and standardized delivery reports at the program and project level to policy makers, customers, and business partners.

Number 9 – Use of Highway Trust Funds for Secondary Roads for Bonding Authority for Item Numbers 5 and 6 Above

Currently, 37 percent of state transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, based on percentage of needs, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic. The creation of the Highway Trust Fund mandated that all unpaved roads be paved. In 1989 there were over 16,000 miles of unpaved secondary roads, and currently less than 5,500 miles of unpaved roads, of which 1,800 can not be paved due to right-of-way and/or environmental issues. Therefore, the approximately 3,000 miles of unpaved roads remaining to be paved can be programmed and paved using the Highway Fund portion of the secondary roads program allowing the use of the Highway Trust Funds for increased bond authority in order to reduce congestion, and replace critical substandard bridge infrastructure. By using the $94 Million per year Highway Trust Fund allocation to Secondary Roads for existing and additional bonding authority for projects under item numbers 5 and 6, the percent expended by tier will better model the percentage of needs while increasing the priority for reducing congestion, and critical bridge infrastructure

21st 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.

Number 2 - 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 oversight is attached to this recommendation.

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
Cost	$391.7

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

21st 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.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

U D

BILL DRAFT 2007-RWz-10 [v.7] (04/01)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/7/2008 12:07:30 PM

Sponsors:

Referred to:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS.

Whereas, under the federal Intermodal Surface Transportation Efficiency Act of 1991 the State received an eighty-two and seven tenth percent (82.7%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, under the federal 1998 Transportation Equity Act for the 21st Century (TEA-21) the State received an eighty-nine and two tenth percent (89.2%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) promised that the State would increase its share of federal highway revenue to ninety-two percent (92%) by the 2008-2009 fiscal year; and

Whereas, under SAFETEA-LU the State has so far received only eighty-nine and seven tenth percent (89.7%) of the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the State has urgent transportation needs that could be addressed if the State received a fair share of the federal highway tax revenue it remitted to the federal Highway Trust Fund each year; Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

SECTION 1. The United States Congress is urged to provide the State with all the federal highway tax funds it was promised under the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and to end the State's status as a donor State of federal highway tax

revenues in the next federal transportation reauthorization act, due for enactment by Congress in 2009, by providing that State with one hundred percent (100%) of the federal highway funds it remits to the federal taxes to the federal Highway Trust Fund each year.

SECTION 2. The Secretary of State shall transmit a copy of this joint resolution to each member of the United States Congress representing North Carolina.

SECTION 3. This resolution is effective upon ratification.

REPORT OF THE INTERMODAL COMMITTEE AND EXPLANATION OF CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND

The Intermodal Committee recommends legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund,
2. Set out a framework for grants for intermodal transit capital projects out of this fund, including standards for eligibility. These projects include urban transit and rail freight.
3. Authorize local option revenue options for major urban areas to match these grants
4. Authorize local option revenue options for other urban counties or counties contiguous to urban counties to allow them to raise additional revenues for public transportation systems.
5. Extend the State Ports Tax Credit for five years.

These recommendations allow the State's urban regions to remain good places to live, environmentally sound and economically viable. They allow new urban growth to be absorbed in an environmentally friendly manner, reducing demands on highways and infrastructure, and helping localities target and benefit from economic development. They will also allow strengthening the State's rail freight infrastructure, reducing demand on the highway system, allowing energy efficient movement of goods, and aiding development of the State's ports.

BACKGROUND

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), the North Carolina Railway Association which represents short line railroads, and the North Carolina State Ports Authority all relating to needs for improving freight rail capacity, as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.976 billion over the next 12 fiscal years. This includes $120 million for state aid for rail access to the State ports, $119 million for Class 1 railroads, $65 million for short line railroads, $30 million for statewide bus grants to local governments, $34 million for expansion of intercity passenger rail, and $1.594 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee recommends capping the maximum amount of urban transit capital grants for any one region at 33% of the fund.

NEEDS

On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $100 million in Fiscal Year 2009-2010, $112 million in 2010, between $151 and $173 million annually for the four years beginning 2011 through 2014, $189 million in 2015, between $154 million and

$180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $161 million per year. The committee recommends this level of funding on an ongoing basis with a continuing source of revenue because if not, grantees will be unable to plan and successfully carry out the programs. These figures are all in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, early emphasis will be placed on grants for acquisition of buses by transit systems across the state (including $12.5 million the first year to cover the state share of $50 million in bus purchase). Other projects anticipated for funding during the first three years include between $10 and $12 million annually for intercity passenger rail, potential uses including a third daily AMTRAK frequency from Charlotte to Raleigh or Selma and a demonstration project by the North Carolina Railroad in Eastern North Carolina.

FINDINGS

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. Short line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

RECOMMENDATIONS

Based on these findings and demonstrated needs, the legislation:

1. Establishes the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allows for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and Triangle Transit in the Research Triangle.)
3. Provides that grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Sets the following preconditions for the local government grants: (i) the grant application is approved by all Metropolitan Planning Organizations whose

jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.

5. Allows grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan. Funds appropriated shall remain available until expended.
6. Provides that Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. Provides that no applicant may receive more than 33% of the total funds in a 15-year period.
8. Requires that qualification for federal funding shall be considered in the review and approval process

SHORT LINE RAILROAD GRANTS

9. Provides grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

RAILROAD GRANTS

10. Provides grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars ($10,000,000) per fiscal year.

STATE PORTS RAILROAD GRANTS

11. Provides grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants may not exceed ten million dollars ($10,000,000) per fiscal year.

INTERCITY PASSENGER RAIL SERVICE

12. Provides that grants from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities served.

LOCAL REVENUE SOURCES

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor

vehicle rentals. Other urbanized or urbanizing counties also have significant needs for new revenues for public transportation. The committee has examined the existing revenue options and the legislation will provide the following:

LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the board of Triangle Transit. The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
15. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the major counties in the Triad (Forsyth or Guilford), who are likely to finance a major urban transit project. The tax will also require approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
16. Allow a ¼% sales tax for public transportation purposes to be levied after a favorable referendum in the remaining counties in the Triad: (Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). These eight counties are expected to have major needs for public transportation services, but not to the same extent as Forsyth and Guilford Counties. Programs in these counties might include significant expansion of bus service, including express bus service to employment centers, or extension of a commuter rail line.
17. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.
18. Allows a single county ¼% sales tax for public transportation purposes to be levied after a favorable referendum in any county contiguous to Mecklenburg

County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland and New Hanover as of 2008) These counties have substantial needs for urban transit, but not to the same level as those counties suggested to have a ½% limit. Programs in these counties might include significant expansion of bus service, or commuter rail links to other urban counties.

LOCAL VEHICLE REGISTRATION FEE AND MOTOR VEHICLE RENTAL FEE

The 1991 General Assembly allowed Triangle Transit to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars ($5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

19. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.
20. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 17 will give all three major urban areas the same local option authority.
21. The committee recommends extending the same motor vehicle registration fee authority to any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) In addition, to the extent that any of those counties does not levy the full permitted seven dollars, and city located wholly within that county will be authorized to levy a full dollar rate to the extent that the city and county rate added together does not exceed the seven dollar cap. It is felt that the extension of the motor vehicle registration fee to counties contiguous to urban areas will allow them to add additional public transportation services, especially commuter and express bus service to help improve air quality and commuting. Extension of this fee to large counties such as Buncombe, Cumberland, and New Hanover will allow them to provide enhanced public transportation services.
22. The committee also recommends extending the authority to levy a motor vehicle rental charge of not to exceed five percent which is now authorized in the Triad, Triangle and Mecklenburg to any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) for the same purposes and rationale. Similar provisions to #21 will allow municipal levy in those counties if the county does not levy the tax or does not levy the full five percent.

STATE PORTS TAX CREDIT

The state ports tax credit encourages businesses to use the two State-owned port terminals at Wilmington and Morehead City. The committee recommends extending the credit from its current 2009 expiration out five years to 2014. This extension has been requested by the North Carolina Ports Authority. The five-year extension of the Ports Tax Credit would allow the Ports to continue offering this business incentive to existing and potential customers and to stimulate economic growth for the State. Extending the NC Ports tax credit costs the State's general fund less than one million dollars each year, and allows companies such as Goodyear, CK International, JB International, Drexel Heritage Furniture, QVC, Martin Marietta, EN Beards Hardwoods Lumber, Edwards Wood Products, Culp, Inc., Broyhill, Kilop USA, Thomasville Furniture, Cormetech, Stein Fibers, Ltd., New South International, and Sonoco to be competitive in world markets. The NC Ports tax credit supports these and other industries and the thousands of jobs and millions of dollars in tax revenues that they contribute to our State.

The state ports tax credit, originally enacted in 1992, encourages exporters and importers to use State-owned port terminals. This credit, extended in 1995, 1997, 2001, 2002 and 2004 expires January 2009.

The tax credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carry forward on excess credit. The maximum cumulative credit that one taxpayer may claim is $2 million. The estimated cost to the General Fund is less than one million annually.

Recommended by Intermodal Committee to full 21st Century Transportation Committee
April 24, 2008
F:/MyDocuments/21st Century Intermodal Committee Report 04242008.doc

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

H D

BILL DRAFT 2007-LBx-401R [v.2] (1/22)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/14/2008 11:29:07 AM

Short Title: Congestion Relief/Intermodal Transport Fund. (Public)

Sponsors: Representative.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND, TO PROVIDE FOR ALLOCATION OF THOSE FUNDS TO: (1) LOCAL GOVERNMENTS AND TRANSPORTATION AUTHORITIES FOR PUBLIC TRANSPORTATION PURPOSES, (2) SHORT LINE RAILROADS, FOR ASSISTANCE IN MAINTAINING AND EXPANDING FREIGHT SERVICE STATEWIDE (3) RAILROADS FOR INTERMODAL FACILITIES, MULTIMODAL FACILITIES, AND INLAND PORTS, (4) MAKE CAPITAL IMPROVEMENTS ON RAIL LINES TO ALLOW IMPROVED FREIGHT SERVICE TO THE PORTS AND MILITARY INSTALLATIONS, (5) EXPAND INTERCITY PASSENGER RAIL SERVICE, AND TO EXTEND COMMON LEVELS OF LOCAL TRANSIT FUNDING AUTHORIZATION TO THREE URBAN REGIONS, AND ALLOW OTHER LOCAL GOVERNMENTS SIMILAR OPTIONS FOR LOCAL TRANSIT FUNDING, AND TO EXTEND THE STATE PORTS TAX CREDIT

The General Assembly of North Carolina enacts:

DRAFT FOR FULL COMMITTEE 4/24/2008

CHAPTER I. Fund Created.

SECTION 1. Chapter 136 of the General Statutes is amended by adding a new Article to read:

ARTICLE 19.

Congestion Relief and Intermodal 21st Century Transportation Fund

"**§ 136-250. Congestion Relief and Intermodal Transportation 21st Century Fund.**

There is established in the State Treasury the Congestion Relief and Intermodal Transportation 21st Century Fund, hereinafter referred to as the fund. The fund shall

consist of all revenues appropriated and allocated to it. Interest on earnings of the fund shall remain within the fund.

"**§ 136-251. Findings of fact.**

The General Assembly finds that:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, and a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with railroads, trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways. Short line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

"**§ 136-252. Grants to local governments and transportation authorities.**

(a) Cities, counties, regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under

Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes, including planning and engineering.

(b) No grant may be approved from the fund unless:

(1) The application is approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the service area of the grant applicant.

(2) The applicant has approved a transit plan that includes local planning policies and adopted plans that reasonably support transit ridership and appropriate land use.

(3) The applicant has an adequate and sustainable source of funding established for its share of project costs.

(c) Grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan, including multi-year allotments. The Board of Transportation shall approve, and amend from time to time, a rolling multi-year projection of up to 15 years for allocation of funds under this section. No applicant is eligible under the 15-year plan projection for more than one-third of the total funds to be granted under this Article during that 15-year period.

(d) No grant under this section may exceed twenty-five percent (25%) of the cost of the project, and must be matched by an equal or greater amount of funds by the applicant. In evaluating projects, qualification for federal funding shall be considered.

"**§ 136-253. Grants to other units.**

(a) Grants from the fund may also be made to state agencies and railroads for the following purposes:

(1) Assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. This may involve both the Rail Industrial Access program and the Short Line Infrastructure Access Program, as well as other innovative programs. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

(2) Assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(3) Assistance to the state ports in terminal railroad facilities and operations, and to improve access to military installations, and to the North Carolina International Terminal. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant.. Total grants under this

subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(4) Expansion of intercity passenger rail service, including increased frequency and additional cities serviced. Routes under this section must either connect urban regions or extend beyond the territorial jurisdiction of a transportation authority.

(b) Grants under subsection (a) of this section may serve more than one of the four listed purposes.

"**§ 136-254. Grant approval.**

All grants made under this Article are subject to approval of the Board of Transportation. The fund may be administered in conjunction with G.S. 136-44.20 and G.S. 136-44.36, but any funds allocated under those sections shall continue to be available as provided therein.

"**§ 136-255. Funds remain available until expended.**

Appropriations to the fund remain available until expended."

CHAPTER II. Public Transportation Sales Tax: Mecklenburg, Triangle, Triad.

SECTION 2.(a) Section 1(a) of S.L. 1997-417 is recodified as G.S. 105-510.1.

SECTION 2.(b) Article 43 of Chapter 105 of the General Statutes, as enacted by S.L. 1997-417 and amended by subsection (a) of this section, reads as rewritten:

"ARTICLE 43.

"Local Government Sales and Use Taxes for Public Transportation.

Part 1. General

"**§ 105-505. Short title; purpose.**

This Article is the Local Government Public Transportation Sales Tax Act and may be cited by that name. This Article gives the ~~counties~~ counties and transportation authorities of this State an opportunity to obtain an additional source of revenue with which to meet their needs for financing local public transportation systems. It provides ~~counties~~ them with authority to levy one-half percent (1/2%) sales and use taxes. All such taxes must be approved in a referendum.

"**§ 105-506. Definitions.**

The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

(1) Board of trustees. – The governing body of an Authority.

~~(1)~~(2) Net proceeds. – Gross proceeds less the cost of administering and collecting the tax.

~~(2)~~(3) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and

information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

(4) Transportation authority. A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.

"**§ 105-506.1. Exemption of food.**

A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 2011.

Part 2. Mecklenburg County.

"**§ 105-507. Limitations.**

A county may not levy a tax under this ~~Article~~ Part unless the county or at least one unit of local government in the county operates a public transportation system. In addition, a county may not levy a tax under this ~~Article~~ Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-508. Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied in accordance with this ~~Article.~~ Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'**[ ] FOR [ ] AGAINST**

One-half percent (1/2%) local sales and use taxes, in addition to the current ~~two percent (2%)~~ local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-509. Levy and collection of sales and use tax.**

If the majority of those voting in a referendum held pursuant to this ~~Article~~ Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-half percent (1/2%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this ~~Article,~~ Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall

be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this ~~Article~~Part , references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes'.

~~A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51.~~

"§ 105-510. Distribution and use of taxes.

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this ~~Article~~ Part by that county. If the Secretary collects taxes under this ~~Article~~ Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this ~~Article~~ Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this ~~Article~~ Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"§ 105-510.1. Applicability.

This ~~section~~ Part applies only to Mecklenburg County.

Part 3. Transportation Authorities.

"§ 105-510.5. Limitations.

A transportation authority may not levy a tax under this Part unless:

(1) It operates a public transportation system.

(2) It has developed a financial plan and distributed it to each unit of local government located within its territorial jurisdiction. The plan must be approved by the board of commissioners of each county in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part. The financial plan must provide for equitable use of the net proceeds within the special district created under this Part, and consider (i) the identified needs of local public

transportation systems in the district, (ii) human service transportation systems within the district, and (iii) expansion of public transportation systems to underserved areas of the district. The plan may be revised from time to time.

(3) The tax is approved by the voters.

"**§ 105-510.6. Local election on adoption of sales and use tax- regional public transportation authority.**

(a) Special district. A transportation authority may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the transportation authority shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this section may be used only for the benefit of the special district and only for the purposes provided in this Article. In the case of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes, the special district may not include counties other than Forsyth and Guilford Counties.

(b) Resolution. –The board of trustees of the authority, with the concurrent vote of:

(1) In the case of a single-county special district, a majority of the county board of commissioners within the special district

(2) In the case of a multi-county special district, a majority vote of all the county boards of commissioners within the special district

may direct the respective county board or boards of elections to conduct an advisory referendum within the special tax district on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied within the district in accordance with this Part. The election shall be held on a date jointly agreed upon by the authority and the county board or boards of elections and shall be held in accordance with the procedures of G.S. 163-287. The board or boards of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] **FOR** [ ] **AGAINST**

One-half percent (1/2%) local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.7. Levy and collection of sales and use tax – regional public transportation authority.**

If the majority of those voting in a referendum held pursuant to G.S. 105-510.6 vote for the levy of the tax, the transportation authority may, by resolution, levy one-half percent (1/2%) local sales and use taxes within the special district, in addition to any other State and local sales and use taxes levied pursuant to law. In determining the results of the election in a multi-county district, all the counties of the district shall be considered to be one unit. Except as provided in this Part, the adoption, levy, collection,

administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to 'this Article' mean 'Part 2 of Article 43 of Chapter 105 of the General Statutes'. Any repeal of the tax shall be done by the same procedure as its enactment under section, and a petition for repeal under G.S. 105-473 shall be judged by the total votes in all three counties.

"**§ 105-510.8. Expansion of district.**

If a special district established under this Part does not include all the counties in the territorial jurisdiction of a transportation authority, it may be expanded to include an additional whole county or counties by joint action of the board of trustees of the transportation authority and the board of commissioners of the county or boards of commissioners of the counties to be added, with the approval of the voters in the county or counties to be added. The procedure for addition of a county or counties shall be the same as for the initial creation of the district, but the referendum shall be held separately within each of the counties to be added.

"**§ 105-510.9. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each transportation authority the net proceeds of the tax levied under this Part within the special tax district, to be used for the benefit of that district.

(b) Use. – A transportation authority must expend the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-510.5 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. The transportation authority shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

Part 4. Other Counties.

"**§ 105-510.12. Limitations.**

A county may not levy a tax under this Part unless the county or at least one unit of local government in the county operates a public transportation system, or contracts with a transportation authority to provide a public transportation system. In addition, a county may not levy a tax under this Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-510.13 Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-quarter percent (1/4%) may be levied in accordance with this Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-quarter percent (1/4%) local sales and use taxes, in addition to the current local sales and use taxes, to be used only for public transportation systems.'

"§ 105-510.14. Levy and collection of sales and use tax.

If the majority of those voting in a referendum held pursuant to this Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-quarter percent (1/4%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes'.

"§ 105-510.15. Distribution and use of taxes.

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this Part by that county. If the Secretary collects taxes under this Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"§ 105-510.16. Applicability.

(a) This Part only applies in counties that meet one or more of the following criteria:

(1) Have a population of 160,000 or over according to the most recent decennial federal census.

(2) Are members of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Are contiguous to Mecklenburg County.

(4) Are contiguous to Wake, Durham, or Orange County.

(b) This part does not apply to Durham, Forsyth, Guilford, Mecklenburg, Orange, or Wake Counties."

CHAPTER III. Extension of Vehicle Registration Charge to Mecklenburg County.

SECTION 3. Section 6.2 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 reads as rewritten:

"**SECTION 3.1.** (a) A county authorized to impose a tax under Part 2 of Article 43 of Chapter 105 of the General ~~Statutes, as enacted by Part I of this act,~~ Statutes is considered an authority ~~under~~ under:

(1) Article 50 of Chapter 105 of the General Statutes, as enacted by Section 3 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50. G.S. 105-554 of Article 50 does not apply to the proceeds of a tax imposed by a county considered an authority under this section. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The proceeds may supplant existing funds allocated for a public transportation system. The term 'public transportation system' has the same meaning as defined in ~~G.S. 105-506 of Article 43.~~ G.S. 105-506.

(2) Article 51 of Chapter 105 of the General Statutes, as enacted by Section 4 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506."

CHAPTER IV. Local Vehicle Registration Charge Adjusted for Inflation.

SECTION 4.(a) Effective July 1, 2008, G.S. 105-561(a) reads as rewritten:

"(a) Tax Authorized. – The board of trustees of an Authority may, by resolution, levy an annual license tax in accordance with this Article upon any motor vehicle with a tax situs within its territorial jurisdiction. The purpose of the tax levied under this Article is to raise revenue for capital and operating expenses of an Authority in providing public transportation systems. The rate of tax levied under this Article must be a full dollar amount, but may not exceed ~~five dollars ($5.00)~~ seven dollars ($7.00) a

SECTION 4.(b) Effective July 1, 2008, G.S. 105-561(d) reads as rewritten:

"(d) Special Tax District. – If a regional transportation authority created under Article 27 of Chapter 160A of the General Statutes has not levied the tax under this section or has levied the tax at a rate of less than ~~five dollars ($5.00)~~ seven dollars

($7.00) it may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. The rate of tax levied within the special district may not, when combined with the rate levied within the entire territorial jurisdiction of the authority, exceed ~~five dollars ($5.00).~~ seven dollars ($7.00). The regional transportation authority may not levy or increase a tax within the special district unless the board of commissioners of each county in the special district has adopted a resolution approving the levy or increase.

A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the regional transportation authority created under Article 27 of Chapter 160A of the General Statutes shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this subsection may be used only for the benefit of the special district and only for the purposes provided in G.S. 105-564. Except as provided in this subsection, a tax levied under this subsection is governed by the provisions of this Article.

CHAPTER V. Extension of Vehicle Registration Charge and Motor Vehicle Rental Charge to Counties Contiguous to the Triangle and Mecklenburg County and to Other Urban Counties

SECTION 5. Subchapter IX of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 52. Urban County Vehicle Rental Tax and Registration Tax.

"**§ 105-557. Urban County Vehicle Rental Tax**

(a) This section only applies in counties that meet all of the following criteria:

(1) Has a population of 160,000 or over according to the most recent decennial federal census.

(2) Is not a member of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Is not contiguous to Mecklenburg County.

(4) Is not contiguous to Wake, Durham, or Orange County.

(b) This section does not apply to Durham, Forsyth, Mecklenburg, Orange, or Wake Counties.

(c) A county is considered an authority under Article 50 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50.

(d) To the extent that any county does not levy the full percentage authorized by Article 50 of this Chapter, any city located wholly within that county is considered an authority under Article 50 of this Chapter, and may levy a percentage under that Article as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 50. If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the

maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(e) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506.

"**§ 105-558; Urban County Vehicle Registration Tax.**

(a) A county authorized to impose a tax under Part 4 of Article 43 of Chapter 105 of the General Statutes is considered an authority under Article 51 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51.

(b) To the extent that any county does not levy the full amount authorized by Article 51 of this Chapter, any city located wholly within that county is considered an authority under Article 51 of this Chapter may levy an amount under that Article (in whole dollars) as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 51. If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(c) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506. Any levy by a city under this section is in addition to any authority granted by G.S. 20-97 or any other local act.

CHAPTER V. Extension of State Ports Tax Credit.

SECTION 6.(a) G.S. 105-130.41(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 6.(b) G.S. 105-151.22(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 7. This act is effective when it becomes law.

Intermodal Fund 4/24/2008 Report Illustrative Allocations

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
all numbers in millions													millions
Triangle Region (needs)	$16	$45	$85	$118	$171	$346	$461	$373	$287	$300	$416	$518	$3,136
Triangle Region w/33% cap 2011	16	45	75	107	161	336	449	361	267	280	396	488	2,981
Triad Region	$7	$16	$46	$80	$64	$72	$134	$142	$148	$90	$95	$200	$1,094
Statewide Bus Improvements	50	16	10	5	5	5	5	5	5	5	5	5	$121
Hwy and Rail Grade Separation	$12	$6	$5	$0	$5	$5	$0	$0	$5	$5	$5	$5	$53
Charlotte/ Mecklenburg Region	$167	$218	$414	$379	$354	$124	$106	$67	$102	$136	$117	$117	$2,301
Total	$252	$301	$550	$571	$428	$542	$694	$575	$527	$516	$618	$815	$6,550
25% State Share of Investment	$ 63	$ 75	$ 138	$ 143	$ 107	$ 136	$ 174	$ 144	$ 132	$ 129	$ 155	$ 204	$ 1,638
Short Line Grants - State Share	5	5	5	5	10	5	5	5	5	5	5	5	$65
Freight Rail Grants- State Share	10	10	10	9	20	5	5	10	10	10	10	10	$119
Ports Rail Grants - State Share	10	10	10	10	20	5	5	10	10	10	10	10	$120
Intercity Passenger Rail	12	12	10	0	0	0	0	0	0	0	0	0	$34
(3rd Amtrak train Raleigh-Charlotte)													
(NC RR demonstration project)													
Total Fund Needs	$ 100	$ 112	$ 173	$ 167	$ 157	$ 151	$ 189	$ 169	$ 157	$ 154	$ 180	$ 229	$ 1,935
TOTAL STATE REVENUES millions	110	110	167	167	167	167	167	167	167	167	167	212	$161
Carry Forward/Shortfall	$ 10	$ 8	$ 2	$ 3	$ 13	$ 29	$ 8	$ 6	$ 16	$ 29	$ 17	$ (0)	

This spreadsheet offers potential allocations from the Intermodal Fund based on potential projects from the April 24, 2008 committee report. It is only illustrative.

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **April 24, 2008**

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	BHNC
Tommy Hamilton	Earth Tech
Lynda Tippett	NCDOT
Cam Cavey	BPMHL
Laura Padgett	City of Wilmington
MYRON GEORGE	CME
JOE MICARIO II	RTA
MURPHY SULLIVAN	CHARLOTTE CHAMBER
Jake Cashion	Winston-Salem Chamber
Reid Simons	NCTA
Beau Memory	NCTA
STEVE DeWITT	NCTA
Betty Turner	NC Bank of America
BERRY JENKINS	CAROLINAS AGC
DON VOELKER	NCDOT
Bill McNeil	NC Rural Center
Catherine Campbell	NC Railroad Co.
SHANNON LASATER	NCDOT
AMY SIMES	DENR
WHIT WEBB	HNTB
Peter Hans	S2DW
Marcidee Benton	NC-GNBM
Annette Newkirk	Governor's Office
Dee Freeman	Triangle J COG
David Joyner	NCDA
John Fogarty	Fayetteville Observer

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **April 24, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jerry Wilson	Raleigh Area of NC.
Tom EAGAR	N/C STATE PORTS
Laura Wilson	" " " Board
Rita HARRIS	NC State Ports Authority
Gardner Payne	McGuireWoods
Ed Johnson	N.C. CAPITAL AREA MPO
Marc Finlayson	Highway 17 Association
Steven Waters	WakeUp Wake County
Bill Rowe	NC Justice Center
S. JACKSON	Budget & Tax Center
Geraldine McMillan	NC Conservation Network
David Farren	Sou Env. Law Ctr.
Mane Sutton	NCDOT
H. HASKINS	NCDOT
L Sanderson	PB
Damien Graham	Triangle Transit
Amber Wagner	NC Public Transportation Assoc.
Miriam S. Perry	NCDOT - Public Transit Div.
Sara Nienow	NCDOC
Marvin Waters	CCPS
Joe McKinney	Land-of-Sky Regional Council
Lawrence Bean	City of Wilmington
Meenal Khajuria	NC Metro Coalition
Mac Boxley	NCAA
Jay Stein	NCAA
Johanna Reese	DOT
Calvin Leggett	NCDOT
MARK FOSTER	NCDOT

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **April 24, 2008**

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paul Meyer	NCAEC
Thomas Weber	Edison Electric
Paul Sherman	WCFB
Doug Howey	NCPCM
CS Hollis	KCC
Sir Ken Melton	Master of All Transportation
Edsel Ford	Ford Motor Co.
Charlie Dichl	NC Trucking Association
John Pollard	NCADA
Michael Houser	NCDOT
Zadia Brown	Speaker's Office

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **April 24, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jeff McKeon	Citilogs

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Tuesday, May 13, 2008
9:00 AM
Room 634 LOB

The 21st Century Transportation Committee met on Tuesday, May 13, 2008, at 9:00 a.m., in Room 634, Legislative Office Building. The following members were present: Chairman Brad Wilson, Senators Hoyle, Jenkins, and Stevens; Representatives Cole, Carney, Coates, and Wainwright; Honorables Bellamy, Blackburn, Joines, McGrady; and Ms. Szlosberg; and Misters Bowman, Plemmons, Sewell, Whichard, III, Lanny Wilson and Zelnak.

Chairman Brad Wilson presided and called the meeting to order. He said as everyone knows this is the last meeting of the 21st Century Transportation Committee prior to the short session of the General Assembly which will convene today, and we look forward to finalizing recommendations by the committee today. He said as planned reports will be presented from each of the four subcommittees. At the last meeting the committee had an opportunity to see draft recommendations that would be forthcoming from each committee at a good level of detail. He said he hoped the committee members had an opportunity to reflect on those recommendations, talk with one another in the interim and are prepared to ask final questions, if any, today and take action on each piece. Each of the recommendations will be voted on. Chairman Wilson said committee members will be given all the time needed to debate, discuss, ask questions on any of the proposals and then to vote on each recommendation. In Sam Hunt's absences Jerry Cohen is prepared to answer any questions that the committee may have about the Intermodal proposal.

At this time Chairman Wilson asked for a motion to adopt the recommendation of the Intermodal Subcommittee. Ms. Szlosberg made the motion to adopt the recommendation of the Intermodal Subcommittee, Senator Jenkins seconded the adoption and it passed unanimously.

Mr. Whichard explained the Intermodal Committee's report consists of a recommendation resolution that they recommend to the Legislature that they pass a joint resolution urging congress to end North Carolina's status as a donor state of federal highway tax revenues and return 100% of the federal highway revenues that the state remits to the federal government each year in order for the state to address its urgent transportation needs as recommended by the 21st Century Transportation Committee. He pointed out that the primary revision in the resolution from the last meeting has specifically an inclusion of a request that the Yadkin River Bridge funding on Interstate 85 be included as a federal ear mark. Mr. Whichard moved that this be included in the final report. Representative Coates seconded the motion. Chaiman Wilson asks for discussion.

Ms. Szlosberg asks for clarification on the ear mark. She said sometimes these ear marks get applied against the equity formula allocation and ask that it be made clear that we are looking for new money. Chairman Wilson said yes that is what we are looking for and thanked Ms. Szlosberg for pointing this out.

Chairman Wilson asked for the vote and it passed unanimously. (Report and recommendations attached to minutes as Attachment I)

Mr. Zelnak Chairman of the Finance Subcommittee presented the recommendations made by the committee. (Attachment II to the minutes)

Questions and comments:

Senator Stevens said he glanced at the letter from the Chairman of the Department of Transportation Board and they have presumptively decided to go ahead and assume that money is coming their way and programmed it into the TIP program. He asks if this committee needs to comment on that.

Mr. Zelnak said they discussed it at their last meeting and it becomes a trade off with the bond flux. He said Mark Foster commented on it at the full committee meeting from the DOT standpoint. If there is a significant bond proposal it should take care of DOT's presumption with respect to six hundred and fifty million dollars. If there is not a significant bond program the expectation is that the transfer is ended, that that money is likely to float to the DOT but that is the legislature's call. That is not the committee's call. The legislature is in charge of that.

Ms. Szlosberg said this six hundred and fifty million dollars as Lanny brought up at the last meeting is certainly something that has given us a lot of pause. The reality check here is that it is in the draft and the draft does have to be approved within about 45 days in order it meet the federal regulations. The bottom line is that there is a high probability that that six hundred and fifty million dollars is going to be programmed in the two final years of the TIP, which would require an amendment to the TIP if the money were going to be used to fulfill the recommendations of this committee. She said that means that six hundred and fifty million dollars will be pulled out of fourteen divisions and that will be a very difficult thing to do.

Mr. Zelnak said if a bond issue is done his presumption would be you would not be allowed with something less than a billion dollars or more like a billion and a half. If voters approve of that, those funds would be readily available to DOT very quickly, whereas when you look at the six hundred and fifty million dollars it is layered in over time. He said actually DOT would get the ability to spend money quicker going back to the purpose of bonds which is to avoid inflationary cost. He explained you don't have the continuing income but keep in mind there is a phase 2 of activity which is going to be a much more difficult phase that is going to focus on revenue and what the true needs are for the state of North Carolina for its entire transportation program. There is no perfect

solution but timing wise DOT might be better off if we had a large bond issue. We will get the funds much sooner.

Ms. Szlosberg asks for help to understand the math. Let's just assume that forty to fifty million dollars is provided for the 2 turnpike projects which leaves between 1.1 and 1.2 billion dollars. Is it too crude math that just locks six hundred and fifty million dollars off the top of that and assume that you are going to have about eight hundred million dollars?

Mr. Zelnak said no, he did not think it is too crude but from a financial standpoint what you do is to do a discounted cash flow on it and you would be looking at the time periods over which it is spent. Reality would be an inflation rate the way it is versus the cost of funding. If that can be done earlier DOT is going to be far better off by avoiding the much higher cost at the end of the TIP period. You really get some leverage if in deed it is done that way, he said. The legislature will decide what they want to do. If you look at the gap funding needs in 2008 the only project that is ready to let is Triangle Expressway. There is an air conformity issue which creates the pressure to do that. If you don't you are 2 years down the road with that particular project. He said the estimate of gap funding on that is twenty-two million dollars. If in fact that were the decision that would leave about a billion and one half dollars of bonding fasting which would be quite a positive thing for the DOT. It would accelerate the program. Mr. Zelnak said at the end of the day the new revenue side of the equation has to be looked at because there is simply not enough money to do the things that need to be done to take the state of North Carolina forward.

Mr. McGrady said he appreciated the decision to pull back on the secondary roads piece because he was not comfortable with where it was going. He said he understands the need and desire to have a Bond Oversight Committee but when the charge to that committee is looked at it seems much broader. He said he is wondering what is the role of this committee. The other legislative transportation committees are out there and the Board itself when all is said and done. The charge speaks to the recommendations by the McKinsey Company report and whether awarded contracts are consistent with the budget and scope of the approved projects. He said he wondered if this has a great potential to make this process even more political and less transparent than it is already.

Mr. Zelnak said the committee had a fair amount of discussion about that and looking at some polling data and talking to a lot of people. The DOT has gotten a lot of publicity which has not been favorable in recent times and they certainly do not enjoy that. We have a far better DOT than that publicity would indicate but none the less there have been some issues where visibility has been raised. The expectation as they understand it, particularly in looking at some poll data is that if they come forth with any significant amount of bond capacity to take voters, that voters are going to want to understand and believe that there is some real oversight with respect to those funds and with that there will be some change underway with DOT which relates back to a significant expenditure on the McKinsey Study. The point was to wrap that in, not to duplicate effort but to provide assurance that things are going to be done in an appropriate manner in the

interest of the tax payer. The legislature will have to debate if they go that route exactly what that language will be. We do think that with respect to the implementation of the McKinsey Study recommendations that there really needs to be a lot of emphasis put on that. That is the State DOT's way to the future and the legislature is working on it and frankly anybody else that can work on it is probably wading in, in a positive manner. He said that is their view at this point.

Chairman Wilson added that from the university experience with which he is familiar the Oversight Committee has added value. It has not been redundant, it reports to the Board of Governors at least annually, it also has a communication link to the General Assembly. It does fresh eyes and fresh minds to a degree of oversight. It has not been in the nature of interference. You add all of this together, I think it is added value both substantively as well as the point that Mr. Zelnak is making providing additional public comfort and credibility that that which the taxpayers have approved is in fact being done.

Senator Stevens said there is an oversight committee on education as well of course as The Board of Governors and Boards of Trustees. He said he was a trustee when this was adopted and did not think a lot of it but in retrospect having watched it in action it is at a considerable value in building those some three billion dollars worth of buildings on the state campuses. I think today the Trustees, the Chancellors, and The Board of Governors would say this is added value and has helped us get our job done better and more efficiently on time.

Mr. Lanny Wilson asked the Finance Committee which of the four bond options is this committee recommending to go to the General Assembly to benefit all of North Carolina.

Mr. Zelnak said they are not making a specific recommendation. He said they have made a recommendation on gap funding and the reason for showing the chart is that there is a trade off. The legislature will have to lay out what is appropriate and if that number is too low relative to what they choose to do on gap funding then likely you would not take it forward, you would wait until the number is sizeable enough so that you want to go to the voters. He said he views that as a legislative choice. It is a menu.

Mr. Lanny Wilson ask if you aren't being somewhat presumptuous if you go back to your slide in number 2?

Mr. Zelnak answered, recommendation has been stated there. We have put the book ends on it in terms of what can be done and for 2008 you have twenty-two million for Triangle Expressway. If that is not allocated by the legislature that project does not move, that project could be delayed a couple of years. That is a critical element. They have to consider where they get the best buy for the dollar. There is six hundred and fifty million dollars in the DOT budget and also has not been allocated.

Chairman Wilson responded to Mr. Zelnak's second point. The first sentence under number 2 is the recommendation of the subcommittee. If they were in charge that is the decision they would make, however, understanding the budgetary and political reality

that is facing the state, if the General Assembly needs other options to consider then the subcommittee has provided a menu from which they could select, change, amend or reject all of them. He suggested looking at this not in conflict but as complimentary information that yes, here is what we do or think ought to be done but if for reasons that are out side of our control and cannot be considered then here is a menu that shows you the impact on the gap funding availability.

Mr. Zelnak said another way to look at it that was talked about at the last meeting is that lets assume that the full seventy-five million dollars was set aside for gap funding, that leaves ninety-seven million dollars which in this recommendation is dedicated to debt refunding, but the reality is that if you are at the full seventy-five million dollars on the gap funding you only have eight hundred million dollars worth of bonding capacity. To me it is not very logical that you go forward so the DOT would have that flow coming at it in that fashion until such time as bonding capacity were there to go for a bigger bond issue. He said it is tough to deal with something when you do not have any new revenue.

Chairman Wilson asked to underscore the last statement made. To refresh the committee's recollection and for the members of the public that have been following the committee work. Our task for our recommendations for the short session have been to try to craft a proposal that would bring additional revenue to transportation needs in North Carolina without raising new revenue. When you think about that formula about the only place you can go is to the bank, i.e. the bond mechanism and we have had that perimeter around our work to date. Our work going forward we will not have that perimeter around our work. Therefore, for those who are asking themselves this morning why are we not seeing lots of other different ideas related to new revenue streams that are the answer to that question, which brings you back to a bond discussion.

Mr. Sewell said that he appreciates the committee taking a second look at the secondary roads issue. He said he thinks if a bond issue does go forward that there will be greater support over the state as a result of this decision and certainly he feels he can vote more enthusiastically for the recommendations with that issue taken care of.

Ms. Szlosberg said on the 50% allocation that would go to the loops and the Intermodal, did you have any discussion about percentages and what that might mean in terms of dollars particularly for the public transportation?

Mr. Zelnak answered, we did not. They felt the legislature ought to address that in the manner that they thought was most appropriate.

Ms. Szlosberg said she so appreciates the box the committee's in. It is kind of hard to create new money out of nothing. She said she has a little concern about the phrasing in transportation being killed. She said she is not sure in what kind of appetite the public will have for what relatively speaking is a small amount of money when you apply it to the great need we have in our state. She said she does think that a 21st Century Committee has this opportunity to do something so transformational and it will be done together in the long term but she said she is a little uncomfortable about moving forward

with just a little drop in the bucket that doesn't really do anything substantive. She said granted we do have this gap issue with these 2 projects that need to get out of the gate and she wholeheartedly supports that, She said she is kind of the mind that the committee should dig in a little bit more work before the public is ask to sign off on it.

Mr. Zelnak said this is a reasonable comment and something that has been discussed among a lot of people. You have to go back to the charge that the committee's were given and the charge given as a committee was to come up with recommendations for the short session based on having no new money. What is it we could possibly do, and that is what we tried to frame.

Mr. Lanny Wilson ask what is the incremental amount of increase in dollars that would flow to The Department of Transportation if this bond referendum were to move forward whenever you account for both the bond availability that would go to the Turnpike Authority and then the amount that when you account for that portion that is already in the TIP that will be approved in June?

Mr. Zelnak said it is back to what is the level of bonding authority after gap funding and the legislature will have to make that decision. Mr. Foster was called on at the last meeting to talk about bonding versus the gap and whether or not that could be positive for DOT or not positive. If you have six hundred and fifty million dollars in TIP that is over a seven year period and you are getting a billion dollars of bond authority up front, not that you would necessarily spend it all at one time, you really have to go to a financial equation to look at the time value of the money but it is much more significant in the difference between a billion dollars and six fifty because your equation layers are over a longer period of time. It is going to buy less project because of the inflation rate. He said he would leave that to Mr. Foster to calculate for you based on different scenarios. He said he thinks it is truly a positive for the DOT. He said he finds it unrealistic to even think about going out for a bond proposal for less than a billion dollars and the legislature may not even choose to do that. They may decide it is just not the appropriate time. He thinks DOT comes out positively in that kind of equation.

Mr. Lanny Wilson ask should we consider a recommendation as to what we think the bond capacity should be or should we go to the public with a referendum?

Mr. Zelnak said what we framed is a menu and it was done intentionally primarily because the legislature has some very difficult choices to make. It is not like we are at the state of Louisiana which just took a surplus and put it toward transportation. We have a diminishing surplus in this state relatively small estimated at this point and time. As the legislature begins the session they are going to have to debate. We obviously are not their only needs and the idea is to give them something to choose from where they can weigh out what is in the best interest. We have chosen to recommend to put up the five recommendations, including the gap funding recommendation. We also thought it appropriate it show how that plays with respect to a bond issue.

Chairman Wilson added that is a very good point and the slide presentation actually make people do that calculation for themselves. He interpreted the subcommittees recommendation again that we provide gap funding for North Carolina Turnpike Authority in the amount of forty-five million for next year so then if you go down and look at the chart that would be a bond somewhere between a billion and 1.24. It is his personal opinion that going to the public with a bond of any less than a billion dollars for a first step in addressing transportation infrastructure needs in North Carolina may not be worth doing, but again recognizing that is not our alternate judgment and that we are focused on transportation and the General Assembly has to focus on so many other things we wanted to provide again that menu or that information that shows them what the impact is as you increase the gap funding. I think the straight answer to the question is, if you do the math based on the slide is, that the subcommittee's judgment would be that something between probably 1.1 billion and 1.24 billion would then generate the forty-five billion for the Turnpike Authority and that would be the recommendation. Is that a fair statement?

Mr. Zelnak said it is fair. You could step back one more step. He said he thinks that unless the legislature is going to come up with funds for the project that is on the docket for 2008, other funds, it is probably unrealistic to look at the full 1.75. You would take twenty-two million dollars against that for gap funding on the Triangle Expressway project and that pulls you down to a bond potential a little less than one and one half billion dollars. If you accept that you need to go out for one billion or more, in order to make it worth while and you accept that. We need to fund the project which will be in trouble with their conformity issues. If we don't move, you are in a range of a little over a billion to a billion and one half.

Chairman Wilson said the other variable as Mr. Zelnak pointed out at the outset is, if you looked at the bonding assumptions that are being applied here and if those were altered in a reasonable fashion that would affect these numbers as well, but that is not our assignment for the day. We are taking it as we find it and we appreciate the input and the cooperation of the treasurer's office to bring us to this place. He said that he thinks that is an important conversation that this committee should not forget going forward.

Mr. McGrady ask, is his understanding correct that the oversight committee would continue until all bond proceeds were paid off, even after the committee gets to the point of addressing the issues relating to the DOT Board and the management of the department itself?

Mr. Zelnak said his view is that it is relative to whatever bonds you go out and issue that the public approves, that it is a compact with the public that with bond approval whatever is taken to them in November, if anything that there would be a particular oversight that goes with those bonds. Additional bonds done in the future will be done in a different way.

Mr. McGrady said so you are saying it would sun set once the bonds that were issued were paid off at some point in the future.

Mr. Zelnak said his personal view is that the legislature will determine what it is that they want to do.

Mr. Sewell said with the assumption that this slide goes forth to the General Assembly with the recommendations of this Committee and we have all batted around ideas and thoughts that going to the legislature and asking for bonding with such a small amount is not a good recommendation. I would make the recommendation to take out your last line that says "eight hundred million equals seventy-five million" so that that would not be an option to choose from

Chairman Wilson said he will ask the members of the committee, if there is any objection to the deletion of that data point, eight hundred million, and seventy five million from the committee's presentation. If there are not we can eliminate it from the slide. The General Assembly can always do the math. That is simply what this slide is, it's a reflection of the calculation, it may not add or distracts in either direction but in the interest of moving things along and getting to a decision point, I have no objection. I would ask if there is any objection to the elimination of that data point and if not so be it.

Senator Hoyle asks if Mr. Sewell is asking that we take that recommendation out.

Chairman Wilson explained that what he is asking is that the one line be erased from the bottom of the slide entitled, "Bond Options" so that you would only have three lines rather than four. He continued, reminding that the recommendation from this committee is actually contained in the slide right above it, number two, "Provide gap funding for the Turnpike Authority" in those amounts to be delineated. The slide Mr. Sewell is referring to is an informational slide only based on a mathematical calculation that if zero gap funds were provided then a 1.75 billion dollar bond could be done. Again, it is a mathematical calculation, it is not a recommendation that we do or not do an eight hundred million dollar bond.

Mr. Zelnak said as I understand what you are saying; we have made a recommendation in number 2 that relates to gap funding for the Turnpike Authority. What you would like to do is to delete that line on the informational slide that says 75 equals eight hundred million dollars worth of bond capacity.

Mr. Sewell explained further. If you use 75 million to the Turnpike Authority you are going to dip below one billion dollars in bond funding. You just made a point that is not good for North Carolina. To take a bigger step he said he thinks the recommendation in slide 2 needs to be addressed.

Chairman Wilson ask for any objection to deleting from the informational slide the line eight hundred million seventy-five million? There being no objection that line will disappear.

Senator Stevens made the motion this Finance Subcommittee report be approved, seconded by Mr. Bowman with one member voting no, the report passed.

Chairman Wilson announced that each member of the committee has at their place a copy of a letter that he received from the Chairman of the Board of Transportation, Doug Galyon. (Included in minutes as Attachment III) He said we appreciate a subcommittee of the Department of Transportation that met and this is the articulation of their point of view by Chairman Galyon and it has been referred to each member for consideration.

Senator Jenkins, Chairman of the Prioritization Subcommittee presented the report from the subcommittee. He explained changes that have been made from the original report given at an earlier meeting as a result of input from different stakeholder's recommendations. (Attached to minutes as Attachment IV).

Mayor Bellamy requested that Senator Jenkins go over number 5 in the report to clarify the percentages and how he feels it will be allocated.

Senator Jenkins answered he did not know that it could be given a specific percentage because you do not know what the interstate maintenance cost is. That is the problem that the divisions that have these interstates in their face right now with their own TIP. This is a continually moving target, so it takes it out of those divisions' TIP's. It is not controlled by the North Carolina Department of Transportation. It is controlled by the federal highways.

Mr. Larry Goods explained further – He said basically the interstate maintenance is based on a condition survey and this would allow the equity formula not to get mixed up in the actual needs and let the dollars go where the needs are.

Mayor Bellamy asks if the committee look at the impact rural counties versus metropolitan counties in this formula.

Senator Jenkins said as far as rural division versus metropolitan divisions he said he is familiar with one rural division in the east that is heavily impacted by this but by the same token you have metropolitan divisions that are just as impacted as heavily. The condition of the I-40 corridor up in Forsythe County is an old project and requires a lot of maintenance has a big impact on it. There has been a lot of conversation about I-85 so how it affects those divisions which are urban divisions but if you look at division 4 in Northeastern North Carolina and division 6 down towards Fayetteville it has a big impact on it but it is a moving target. There is no way to define that we are going to take "X" dollars a year and do this.

Mayor Bellamy requested that Number Five in the recommendations be voted on separately.

Ms. Szlosberg ask Senator Jenkins if there is any new funding that would be allocated to non road projects. This specifies 50% of new revenue or bonding authorization going to loops in the strategic highway corridor and an additional 50% of new revenues and bonding authorization programs against the completion of the current Intrastate System

and bridge replacement. There is no new revenue that would be allocated to public transportation in this proposal.

Senator Jenkins told Ms. Szlosberg she is right.

Chairman Wilson asks for a motion that recommendations one through seven with the exception of number five be approved. Number five will not be voted on. Senator Jenkins made the motion for approval, Representative Cole seconded the motion passed with one member voting No.

Chairman Wilson ask for the motion on Recommendation number five - Senator Stevens made the motion number five be adopted, seconded by Representative Cole and passed with one member voting No.

Senator Jenkins made the motion that recommendations made by this committee be sent to the respective Transportation Oversight Committee of the General Assembly, seconded by Representative Cole and it passed unanimously.

Chairman Wilson thanked members of the Committee for their hard work, particularly the chairs of the subcommittee. He said there are no plans for the committee to meet during the course of the short session of the General Assembly, but during the short session some proposed dates will be circulated for future meetings for calendar planning purposes.

Senator Hoyle commented that all of the recommendations and hard work that has been put forth by this committee do have a long way to travel. The committee concerns expressed today by all of the members will be heard by the legislators. We also hear from the folks back home as well as citizens across the state. He said all options will be considered and there may be some expansion of these recommendations. He made a suggestion and he has talked about to others that if we were to recommend putting a three or four or five billion dollar bond package out for the citizens of North Carolina to vote on without a revenue source in place to pay for it and the citizens were to approve it he felt like the public will be saying fix our roads and when the appropriate time comes to find the revenue to pay for it you have our authority to do that. He feels like that is an option. He feels like this is something the committee should talk at the appropriate time if we want to put a bond package out there. We have revenue to pay for a billion to a billion and one half, depending on what is done with gap funding. That does not fix the problem. He thinks those debates can be held after the short session is over but it may be held during the short session as well because there will be debate to take place in the legislature to determine what can and cannot be gotten through the General Assembly.

Chairman Wilson thanked Senator Hoyle for his remarks and added he thinks that if the General Assembly and this committee identify that there was momentum for an approach like Senator Hoyle just outlined, a far more aggressive bond approach, to put before the people of North Carolina his prediction is that you would get lots of allies and support from the members of this committee. Recognizing again and certainly notwithstanding

any action on that point by the legislature he feels confident that we will be talking about those kinds of approaches going forward. He reminded everyone again that the work of this group for this short session had a very tight parameter around it and therefore we chose not to be as aggressive as Senator Hoyle's vision outlines but that is certainly one that we hope we can ultimately get to. A 1.7 billion dollar bond even the General Assembly adopted the most aggressive numbers that were shown this morning is a step but it is a very, very small step toward the challenges that we face.

Chairman Wilson thanked the committee for their time and attention today

The meeting adjourned at 10:00 am.

Brad Wilson, Chairman

Sarah Murphy, Clerk

STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY
GOVERNOR

1501 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1501

LYNDO TIPPETT
SECRETARY

May 9, 2008

The Honorable J. Bradley Wilson
Chairman, 21st Century Transportation Committee
Post Office Box 2291
Durham, North Carolina 27702

Dear Chairman Wilson:

The North Carolina Board of Transportation appreciates the opportunity to comment on the interim recommendations presented by the 21st Century Transportation Committee.

The Board strongly supports the recommendation to use funds realized from the phase out of the Highway Trust Fund transfer to the General Fund to expedite projects that are ready for delivery. Leveraging the revenue for NC Turnpike Authority gap funding or expediting the delivery of loop projects will help save millions in construction costs and provide near term economic stimulus. We encourage the Committee to move this recommendation forward during the 2008 legislative session.

We also appreciate the intent of the proposal to issue bonds to accelerate strategic transportation improvements and minimize ongoing construction inflation costs.

However, several issues need clarification in order to evaluate the economics. It is our understanding that the state revenue supporting the $1.75 billion transportation debt availability includes the $172 million annual transfer from the Highway Trust Fund. If so, any new bonding supported by current transportation revenues, including NCTA gap funding supported by the transfer, will count against this cap. The Committee's recommendation for NCTA gap funding ($45 million in FY09 and $75 million beyond) would leave less than half the incremental bonding capacity for other projects.

Second, approximately $650 million of the future General Fund transfer already is programmed in the FY09-FY15 draft STIP based on Section 27.12 of Session Law 2007-323, which expresses intent for a phase out of the transfer. However, the STIP will be amended as appropriate depending on legislative action, in order to reflect budgetary realities. Nevertheless, not all NCDOT bond proceeds will fund new projects.

PHONE 919-733-2520 FAX 919-733-9150

Without knowing the final size of the potential bond, it is difficult to assess its incremental value. We have requested analysis of how the bond proceeds allocation formulas would affect division funding. The information shared last week by the legislative Fiscal Research Division only showed four years of bond allocations and did not reflect the long-term borrowing costs.

We do not support the proposal to use the existing Secondary Roads Program funding to pay debt service for a capital bond issuance. As adopted by the Board of Transportation in the Long-Range Statewide Multimodal Transportation Plan, we support additional investment on the statewide and regional network tiers, **but not** at the expense of modernization and preservation needs on the secondary road system. The Board continues to strongly support the legislative changes in HB 750 and HB 1825 that shift the Secondary Roads Program funding beginning in 2011 to a recurring modernization and preservation program for the more heavily traveled secondary roads. The responsibility to maintain and operate the secondary road system at an acceptable level of service will continue to be that of the Department until such time legislation allows or requires other agencies or parties to assume all or part of this responsibility. Until other fund sources or alternate parties are established to maintain and modernize the secondary road system, the current fund sources are vitally important to operate these roads at an adequate level of service.

Therefore, we strongly encourage the Committee to continue to study the mechanics of the bond proposal and opportunities for generating new revenue to support the debt service. These recommendations could then be part of the final report of the Committee to be presented this fall.

Finally, we generally support the recommendations of the Intermodal and Intergovernmental subcommittees on the condition that new revenue sources back the Intermodal Transport Fund. Addressing the issues of North Carolina's underinvestment in intermodal opportunities and disadvantage as a donor state of Federal highway tax revenues are of immense benefit to our transportation future.

The Board of Transportation commends the progress to date of the 21st Century Transportation Committee and looks forward to the opportunity to work together constructively on the issues brought forth in this letter. Thank you again for the opportunity to comment.

Sincerely,

J. Douglas Galyon

J. Douglas Galyon
Chairman, North Carolina Board of Transportation

cc: Governor Michael Easley
President Pro Tempore Marc Basnight
Speaker Joe Hackney
Secretary Lyndo Tippett
Board of Transportation Members
Chief Deputy Dan DeVane

bcc: Dan Gerlach, Governor's Office
Deputy Secretary Roberto Canales, PE
Deputy Secretary Susan Coward
Chief Financial Officer Mark Foster
State Highway Administrator Bill Rosser, PE

2008 0003

RESOLUTION OF THE TRIANGLE TRANSIT BOARD OF TRUSTEES SUPPORTING THE PROPOSED CONGESTION RELIEF/INTERMODAL TRANSPORTATION FUND BILL

WHEREAS, the 21st Century Transportation Committee was established to study the transportation infrastructure needs of the State; and

WHEREAS, the 21st Century Committee was authorized to report on issues surrounding transportation, including local funding options for transportation; and

WHEREAS, the 21st Century Committee has drafted legislation to establish a Congestion Relief and Intermodal Transportation 21st Century Fund that would give counties and transportation authorities an opportunity to obtain an additional source of revenue with which to meet their needs for financing local public transportation systems by authorizing counties to levy a one-half percent (½%) sales and use taxes if approved in a referendum; and

WHEREAS, increased local finance options would provide funds for infrastructure improvements and for strengthening public transportation services for which there currently are no available funding sources; and

WHEREAS, a Special Transit Advisory Commission (STAC) to the Capital Area Metropolitan Planning Organization (CAMPO) and the Durham-Chapel Hill-Carrboro Metropolitan Planning Organization (DCHC MPO) has been formed to recommend a plan for major transit investments in the Triangle area; and

WHEREAS, the STAC has determined that major transit investments have a dramatic impact on shaping future development and sustaining a high quality of life; and

WHEREAS, dedicated state funding will be needed to implement the approved plan and strengthen public transportation services.

NOW, THEREFORE, BE IT RESOLVED, by the Triangle Transit Board of Trustees that the Board supports the proposed legislation to establish a Congestion Relief and Intermodal Transportation 21st Century Fund.

BE IT FURTHER RESOLVED that any such legislation authorizing local revenue options should specifically list transit as an approved use of funds.

BE IT FURTHER RESOLVED that the administration, distribution and governance of locally raised funds be clearly and succinctly outlined.

BE IT FURTHER RESOLVED that grant funds appropriated for intercity passenger rail have an annual cap, similar to shortline railroads, rail improvements, and intermodal facilities.

BE IT FURTHER RESOLVED that the tax be exempt from both food and medicine

BE IT FURTHER RESOLVED that a copy of this resolution will be shared with state and local elected officials from Wake, Durham, and Orange counties.

ADOPTED THIS 23rd DAY OF APRIL 2008.

Sig Hutchinson, Board of Trustees Chair

REPORT OF THE INTERMODAL COMMITTEE AND EXPLANATION OF CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND

The Intermodal Committee recommends legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund.
2. Set out a framework for grants for intermodal transit capital projects out of this fund, including standards for eligibility. These projects include urban transit and rail freight.
3. Authorize local option revenue options for major urban areas to match these grants
4. Authorize local option revenue options for other urban counties or counties contiguous to urban counties to allow them to raise additional revenues for public transportation systems.
5. Extend the State Ports Tax Credit for five years.

These recommendations allow the State's urban regions to remain good places to live, environmentally sound and economically viable. They allow new urban growth to be absorbed in an environmentally friendly manner, reducing demands on highways and infrastructure, and helping localities target and benefit from economic development. They will also allow strengthening the State's rail freight infrastructure, reducing demand on the highway system, allowing energy efficient movement of goods, and aiding development of the State's ports.

BACKGROUND

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), the North Carolina Railway Association which represents short line railroads, and the North Carolina State Ports Authority all relating to needs for improving freight rail capacity, as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.976 billion over the next 12 fiscal years. This includes $120 million for state aid for rail access to the State ports, $119 million for Class 1 railroads, $65 million for short line railroads, $30 million for statewide bus grants to local governments, $34 million for expansion of intercity passenger rail, and $1.594 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee recommends capping the maximum amount of urban transit capital grants for any one region at 33% of the fund.

NEEDS

On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $100 million in Fiscal Year 2009-2010, $112 million in 2010, between $151 and $173 million annually for the four years beginning 2011 through 2014, $189 million in 2015, between $154 million and

$180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $161 million per year. The committee recommends this level of funding on an ongoing basis with a continuing source of revenue because if not, grantees will be unable to plan and successfully carry out the programs. These figures are all in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, early emphasis will be placed on grants for acquisition of buses by transit systems across the state (including $12.5 million the first year to cover the state share of $50 million in bus purchase). Other projects anticipated for funding during the first three years include between $10 and $12 million annually for intercity passenger rail, potential uses including a third daily AMTRAK frequency from Charlotte to Raleigh or Selma and a demonstration project by the North Carolina Railroad in Eastern North Carolina.

FINDINGS

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. Short line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

RECOMMENDATIONS

Based on these findings and demonstrated needs, the legislation:

1. Establishes the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allows for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and Triangle Transit in the Research Triangle.)
3. Provides that grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Sets the following preconditions for the local government grants: (i) the grant application is approved by all Metropolitan Planning Organizations whose

jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.

5. Allows grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan. Funds appropriated shall remain available until expended.
6. Provides that Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. Provides that no applicant may receive more than 33% of the total funds in a 15-year period.
8. Requires that qualification for federal funding shall be considered in the review and approval process

SHORT LINE RAILROAD GRANTS

9. Provides grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

RAILROAD GRANTS

10. Provides grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars ($10,000,000) per fiscal year.

STATE PORTS RAILROAD GRANTS

11. Provides grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants may not exceed ten million dollars ($10,000,000) per fiscal year.

INTERCITY PASSENGER RAIL SERVICE

12. Provides that grants from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities served.

LOCAL REVENUE SOURCES

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor

vehicle rentals. Other urbanized or urbanizing counties also have significant needs for new revenues for public transportation. The committee has examined the existing revenue options and the legislation will provide the following:

LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the board of Triangle Transit. The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district and by each MPO in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
15. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the major counties in the Triad (Forsyth or Guilford), who are likely to finance a major urban transit project. The tax will also require approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district and by each MPO in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
16. Allow a ¼% sales tax for public transportation purposes to be levied after a favorable referendum in the remaining counties in the Triad: (Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). These eight counties are expected to have major needs for public transportation services, but not to the same extent as Forsyth and Guilford Counties. Programs in these counties might include significant expansion of bus service, including express bus service to employment centers, or extension of a commuter rail line.
17. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.

18. Allows a single county ¼% sales tax for public transportation purposes to be levied after a favorable referendum in any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland and New Hanover as of 2008) These counties have substantial needs for urban transit, but not to the same level as those counties suggested to have a ½% limit. Programs in these counties might include significant expansion of bus service, or commuter rail links to other urban counties.

LOCAL VEHICLE REGISTRATION FEE AND MOTOR VEHICLE RENTAL FEE

The 1991 General Assembly allowed Triangle Transit to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars ($5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

19. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.
20. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 17 will give all three major urban areas the same local option authority.
21. The committee recommends extending the same motor vehicle registration fee authority to any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) In addition, to the extent that any of those counties does not levy the full permitted seven dollars, and city located wholly within that county will be authorized to levy a full dollar rate to the extent that the city and county rate added together does not exceed the seven dollar cap. It is felt that the extension of the motor vehicle registration fee to counties contiguous to urban areas will allow them to add additional public transportation services, especially commuter and express bus service to help improve air quality and commuting. Extension of this fee to large counties such as Buncombe, Cumberland, and New Hanover will allow them to provide enhanced public transportation services.
22. The committee also recommends extending the authority to levy a motor vehicle rental charge of not to exceed five percent which is now authorized in the Triad, Triangle and Mecklenburg to any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) for the same purposes and rationale. Similar

provisions to #21 will allow municipal levy in those counties if the county does not levy the tax or does not levy the full five percent.

STATE PORTS TAX CREDIT

The state ports tax credit encourages businesses to use the two State-owned port terminals at Wilmington and Morehead City. The committee recommends extending the credit from its current 2009 expiration out five years to 2014. This extension has been requested by the North Carolina Ports Authority. The five-year extension of the Ports Tax Credit would allow the Ports to continue offering this business incentive to existing and potential customers and to stimulate economic growth for the State. Extending the NC Ports tax credit costs the State's general fund less than one million dollars each year, and allows companies such as Goodyear, CK International, JB International, Drexel Heritage Furniture, QVC, Martin Marietta, EN Beards Hardwoods Lumber, Edwards Wood Products, Culp, Inc., Broyhill, Kilop USA, Thomasville Furniture, Cormetech, Stein Fibers, Ltd., New South International, and Sonoco to be competitive in world markets. The NC Ports tax credit supports these and other industries and the thousands of jobs and millions of dollars in tax revenues that they contribute to our State.

The state ports tax credit, originally enacted in 1992, encourages exporters and importers to use State-owned port terminals. This credit, extended in 1995, 1997, 2001, 2002 and 2004 expires January 2009.

The tax credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carry forward on excess credit. The maximum cumulative credit that one taxpayer may claim is $2 million. The estimated cost to the General Fund is less than one million annually.

Recommended by Intermodal Committee to full 21st Century Transportation Committee
May 14, 2008
F:/MyDocuments/21st Century Intermodal Committee Report 05142008.doc

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

U D

BILL DRAFT 2007-RWz-10 [v.10] (04/01)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/6/2008 11:47:38 AM

Sponsors:

Referred to:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS, AS RECOMMENDED BY THE 21ST CENTURY TRANSPORTATION COMMITTEE.

Whereas, under the federal Intermodal Surface Transportation Efficiency Act of 1991 the State received an eighty-two and seven tenth percent (82.7%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, under the federal 1998 Transportation Equity Act for the 21st Century (TEA-21) the State received an eighty-nine and two tenth percent (89.2%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) promised that the State would increase its share of federal highway revenue to ninety-two percent (92%) by the 2008-2009 fiscal year; and

Whereas, under SAFETEA-LU the State has so far received only eighty-nine and seven tenth percent (89.7%) of the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, since 1956, the State has contributed eighteen billion one hundred thirty-three million nine hundred and two thousand dollars ($18,133,902,000) in federal highway tax revenue, but only received sixteen billion, four hundred seventy-four million one hundred seventy-four thousand dollars ($16,474,174,000) in return; and

Whereas North Carolina is a rapidly growing State with urgent transportation needs; and

Whereas, the State is strategically located along the east coast transportation corridor; and

Whereas, the State is home to many important federal military installations that would benefit from improved transportation infrastructure; and

Whereas, the State has complied with federal transportation safety mandates; and

Whereas, the State's urgent transportation needs that could be addressed if the State received a fair share of the federal highway tax revenue it remitted to the federal Highway Trust Fund each year; Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

SECTION 1. The President of the United States and the United States Congress is urged to provide the State with all the federal highway tax funds it was promised under the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and to end the State's status as a donor State of federal highway tax revenues in the next federal transportation reauthorization act, due for enactment by Congress in 2009, by providing that State with one hundred percent (100%) of the federal highway funds it remits to the federal taxes to the federal Highway Trust Fund each year.

SECTION 2. The President of the United States and the United States Congress are respectfully requested to advise the North Carolina General Assembly of the actions they intend to take to address the current inequities in federal transportation funding.

SECTION 3. The President of the United States and the United States Congress are advised that the North Carolina General Assembly supports federal legislation designating federal transportation funds for the replacement of the Yadkin River Bridge on Interstate 85 in Davidson and Rowan Counties.

SECTION 4. The Secretary of State shall transmit a copy of this joint resolution to the President of the United States and to each member of the United States Congress representing North Carolina.

SECTION 5. This resolution is effective upon ratification.

Intermodal Fund 5/14/2008 Report Illustrative Allocations

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
all numbers in millions													millions
Triangle Region (needs)	$16	$45	$85	$118	$171	$346	$461	$373	$287	$300	$416	$518	$3,136
Triangle Region w/33% cap 2011	16	45	75	107	161	336	449	361	267	280	396	488	2,981
Triad Region	$7	$16	$46	$80	$64	$72	$134	$142	$148	$90	$95	$200	$1,094
Statewide Bus Improvements	50	16	10	5	5	5	5	5	5	5	5	5	$121
Hwy and Rail Grade Separation	$12	$6	$5	$0	$5	$5	$0	$0	$5	$5	$5	$5	$53
Charlotte/ Mecklenburg Region	$167	$218	$414	$379	$354	$124	$106	$67	$102	$136	$117	$117	$2,301
Total	$252	$301	$550	$571	$428	$542	$694	$575	$527	$516	$618	$815	$6,550
25% State Share of Investment	$ 63	$ 75	$ 138	$ 143	$ 107	$ 136	$ 174	$ 144	$ 132	$ 129	$ 155	$ 204	$ 1,638
Short Line Grants - State Share	5	5	5	5	10	5	5	5	5	5	5	5	$65
Freight Rail Grants- State Share	10	10	10	9	20	5	5	10	10	10	10	10	$119
Ports Rail Grants - State Share	10	10	10	10	20	5	5	10	10	10	10	10	$120
Intercity Passenger Rail	12	12	10	0	0	0	0	0	0	0	0	0	$34
(3rd Amtrak train Raleigh-Charlotte)													
(NC RR demonstration project)													
Total Fund Needs	$ 100	$ 112	$ 173	$ 167	$ 157	$ 151	$ 189	$ 169	$ 157	$ 154	$ 180	$ 229	$ 1,935
TOTAL STATE REVENUES millions	110	110	167	167	167	167	167	167	167	167	167	212	$161
Carry Forward/Shortfall	$ 10	$ 8	$ 2	$ 3	$ 13	$ 29	$ 8	$ 6	$ 16	$ 29	$ 17	$ (0)	

This spreadsheet offers potential allocations from the Intermodal Fund based on potential projects from the May 14, 2008 committee report. It is only illustrative.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

U D

BILL DRAFT 2007-RWz-10 [v.10] (04/01)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/6/2008 11:47:38 AM

Sponsors:

Referred to:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS, AS RECOMMENDED BY THE 21ST CENTURY TRANSPORTATION COMMITTEE.

Whereas, under the federal Intermodal Surface Transportation Efficiency Act of 1991 the State received an eighty-two and seven tenth percent (82.7%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, under the federal 1998 Transportation Equity Act for the 21st Century (TEA-21) the State received an eighty-nine and two tenth percent (89.2%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) promised that the State would increase its share of federal highway revenue to ninety-two percent (92%) by the 2008-2009 fiscal year; and

Whereas, under SAFETEA-LU the State has so far received only eighty-nine and seven tenth percent (89.7%) of the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, since 1956, the State has contributed eighteen billion one hundred thirty-three million nine hundred and two thousand dollars ($18,133,902,000) in federal highway tax revenue, but only received sixteen billion, four hundred seventy-four million one hundred seventy-four thousand dollars ($16,474,174,000) in return; and

Whereas North Carolina is a rapidly growing State with urgent transportation needs; and

Whereas, the State is strategically located along the east coast transportation corridor; and

Whereas, the State is home to many important federal military installations that would benefit from improved transportation infrastructure; and

Whereas, the State has complied with federal transportation safety mandates; and

Whereas, the State's urgent transportation needs that could be addressed if the State received a fair share of the federal highway tax revenue it remitted to the federal Highway Trust Fund each year; Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

SECTION 1. The President of the United States and the United States Congress is urged to provide the State with all the federal highway tax funds it was promised under the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and to end the State's status as a donor State of federal highway tax revenues in the next federal transportation reauthorization act, due for enactment by Congress in 2009, by providing that State with one hundred percent (100%) of the federal highway funds it remits to the federal taxes to the federal Highway Trust Fund each year.

SECTION 2. The President of the United States and the United States Congress are respectfully requested to advise the North Carolina General Assembly of the actions they intend to take to address the current inequities in federal transportation funding.

SECTION 3. The President of the United States and the United States Congress are advised that the North Carolina General Assembly supports federal legislation designating federal transportation funds for the replacement of the Yadkin River Bridge on Interstate 85 in Davidson and Rowan Counties.

SECTION 4. The Secretary of State shall transmit a copy of this joint resolution to the President of the United States and to each member of the United States Congress representing North Carolina.

SECTION 5. This resolution is effective upon ratification.

21st Century Transportation Committee
Finance Subcommittee
Recommendations

There are six 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.

Number 2 - 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 – Debt service for Bonds – It is proposed that the new bonds will be paid for by a portion of the money recaptured through the elimination from the transfer of 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.

Number 5 - 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 semi-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 6 - Yadkin River Bridge / I-85
It is proposed to have NCDOT take needed actions to clear regulatory hurdles and prepare for letting to construction of a new bridge at I-85/Yadkin River (letting midyear 2009). NCDOT and the State of North Carolina will seek federal earmark funds for this specific project during 2008.
(The Finance Subcommittee of the 21st Century Transportation Committee will develop a backup funding recommendation by December 31, 2008.)

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.

Finance Subcommittee Recommendations

Members

Charles Bowman
Rep. Nelson Cole
Rep. Phillip Frye
Sen. David Hoyle
Sen. Richard Stevens
Steve Zelnak

Recommendations Finance Subcommittee of the 21st Century Transportation Committee

1. **Eliminate the transfer of $172 million from the Highway Trust Fund to the General Fund**

2. Provide gap funding for the North Carolina Turnpike Authority in the amount of $45 million in FY 2008-2009 and an additional $30 million in FY2009-2010 for a total of $75 million annually. This funding comes from elimination of the transfer.

Use the remaining $97 million annually for debt service on bonds.

Bond Options

Bond Amount	Gap Funds
$1.75 Billion	$0
*$1.45 Billion	$22 Million
$1.24 Billion	$40 Million
$800 Million	$75 Million

*NCGA staff estimate

3. Issue bonds in the highest amount possible to speed up project construction to avoid the ongoing inflation in construction costs

   Use of Proceeds:

   - 50% to loops, interstates, and intermodal to increase capacity/reduce congestion.
   - 50% through equity formula for bridge replacement and completion of the intrastate system.

4. Establish a Bond Oversight Committee to assure NCDOT performance.

5. Have DOT take needed actions to clear regulatory hurdles to prepare for letting of new bridge over I-85/Yadkin River mid year 2009. NCDOT and State of North Carolina will seek Federal earmarked funds for this project in 2008.

21st Century Transportation Committee
Prioritization, Best Practices, and Efficiency Subcommittee
DRAFT Interim Recommendations
For NCGA consideration
Session 2008

There are seven interim recommendations for consideration by the 21st Century Transportation Committee:

Numbers 1 & 2 – Transfer Elimination and Gap Funding : Details with Finance Subcommittee

Number 3 – Mobility Corridors and Congestion Relief-
The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed on loops and Strategic Highway Corridors according to measures of congestion indices, travel time, average daily traffic, and accident rates, to modernize existing facilities, maximize capacity, remove bottlenecks which increase congestion, and add capacity where necessary, based on benefit/cost factors. These funds can also be used to accelerate planned loop projects where measurable congestion relief is provided.

Number 4 – Intrastate System and Bridge Preservation The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed against completion of the current Intrastate System and/or Bridge Replacement and Preservation allocated through the existing equity formula. If Intrastate System projects are not available for construction, these funds can only be used for replacing structurally deficient or functional obsolete bridges within a region or on mobility corridors according to item 5 above on statewide tier routes, or to projects deemed critical within each Highway Division by the Board of Transportation Member and the Division Engineer..

Number 5 -. Remove Interstate Maintenance from Equity Calculations - The Prioritization Subcommittee recommends removing the Federal Interstate Maintenance Funds from Equity Formula. IM Funds are approximately 3 % of the total federal and state transportation revenues. By removing them from equity calculations, similar to Congestion Mitigation and Air Quality funds, the Interstate System in NC can be maintained at a higher level of service without competing against other critical projects within a region, and would allow the establishment of an Interstate Resurfacing and Preventive Maintenance funding allocation annually to the Highway Divisions based on their Interstate Mileages to more economically provide preventive maintenance treatments in a timely manner.

Number 6 – Implementation of Key Studies Recommendations
Implement immediately (next 60 to 90 days) key recommendations from previous studies that to date have not been implemented:

- The NCDOT should develop meaningful and reliable highway performance objectives, measures and indicators for preconstruction and construction schedules and costs. Results should be compared to stabled goals as well as the results of prior periods, and should be reported internally and externally. Management should analyze results for variances, trends, and relationships and use them in budgetary, decision making, and improvement processes.
- Change the TIP structure to improve the ability to deliver projects as planned. Improve the Program and Project Delivery processes through streamlining of planning processes, improvements and decentralization of the bridge replacement.
- Establish measurable department-wide strategic objectives for program delivery, an annual business plan for improvements, and management accountabilities for accomplishing them. Provide proactive and standardized delivery reports at the program and project level to policy makers, customers, and business partners.

Number 7 – Use of Highway Trust Funds for Secondary Roads

As documented in the NCDOT Long Range Transportation Plan, currently 37 percent of state transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, based on percentage of needs, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic. The creation of the Highway Trust Fund mandated that all unpaved roads be paved. In 1989 there were over 16,000 miles of unpaved secondary roads, and currently less than 5,500 miles of unpaved roads, of which 1,800 can not be paved due to right-of-way and/or environmental issues. Therefore, the approximately 3,000 miles of unpaved roads remaining to be paved can be programmed and paved using the Highway Fund portion of the secondary roads program allowing the use of the Highway Trust Funds for increased bond authority in order to reduce congestion, and replace critical substandard bridge infrastructure. The Prioritization Subcommittee recommends continued investigation of the advantages of using the $81 Million per year Highway Trust Fund allocation to Secondary Roads for additional bonding authority for projects for priority items above, in order to adjust the percent expended by tier to better model the percentage of needs while increasing the priority for reducing congestion, and critical bridge infrastructure; or maintenance of the existing usage of these funds on the secondary road system consistent with that provided under HB 750 and HB 1825 focused on preservation and modernization of the sub-regional tier.

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **May 13, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tony EAGAR	STATE PORTS
Mark Benson	RWANC
Adam Beauregard	Civitas Institute
Thomas C. Cavey, Jr.	NC Dept. of Crime Control & Public Safety
Amy SIMMS	DENR
DON VOLKER	NCDOT
MARK FOSTER	NCDOT
ALPESH PATEL	NCDOT
ROBERTO CANALES	NCDOT
Pat Strong	TJCOG
Shelby Powell	Kerr-Tar RPO
Mercedes Berton	NC OSBM
Michael Haley	NC DOC
Christa Wagner	NC Sierra Club
Steve Jackson	NC Budget & Tax Center
David Farren	SELC
Joe McKinney	Land-of-Sky Regional Council
Dee Freeman	Triangle J COG
Steven Waters	America Walks
DELBERT ROBINSON	NCDOT
Jon Nance	NCDOT
STEVE VARNEDOE	NCDOT
Seth Dobson	Choose Life (Registration Plate) Charlotte, NC
Shannon Smith	NCGA
Amber Wagner	NC Public Transportation Assoc.
Charles Hodges	Capstrat
Dawn Graham	Triangle Transit
Mike Kozlosky	Wilmington MPO

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **May 13, 2008**

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
LAWRENCE BEAN	CITY OF WILMINGTON
Betty Turner	Bank of America
Keith Crayton	121-30 Caliber Chase Dr. Ral. 27609
Mac Boxley	NC Aggregates
Wendy Kelly	S2D Winter
Murphy Sullivan	CHARLOTTE CHAMBER
Cady Thomas	NCAR
CS Hollis	Kec
JOHN GOODMAN	NC CHAMBER
Amy Schilder	NWC
Patricia Simmons	NCDOT
Tom Edgar	NC STATE PORTS
STEPHANIE AYERS	" " "
LAURA WILSON	" " " BOARD
Zadia Brown	Speaker's Office
Betsy Bailey	Professional Engineers of NC
Patrick Buffkin	Nelson Mullins

VISITOR REGISTRATION SHEET

21st CENTURY TRANSPORTATION COMMITTEE **May 13, 2008**

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	RPM
Steve DeWitt	NCTA
Beau Memory	NCTA
DAVID JOYNER	NCTA
BERRY JENKINS	NCGO
Len Sanderson	PB
[illegible]	NCDOT
SUSAN COWARD	I.
Mark Sutton	NCDOT
H. TASAICO	NCDOT
Alpesh Patel	NCDOT
SHANNON LASATER	NCDOT
Calvin Leggett	NCDOT

21st Century Transportation Committee
Agenda
August 21, 2008
10:00 AM
Room 643 LOB

Welcome	Brad Wilson
Post Session Legislative Overview	Lisa Hollowell
Comparison of Highway Statistics North Carolina And Neighboring States	Lisa Hollowell
Discussion of Committee Focus for the Fall	Brad Wilson
Discussion	

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Thursday, August 21, 2008
10:00 AM
Room 643, Legislative Office Building

The 21st Century Transportation Committee met on Thursday, August 21, 2008 at10:00 a.m., in Room 643 of the Legislative Office Building, with the following members present: Chairman Brad Wilson, Senators Jenkins and Stevens, Representatives Cole, Carney, Coates, McGee, and Wainwright. Honorables Joines, McGrady and Miller, Jr., Ms Szlosberg, and Misters Sewell, Lanny Wilson, and Zelnak, Jr.

Chairman Brad Wilson presided and welcomed the members, guests and interested parties to the 21st Century Transportation Committee Meeting as they begin their work for the fall. The committee work was delayed to give the General Assembly an opportunity to react to and consider the recommendations that the committee made to the short session and they have done that. He said today the Agenda for the committee will be to find out, if we do not already know, and get clarity and level set the committee on exactly what it is the General Assembly did in terms of the committee's recommendations and other issues they considered that impacts the work of the committee.

Chairman Wilson said the committee will also take a look at some interesting comparison data of highway statistics between North Carolina and neighboring states and a very enlightening point about where our challenges are and what we need to be considering. Chairman Wilson said he will offer some comments to the committee about what the committee needs to do in trying to frame the agendas for the meetings this fall. The meeting will conclude with a bit of housekeeping and Mr. McGrady will be asked to tell the committee about the next meeting which is to be in Asheville.

Lisa Hollowell, Staff, presented the Post Session Legislative Overview. She started with the 2008 Post Session Budget Highlights and also referenced the Transportation Budget that is excerpts from the money report as well as the actual budget bill from this past year. (Attachments I, 2, 3 to the minutes) She explained each part of the referenced material in both reports pointing out the highlights. She also pointed out that there was a bill introduced and passed during the short session of the 2008 General Assembly on the Congestion Relief/Intermodal Transport Funds that was the recommendation of this committee.

Senator Stevens reminded Lisa that a Senate Companion Bill was filed as well.

Lisa said it was filed and referred to the Transportation Committee.

Representative McGee asked if there is a percentage breakdown on the DOT employees who got the $1, 100 increase versus the two and three quarters percent. Lisa answered she does not have a breakdown but that she probably can get this information.

Chairman Wilson called attention to page 5 in the summary and said as the committee begins its work in the fall that page 5 in the summary is a real telling slide. He said that illustrates a lot about what is needed to be considered. Not only the present reality, but how will that be turned around going forward.

During her discussion on Transportation Funding State Comparisons under Federal Aid, Lisa said the future of the federal-aid program is still under consideration by Congress. She said she attended a conference two weeks ago and they were saying that they are still trying to maybe patch it for this next year until they can get a long term solution.

Senator Stevens asked Lisa to tell the committee what other states do about taxing gasoline versus diesel.

Bob Weiss, Staff, answered saying that some of the states tax diesel more heavily, some of the states tax diesel less heavily and some of them tax them the same, but there is no consistency, it is about 1/3, 1/3, 1/3.

Senator Stevens said we have seen per capita comparisons and that is interesting and good information. Would a per mile comparison be of any value to the committee in your opinion? How much do we spend on our 79,000 miles per year for maintenance, construction, everything versus the other states? How are we doing, and would that be of interest to us?

Lisa said maybe it would be of interest with all the states being different and the make up of those miles being different, rural versus urban. She said she would look and see how that can break that out.

Ms. Szlosberg said there is kind of a high level talking point here that we had a very big system and perhaps an over reliance on one funding stream and the other funding streams that are available to us are not operating at capacity. In other words the other states are using those in a more robust way than we are.

Lisa said North Carolina puts a lot of state money into their transportation system. They control a lot of the roads and most other states do it differently. They have a lot of local money. They have a different way in which the responsibility is broken out and what the state controls and what the local governments control.

Ms. Szlosberg said you mentioned property taxes and the local participation and transportation fundings. This last legislative session opened it up for counties to begin participating in transportation funding. Can you do some sort of analysis about where we are on property tax rates in North Carolina versus these other states?

Lisa said there may actually be some comparisons out there so she said she will get with the Finance team and see what exists.

Mayor Joines said on page 5 looking at the property taxes obviously North Carolina is pretty low in terms of expenditures for.transportation. He felt it would be helpful also to look at these other states that are spending more for their property taxes on what other revenue options they have at the local government to spend for other purposes.

Lisa said she wanted to add with this information that was reported that we are not really sure how other states determined that amount because with local governments they do have other funding sources.

Chairman Wilson asked Lisa about the conference she attended concerning the federal question. He said he knows that no one could predict what will happen at the federal level and ask if she could say more about what either she heard or her instinct might be. He said he knows they have to do something in 2009, does she think they will continue the patch work approach? Are they going to try to really come to terms with a comprehensive bill and where is the North Carolina voice in all of that?

Lisa said she was not sure where the North Carolina voice is in that. She said she did hear the federal spokesman at the conference, Jim Tyman, Staff Director, US House of Representatives, Transportation and Infrastructure Committee. He talked about their hope was being able to get the additional money that they needed for this next year, so it will be a one time pack instead of a long term commission. She did not have any additional insight.

Representative Carney said the Secretary of Transportation Peters was in Charlotte the day before and spoke to the Chamber. She was able to attend a portion of it and she brought a copy of "A New Transportation Approach for America", that was just released in Charlotte. She offered it to the staff to look through it and see as the committee moves forward between now and the next meeting, if there are comments they would like to bring back. They are asking for support for this when congress goes back into session. There are some interesting points in the report and she said she thinks the committee has already hit on some of those as this committee started earlier.

Chairman Wilson requested after the staff has had time to digest "A New Transportation Approach For America" to give the committee a snap shot of what it says at the September meeting or before, because the committee would like to stay connected with the federal level.

Representative Coates said she thought it is interesting that here in North Carolina we have almost the same amount of mileage that we maintain as Texas does, but North Carolina spends less than four billion dollars. Texas spends thirteen billion dollars. She said she thinks the difference is that they get their money from tolls.

Lisa did not have the answer. She said it appears they have 4.6 million dollars from local funding sources, but the state funding is 5.3 billion dollars which is significantly higher. She said she would have to really look into it.

Chairman Wilson said not to loose that point that even if you pull out that local they are still 2 to 1. What is the difference, why the difference and where it coming from and that is is a state of point we need to understand.

Representative McGee asks if the committee has some break down on the amount that is included for Virginia and the other states that use tolls? He asks if it is included in the state funding, or local funding.

Lisa said it is not in the federal category. She said maybe some states have it showing up in their local funding and others may have it in the state, depending on how they may use those revenues when they come in. She said she will try to get that information.

Mr. Sewell ask if the committee can get a break down of the local dollars or local percent how they are generated from these other comparative states and where does our 14% come from?

Lisa said our 14% would be the cities contribution from the municipalities. She does not know if the FFHA breaks it down any further. She said she will look on the web sight and see if they do. Whether it is from a local sales tax or where they are getting their funds. She will check it.

Chairman Wilson said that will be helpful and that embraces Representative McGee's question. Is there any tolling in there or is it over on the state category or is it split between the two and that would be interesting to know.

Mr. Sewell said as a follow up to that on these four turn pike tolls, do we have an anticipated dollar generation that will be increased through the toll usage?

Chairman Wilson said your question is, do we have a forecast on what the revenue will be generated by the tolling of the Turnpike Authority projects, either project by project or cumulatively? Chairman Wilson asks Larry Goode if he had any idea off the top of his hat. Larry did not know and Chairman Wilson said he was sure the forecast exists so that is something we will need to provide the committee with.

David Joyner with the Turnpike Authority was present at the meeting and answered, if there was any excess revenue, gap funding would not be needed.

Chairman Wilson said he thinks Mr. Sewell's question is gross dollars. What will the tolls generate, do you have any idea?

Mr. Joyner said he did not have it off hand but has it at the office.

Chairman Wilson asks Mr. Joyner to please supply the committee with this information.

Lisa commented the tolls will be paying for the maintenance of the highway and after the debt is repaid then you are sort of wondering what that will generate.

Mr. Sewell said that goes one step further if you have seen the highway inflation rate as of current, if that continues will a larger gap be created?

Ms. Szlosberg commented that it might be helpful and she was sure this must exist maybe not in the transportation world but in sort of the social equity world and that is the burden per individual. What the costs are at the transportation system per individual as it lines up in the southeastern interior. Now it involves a lot of stuff, the burden on motor fuel taxes, usage fees, driver's license, etc., and what the irrelativeness of that is to the person's income and their ability to navigate the costs. What it means to a person.

Lisa said she will do some research on this.

Chairman Wilson ask if any one else has any questions or comments for more information.

Representative McGee asked what percent of our state income is spent on highways as compared to the other states.

Representative Cole: asks to follow up on Ms. Szlosberg's previous comments relative to property tax. He feels that an area the committee needs to look at is to transfer the maintenance of some of the roads the state has already built back to the county and city.

Chairman Wilson's Remarks:
Let's turn our attention to how we are going to frame our work going forward, our schedule. One thing the committee already knows but I will say it again here so that everyone is at the same place. After the discussion with the subcommittee chairs and staff, we made a determination here that we thought it would be more efficient moving forward, as well as the fact that the Intermodal subcommittee had essentially finished its work, that we would collapse the full committee into two subcommittees. So to that end, the Intermodal committee has been folded into the finance committee, which will be chaired by Mr. Zelnak and the intergovernmental committee will be folded into planning and prioritization, and because of some of the differences in the agenda and the issues that need to be discussed, it will be co-chaired by Sen. Jenkins and Jordy Wichard. There may be some subcommittee work that needs to be conducted in Asheville; I will defer to the judgments of the subcommittee chairs in that regard. But our next meeting will be in Asheville and Mr. McGrady will talk about that in a minute. After that we will provide some space for subcommittees to work, and I know that Larry has been polling dates with the members of the committee. I think as of yesterday, he has identified when we can get the most members here out of those dates that we have proposed to you. But, I wouldn't expect us to meet as a full committee, prior to the election. But I would anticipate and we will meet immediately thereafter and we have three dates that we'll

share with you publicly here in just a few minutes, between now and the middle of December. Recognizing that our charge says that we go out of business December the 31st and we will certainly make sure that our work and decisions have been made well in advance of that deadline. So if you want to think about it in its total, we are now anticipating no more than 4 full committee meetings, except for the one we will have in Asheville in September, the remaining meetings we will plan to have here in Raleigh. The subcommittee schedule will be determined by the subcommittee chairs, and of course notices all of our work will be published well in advance of those meetings so that people can participate.

So there is a little bit of homework about schedule and committee structure going forward. As we determine what it is that we want to try to accomplish, I would like to take a few minutes and share with you my observations on that point. I would invite the committee, once I conclude, to add and supplement what it is that I am about to say so that we can level-set our mind and the subcommittee chairs and the full committee will know the trend and the direction that we want to head. I want to start again by thanking Lisa for a very good report this morning, Larry and all of the staff for keeping us up to speed during the course of the short session. I thought the information was timely and meaningful. And certainly want to thank the General Assembly for reacting and to and responding to some of the recommendations we made to them for their consideration during the short session and you've heard the explanation of the GAP funding. You've also heard that the first step has been taken in stopping the transfer from the Highway trust fund, and we think that is the right direction. And I would also like to thank the GA for what I would call very serious consideration of the Intermodal plan, and I know many of our legislators that are on this committee were actively engaged in that discussion and making that happen. And I was certainly pleased and surprised quite frankly at the time and attention that the GA was able to give to that work. I think that says two things. First, that they are indeed interested in debating and discussing an aggressive and progressive Intermodal plan, and I think it's a good sign that the recommendation that came from this committee and the subcommittee is worth talking about. So I would like to acknowledge and thank the GA for doing that.

As I share with you my thoughts about where we should focus, I thought it would be good to take just a minute and remind us why we are here. Circumstances have changed dramatically since we were started our work in early November. My guess is that if you were to take a poll and asked what you think the price of gas will be in June 2008, my guess is I don't think anyone would have forecasted it would 4 dollars a gallon. And that has indeed brought new attention, and new energy, and new conversation, and new thinking to the work that we are about. So I would hope that our thoughts, and thinking, and work have moved consistent with that of the public. But why are we here? We're here to deal with that issue, for sure. We have a 64 billion dollar transportation infrastructure challenge, borrowing the number from the consultants report from the DOT, if we want to be well positioned in 2030. We are going to be the 7th largest state, surpassing rep Coles' former residence in NJ by 2030. We have more vehicle miles traveled in NC today and going forward than ever before, and we have less revenue

generated there from than ever before, with a forecast that that is going to continue. We have 400 structurally deficient bridges that need attention, and our rankings in virtually every survey that you look at are unsatisfactory. NC is not positioned in the transportation world where we want to be positioned and where we are positioned in so many other surveys and as you saw this morning and as you see in other surveys, most of our neighbors outrank us in about any category you want to pick, and certainly outrank us in highway performance, and that goes from construction to maintenance. Not a position we want to be in. So there in, our challenge is to change that, to provide recommendations and suggestions that if enacted, would move the needle on all of these fronts. So as we begin the second phase of our work, I think there are a number of things that we must do. First and foremost, and as I have learned as I have traveled around the state speaking to groups, we must send the message and understand, and accept the notion, as difficult and challenging as it is and will be that NC must have new revenue to meet our transportation infrastructure needs. Moving the deck chairs around on the titanic will not get it done for NC. That means that we must thinking differently, we must consider things not considered before, and we must also look at our traditional sources of revenue and determine what is fair and equitable, and important, and meaningful relative to those traditional sources of revenue, and see how much, if any, those can be enhanced. We have already recommended, DOT has responded to recommendations for internal reform. I would like to congratulate the DOT leadership on that which they have done. We need to remain focused on DOT reform and efficiencies like I know they will continue to be, and we must bring forth a set of best practices and ideas and suggestions so that that which we currently have, which has served us so well for so long can serve us well into the future. We need to assure that we have better alignment between local and state government in both planning, responsibility and funding for transportation needs. Many of the questions that you asked Lisa get right to that point. What are other states doing? What should NC think about in that regard? And should the paradigm change in any way? I would hope and believe that we would renew our commitment to the Intermodal plan. That it will again be a part of our final set of recommendations, and that the GA of 09 and the new governor will give it again very serious consideration about taking the first steps towards making that a reality. We will likewise, I think we should and will renew our commitment to calling for stopping the transfer from the highway trust fund. I think we also need to consider ways where we can include in our planning and funding recommendations, imbedded in those things, ways to insent and reward communities for increased resources that can be brought to and planning that can be brought to both cycling and pedestrian planning and implementation. Those kinds of activities are particularly locally unique, both in their utilization as well as in their planning and construction there of. Larry and I were talking about his a little bit before the meeting today. There aren't many people that are going to commute from Raleigh to Greensboro on a bicycle, but there are people that may commute within five miles of their house on a bicycle. So it takes a different way to think about how to get your arms and your mind around that type of planning and funding paradigm, and not to omit or forget the fact that safety needs to be a key ingredient in that because as we have all seen, with the price of gas going up, there are far more people walking and using bicycles for their mode of transportation and we have also seen an increase of safety as a result there of.

We need to develop recommendations that I am going to term are consumer focused. And what that means to me is that we need to carefully consider and make sure that our funds follow the clear patterns of development in NC without ignoring areas where transportation investment will foster economic growth. But the fact of the matter is you must put the money where the action is and you must plan to spend money where the action will be, and I think we have issues there that we can address and hopefully provide some recommendations about that. I read in an article recently this phrase, and I'm going to borrow it this morning, I think that the planning and prioritization committee and intergovernmental it's already on their agenda and I know that they will vigorously consider this, "we need to clear out unnecessary regulatory underbrush," which I think is a good way of saying, 'how can shorten the time frame for development and construction of transportation systems?' At the rate of inflation that we are currently dealing with, as well as the growth of the state and the public impatience for improvements to be made, somehow we must figure out a way to bring the time from idea to construction closer together.

Now these are the thematic ideas that I hope we will work on, and there are others I'm sure, and I hope you add to those themes before we leave today, or before our September meeting. But let me speak specifically as to funding. I'd like tot thank Mr. Zelnak and the members of the finance committee, the old finance committee and now the new and improved finance committee for the good work they have done, but they have just now begun their work. Because remember for the short session, our charge was to bring recommendations to the GA that did not require new revenue, and we did that. That parameter is no longer there. So the fun is about to begin in both concept and reality for the finance subcommittee and this full committee. But specifically as to funding, the approach that I hope we can take is to develop a menu of options for the governor and GA to consider in 09, and as they balance the needs of the state they can select from the menu or supplement the menu, but as they balance all of the equities they must deal, they can ultimately decide what is in the best interest for NC. But as we put our menu together, it needs to be a package that hangs together, so that as you take a piece out and put a piece in, it still makes sense and can be rationalized and will meet a comprehensive set of transportation needs in NC. I would challenge us to identify a set of approaches that will provide at least 10 billion $ in new revenue over the next ten years. I will give Larry attribution for this, you may call it 10 for 10. I hope that catches the imagination of the members of the committee. But I think it gives us a realistic goal, because there is no way this committee should or can solve a 64 billion dollar challenge for the next 20 years in the next 4 months. Further more, NC is going to change again and a lot in the next 20 years, so we need to set our sights a little bit shorter but certainly long-term in that regard, so 10 for 10.

And as we do this, we must keep ever present in our mind the following fact, you've heard it this morning, it's in those slides Lisa gave us. Fuel tax and vehicle sales taxes currently provide over 80% of the $3.9 billion DOT budget. This revenue source has been flat or declining over the last 5 years. Its down 66 million in the first half of this year, as recently reported in the N&O. And in fact over the past few months, there has

been 1% decline in the fuel tax. Now as we deal with practical suggestions and realities that can be politically considered and substantively considered in 09 I think this committee has another challenge, one that I am not sure will be solved in '09, but that we must elevate in the public mind. This formula is a formula for disaster for this state going forward. Those revenue streams are not going to sustain us. They are not sustaining us now. So continued dependence there on does not make any sense. If we were running a business, and that was the report we sent to our boards of directors this morning, my guess is that meeting would continue for a long time until we came out of there with a plan that was going to identify how we are going to do business differently in all matters and things. If we as a committee and we as a state fail to face this reality, and if we fail to educate the public and decision makers, that we are now relying on a declining revenue model, when our needs are great and are growing, when our state is growing, and when construction inflation is outpacing our ability to keep up, then we will have failed as a committee. So if there are only two things that any of us remember from this meeting this morning, I hope that they are these; that the current funding model for transportation needs in NC is failing us and will continue to fail us going forward, and it is going to be and it has been accelerated due to four dollar per gallon fuel, which is now down to 3.50. But everybody that I can hear talk about this says, it's not going back to 1.50 per gallon. The likelihood is that it will go in the other direction and that will accelerate and exacerbate the problem that we are facing. The second thing that I hope you remember that is embedded in the first is that it will take new revenue to make meaningful progress in attacking this problem. Stopping the transfer and making DOT more efficient are contributors to the solution; they are not the solution by themselves. Therefore, I hope Mr. Zelnak and his committee and the full committee will consider the following. To discuss and evaluate a vehicle miles traveled approach to measure the use of the facility. Now it may very well be, and Mr. Zelnak and I have talked about this a lot, that the technology to cause that to happen may not be present today, but it is going to be present at sometime in the future. North Carolina needs to have already had a conversation about what the means, what we think about it, and how it might work. Whether or not we do it in '09 or '10 or whether it's a hard recommendation as a part of this committee's work, we must understand what that means. It is consistent with the philosophy that we have always had here in NC, and if we want to continue the philosophy that user pays, and that's what we've done, and it's brought in the questions around property taxes. We don't use property tax for transportation in NC, we tie it to the use of the facility as did the legislature in 1921 when the highway fund was originally established. The measure of use of the facility was how much fuel you consumed. That is a user pay model. It has served us well for many years, but the measure by which we are using to determine the use of the facility is now beginning to fail us, and the evidence is clear. So what do you do instead of, or to supplement that? We need to consider a use tax increase. We need to consider what toll roads mean for NC. I understand the distaste for the concept of tolling, but that is consistent with the user pays model. It is a revenue stream that we need to consider. We need to craft recommendations for the General Assembly to debate, and then let them decide what the policy of NC will be in that regard. Specifically, I think we need to engage, and Mr. Zelnak and I have talked about this, and I credit he and Larry with this idea, we need to explore the viability and validity with the federal government of tolling I-95 because of the dire needs that road presents to this state and the revenue

that would be generated there from. We need to discuss and consider a local option sales tax for transportation purposes. We have already discussed a transportation bond. We need to revisit that now in light of what the General Assembly has done to determine what the debt capacity of the state will permit and provide the GA with options that they can choose relative to moving forward with the transportation bond. And of course, we must examine the current and future fuel tax, what does that mean? How long can we depend on it? How much should it be? All of those points need to be discussed and debated. We also need to analyze all of the fees that are currently related to transportation. You saw the results reflected in Lisa's report earlier this morning. You recognize the fact that we're in the lower quartile on all of those items, not only in the south east but in the country. We also need to analyze those items that are currently funded by transportation funds to see if they can or should be funded from somewhere else. Now, at the end of the day, it's all money. We understand that, but we have adopted a model here where there are lots of things that are dependent upon dollars that are generated from transportation activity, the use of the facility. I think that it is worthy of a discussion to validate or not, that those things should continue to be funded out of the use of facility model, or whether general revenue or other revenue should be considered to pay for those items. And last but not least, and I'm glad that Lisa attended that conference, but we need to watch very carefully, be aggressively engaged, as the federal transportation bill comes to light in '09. We are not getting our fair share from the federal government, and that needs to change. As they craft, particularly if they craft a comprehensive bill, which will be in place for a good while if they do, our voice needs to be long and loud in that conversation and NC needs to change its position from a donor state to a state that is at least in equity to what we send to Washington for transportation. Now, these are just some ideas that I have had, ideas that have emerged out of conversations with you, and with members of the public answering questions as I have been traveling around. It is not an exhaustive list, it's a starter list. It's a floor not a ceiling. Many of you have other and better ideas. But now is the time to bring them forward. Send them to me, send them to Larry, send them to the chairs of the subcommittees and let us get them on our agenda for discussion and debate because we have a lot of work to do in a short period of time. Everything should be on the table, and let me remind everyone who is listening this morning that this committee does not appropriate money. Because we make a recommendation does not mean that it is going to happen. But if we aren't bold and aggressive in our thinking and in our recommendations, I don't believe that we will have fulfilled the charter and the mission that was given to us at the outset. We should engage and support and inform the new governor and the General Assembly on what consequences and the ups and downs of all these things are, and then we should step back, let them balance the equities of the state, and embrace what it is that they believe is in the best interest of the state of NC going forward. So our ultimate goal is to craft a realistic, bold, aggressive approach that will identify 10 in 10, $10 billion in ten years, for transportation improvement in NC and to elevate and stimulate serious public awareness of the necessity for all of us in NC to change the way we think about transportation, the way we think about funding transportation, and the way that we must deliver badly needed transportation infrastructure so that NC can regain the title of the good transportation state. And understand that it is key to the economic development future of NC. I thank you for you patience in letting me outline what I think

we should consider and now let me pause and ask members of the committee to add, subtract, supplement, amend, disagree with anything that I might have said this morning relative to where we should look over the next four months.

Senator Stevens suggested we discuss not how we get ten billion dollars but how we spend ten billion dollars. He specifically included in that the equity formula or some would call it the inequity formula and how monies are distributed among not only areas but projects as well.

Ms. Szlosberg said as somebody who represents environmental interest on the board and partially her duty here, one of their goals or charges is to look at conservation and encourage the reduction of fuel consumption and good environmental practices and she hopes that some how in that discussion around finance alterative fuels, alterative nodes, bicycles and pedestrian planning are looked at. The system now actually is mixed message because people are upset that not as much is spent on gas because it means less money to spend on transportation infrastructure, but we don't want people to be consuming more gas. We want them to be consuming less gas. Somehow we can think about how in that new funding world we promote the use of alternative fuel and energy conservation. She thinks that would serve the state well.

Representative Coates said she was in the northeast in the spring and you saw nobody speeding. She asks why they were not speeding. She was told if you speed in the northeast the fee is $l, 000. She said it would save the highways and bring more income if the fee for speeding was increased. She felt we need to take a look at all the fees.

Representative Miller said he thinks merging the subcommittees together is a very good idea. The point made on user responsibility is well taken. He feels we are simply going to have to look and see who the users are of the highways, who are requiring the maintenance, who is requiring the new structures. The corridors are identifiable. He said we have some good highways in the east and west that have some heavy traffic, some light traffic, which is obviously a difference in maintenance and there are some heavy ones that will eat us alive and the users of those highways are going to have to factor in the cost of the maintenance as the cost of doing business and we haven't addressed that yet. He said he will be a member of the Finance Committee and he plans to raise those issues. He said it well may be the landscape has changed. The funding mechanism is no longer satisfactory, it is not doing the job if we are going to look that way for revenues for construction and maintenance. It may well be that we are going to have to raise the percentage of the tax at the tank and the tax that goes on the tank a sales tax percentage far greater than what we now have to raise those revenues. He said we are going to have to look down the road for alternative methods of providing the engine in the car but if we are going to have electric cars how are we going to access the cost of the maintenance of the roads for electric cars. We are not going to get it out of gasoline, they don't use gasoline. We are going to have to look down the road just a little bit. He said he did not

know that we have emphasized the alternative methods of transportation and hope we do not loose sight of our train corridors, if not passenger at least freight and the short lines that can bridge the gap between the users that have to have methods of getting their product to where it needs to go that are off line of the major rail corridors. We are at a critical point in North Carolina and we are falling behind and we need to catch up. He feels this next couple of months is going to be critical.

Mr. McGrady gave instructions about the meeting in Asheville on Wednesday, September 10th and Thursday 11th.. The activities will begin at 3:00 p.m.on Wednesday September 10th for a bus tour to the I-26 Visitors Center in Madison County, back through Asheville, to the NC Arboretum for a reception and dinner. On Thursday, September 11th the subcommittees will meet at 9:00 a.m. and the full committee will meet at 11:00 a.m. in the Four Points Sheraton Downtown Asheville Hotel

Chairman Wilson thanked Mayor Bellamy and Mr. McGrady for providing leadership in helping to bring all of this together and we look forward to a meaningful experience.

Representative Carney thanked Chairman Wilson for the overview for what the committee is charged with in the next few months and recognizing the efforts the department has made in restructuring attempts. She said she would appreciate it if at the next meeting a invitation could be extended for the Secretary or someone from the Department of Transportation to give the committee an update of the implementation of their changes they are moving forward with, since it affects what this committee is going to be doing as we move forward with infrastructure needs around the country and at the federal level. She brought notice to building America's Future Coalition, which is an attempt to bring together state legislators and congressional members and this, is co-chaired by Michael Bloomberg, Mayor of New York, Edward Rendell, Governor of Pennsylvania and Arnold Schwarzenegger, Governor of California in a bipartisan effort to pull state legislatures into this discussion at the national level. She said she thought it would be wonderful if they could come here in North Carolina and hopefully with Speaker Hackney as the new President of NCSL this group did speak at the national conference this month. She would hope they would be invited here since the emphasis on national infrastructure is at its highest public debate and North Carolina should be commended for stepping out through the leadership of our Governor, Speaker and our President Pro Tem to convene this group at an early period and North Carolina is poised to take advantage and be ready, as has already been mentioned, for whatever is recommended we will have bettered those potential possibilities.

Chairman Wilson thanked everyone for their comments and adjourned the meeting at 11:25 a.m.

Brad Wilson, Chairman

Sarah Murphy, Clerk

2008 Post Session Highlights
Transportation Budget

- Congestion Relief/Intermodal Transport Funds
  - HB 2363, filed and referred to Transportation Committee

- Yadkin River Bridge
  - No bills in 2008, planning bill in 2007

2008 Post Session Highlights
Transportation Budget
Session Law 2008-107, Transportation Section

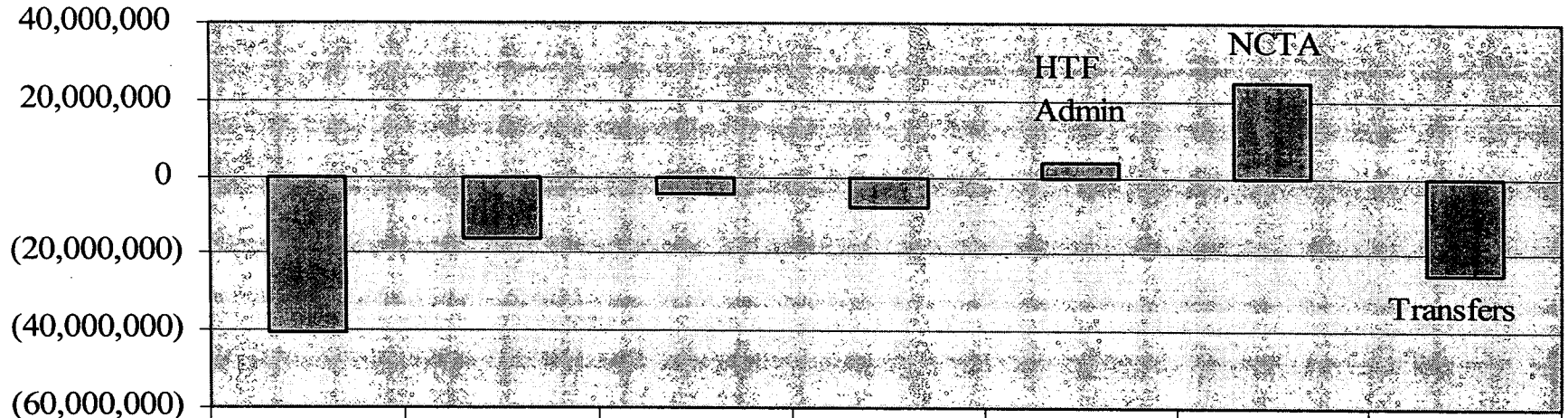
- See Handout – Transportation Section of Budget

2008 Post Session Highlights
Transportation Budget
Session Law 2008-107, Section 25.5

- Reduction of Highway Trust Fund Transfers
  - Change in law
  - Recommendation of the 21st Century Transportation Committee
- Recurring Funding for North Carolina Turnpike Authority

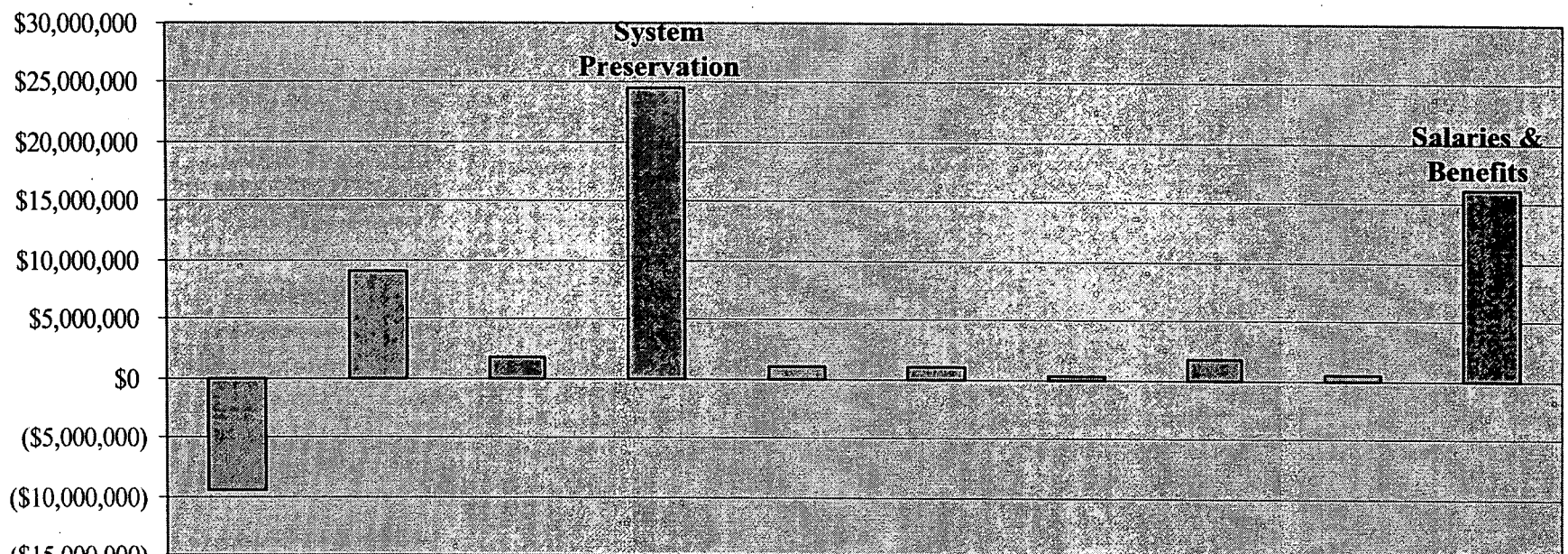
	FY 2008-09	FY 2009-10	FY 2010-11
Triangle Expressway	**$25,000,000**	**$25,000,000**	**$25,000,000**
Monroe Connector		**$24,000,000**	**$24,000,000**
Mid-Currituck Bridge		**$15,000,000**	**$15,000,000**
Garden Parkway			**$35,000,000**
Total	**$25,000,000**	**$64,000,000**	**$99,000,000**

Approved Budget for NCDOT
Highway Trust Fund – Adjustments ($65,620,000)
2008-09



	Intrastate System	Urban Loops	Powell Bill	Secondary Roads	Program Admin	Turnpike Authority	General Fund Transfer
Series1	(40,691,943)	(16,454,126)	(4,269,533)	(7,687,965)	3,627,360	25,000,000	(25,143,793)

Approved Budget for NCDOT Highway Fund – Expansion Items $46.5 million 2008-09

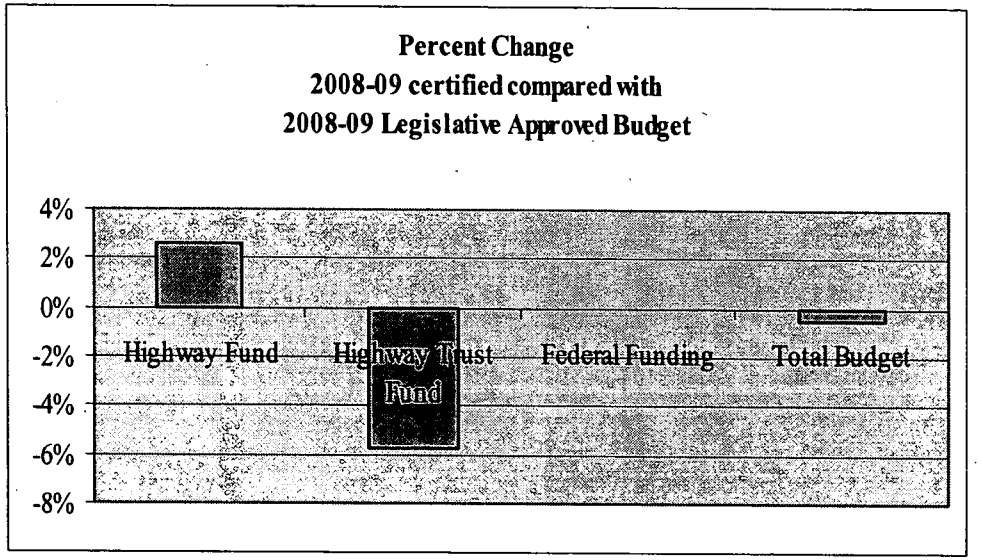


	Admin	R&R	Const.	Maint.	Ferries	Railroads	DMV	Powell Bill	Transfers	Salaries & Retirement
Series 1	($9,583,308)	$9,084,221	$1,807,592	$24,542,804	$1,000,000	$1,000,000	$245,266	$1,807,592	$431,491	$16,224,342

Highway Fund and Highway Trust Fund
2008-09 Funds Availability

- $46.5 million increase to Highway Fund
  - Approx. $10 million higher projection for motor fuels tax collections
  - $35 million credit balance
  - $5 million – interest earned on investments
  - reduction in licenses and fees of $4 million

- ($65.2 million) reduction to Highway Trust Fund
  - ($60 million) reduced from Highway Use Tax
  - ($9 million) reduced from Certificate of Title Fees and other fees
  - $3.4 million increase in motor fuels tax and $1.2 million increase in interest earned on investments



* Forecast created by North Carolina's Office of State Budget and Management and adopted by NCGA 2008

Highway Fund and Highway Trust Fund 2008-09 Budget

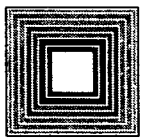
	2007-08 Actual Collection of Revenues	2008-2009 Certified Budget	Changes to Certified Budget	2008-09 Legislative Approved Budget	2008-09 Legislative Approved NCDOT Budget (subtracting transfers)
Highway Fund	$1,829,630,000	$1,810,990,000	$46,560,000	$1,857,550,000	**$1,594,972,000**
Highway Trust Fund	$1,060,058,225	$1,138,780,000	($65,620,000)	$1,073,160,000	**$925,628,755**
Federal Funding & other participation	$964,274,572	$981,502,019*	0	$981,502,019	**$981,502,019**
Total Budget	$3,853,962,797	$3,931,272,019	-$19,060,000	$3,912,212,019	**$3,502,102,774**

Note: GARVEE bond proceeds are not included above. Amount received during FY2007-08 is $114 million.

*Federal and other participation is an estimated amount and not the amount certified by the OSBM.

2008 Post Session Budget Highlights Transportation

21ST Century Transportation Committee
August 21, 2008



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

Transportation Budget

Joint Conference Committee Report
on the
Continuation, Expansion and Capital Budgets

Session Law 2008-107
HB 2436

21st Century Transportation Committee
August 21, 2008

Highway Fund

HIGHWAY FUND

	FY 08-09
Total Budget Approved 2007 Session	**$1,810,990,000**

Budget Changes

Administration

1 Janitorial Contracts — $601,581 R

Increases funds to support contracted janitorial services at DOT facilities statewide.

2 Repairs and Renovations — $9,084,221 NR

Provides funds for repairs and renovations of department facilities located throughout the state.

3 Reduction to Administrative Budgets — ($12,000,000) R

Reduces funds for central administration within DOT.

Division of Motor Vehicles

4 Driver License Vertical Format — $50,000 NR

Provides funds for the implementation of a vertical driver license format for drivers under 21 years of age. These funds shall not be expended unless HB 2487 or substantially similar legislation is enacted during the 2008 General Assembly.

5 Space Requirements — $195,266 R

Increases funds for overall space needs at six driver license offices to meet standards for customer service delivery and increased staff and equipment. Offices are located in Asheboro, Brevard, Kenansville, Lumberton, Marshall and Wallace.

6 IT Requirements - Property Tax Collection

Provides funds for the planning and detail design of an information technology project necessary for meeting the requirements of HB1779. The nonrecurring funding requirement for FY2008-09 is $4,873,099 and the source is the Combined Motor Vehicle and Registration Account, held in the NC State Treasurer's Office.

7 IT Requirements - Database Project

Provides funds to create a database of vehicle property tax data necessary for meeting the requirements of HB1779. The nonrecurring funding requirement for FY2008-09 is $367,200 and the source is the Combined Motor Vehicle and Registration Account, held in the NC State Treasurer's Office.

8 Postage Costs — $1,815,111 R

Increases funds for additional postage necessary to comply with statutory requirements of HB 267, requiring central issuance of all driver licenses effective July 1, 2008.

Ferry Division

9 Ferry Division
Provides additional funds for the ferry maintenance facility in Manns Harbor. $1,000,000 NR

Maintenance

10 System Preservation
Provides funds for highway maintenance activities that preserve and extend the life of infrastructure assets, including pavement, bridges, traffic signals and other roadside features. $24,542,804 NR

11 Continuation Review of Spot Safety Program ($9,100,000) R
Changes the funding for the Spot Safety Program from recurring to non-recurring. This program is subject to continuation review. $9,100,000 NR

Rail Division

12 Grants to Short-Line Railroads
Provides funds to continue the grant program supporting short-line railroad companies. The funds are used to rehabilitate and strengthen North Carolina's short-line infrastructure. $1,000,000 NR

Statutory Adjustments

13 Secondary Road Construction Program $1,807,592 R
Adjusts funding for secondary road construction based on revised projections for motor fuels tax revenue in accordance with G.S. 136-44.2A.

14 Leaking Underground Storage Tank Fund ($185,000) R
Adjusts budget for the Leaking Underground Storage Tank Fund based on projections for the motor fuels inspection fee in accordance with G.S.119-18.

15 Aid to Municipalities $1,807,592 R
Adjusts funding for aid to municipalities based on revised projections for motor fuels tax revenue in accordance with G.S. 136-41.1.

Transfers

16 Driver Education Program $616,491 R
Increases funds for the Driver Education Program to support an increase in the average daily membership of students eligible for driver education training in FY2008-09.

17 New Positions $84,749 R
Transfers funds from the Highway Fund to the Department of Agriculture and Consumer Services for the support of one Gas and Oil Inspector position and one Chemistry Technician II position. $99,350 NR
2.00
The recurring amount of $84,749 includes salary, benefits, vehicle operating expenses, office supplies and cell phone services. The non-recurring amount of $99,350 includes vehicles, testing and computer equipment.

18 Leaking Underground Storage Tank Fund Reduction Reduces appropriation to the Leaking Underground Storage Tank Fund, thus making funds available to support two positions in the Department of Agriculture and Consumer Services. (See Item 15).	($84,749) ($99,350)	R NR
Budget Changes	**($14,441,367)** **$44,777,025**	R NR
Total Position Changes	2.00	
Revised Total Budget	**$1,841,325,658**	

Highway Trust Fund

HIGHWAY TRUST FUND

	FY 08-09	
Total Budget Approved 2007 Session	**$1,138,780,000**	
Budget Changes		
Highway Trust Fund		
19 Intrastate System Reduces funds for the Intrastate System to $504,290,380 for FY2008-09 consistent with new revenue estimates and statutory formula.	($40,691,943)	R
20 Urban Loops Reduces funds for the Urban Loops to $203,914,028 for FY2008-09 consistent with new revenue estimates and statutory formula.	($16,454,126)	R
21 Aid to Municipalities Reduces funds for Aid to Municipalities to $52,911,824 for FY2008-09 consistent with new revenue estimates and statutory formula.	($4,269,533)	R
22 Transfer to General Fund Reduces transfer to General Fund in FY2008-09 by $25,000,000. The total amount of the transfer to the General Fund under G.S. 105-187.9b(1) is $145,000,000 for FY2008-09.	($25,000,000)	R
23 Secondary Road Construction Reduces funds for the Secondary Road construction program to $88,102,604 for FY2008-09, consistent with new revenue estimates and statutory formula.	($7,687,965)	R
24 North Carolina Turnpike Authority Provides funds for the North Carolina Turnpike Authority for its gap funding for the Triangle Expressway project.	$25,000,000	R
25 Transfer to General Fund Reduces transfer to General Fund in FY2008-09 to $2,531,245 in accordance with G.S. 105-187.9(b)2.	($143,793)	R
26 Administration Increases funds for administration to $51,409,920 in FY2008-09 consistent with an increase to 4.8% in the statutory formula for maximum amount allowed for administration.	$3,627,360	R
Budget Changes	**($65,620,000)**	R
Total Position Changes		
Revised Total Budget	**$1,073,160,000**	

PART XXV. DEPARTMENT OF TRANSPORTATION

INCREASE ADMINISTRATIVE APPROPRIATION FOR THE HIGHWAY TRUST FUND

SECTION 25.1. G.S. 136-176(b) reads as rewritten:

"(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A sum, not to exceed ~~four percent (4%)~~four and eight-tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section ~~for the 2003-2004 fiscal year, three and eight-tenths percent (3.8%) through fiscal year 2006-2007, and four and two-tenths percent (4.2%) thereafter,~~ may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the Trust Fund shall be allocated and used as follows:

(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct projects on segments or corridors of the Intrastate System as described in G.S. 136-178 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.

(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.

(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.

(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.

The Department must administer funds allocated under subdivisions (1), (2), and (4) of this subsection in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due."

DEPARTMENT OF TRANSPORTATION TO PRODUCE BIENNIAL STATE TRANSPORTATION MAPS AND COASTAL BOATING GUIDES

SECTION 25.2.(a) The Department of Transportation shall cease annual production of the North Carolina State Transportation Map and Coastal Boating Guide and shall produce a biennial North Carolina State Transportation Map and may provide funding for a biennial Coastal Boating Guide, in conjunction with the Wildlife Resources Commission, beginning in the 2008-2009 fiscal year.

SECTION 25.2.(b) The Department shall provide a written report to the Joint Legislative Transportation Oversight Committee on the biennial map production plan and identify any cost savings for nonproduction years. The report shall also include historical budget and production information for the past five years. The report is due by March 1, 2009.

ONE-STOP SHOPS FOR DRIVERS LICENSE AND REGISTRATION PLATES

SECTION 25.3.(a) The Department of Transportation, Division of Motor Vehicles, is prohibited from opening drivers license issuance and vehicle registration issuance and renewal One-Stop Shops until the General Assembly has considered and appropriated funds for the purpose of One-Stop Shops.

SECTION 25.3.(b) The Department of Transportation shall develop a plan that thoroughly outlines the operational plans of combined function centers designated as One-Stop Shops. The plan may contain recommendations regarding making necessary changes to G.S. 20-63(h) to expand Division services. The plan should detail a cost-effectiveness comparison between the current means for delivery of service and the proposed combined function center services. The plan should also include a thorough justification for each proposed One-Stop Shop location, including any assumptions made in the justification process. The plan should clearly highlight the benefits to the State, including customer service enhancements for Division customers obtained by implementation of One-Stop Shops. The Division shall also conduct an analysis of the anticipated number of transactions at the One-Stop Shops and consider the impact on commission contracts for independent license plate agents, as well as any other interested party affected by the change.

SECTION 25.3.(c) The Division shall report to the Joint Legislative Transportation Oversight Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal Research Division no later than October 31, 2008.

REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH DIVISION WITHIN THE DEPARTMENT

SECTION 25.4.(a) Notwithstanding G.S. 143C-6-1 and G.S. 143C-6-7, the Department of Transportation and the Office of State Budget and Management shall review each of the Department's divisions' expenditure patterns and realign the continuation and certified budget for the 2009-2011 Fiscal Biennium. The certified budget shall become the current expenditure plan for each division based on anticipated expenditure patterns.

SECTION 25.4.(b) The Department of Transportation shall prepare a report on the cash spending plan based on the certified budget's fund codes. This report shall show cash expenditure plans for the 2008-2009 fiscal year.

SECTION 25.4.(c) The Department of Transportation and the Office of State Budget and Management shall jointly study alternatives and enhancements to the current budgeting process that highlight and more closely align the Department's division, DMV, ferry, rail, public transportation, and administration spending with performance outcomes and metrics. Study goals include greater clarity of budgets and cash work plans, flexible funding capabilities, and projected investment performance.

SECTION 25.4.(d) The Department of Transportation shall develop a quarterly report that evaluates the Department's achievement of performance measures for safety, preservation, capacity improvements, ITS, effective and efficient business practices, spending plans, DMV services, minority and disadvantaged business goals, and other relevant performance indicators. Division performance comparisons will be included where applicable. The fourth quarter report will serve as the annual performance evaluation and shall be submitted to the Governor and Legislature, including the Joint Legislative Transportation Oversight Committee.

SECTION 25.4.(e) The Department of Transportation and the Office of State Budget and Management shall report on its cash spending plan for the 2008-2009 fiscal year and shall present recommendations for a revised budget process to the Joint Legislative Transportation Oversight Committee, Appropriations Subcommittee for Transportation, and the Fiscal Research Division no later than November 1, 2008. The Department of Transportation shall present the Fiscal Year 2009 first quarter performance report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than November 15, 2008.

TRANSFER HIGHWAY TRUST FUND MONIES IN THE AMOUNT OF TWENTY-FIVE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2008-2009, SIXTY-FOUR MILLION DOLLARS BEGINNING IN FISCAL YEAR 2009-2010, AND NINETY-NINE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2010-2011 TO THE NC TURNPIKE AUTHORITY FOR DEBT SERVICE ON BONDS

SECTION 25.5.(a) G.S. 105-187.9(b) reads as rewritten:

"(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

(1) The sum of one hundred ~~seventy million dollars ($170,000,000).~~ forty-five million dollars ($145,000,000).

(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002-2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available."

SECTION 25.5.(b) G.S. 136-176 is amended by adding a new subsection to read:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of twenty-five million dollars ($25,000,000) to be used to service debt on bonds issued for the construction of the Triangle Expressway. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes,

or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations set forth in this act at any time to decrease or eliminate the amount annually appropriated to the Authority."

SECTION 25.5.(c) G.S. 105-187.9(b) as amended by subsection (a) of this section reads as rewritten:

"(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

(1) The sum of ~~one hundred forty-five million dollars ($145,000,000).~~ one hundred six million dollars ($106,000,000).

(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002-2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available."

SECTION 25.5.(d) G.S. 136-176(b2), as enacted by subsection (b) of this section, reads as rewritten:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~twenty-five million dollars ($25,000,000) to be used to service debt on bonds issued for the construction of the Triangle Expressway.~~ sixty-four million dollars ($64,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe Connector/Bypass, and fifteen million dollars ($15,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck Bridge. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon

shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations set forth in this act at any time to decrease or eliminate the amount annually appropriated to the Authority."

SECTION 25.5.(e) G.S. 105-187.9(b) as amended by subsections (a) and (c) of this section reads as rewritten:

"(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

(1) The sum of ~~one hundred six million dollars ($106,000,000).~~ seventy-one million dollars ($71,000,000).

(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002-2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available."

SECTION 25.5.(f) G.S. 136-176(b2), as enacted by subsection (b) of this section and as amended by subsection (d) of this section, reads as rewritten:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~sixty-four million dollars ($64,000,000).~~ ninety-nine million dollars ($99,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe ~~Connector/Bypass, and~~ Connector/Bypass, fifteen million dollars ($15,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck ~~Bridge.~~ Bridge, and thirty-five million dollars ($35,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations set forth in this act at any time to decrease or eliminate the amount annually appropriated to the Authority."

SECTION 25.5.(g) Subsections (a), (b), and (g) of this section become effective July 1, 2008. Subsections (c) and (d) of this section become effective July 1, 2009. Subsections (e) and (f) of this section become effective July 1, 2010.

FUNDS FOR UNSAFE AND OBSOLETE FIELD FACILITIES

SECTION 25.6. Section 27.6 of S.L. 2007-323 is repealed.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 25.7.(a) Section 27.2 of S.L. 2007-323 is repealed.

SECTION 25.7.(b) The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2009-2010	$2,070.8 million
For Fiscal Year 2010-2011	$2,066.0 million
For Fiscal Year 2011-2012	$2,064.5 million
For Fiscal Year 2012-2013	$2,075.6 million

SECTION 25.7.(c) The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2009-2010	$1,178.4 million
For Fiscal Year 2010-2011	$1,199.8 million
For Fiscal Year 2011-2012	$1,226.9 million
For Fiscal Year 2012-2013	$1,263.4 million

DEPARTMENT OF TRANSPORTATION TO APPLY FOR INTERSTATE CORRIDOR GRANT FUNDS

SECTION 25.8. The Department of Transportation and the North Carolina Turnpike Authority shall apply for all federal grant monies available for Interstate corridors. The grant funds shall be used for the preservation of the highway infrastructure and to provide for improvements and enhancements to the Interstate.

The Department shall report on the status of all grant applications made and any funding awarded for Interstate corridors to the Joint Legislative Transportation Oversight Committee no later than December 1, 2008.

AVIATION FUNDS FOR THE MOUNT AIRY-SURRY COUNTY AIRPORT AUTHORITY AND THE ASHE COUNTY AIRPORT

SECTION 25.9.(a) Of the funds appropriated to the Department of Transportation, Division of Aviation, for fiscal year 2008-2009, the sum of three million dollars ($3,000,000) shall be allocated to the Mount Airy-Surry County Airport Authority for expansion and renovation of the regional airport.

SECTION 25.9.(b) Of the funds appropriated to the Department of Transportation, Division of Aviation, for fiscal year 2008-2009, the sum of two million five hundred thousand dollars ($2,500,000) shall be allocated to Ashe County to be used for expansion and renovation of the Ashe County Airport.

CLOSURE OF EXITS ON INTERSTATE HIGHWAYS

SECTION 25.10. If any exits on an interstate highway are scheduled for permanent closure before September 30, 2008, other than an exit that was created and exists solely as a temporary exit in a construction zone that would be closed upon completion of the construction project, the Department of Transportation shall apply for a waiver or request for reconsideration from the United States Department of Transportation or any other federal agency, as required, to keep the exit or exits open to vehicular traffic exiting from the interstate highway. If the Department of Transportation has applied for a waiver or

request for reconsideration and received a decision from the United States Department of Transportation on or before June 30, 2008, the Department shall be deemed to have met the requirements for this section and shall proceed as directed by the United States Department of Transportation.

DEPARTMENT OF TRANSPORTATION TO PLANT SEEDLINGS IN RIGHTS-OF-WAY

SECTION 25.12.(a) Of the funds appropriated to the Department of Transportation up to one million dollars ($1,000,000) per year, for five years, beginning with the 2008-2009 fiscal year, shall be used to develop and implement a plan to plant trees and shrubs native to North Carolina along the State's roads and highways in the rights-of-way. The Department shall consult with and use the expertise of the United States Forest Service and the Division of Forest Resources of the North Carolina Department of Environment and Natural Resources in the development and implementation of the plan. The plan shall include the planting of trees, shrubs, and other vegetation that (i) are native to the various regions and areas of the State in which they are being planted, (ii) will provide clean air and otherwise benefit the State's environment, (iii) are appropriately placed for the safety of those traveling on the roads and highways, and (iv) reduce the costs of mowing and maintaining the rights-of-way along the State's roads and highways.

SECTION 25.12.(b) The Department shall procure the seedlings from the North Carolina Division of Forest Resources or any State institution that cultivates seedling trees. If the seedlings are cultivated from within the State, the Department shall revegetate the cleared area with the same tree, shrub, or other vegetation harvested within the first planting season after the area is cleared. If no State agency cultivates seedling trees, then the Department shall procure seedlings grown in North Carolina. The Department shall, to the fullest extent possible, use inmates of the Department of Correction to plant and maintain the trees. The Department shall submit the plan to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Transportation Oversight Committee by October 1, 2008, and begin implementation of the plan by January 1, 2009.

DRIVERS LICENSE FORMAT CHANGE

SECTION 25.13. Provided that the Commissioner of the Department of Motor Vehicles is not required to reissue a drivers license in the horizontal format to drivers when the drivers turn 21, up to fifty thousand dollars ($50,000) of any funding received by the Division of Motor Vehicles to help fund the drivers license format change from horizontal to vertical, for drivers less than 21 years of age, shall be appropriated to the Department of Transportation, System Preservation Account, to replace funds previously expended by the Division for this initiative.

SHORT LINE RAIL IMPROVEMENTS FOR THE PIEDMONT & NORTHERN CORRIDOR AND OTHER TRANSIT AND RAIL IMPROVEMENTS

SECTION 25.14.(a) Of the funds appropriated to the Department of Transportation, Divisions of Rail and Public Transportation, up to five million dollars ($5,000,000) shall be spent to improve the railroad track for the Piedmont & Northern corridor to current operating standards after the Rail Division has entered into a formal lease with a qualified operator. The lease shall contain terms that provide for a cost share of at least ten percent (10%), by the operator, for any improvements to the corridor for the operation of the rail line.

SECTION 25.14.(b) The Department of Transportation shall report the terms of any proposed lease for the Piedmont & Northern rail corridor to the Joint Legislative Transportation Oversight Committee no later than 30 days after a final lease has been proposed for the rail corridor.

FUNDS TRANSFER TO SUPPORT GLOBAL TRANSPARK FREIGHT TRANSPORTATION SYSTEM

SECTION 25.15. G.S. 136-176(a1)(2) reads as rewritten:

"(2) For preliminary engineering costs not included in the current year Transportation Improvement Program. – Fifteen million dollars ($15,000,000) in each of the fiscal years 2001-2002, 2002-2003, and 2003-2004. If any funds allocated by this subdivision, in the cash balance of the Highway Trust Fund, remain unspent on June 30, 2008, the Department may transfer within the Department up to twenty-nine million dollars ($29,000,000) of available funds to contract for freight transportation system improvements for the Global TransPark."

KEEP AMERICA BEAUTIFUL ORGANIZATION STAFF FUNDS

SECTION 25.16. Of the funds appropriated to the Department of Transportation, the sum of forty thousand dollars ($40,000), in recurring funds, for the 2008-2009 fiscal year is allocated to The North Carolina Clean Foundation, a nonprofit organization, to support a program coordinator for the North Carolina Keep America Beautiful organization.

REPAIRS AND RENOVATIONS FUNDS

SECTION 25.17.(a) Of the funds appropriated to the Highway Trust Fund, Highway Construction Program, for fiscal year 2008-2009, up to five million two hundred fifty thousand dollars ($5,250,000) may be used by the Department of Transportation for repairs and renovations of Department facilities throughout the State.

SECTION 25.17.(b) The Department of Transportation shall report to Joint Legislative Transportation Oversight Committee on the repair and renovations program, the planned use of funds for repairs and renovations, and the prioritization of needs for fiscal years 2009-2010 and 2010-2011 no later than October 30, 2008.

STORMWATER RUNOFF FROM BRIDGES

SECTION 25.18.(a) Of funds available to the Department of Transportation, the Department, in cooperation with the Center for Transportation and the Environment at North Carolina State University, shall conduct a pilot study on 50 bridges, located throughout the State in various ecosystems, of the installation of various types of storm water detention, collection, and filtering systems during new bridge construction over waterways. The Department may also retrofit existing bridges as part of its pilot study. Treatments and methods used in the pilot study shall include but not be limited to those treatments found effective by other states and new treatments identified through investigation and research which may be effective. Construction or retrofitting shall be initiated on at least 25 of the 50 bridges by July 1, 2009. Construction or retrofitting shall be initiated on the remaining bridge projects by January 1, 2010.

SECTION 25.18.(b) An interim report shall be made to the Joint Legislative Transportation Oversight Committee no later than July 1, 2009, that includes information which quantifies stormwater runoff at structures as well as the types of pollutants, the various treatments which will be constructed and

evaluated to target these pollutant types, and a measurement and collection plan to determine effectiveness of the evaluated treatments.

SECTION 25.18.(c) A final report shall be made to the Joint Legislative Transportation Oversight Committee no later than July 1, 2010. The final report shall include as a minimum, the effectiveness of the treatments included in the study, costs of each treatment, and the costs of implementing effective treatments on new bridge construction projects as well as existing bridge retrofit projects for all bridges over waterways in the State.

Transportation Funding State Comparisons

21st Century Transportation Committee
August 21, 2008

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

State Comparisons

State	Population 2007 (millions)[1]	State-controlled highway miles[2]	% of total miles controlled by state
Florida	18.3	12,069	10%
Georgia	9.5	17,910	15%
North Carolina	**9.1**	**79,067**	**76%**
South Carolina	4.4	41,430	63%
Tennessee	6.2	13,836	15%
Texas	23.9	79,849	26%
Virginia	7.7	57,481	79%
US total	**301.6**	**301,642**	**19%**

- **North Carolina and Texas have the largest state-owned highway systems, over 79,000 miles.**
- **North Carolina (76%) and Virginia (79%) control most of the road miles in those states.**
- **Florida (10%), Georgia (15%), and Tennessee (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.**
  - *1 Bureau of Census*
  - *2 US FHWA, Highway Statistics, 2006, Tables HM-20, HM-80, http://www.fhwa.dot.gov/policy/ohpi/hss/index.htm*

Total Highway Funding 2006

	State Funding	Federal Funding	Local Funding	Total State, Federal, Local
Florida	$ 5,633,809	$ 1,631,711	$ 3,010,010	$ 10,275,530
Georgia	$ 1,379,136	$ 894,739	$ 936,527	$ 3,210,402
North Carolina	**$ 2,393,518**	**$ 978,527**	**$ 526,398**	**$ 3,898,443**
South Carolina	$ 605,071	$ 777,375	$ 283,744	$ 1,666,190
Tennessee	$ 1,191,384	$ 567,517	$ 172,699	$ 1,931,600
Texas	$ 5,307,706	$ 3,050,945	$ 4,660,882	$ 13,019,533
Virginia	$ 2,785,987	$ 498,597	$ 924,955	$ 4,209,539
US total	**$83,684,046**	**$31,766,767**	**$45,224,826**	**$160,675,639**

- ***Funding in thousands***

- **Funding for highways varies among the states based on geography, history, and state-local division of responsibility.**
- **Source – US FHWA, Highway Statistics 2006**

Per Capita Highway Funding

	Total Per Capita	State Per Capita	Federal Per Capita	Local Per Capita
Florida	$ 562	$ 308	$ 89	$ 164
Georgia	$ 338	$ 145	$ 94	$ 99
North Carolina	**$ 428**	$ 263	$ 108	$ 58
South Carolina	$ 379	$ 138	$ 177	$ 64
Tennessee	$ 312	$ 192	$ 92	$ 28
Texas	$ 545	$ 222	$ 128	$ 195
Virginia	$ 547	$ 362	$ 65	$ 120
US total	**$ 533**	**$ 277**	**$ 105**	**$ 150**

- **North Carolina total per capita highway funding ($428) from federal, state and local sources is on the high side for the region, but below the national average ($533).**
- **State per capita highway funding for North Carolina ($263) and Virginia ($362) and Florida ($308) is high for the region.**
- **Local per capita highway funding in North Carolina ($58), South Carolina ($64), and Tennessee ($28) are low. The national average is $150.**

Local Property Taxes Used for Highways

	Local Per Capita from Property Taxes
Florida	$14
Georgia	$11
North Carolina	**$<1**
South Carolina	$6
Tennessee	$1
Texas	$44
Virginia	$5
US total	**$27**

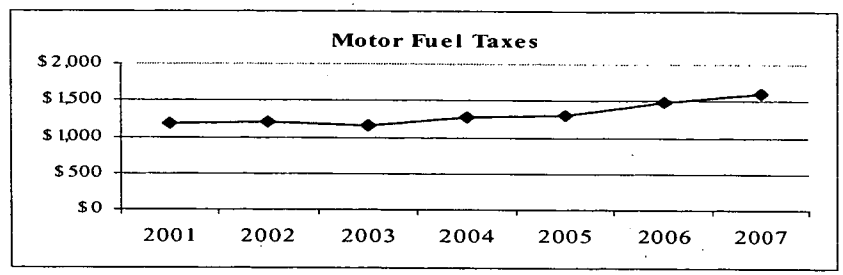
- **<u>Local property taxes per capita</u> are significant in Texas ($44), Florida ($14), and Georgia ($11) but insignificant in other states in the region. The national average is $27.**

Federal, State, and Local Share of Highway Funding

	State %	Federal %	Local %
Florida	55%	16%	29%
Georgia	43%	28%	29%
North Carolina	**61%**	25%	**14%**
South Carolina	36%	47%	17%
Tennessee	62%	29%	9%
Texas	41%	23%	36%
Virginia	66%	12%	22%
US total	**52%**	**20%**	**28%**

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

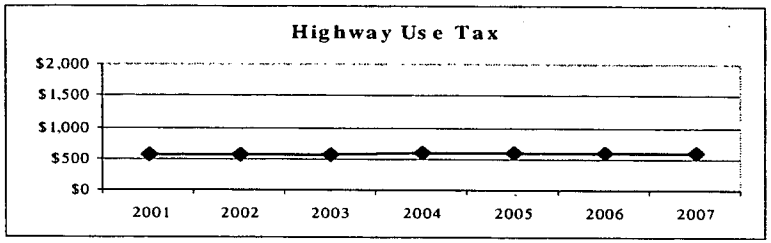
N.C. Motor Fuel Taxes



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.
- Without the cap the rate would have been 33.4 cpg for January-June 2008 period and 34.8 cpg for July-December 2008 period.
- 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 and is beginning to decline nationally.
- 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 2008)*
  - *Florida* *33.2 cpg*
  - *Georgia* *28*
  - ***North Carolina 30.15 (includes .25 cpg inspection fee)***
  - *South Carolina* *16.87*
  - *Tennessee* *21.4*
  - *Texas* *20.0*
  - *Virginia* *19.6*
  - *U.S. average* *31.0*

NC Highway Use Tax

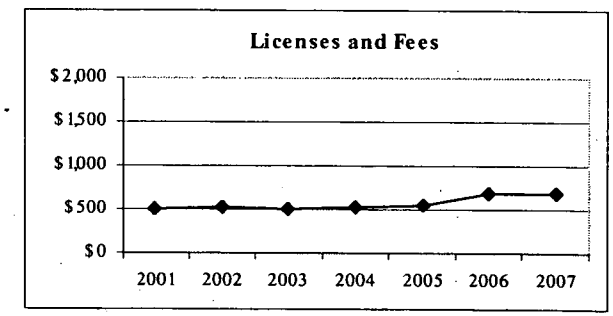


- NC Highway Use Tax is collected when the vehicle is titled. It is 3% of the vehicle's price or value (net of trade) and brings in about $570 million per year. One percent tax rate yields about $190 million.
- Highway Use Tax has not shown strong growth and has declined this past year
- NC Highway Use Tax is generally lower than other states in the region, except South Carolina.

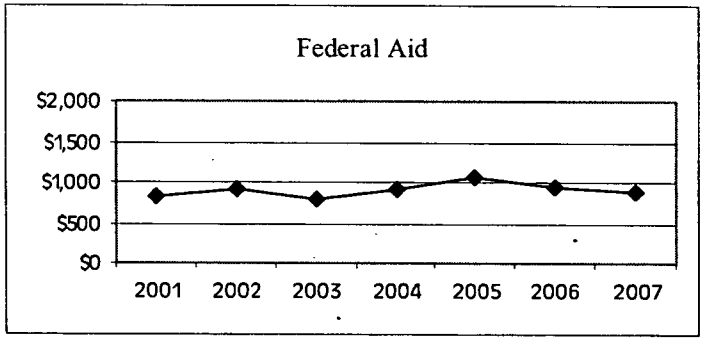
State	Tax	Increase if NC taxed at this rate (millions)
Florida	6% (no trade allowance) Local Option .25% -3%	$800
Georgia	4%-7% net of trade Local Option, Special County Tax, Educational Tax & MARTA tax	$190-$760
South Carolina	5% net of trade max $300	Reduction
Tennessee	7% net of trade Local Tax of 1.5%-2.75%, max $44	$760
Texas	6.25% net of trade	$617
Virginia	3% (no trade allowance)	$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; $27-$45.60
    - 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.

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — 8-21-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mari Sutton	NCDOT
Michelle Frazier	MFS
Ed Johnson	NC Capitol Area MPO
Emily Atkinson	Capstrict
Darian Graham	Triangle Transit
Amber Wagner	NCPTA
Johanna Reese	DOT
Stephanie Ayers	NC State Ports Authority
Lawless Bean	City of Wilmington
John Goodman	NC Chamber
Lesley Cates	Office of Speaker

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — 8-21-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bill Carpenter	~~Charlotte Area Transit System~~
Jim Humphrey	City of Charlotte
Bill Styres	Office of the State Auditor
Fred Burchett	Kimley-Horn & Associates
Marvin R. Waters	CCPS
Myron George	CME
Gus Tulloss	BOT
Ricky Greene	NCDOT Div 4 Wilson
H. Isaacs	NCDOT
Sara Nienow	DOC

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — 8-21-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John McMillan	MF&S
Doug Heffner	Williams Mullen
Ken Melton	Ken Melton & Assoc.
Gary Harris	NC Petroleum & Conv. Marketers
Doug Howey	" " " "
Frank Folger	SZD Wicker
Rita Harris	Commerce
Michael Haley	Commerce
Steven Waters	citizen advocate

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — 8-21-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Shelby Powell	Kerr-Tar COG PO Box 709 Henderson, NC 27536
Brad McKinney	PART 7800 Airport Ctr. Drive, G'bro 27409
Gene Memory	NCTA
Reid Simmons	NCTA
ALBERT EBY	CAPE FEAR PUBLIC TRANSPORTATION AUTHORITY
JOE MILLER II	RTA
JOE MCKINNEY	Land-of-Sky Regional Council
Russ Dubisky	IFNC
Len Sanderson	PB
David Allsbrook	NCCPAA
Christine Barbee	CAPA

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — 8-21-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
C S Hollis	Kok Gates
Tom Cover	BPMHC
[illegible]	[illegible]
Jay Stem	NCAA
Chris Valauri	Hwy 17 Assoc of NC
Marc Finlayson	Highway 17 Association
Frank Foster	NCDOT
DAVID JOYNER	NCTA
Betsy Bailey	PENC
Julie White	NC Metro Coalition
Meenal Khajuria	NC Metro Coalition

VISITOR REGISTRATION SHEET

21st Century Transportation Committee — 8-21-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rob Schofield	NC Policy Watch
Grady McCallum	NC Association of Educators
[illegible]	[illegible]
Warren Plonk	OSBM
Mercedes Benton	OSBM
Molly Diggins	Sierra Club

21st Century Transportation Committee
Agenda
September 11, 2008
11:00 AM
Four Points Sheraton Downtown Asheville Hotel Ballroom
22 Woodfin Street

Welcome	Brad Wilson
Welcome to Asheville	The Honorable Terry Bellamy Mayor of Asheville
Asheville Area Presentation	Alan Thornburg NCDOT Board Member Jay Swain NCDOT Division Engineer Brownie Newman Asheville City Council David Young Buncombe County Commissioner
N.C. Association of Rural Planning Associations (RPO's)	John Marshall NC Association of RPO's
NCDOT Reorganization	Roberto Canales NCDOT Deputy Secretary
Discussion	

MINUTES

21ST CENTURY TRANSPORTATION COMMITTEE

Thursday, September 11, 2008
11:00 AM
Four Points Sheraton Downtown Asheville Hotel Ballroom

The 21st Century Transportation Committee met on Thursday, September 11, 2008 at 11:00 a.m., in the Four Points Sheraton Downtown Asheville Hotel Ballroom, with the following members present: Chairman Brad Wilson, Representatives Cole, Carney, Coates, Frye and McGee, and Honorables Bellamy, Blackburn, McGrady and Miller, Jr., and Misters Billy Sewell, Whichard, III, and Lanny Wilson.

Chairman Brad Wilson presided and welcomed everyone attending the meeting and thanked all those responsible for the committee meeting in Asheville, North Carolina. He recognized Mayor Terry Bellamy who rolled out the red carpet for the committee.

Mayor Bellamy said it is a pleasure to welcome the 21st Century Transportation Committee to Asheville, North Carolina. She also said welcome on behalf of Chuck McGrady who is a County Commissioner from Henderson County and a member of the committee and thanked the Land Sky Regional Council for helping in putting some of the logistics together, also the Chamber of Commerce who has helped with their support for the meeting here today. She introduced the Chamber President, Richard Lutocky and his staff person Laura Copeland.

Chairman Brad Wilson shared with the committee information from the U. S. Secretary of Transportation, Peters that the Federal Highway Trust Fund was running out of money but he has received good news that there has been some congressional action that will alleviate some of that difficulty. He introduced Mark Foster from the North Carolina Department of Transportation to give the committee a two minute summary on what happened in D.C. yesterday.

Mark Foster with North Carolina Department of Transportation said that for the last seven years Washington has been saying that the Highway Trust Fund was running out of money and they predicted that the Trust Fund would be broke by 2009. What they did not count on was the fact that the economy is softening, vehicle miles traveled is dwindling and their revenue sources were starting to shrink just as has been seen in North Carolina. This past summer congress had passed a bill that would move about eight billion dollars over to the Highway Trust Fund from the General Fund, money that was borrowed back in 1998 as a temporary patch to get them through the next year and half while they work on the 2009 reauthorization bill. That legislation did not move this summer and as of Friday of last week he got a conference call from Washington saying, they were basically shutting down the billing opportunity for the states. Fortunately last night the Senate reported there is a House Bill that would again move the eight billion dollars over and that is being worked on and will be on the President's desk by the end of

the week. What that means for North Carolina is temporary relief. Mr. Foster said they will be watching Washington as well as the situation here very closely over the next year or so and obviously will have to plan accordingly.

Chairman Wilson introduced the Asheville Area Presenters and they gave their presentations as follows:

Mr. Alan Thornburg a member of the North Carolina Board of Transportation from the Asheville area thanked the Committee for the work it is doing and coming to Western North Carolina today for this meeting. He said he thought it is good to get out of our usual surroundings sometimes because seeing is understanding in this situation. Mr. Thornburg emphasized what Governor Easley said when he first came into office. He said we are one in North Carolina and remember we are a state of rural as well as urban needs, interstate as well as secondary road needs, bicycle, pedestrian and transit needs. Mr. Thornburg asks the committee to not forget the importance of freight and passenger rail service not only in western North Carolina but other areas in the state as well. He stressed the need for keeping the bridges and roads well maintained. Transportation dollars are being stretched further than ever. Construction emplacement and population growth mean that new sustained funding is critical Mr. Thornburg said. (Remarks attached to minutes as Attachment I). He introduced Mr. Jay Swain to talk about the Interstate 26 project through Asheville.

Mr. Jay Swain, Division Engineer addressed the committee concerning the Interstate 26 project through Asheville that is still in the planning stages. He said the project involves routing an interstate highway through a constrained French Broad River Valley, without severing the City's connectivity across the river. He showed a 17 minute computer-generated video about the project. (Remarks attached to minutes as Attachment 2) Mr. Swain thanked the committee for what it is doing.

Mr. Brownie Newman, member of the Asheville City Council was recognized next and said he wanted to share briefly his perspective on the importance of this project and the unique partnership that has evolved between the urban community and North Carolina DOT around exploring this alternative for the completion of this project through the heart of Asheville. He thanked those people who have taken a personal interest in supporting this important project especially Representative Bruce Goforth and Representative Nelson Cole who has taken an interest in supporting this important project. Mr. Newman said the benefits of this project from a community working relationship standpoint with DOT has already had merit in and of itself. He pointed out how this project can not only meet their transportation needs but really focus on redevelopment within the core of the urban area. He thanked DOT for their willingness to do some things differently in Asheville and in recognition of those great challenges that they are facing as well their sheer desire to expedite the completion of this project. (Remarks attached to minutes as Attachment 3)

Mr. Nathan Ramsey, Chairman of Buncombe County Commissioners spoke next and said on behalf of the Board and the citizens of Buncombe County they wanted to thank the

committee for taking time to come up to the beautiful mountains and listen to them today. Transportation projects are very important to this area, he said. They have a great community here that has worked very long and hard hours to try to make these projects come to completion and he added commendations to those members in their community for their work. He told the committee why this is important for their community in multiple facets. (Remarks included in minutes as Attachment 4).

Chairman Wilson said as the committee has held its meetings across the state they always hear and learn about local projects that would have major impact. The charge of this committee is not to pick projects that ought to be done but is to wrestle with the fundamental question of how will North Carolina pay for its transportation infrastructure. This committee is not in the position to pick projects. There has only been one that they have identified specifically as a result of the Governor asking the committee to think about it and that is the Yadkin River Bridge between Davidson and Rowan County and that is because the committee was charged to do so. When the committee completes its work at the end of the year it will provide the General Assembly recommendations for their consideration and adoption, or not to reframe and reshape how transportation is approached in North Carolina. Chairman Wilson said he did not want to diminish the value of the presentations and what the committee saw the day before on the tour they were given, because a picture is worth a thousand words and it gives an understanding of the order of magnitude that is being faced here in North Carolina. He thanked the presenters this morning and the hospitality they have offered the committee members while they have been here.

Mr. Chuck McGrady asks to make a remark. He said the presentation that was just given was not really a request at all for funding, but he hoped it was there. He said the planning side of transportation is just critical. Two years ago as a western North Carolina leader, looking at all of this, he said he would have really been despondent. They were just a few weeks away from having a success. The disfunctionalities of this project backed all the way up to the county border twenty miles from here and again it highlights part of the discussion they had in subcommittee today, he said. The finance piece is clearly what is on the table here and drives the process but the planning piece and the land use piece and the implications of whatever additions are made on the finance side that is where the rubber really meets the road for many local officials. The functionality is what their folks are looking for. He said a year from now he hopes they can look back and say we were there. A successful planning process being a long one may have actually led to a good set of discussions.

Mr. John Marshall, transportation manager of the Western Piedmont Council of Governments and the lead planning agency for the RPO's and the greater Hickory MPO's, and is here today representing the North Carolina Association of RPO's, spoke next and thanked the committee for giving him an opportunity to speak. Using Power Point he explained how RPO's and MPO's were formed and how they function. (Comments attached to minutes as Attachment 5)

At the last committee meting Representative Carney made a timely request to hear from the Department of Transportation about their recent reorganization efforts so at this time Chairman Wilson introduced Roberto Canals who will give the committee an overview on what has been going on at DOT relative to organization.

Roberto Canales, NCDOT Deputy Secretary presented an overview using four areas that explore about the realignment of DOT. This is a concept of what they went through, where they are and where they are going. (using power point) The four major areas they have taken into account are the areas they have looked at with the transformation effort into departments. The diagnostic findings that McKinsey, the consultant, went through for them, the process of improvement, organization realignment itself and the things that are involved in that, and then what they feel will be the over-all end benefits of changing the department. (Comments attached to minutes as Attachment 6)

Mr. Sewell asked Mr. Canales if the McKinsey report recommendations or did anyone else give them any oversight that the path they chose was the correct way to go?

Mr. Canales said the way the process worked was that they worked with a bunch of different groups and they came up with recommendations through various work streams, 30 sum odd work streams, and then they put together from that recommendations and they tried to tie that to the findings of McKinsey. Those recommendations were reviewed with the leadership team which was a group of half dozen folks in the organization, Deputy Secretary Susan Coward, Deputy Secretary Canales, Mark Foster, Chief Engineer Steve Varnadoe, and Highway Administrator Bill Rosser. They were also reviewed with what they called an executive committee, a group of folks that were roughly 40-50 of the upper management positions in DOT and then periodic he presented to the Board every month the major issues they were working on and an update on the other minor issues. No one from outside could come back to look at what they did.

Representative Miller said obviously this is a project that has been there for several years but has there been any consideration given as to a longer range prospect that a new administration will be put in place beginning the first of next year which will include the authority to operate the Department Of Transportation?

Mr. Canales answered yes.

Representative Miller asked, is it your belief that this will be a continuation or are you going to be looking at a reassessment come January?

Mr. Canales answered, he thought each time the administration is changed we are going to have a reassessment. The process they went through actually, technically he reported on today was roughly 24 months. The Secretary certainly considered with the change of the administration they could theoretically be changed again. Change is inevitable. Mr. Canales said he thinks they have a fairly decent plan that is at least a restructured organization to be held responsive and has at least made it more flexible. The administration coming in will certainly have every right because that is what they are

there for to continue to change. The Department should continue changing every year. He said he did not know what they should look like in 3 to 5 or 10 years from now.

Chairman Wilson thanked Mr. Canales for his presentation and for attending the meeting today.

Chairman Wilson reminded the members of the committee and those present today that the next meeting of the committee will be in early November. Between now and the next meeting the subcommittees will continue their work. The committee is scheduled to meet three times after early November. The goal is to try to wrap up the committee's work in the first two meetings and not need the third one. The subcommittee Chairs are keeping that in mind as they press on during this six or eight weeks to get the full committee in a position at the first meeting in early November to begin to make some comprehensive decisions.

Chairman Wilson recognized Representative Bruce Goforth who has attended the meeting.

The meeting adjourned at 12:15 p.m...

Brad Wilson, Chairman

Sarah Murphy. Clerk

21st Century Transportation Committee
Finance Subcommittee
Funding Proposals to Consider
November 5, 2008

1

The Goals

- **Take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and**
- **Put in place an effective multimodal transportation system**
  - **Reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state**

2

What Will It Take?

- New investment of about $1 billion per year for the next 10 years
- Toll interstate highways
- Increased local option to implement the right solutions for each area
- Improved long-term planning
- Improved management and execution by the NCDOT and other involved agencies

3

Options – Eliminate Transfers

- Eliminate the remaining transfer of $73 million annually from the Highway Trust Fund to the General Fund
- Transfer funding of the Highway Patrol ($206 million), Driver's Education ($34 million) to the General Fund, and eliminate transfer to General Fund for reimbursement of sales tax exemption for DOT purchases ($18 million)

4

Options - VMT

- Implement a VMT (Vehicle Miles Traveled) fee to be collected annually. Charge ¼ to ½ cent per mile for passenger vehicles. Cost to the driver would be $25-$50 (based on 10,000 miles)
- The number of miles driven will be based on the recording made during the annual vehicle inspection.
- Fee may generate $165 million - $330 annually million based on the fee structure
- Trucks may be charged at a higher amount ½ cent – 2 cents per mile depending on weight; additional revenues could generate $40 - $80 million annually depending on fee structure

5

Options – Highway Use Tax

- Increase the Highway Use Tax from 3% to 4% total over two years
- Implement ½% each year over two years
  - ½% = $100 million annually
  - 1% = $200 million annually
  - ***revenues based on historical collections; current year collections are down

6

Options – Remove Cap on Motor Fuels Tax

- Allow the gasoline tax cap to sunset as currently scheduled in July, 2009
  - The cap will cost the State approximately $430 million in revenues for FY 2008-09

7

Options – Registration Fees

- Increase passenger vehicle registration fee (currently $28) by $30 over three years
  - $10 increase = $65 million annually
  - $30 increase = $195 million annually
- Increase other staggered registration fees by 25% (no estimate available on additional revenues)
- Consider charging based on weight of vehicle for passenger vehicles

8

Options - Bonds

- Issue $2-3 billion in bonds to accelerate construction on high traffic, high congestion roadways
- Any issuance of bonds must be against new revenue which will support bonds at about 10 times the annual revenue. Bonds must be approved in a referendum.
- The Yadkin River Bridge would be funded with bonds.

9

Options – Local Option

- Provide for a 1% local option sales tax authority for transportation for counties, cities, and metropolitan regions. The local option tax must be voter approved and sunset in 10 years. Give the taxing entity the ability to set priorities between roads, transit, and other modes.

10

Options - Indexing

- Index fixed fees such as registration, title, drivers license to the consumer price index
  - The fees would automatically change without legislative action

11

Options - Tolls

- Toll I-95 border to border to support 180 miles of widening by an additional two lanes in each direction. Cost would be about $6 billion
- Toll I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction. Estimated cost would be over $1 billion (no estimate available).

12

Options - Tolls

- Toll the urban loops built or in construction phase

13

Questions and Discussion

14

Looking Ahead

There are state and federal issues on the horizon that may impact North Carolina's RPO program.

Program Evaluation. Researchers with Elizabeth City State University have been engaged by NCDOT to identify best practices for evaluating the effectiveness of the state's rural consultation process. Results and recommendations are expected in 2008.

Transportation Reauthorization. SAFETEA-LU, the current federal transportation bill, will expire in 2009. Reauthorization of this bill is an opportunity to work with federal legislators to seek their support for RPOs by designating and funding these organizations. Recognition of RPOs by Congress would provide added stability for the program and a new source of funding. Work is already underway by organizations like NADO and NACO to achieve this goal.

"RPOs have given a voice in transportation to the rural areas of North Carolina, with great results."

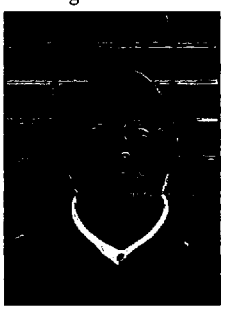
– *Councilman* Talmadge Baker, City of Asheboro



Talmadge Baker

"Since the establishment of the Cape Fear RPO, transportation information and understanding of NCDOT functions have improved significantly. The RPO does an outstanding job of informing the region's local governments and citizens of transportation issues."

– *Alderman* Jim Roach, Town of Shallotte



Jim Roach

"The RPO serves a vital role in the rural areas of my district by allowing local officials to collaborate on transportation planning issues. This levels the playing field when it comes to competing with urban areas for funding."

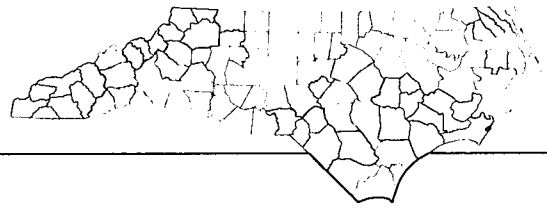
– *Representative* Lucy Allen, House District 49



Lucy Allen

Contact Info:
Shelby Powell, AICP - Kerr-Tar Council of Governments
PO Box 709 - Henderson, NC 27536
252/436-2048 - fax: 252/436-2055
spowell@kerrtarcog.org





Expanding Rural Transportation Choices

North Carolina's Rural Transportation Planning Organizations (RPOs) work at the center of our state's efforts to recognize and quantify the emerging transportation needs of rural areas. This work is critical in order for the rural transportation network to keep pace with the demands placed upon it.

Formed in 2000 by the General Assembly, RPOs work cooperatively with rural local governments and the North Carolina Department of Transportation to plan rural transportation systems and advise the Department on rural transportation policy. With better access to transportation information and a regular forum to explore complex transportation issues, the local officials who lead and shape each RPO have successfully worked together to establish shared transportation goals and objectives for their region.



Sanford Streetscape Improvements

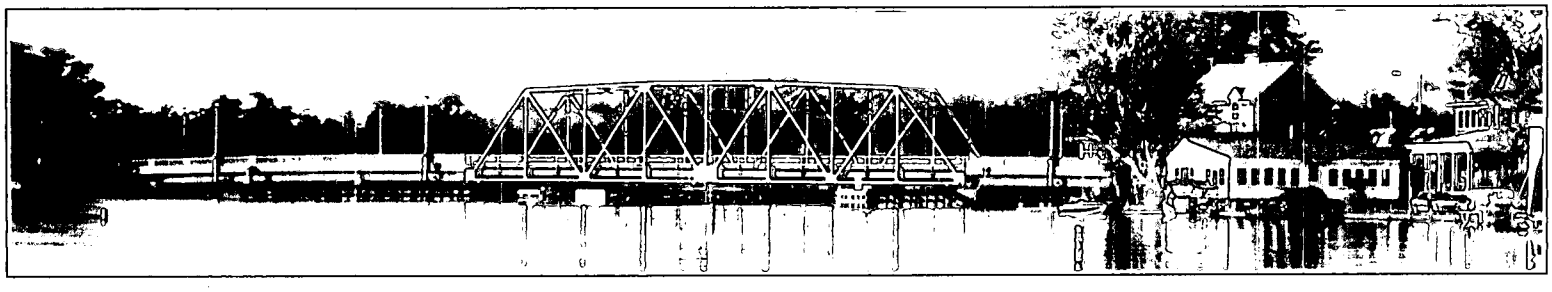
While each organization provides services and products tailored to meet the needs of its member jurisdictions, every RPO is required to:

- Develop long range multimodal transportation plans
- Provide a forum for public involvement in the transportation planning process
- Prioritize projects for inclusion on the state's Transportation Improvement Program (TIP)
- Provide transportation information, data and technical assistance to their member governments

Effective Leaders In Transportation Planning

Across North Carolina, RPOs have emerged as effective leaders in transportation planning by focusing on local priorities, then finding innovative ways to meet those needs. To date, RPOs collectively have:

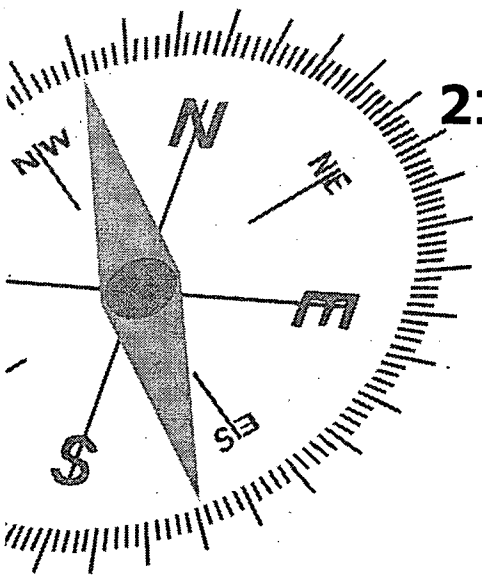
- Secured a total of $43.5 million dollars in state, federal and non-profit grants for local jurisdictions
- Created a single, searchable website to identify appropriate funding sources for non-TIP projects: www.nctransportationanswers.org
- Assisted NCDOT in completing dozens of transportation plans for local jurisdictions
- Prioritized transportation projects in four cycles of the state's Transportation Improvement Program (TIP)
- Provided a local voice in project development by participating in Merger Team meetings
- Provided more than 200 educational programs for local officials
- Established a statewide association for staff to exchange information, share best practices and participate in training opportunities
- Participated in developing the new Comprehensive Transportation Planning Process



Individual RPOs have completed a wide range of unique projects for their members:

- Identified vulnerable coastal populations and evacuation routes for emergency planning
- Mapped existing pedestrian facilities in the region for future pedestrian planning purposes
- Collected digital road network data for the development of Comprehensive Transportation Plans in the region
- Completed highway corridor studies for I-40 in Burke County and US 321 in Caldwell County
- Mapped human and natural environmental features for use in transportation planning
- Developed bicycle and pedestrian plans for several rural communities
- Two RPOs teamed up to obtain grant funding for multiple public transit providers in eastern North Carolina to access rural transit routing software.
- Created a website allowing local members to research specific transportation projects in the region
- Developed transportation training workshop

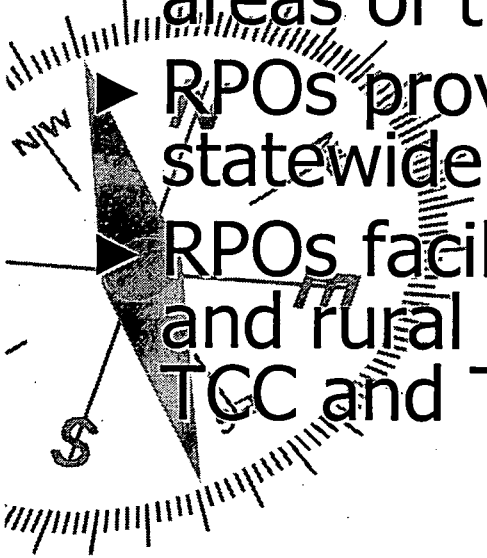
North Carolina Association of Rural Planning Organizations



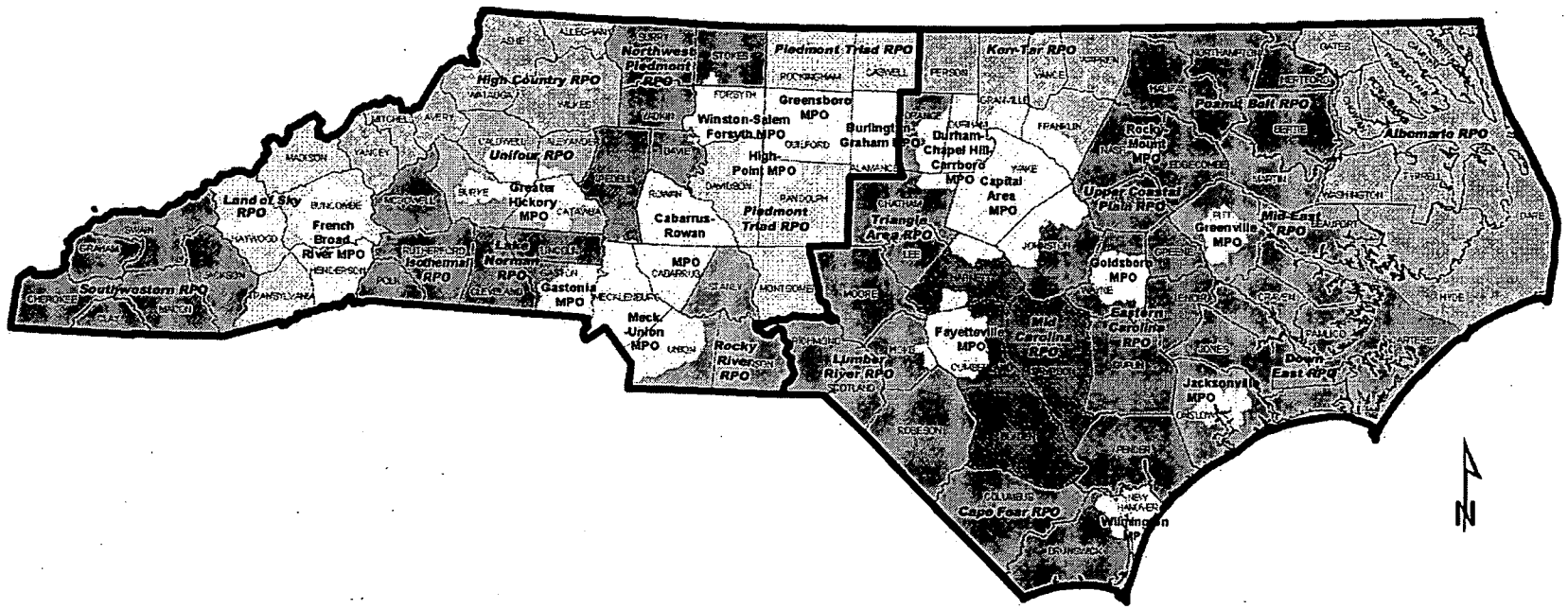
21st Century Transportation Committee
Asheville, NC
September 11, 2008

RPO Overview

- RPOs formed through legislative action in 2000 in response to federal requirements to address rural concerns
- RPOs represent all or part of 78 counties in NC
- NC is rapidly urbanizing - but still rural in many areas of the state
- RPOs provide link between local priorities and statewide transportation planning process
- RPOs facilitate communication between NCDOT and rural counties and municipalities through their TCC and TAC meetings



North Carolina
Rural Planning Organizations and
Metropolitan Planning Organizations



Legend

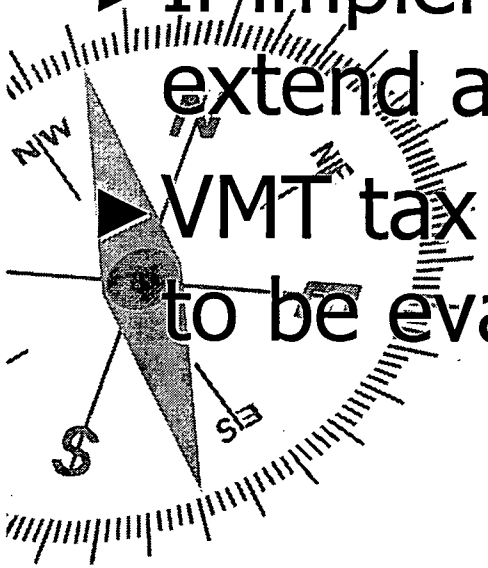
MPO_Boundaries

0 20 40 80 120 Miles

Map Created by
North Carolina
Department of Transportation
Transportation Planning Branch
December 13, 2005

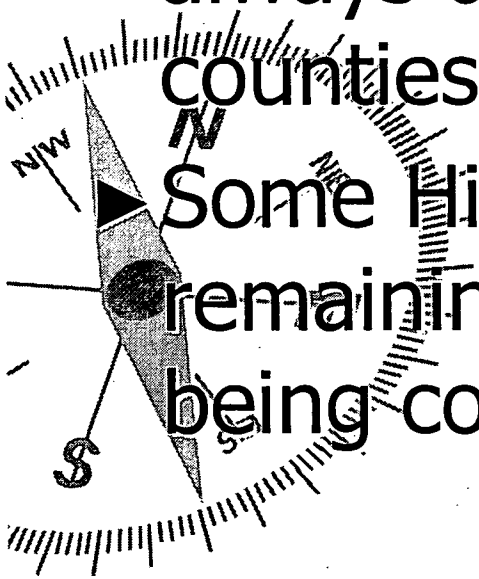
VMT Fee Considerations

- Proceed carefully - has potential to create hardships on the rural citizens of NC
- Limited public transit in rural areas
- If implemented consideration needed to extend alternative transportation options
- VMT tax for commercial vehicles also needs to be evaluated for negative rural impacts



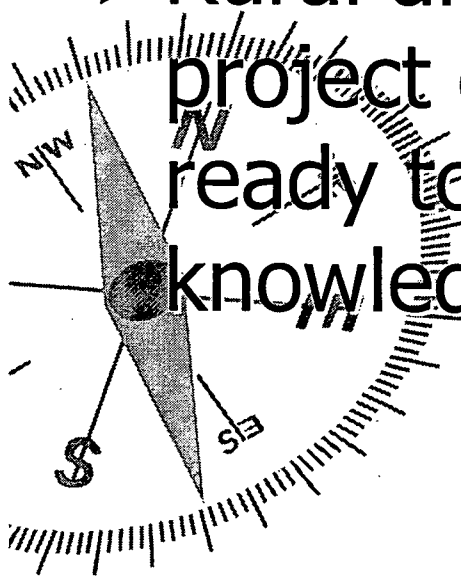
Equity Formula / Intrastate Highway Funding

- Some RPOs affected negatively by having a portion of the formula based on population
- Inequality within divisions - funds not always distributed equitably within the counties of division
- Some Highway Divisions receive money for remaining intrastate mileage that are not being completed



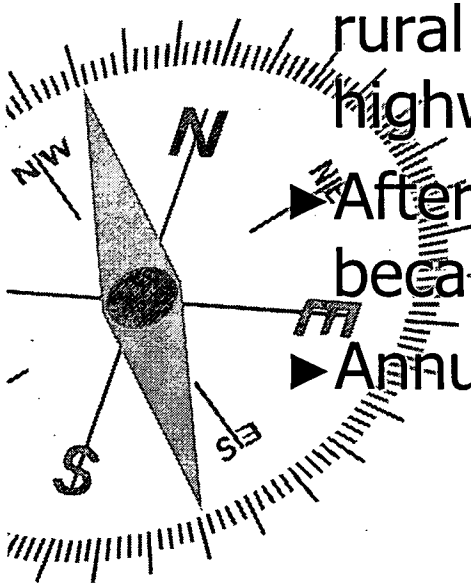
Project Integration

- RPOs have provided voice and input in NCDOT's effort to integrate project planning and development
- Rural areas more aware of the process of project development - and RPO staff are ready to guide the process with local knowledge and data



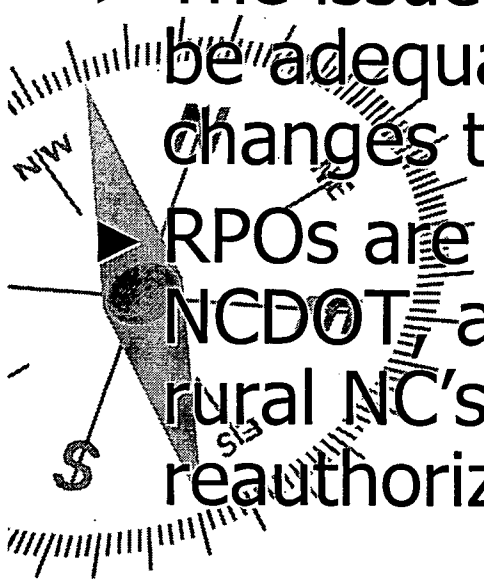
Coordination

- There has been coordination between RPOs and MPOs
  - Serve on each other's boards
  - More highway corridor planning consistency between rural and urban areas (major purpose of strategic highway corridor system identified by NCDOT)
  - After 2010 Census expansion of MPOs will be smooth because of RPO project planning and prioritization
  - Annual MPO/RPO Conference



Reauthorization Issues

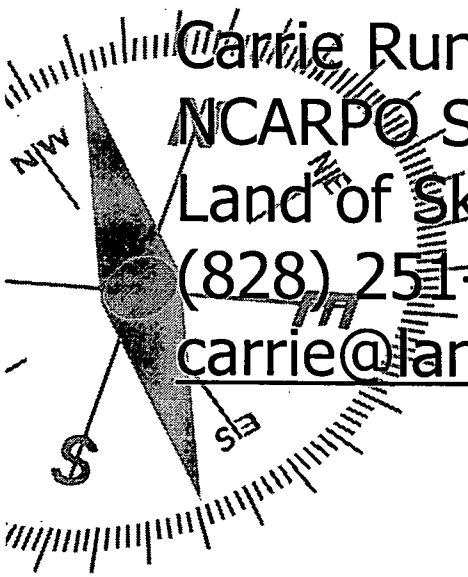
- Rural areas need the support of North Carolina and the Federal Government to provide meaningful transportation planning services and input into the state process
- The issue of rural consultation does not appear to be adequately addressed in recently proposed changes to the federal transportation bill
- RPOs are ready to work with this committee, with NCDOT, and with the Legislature to ensure that rural NC's needs are met during the upcoming reauthorization



Contact Information

Shelby Powell
NCARPO Chair
Kerr-Tar COG
(252) 436-2048
spowell@kerrtarcog.org

Hanna Cockburn
NCARPO Vice-Chair
Piedmont Triad COG
(336) 294-4950
hcockburn@ptcog.org



Carrie Runser-Turner
NCARPO Secretary
Land of Sky COG
(828) 251-6622, ext. 134
carrie@landofsky.org

John Marshall
NCARPO Past Chair
Western Piedmont COG
(828) 485-4232
john.marshall@wpcog.org

STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY
GOVERNOR

1501 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1501

LYNDO TIPPETT
SECRETARY

August 07, 2008

MEMORANDUM

TO: NCDOT Employees

FROM: Lyndo Tippett

SUBJECT: NCDOT Realignment

Thank you for your participation over the past eighteen months as our Department has undertaken an extensive internal review of its organization and business practices. The goal of this review is to make NCDOT more strategically oriented, accountable, efficient and effective in its use of resources. The agency will be more focused on outcomes-based performance metrics and ultimately, better able to provide the transportation network and services needed by North Carolinians. NCDOT will also be an even greater workplace for our 14,000 employees.

We have already begun to develop and implement new strategies designed to take NCDOT solidly into the 21st century. A Strategic Planning Office has been established and a strategic planning and prioritization framework has been developed. We have also launched a comprehensive talent management strategy that includes a new performance management system unlike any other in North Carolina state government. In addition, we are in the process of making our organizational performance visible through a new executive dashboard reporting system.

Our Department, like many other state transportation agencies, faces challenges on a number of fronts. Demand for diverse transportation alternatives is increasing during a time of rising fuel and construction costs and flattening revenue. North Carolina's population is expected to grow by approximately 50 percent over the next 25 years, and it is becoming significantly more expensive to meet transportation-related needs for citizens. Meanwhile, federal and state transportation funding has been relatively flat over the last several years, and the Federal Highway Trust Fund program is projected to run out of funding by 2009 unless major action is taken.

Internally, our organization structurally has remained much the same, has limited ability to prioritize and fund projects, and has found it difficult to attract and retain top talent. In short, we have not been keeping up with the best organizations in the public and private sector, which are increasing their focus on efficiency and strategy to achieve operational excellence.

PHONE 919-733-2520 FAX 919-733-9150

After assessing the transformation recommendations that have been made, I feel that it is now important to restructure the Department to incorporate needed changes. The restructuring plan presented below will be accomplished by moving or reallocating existing positions rather than creating new ones. A key component of this plan is alignment of NCDOT business units along strategic functional lines and transitioning to a comprehensive multi-modal approach to delivering transportation projects. A strategically aligned organization will improve the way transportation services are delivered to North Carolinians. This new alignment will also address organizational structure challenges identified by the outside contractor hired to assess NCDOT. The challenges identified are:

- A silo culture across the Department, leading to limited coordination among business units;
- Insufficient accountability for delivery of projects, programs, services and initiatives;
- Inconsistent coordination across geographies in planning, designing, delivering and maintaining projects; and
- Slow decision-making processes with too many organizational layers.

The strategic functional alignments are:

Organization Monitoring, Communication & Control – This part of the organization will be responsible for overseeing and evaluating the day-to-day operations of the Department to ensure optimal efficiency, effectiveness and accountability. The responsible positions for this part of our organizational structure are the Chief Operating Officer (Chief Deputy Secretary), Inspector General, Communications Director and Governance Office Director.

Transportation Strategy & Investment Analysis - This part of the organization will be responsible for developing, monitoring and managing strategic plans and investment alternatives based on the long-range, multi-modal transportation needs of the state. The responsible positions for this part of our organizational structure are the Deputy Secretary for Intergovernmental Affairs and Budget Coordination and the Chief Financial Officer.

Transportation Business Administration - This part of the organization will be responsible for providing day-to-day business administration and supportive service functions to the Department. The responsible positions for this part of our organizational structure are the Deputy Secretary for Administration and Business Development and the Human Resources Director.

Transportation Process Management - This part of the organization will be responsible for providing department-wide technical and administrative services that improve delivery of the projects, programs, services and initiatives being managed by NCDOT. The responsible positions for this part of our organizational structure are the Technical Services Director and Chief Information Officer.

Transportation Program & Asset Management - This part of the organization will be responsible for providing the day-to-day central management, expertise and administration of the highway and multi-modal transportation programs being managed by NCDOT. The responsible

positions for this part of our organizational structure are the Deputy Secretary for Transit and the State Highway Administrator.

Transportation Program Delivery - This part of the organization will be responsible for managing the decentralized delivery of NCDOT projects, programs, services and initiatives. The responsible positions for this part of our organizational structure are the Chief Engineer of Operations and the Commissioner of Motor Vehicles.

Business unit managers will begin making the changes necessary to implement this new structure immediately. Our plan is to have the entire organization operating under this functional approach by September 2, 2008.

Employees who have served on the Transformation Management Team (TMT) will assist with this re-alignment over the next few months and will begin to transition back to their permanent duty stations. The TMT is currently compiling a final report that catalogs the findings and recommendations and implementation status of this work. The report is to be complete by September 30, 2008.

I encourage all employees to pull together to make this a smooth and successful transition. I am asking senior Departmental leaders to make time in their schedules to address any questions that you might have. By working together we can make the North Carolina Department of Transportation a better place to work, while continuing to be a leader among state transportation agencies.

Thank you for all your efforts and for helping us as we move forward improving the way we *'Connect people and places in North Carolina – safely and efficiently, with accountability and environmental sensitivity'.*

cc: Board of Transportation

attachments

21st Century Department of Transportation

Secretary of Transportation

Organization Monitoring, Communication & Control

Purpose: Responsible for overseeing the day-to-day operations of the Department to ensure optimal efficiency, effectiveness, and accountability.

Transportation Strategy & Investment Analysis

Purpose: Develop, monitor and manage strategic plans and investment alternatives based on the long range multi-modal transportation needs of the state.

Transportation Business Administration

Purpose: Provide day-to-day business administration functions to the business.

Transportation Process Management

Purpose: Provide technical services that improve delivery of the projects, programs, services and initiatives being managed by NCDOT.

Transportation Program & Asset Management

Purpose: Provide central management and expertise to ensure consistency of multi-modal transportation programs being managed by NCDOT.

Transportation Program Delivery

Purpose: Manage the delivery of the projects, programs, services and initiatives being managed by NCDOT.

STATE OF NORTH CAROLINA

NORTH CAROLINA GENERAL ASSEMBLY

STATE LEGISLATIVE BUILDING

RALEIGH, NORTH CAROLINA 27601

October 14, 2008

MEMORANDUM

TO: Members of the 21st. Century Transportation Committee

FROM: Chairman Brad Wilson

SUBJECT: 21st Century Transportation Committee Meeting

There will be a meeting of the 21st Century Transportation Committee on Wednesday, November 5, 2008 at 1:00 in room 643 Legislative Office Building.

Please advise Mr. Larry Goode at (919) 301-1589 or email larryg@ncleg.net if you will be unable to attend.

21st Century Transportation Committee
Agenda
November 5, 2008
1:00 PM
Room 643 LOB

Welcome	Brad Wilson
Finance Committee Update	Brad Wilson
Prioritization Best Practices Efficiency Committee Update	Senator Clark Jenkins Jordy Whichard
Discussion	

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Wednesday, November 5, 2008
1:00 P.M.
Room 643 Legislative Office Building

The 21st Century Transportation Committee met on Wednesday, November 5, 2008, at 1:00 p.m., in Room 643 of the Legislative Office Building. Chairman Brad Wilson, Senators Jenkins and Stevens, Representatives Cole, Carney, Coates, Frye and Wainwright, Honorables Bellamy, Blackburn, Joines, Bowman, McGrady and Miller, Jr., Ms. Szlosberg, and Misters Plemmons, Sewell, Jordan Whichard, III, and Lanny Wilson, attended.

Chairman Brad Wilson presided and welcomed everyone to the meeting. He presented the Agenda for the meeting and said questions and comments will be received as they go through the reports. Chairman Wilson said before the full committee meets next time the Finance Subcommittee will need to meet because no action was taken today in the subcommittee on the concepts that will be seen momentarily and it would be the goal to bring all recommendations to the full committee at the meeting on November 19th, thereby eliminating the necessity for the December 10th meeting. However, to the extent that there are issues that are still open on the 19th that action is not taken on then the committee would have to wrap things up on December 10th. The December 10th meeting needs to be looked as a clean-up time if and in the event it is needed. This committee under the authority that established it expires December 31st. The staff needs to be provided plenty of opportunity to draft the report and give the committee an opportunity to see it and give approval.

Chairman Wilson thanked Steve Zelnak for his strong leadership as chairman of the Finance Subcommittee and due to his absence today Chairman Wilson presented the report from the Finance Subcommittee. He refreshed the recollection about the size of the problem and moved through options that were presented to the Finance Subcommittee during their meeting this morning which was the result of the ongoing conversations they have been having over the entire time the committee has been meeting. (Remarks attached to the minutes as Attachment I)

During the discussion about fees being collected for vehicle miles traveled. Lanny Wilson asked about people traveling outside of North Carolina and if they would charge for those miles?

Chairman Wilson answered this was based on an assumption of an average driver of 12,000 miles a year and the tax is based on 10,000 miles so you would forgive two thousand miles. There are variables this full committee needs to think about between now and November 19th about what you think might be right.

Ms. Szlosberg said she had raised the concern in the Finance Subcommittee as to whether there is a state number as to average miles per driver, she found out from DOT that there is not. They have it in the billions looking at the state as a whole but it is not calculated based on registered drivers. DOT is going to try to get the number for the committee. Just for the record she talked about the social equity issue concerns about it disproportionately hurting low income families who might have to travel further to get to their work and having some sort of mechanism in that recommendation to mitigate for that.

Chairman Wilson added on mileage equation, should consideration be given for commercial long-term like 50,000 miles a year.

Ms. Szlosberg made two points, one being about state roads being turned over to local government and on the issuance of bonds perhaps some language that might have to do with maintenance money that could also be used to maintain the roads which might be transferred over to local government. The other idea that emerged was as we know one of the major items talked about during the presidential race was some sort of economic stimulus package and there was talk about high speed rail and some other rail initiatives and perhaps some of the bond money could provide the state match for that federal program. Those are two ideas that came up that might be added to the first bullet point.

Chairman Wilson said others have been talking about the economic development stimulus package and contained therein there are transportation funds for which the state would have to provide a match and can we preserve, or reserve, or make available the state match if and when those federal monies might be made available. Seems to be an 80/20 split which is a pretty good return on an investment.

Jerry Cohen said Congress about 3 or 4 weeks ago authorized some major funding for rail but also there is a good likelihood that an economic stimulus package might also include some additional money for bridge replacement and other things that may come along as early as January or February.

Representative Carney ask Chairman Wilson to talk a little bit about what the discussion was around what the abilities would be for the local government to set their priorities for 1% or 2%. Would they determine whether priority would be put on the roads, transit or other modes, or would it be a mixture? What was your discussion around that?

Chairman Wilson said the answer is that it would be up to the locality to determine the mix. The committee did identify it would be a local decision making from start to finish.

Representative Carney said the Intermodal Bill came to mind, she and Senator Stevens have this bill. She said she would not like to see the committee put local governments in the position of pitting the road people against the transit people for this referendum.

Chairman Wilson agreed. He said that was the sub-text of their discussion. They have to think through how this should be structured, if this is something the committee wanted to consider so as not to create inappropriate attention.

Mayor Joines said he assumed that the tenure sunset was probably discussed relative to the feasibility of getting the option approved, but as you know if we do a borrowing likely you would look at 20 year minimum in terms of an amortization so you might want to think through that as a possibility.

Chairman Wilson said that was identified. This was just a concept to get the conversation started. He said his personal view is he did not know why you would put the sunset in. Let's leave it up to the local community to decide that. Your point is well taken.

Representative Carney asks if the Finance Committee around this issue have had a discussion about the pennies for progress, an initiative from South Carolina.

Chairman Wilson said they heard about this in Asheville, but they did not discuss it again today...

Ms. Szlosberg asks for a process clarification, as these concerns arise about different options, how should we best move forward on them. Do we need to rewrite stuff and get it to you prior to the next meeting so that there can be some time for us to all consider it?

Chairman Wilson used as an example. He said what we would do is go to work and see if we can't craft and approve what would eliminate the tension that has been identified and then circulate that to the members of the committee. If anybody has an original idea and you have the ability to draft it and send it in, that can be done. He said it is a two way street. We have always been working through all these things like the General Assembly does, with staff, putting out models for people to react to. Here is what would be very important. When that information is distributed if you have a question or concern or particularly if you have a concern don't wait until the meeting to raise your hand. Get on the phone and call me or call Steve, Larry or somebody and let's get it logged in so the process can be kept moving. He said he thinks that would be the best way to do it.

Ms. Szlosberg asks what would be a reasonable time frame then since there are only two weeks before the next committee meeting. Would we have the next iteration of language within a week so that we had a week to caucus with each other, talk about it?

Larry Goode answered yes. A week is reasonable so watch for it.

Brad continued with the next concept of options – Indexing and Tolls.

Jerry Cohen gave an added piece of information. In 2006 the Virginia General Assembly passed some legislation stating it had interest in cooperating with North Carolina in a multi-state toll project to widen I-95 so that is another possible thing to look at.

Representative Carney said we all know how long it takes to get permission from government whether it is federal or state. She said she personally would like to see us move all of these Interstates forward in the discussion to budge Washington off and let us toll all of these Interstates that border the border.

Ms. Szlosberg asks to make one point of clarification. The legislation that was passed in the previous session required that the money generated stayed with that area. Would that remain true, would we be recommending that that money stay within the area it was collected?

Chairman Wilson said that is the under pending of the idea.

Chairman Wilson said the approach that Steve Zelnak, Chairman of the Finance Subcommittee has been driving to, is that as many or all of these be brought out of the subcommittee that will pass to the full group, thereby providing the General Assembly a menu of options from which they can pick or choose to try to provide additional and new revenue for transportation in North Carolina. This is what we will see coming forward on the 19th and Chairman Wilson urged the committee to study hard between now and then and be prepared to come together on the 19th at both the subcommittee level and here to make some decisions.

Mr. Sewell ask on the VMT Tax, on a commercial vehicle like a FED-EX truck or a cab company, under this premise would they be charged the same amount even though they travel a lot more miles?

Chairman Wilson answered – The way you see that presented to you the answer is yes, but in the term in the context of the committee there was discussion about whether that was fair and whether there needed to be a ceiling or some consideration given on a graduated mileage scale, that the more you drive, the more it comes down. There is some arithmetic that is going to be done on that in the interim so we can understand exactly that impact. The literal interpretation that you have in front of you is that the answer is yes with no relief.

Mr. Bowman asks and that is consistent with a user pays philosophy?

Chairman Wilson answered, right.

Mr. Bowman said it sounds like the more exceptions we carve into these the more exceptions we will need to carve into these.

Chairman Wilson said if you make it too complicated it will not work.

Senator Clarke Jenkins presented the report from the Prioritization Committee and said the Prioritization Committee had a presentation this morning from Mr. Kevin Lacy, who is the NCDOT State Traffic Engineer and it related to the mobility on the Strategic Highway corridors. Senator Jenkins proceeded to speak on this. Staff also gave a

presentation on an update on a preliminary concept being developed in cooperation with Metropolitan Coalition and the League of Municipalities for consideration by 21st Century Transportation Committee. (Remarks attached to the minutes as Attachment 2)

Chairman Wilson asks if there are other matters that need to be discussed.

Mr. McGrady said in light of the last presentation the thought this is going to take 3 or 4 weeks to flush out this new role for large municipalities that would suggest that we are going to be back here in December, right? My impression from the discussion this morning was it was preliminary and there is a lot of work to be done and Representative Carney also raised the issue of if you are talking about large municipalities we are talking about large counties. The concept is an interesting one but there is no way we are going to get this accomplished by November 19th and be able to take this up.

Chairman Wilson said he heard that and if that level of detail is not available then yes we will be here on December 10th and that may be the issue that we discuss. He said however, if the subcommittee should determine they like VMT that is what the recommendation should be, that the transfer of responsibility should take place you could stop there. I am not suggesting that that is what we should or want to do, but that could certainly be the case.

Representative Coates said for a matter of clarification when we are saying large cities what size cities are we talking about?

Senator Jenkins said in answer what is a large city? "I know it is bigger than Tarboro"

Representative Coates asked is it bigger than Salisbury or 25,000?

Mayor Jones said the North Carolina Coalition represents the cities with at least 25,000 in population around the state.

Representative Coates said she thinks we need to give this some deep consideration.

Mr. Whichard said he thinks the concept would transfer the responsibility or the option. They could contract back if they didn't have planning in construction and maintenance services, but it is for all municipalities not just large municipalities. It is being done in conjunction with the Metropolitan Coalition but the concept would be that all municipalities with secondary roads would have this responsibility transferred to them.

Mr. McGrady said wasn't it tied also to the municipalities that are getting palatal funding already. That was the other trigger here.

Chairman Wilson thanked Mr. McGrady saying that was a helpful explanation.

Ms. Szlosberg said when the committee discussed the Intermodal Bill in the last session we never identified a funding source for the state match and we didn't do that basically

because we were not going to be discussing funding mechanisms until this go around. She said as we are looking through these options if we peel one off we are going to have to figure out how to fill the hole in that Bill. Where does the state match money come from? That is another thing that needs to be part of the discussion on these options since we already have approved that Bill.

Chairman Wilson said point well taken and I would view that as one of the components of the problem that would be solved in that discussion that we had on the Intermodal Bill.

Mr. Sewell said going back to the VMT Tax and I look at one of our vendors, MBM Food Service who has 100 trucks that go out of Rocky Mount and they travel as far north as Ohio, as far south as Georgia, so 60% to 90% of their miles may be outside the state. Family Dollar over in South Charlotte has a distribution center that travels. I think there needs to be some consideration for miles outside or some minimum or maximum to look at instead of saying one for all or all for one. He thinks that is totally unfair.

Hon. Miller said the over the road vehicles are part of the International Registration Plan and their miles are already pro-rated to the states that they drive in

Chairman Wilson said if you followed that model then the theory is that you are only being assessed the VMT only those miles that would be traveled within North Carolina as calculated by that model. That is one approach you could take. Another one would be you could grandfather in X.

Mr. Sewell said one consideration is to follow that model you are talking about.

It was also said that the vehicles that are a part of International Registration Plan that would be a way to do that.

Hon Miller asks if we can have a report on our notice to our Congressional Delegation of our concern about the federal funding allocation and if they have responded to our resolution and also just where we stand at the present time on that.

Chairman Wilson said the resolution we passed in Asheville Mark gave us an update on what was happening with the federal transportation deal and that sort of thing. He said we recommended that the General Assembly adopt a resolution to serve on the Congressional Delegation and the decision was not to pass such resolution. He thinks that going forward as we prepare our final report as a part of its recommendation can speak directly to the Congressional Delegation about the importance of equity for North Carolina, importance of the Yadkin River Bridge whatever it is we would want to outline. I would certainly intend and think that that is what we would do. As to what is going on with the federal transportation money Chairman Wilson ask Larry Goode to help us with that if he can.

Larry said the income coming in is down at the state level and at the federal level but there was a stop gap measured to transfer from the General Fund eight billion dollars in

September to hold the transportation fund harmless for this year. There needs to be a reauthorization for a continuation in future years and that is going to be in the midst of declining revenues.

Chairman Wilson said that we do know at the federal level there is active conversation about the VMT model for the country because of their declining revenues generated by the federal fuel tax.

Hon. Miller said to follow up on that if I wanted to be cynical, I would say we need a Senator Stevens for North Carolina but I won't be so cynical to say that. The fact of the matter is we are still getting short changed. That is the bottom line and he doesn't like that and North Carolina should not like that.

Hon. Miller said he noticed there was a news account a week or so ago that it appears that congress may be looking more favorable with rail funding. Can anyone speak to that?

Gerry Cohen said just before adjourning for the election Congress passed the bill authorizing about thirteen billion dollars a year in federal matching for rail. The money actually has not been appropriated yet but that is all for intra city, inter city rail, commuter rail and various things and there is some likelihood that congress may meet later this month or early December on an economic stimulus package that may include funding for that and also for things like bridge replacement and highways is part of a economic stimulus. If not then it will probably be in late January. So yes, things may be moving along both for public work stimulus for rail and bridge replacement.

Chairman Wilson said that is what we were eluting to earlier during his presentation that as a result of this knowledge which we came into possession of today. We need to think through how, if at all, we could provide mechanisms for the state match if that money became available because if you don't have the match you are out of business.

There not being anymore questions or comments the meeting was adjourned at 1:55 p.m.

Brad Wilson, Chairman

Sarah Murphy, Clerk

21st Century Transportation Committee
Finance Subcommittee
Funding Proposals to Consider
November 5, 2008

1

The Goals

- **Take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and**
- **Put in place an effective multimodal transportation system**
  - **Reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state**

2

What Will It Take?

- New investment of about $1 billion per year for the next 10 years
- Toll interstate highways
- Increased local option to implement the right solutions for each area
- Improved long-term planning
- Improved management and execution by the NCDOT and other involved agencies

3

Options – Eliminate Transfers

- Eliminate the remaining transfer of $73 million annually from the Highway Trust Fund to the General Fund
- Transfer funding of the Highway Patrol ($206 million), Driver's Education ($34 million) to the General Fund, and eliminate transfer to General Fund for reimbursement of sales tax exemption for DOT purchases ($18 million)

4

Options - VMT

- Implement a VMT (Vehicle Miles Traveled) fee to be collected annually. Charge ¼ to ½ cent per mile for passenger vehicles. Cost to the driver would be $25-$50 (based on 10,000 miles)
- The number of miles driven will be based on the recording made during the annual vehicle inspection.
- Fee may generate $165 million - $330 annually million based on the fee structure
- Trucks may be charged at a higher amount ½ cent – 2 cents per mile depending on weight; additional revenues could generate $40 - $80 million annually depending on fee structure

5

Options – Highway Use Tax

- Increase the Highway Use Tax from 3% to 4% total over two years
- Implement ½% each year over two years
  - ½% = $100 million annually
  - 1% = $200 million annually
  - ***revenues based on historical collections; current year collections are down

6

Options – Remove Cap on Motor Fuels Tax

- Allow the gasoline tax cap to sunset as currently scheduled in July, 2009
  - The cap will cost the State approximately $430 million in revenues for FY 2008-09

7

Options – Registration Fees

- Increase passenger vehicle registration fee (currently $28) by $30 over three years
  - $10 increase = $65 million annually
  - $30 increase = $195 million annually
- Increase other staggered registration fees by 25% (no estimate available on additional revenues)
- Consider charging based on weight of vehicle for passenger vehicles

8

Options - Bonds

- Issue $2-3 billion in bonds to accelerate construction on high traffic, high congestion roadways
- Any issuance of bonds must be against new revenue which will support bonds at about 10 times the annual revenue. Bonds must be approved in a referendum.
- The Yadkin River Bridge would be funded with bonds.

9

Options – Local Option

- Provide for a 1% local option sales tax authority for transportation for counties, cities, and metropolitan regions. The local option tax must be voter approved and sunset in 10 years. Give the taxing entity the ability to set priorities between roads, transit, and other modes.

10

Options - Indexing

- Index fixed fees such as registration, title, drivers license to the consumer price index
  - The fees would automatically change without legislative action

11

Options - Tolls

- Toll I-95 border to border to support 180 miles of widening by an additional two lanes in each direction. Cost would be about $6 billion
- Toll I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction. Estimated cost would be over $1 billion (no estimate available).

12

Options - Tolls

- Toll the urban loops built or in construction phase

13

Questions and Discussion

14

ATTACHMENT 4

VISITOR REGISTRATION SHEET

21 Century Transp — 1/15/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Peter Hans	S2D Wicker
DAVID JOYNER	NCTA
JOE MILAZZO II	RTA
Beau Memory	NCTA
Damien Graham	Triangle Transit
Gardner Payne	McGuireWoods
Muhammad Riaz	ms Consultants, inc.
Mary Easom	RANC
Marc Finlayson	Highway 17 Association
Christa Wagner	Citizen
Jon Mohr	GOV office
Mitch Kokai	John Locke Foundation

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Grady McCallie	NC Conservation Network.
Thomas Cremillion	Southern Environmental Law Center
Shana Becker	NCPIRG
Julie White	Metro Coalition
Amber Wagner	NC Public Transp. Association
Alison Rooker	NCDOT
Charlie Diehl	NC Trucking Assn.
John Poltrack	NCDOT
Ed Johnson	NC Capital Area MPO
John Goodman	NC Chamber
Kelli Kukura	NC League of Municipalities

ATTACHMENT 4

VISITOR REGISTRATION SHEET

21st Century Transportation Com — 11-5-08

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom EAGAR	NCSPA
S. AYERS	NCSPA
L. GODWIN	NCSPA
Will Polk	Lt. Gov Office
Phil Castrale	CATS
Boyd Cauble	City of Charlotte
Jay Stem	NCAA
Betty Turner	Bank of America
Allison Waller	Charlotte Chamber
Jim Humphrey	CHARLOTTE DOT
Rhonda Raney	CCPS

ATTACHMENT 4

VISITOR REGISTRATION SHEET

21 Century — 11/5/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Cady Thomas	NC Assn of REALTORS
Jake Cashion	WS Chamber
[illegible]	RAMC
Joe Milazzo II	RTA
Drew Moretz	RALEIGH CHAMBER
Jennifer Barton	OSBM
C Stodds	Kerr Gates
Lawless Ryan	City of Wilmington
CAROLINE HOWE	Lt. Gov's office
Mike Kozlosky	Wilmington MPO
Pat Strong	TJCOG

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paul Meyer	NC Assoc. of Cty Comrs.

ATTACHMENT 4

VISITOR REGISTRATION SHEET

21 Century Town Center — 11/5/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michelle Frazier	MFS

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27601

November 7, 2008

MEMORANDUM

TO: Members of the 21st. Century Transportation Committee

FROM: Chairman Brad Wilson

SUBJECT: 21st Century Transportation Committee Meeting

There will be a meeting of the 21st Century Transportation Committee on Wednesday, November 19, 2008 at 1:00 in room 643 Legislative Office Building.

Please advise Mr. Larry Goode at (919) 301-1589 or email larryg@ncleg.net if you will be unable to attend.

21st Century Transportation Committee
Agenda
November 19, 2008
1:00 PM
Room 643 LOB

Welcome	Brad Wilson
Finance Committee Update	Steve Zelnak
Prioritization Best Practices Efficiency Committee Update	Jordy Whichard
Discussion	

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Wednesday, November 19, 2008
1:00 P.M.
Room 634, Legislative Office Building

The 21st Century Transportation Committee met on Wednesday, November 19, 2008 at 1:00 p.m., in Room 634 of the Legislative Office Building. Chairman Brad Wilson, Senator Stevens, Representatives Carney, Coates, Cole, Frye, and McGee, Ms. Szlosberg, Honorables Bellamy, Joines, and Miller, Misters Blackburn, Plemmons, Lanny Wilson, Zelnak, Whichard, and McGrady attended.

Chairman Wilson presided and welcomed everyone to the 21st Century Transportation Committee Meeting today. He said the subcommittees met this morning and had good working meetings and are well positioned to hear some recommendations and take action thereon this afternoon. The order of business on the Agenda has been reversed. He reminded the committee that we want to vote on as many of the recommendations as we possibly can and be appropriately aggressive in that activity to the end that if when we finish today we are either finished with the recommendation action or close to it. Mr. Wilson said as the subcommittee chairs go through their reports recommendations of the subcommittee will be proposed, there will be discussion and action will be taken.

Mr. Jordan Whichard was recognized to present the recommendations of the Prioritization Best Practices Efficiency Committee with Jim Trogdon assisting. Mr. Whichard said Mr. Trogdon and staff took the conversations of two committees from the previous meetings and consolidated them into one committee for the last few months and put them together. Chairman Senator Jenkins was not able to attend the meeting today and this reflects his work as well. Mr. Whichard thanked all of the subcommittee members who worked on this as well.

Mr. Whichard said what they had tried to do was develop a frame work within the priorities of mobility connectivity preservation, safety, performance and accountability and increased cooperation and collaboration at all levels of Government. He said within this frame work while there are some specificity with respect to their recommendations, there is plenty of latitude for specific proposals that might meet certain legislative objectives or objectives that the new administration and the new Department of Transportation leadership might make and ask the committee to keep that in mind as he goes through the report. (Information included with the minutes as Attachment I)

Mr. McGrady asks if the priorities will be taken one by one.

Mr. Whichard said he would like to go through each of the sections and discuss each section and hopefully take a vote.

Mr. Grady said he thinks the mobility one needs to be mobility/connectivity. He said we have got to connect our walking with our bikes with our roads, and with our intermodal is the priority here, not just mobility.

Mr. Whichard said he appreciates that. He said his version of the slide has connectivity as a part of it and that will be reflected in the revisions that they have for the final vote.

Mr. Whichard continued to explain a set of five recommendations with respect to mobility and connectivity. He asked for questions or comments about this.

Ms. Szlosberg said she wanted to flush out bullet 2 a little bit more, because it is the only heart of it other than the revised title that actually talks about a multimodal system. This is all assuming that all of the congestion and mobility to meet with one mode.

Mr. Whichard said the final report would include the report from the last Intermodal Committee Meeting. He said he would hope that the Intermodal language that was in the first report will be incorporated as a part of this report.

Chairman Wilson said all of the recommendations that were approved and submitted to the short session of the General Assembly unless otherwise amended or rejected by the committee today will indeed be carried forward and included in the final recommendations.

Ms. Szlosberg said last time it was a little bit of a surprise that some of the Prioritization bullets actually were kind of contrary to the Intermodal language because it said that no new money would go toward the Intermodal when she ask Senator Jenkins that last time. We need some clarification about that and even if the language of the Intermodal Bill is embedded obviously in the report in terms of how we articulate the priorities, if we could include a priority to create truly an Intermodal system, she thinks that is consistent with what the committee has talked about.

Chairman Wilson said point well taken and ask Ms. Szlosberg if she has some specific language she would like to propose either now or before the meeting is adjourned today that would add a bullet point to this they will be happy to receive it, otherwise we will capture the fault and ask the staff to do that and include it.

Mr. Whichard said the plan would be with all the comments today they would like to make sure that they are on the right track and he thinks the Chairman will do that by way of vote. Jim and the staff intend to take the feed back from the committee today and feed this back to the committee electronically before the December 10th meeting so you will see exactly what will be voted on December 10th and if there are changes to be made after that there will be a mechanism to incorporate those.

Chairman Wilson said that is correct and it should have been said at the outset. Whatever it is that is approved today the staff will take and begin drafting the final report. He said it is clear after talking with the chairs today and many of the committee members that the

committee will need to and plan to meet on December 10th. Between today and December 10th the draft report will be sent to each of you so that each one will be able to read it all the way through, make editorial comments, make your substantive changes and questions and feed those back to the staff before the meeting on the 10th, as well as come prepared to submit those on the 10th, if you don't have the opportunity to do so in advance. When the committee meets on the 10th you can leave that meeting with either the final report or as close to the final as possible. Chairman Wilson said after polling the committee members about dates to have meetings December 10th seemed to be the only date to be able to have a quorum. If that circumstance changes he said he will be happy to schedule another meeting after December 10th, but assuming that we can't get a quorum then the next time you see the report after the 10th will have to be electronically and we leave the meeting on the 10th with that being the final action. He said the committee is out of business on December 31st. It will no longer exist. He stressed the importance of trying to stick to the schedule if at all possible.

Mr. Whichard said this completes the Mobility Connectivity priority.

Mr. Whichard continued his report and explained Preservation priorities and asked for questions or comments from the committee members...

Mr. McGrady said with respect to the 3rd one, the change in the remove interstate maintenance funding from equity calculations. Will you give us some idea as to what that means in dollars? He said he wanted to be able to respond to a question that might be put to him about what is the practical impact of that recommendation.

Mr. Jim Trogdon said annually it is one hundred and fifty billion dollars state-wide.

Mr. McGrady said and when it comes out of the equity calculation, explains where those one hundred and fifty billion dollars goes.

Mr. Trogdon answered that one hundred and fifty million goes to each of the divisions that have interstates and that is 13 of the 14 divisions. It would be based on what their priorities are. One component would be an annual preventive maintenance resurfacing repair program and the other component would be the larger rehabilitation projects which are already scheduled within the TIP.

Mr. Whichard said are you asking that if we flowed that one hundred and fifty across the 13 districts what would be left dollars and cents wise in 14 districts after you take that one hundred and fifty out of the equity formula?

Mr. Trogden answered roughly of 1.6 billion dollars annually programmed you would get one hundred and fifty million reduction. A little less than 10%.

Mr. Lanny Wilson said the way he understood the question was how would that reduction impact each individual division. Is that what you are asking?

Mr. McGrady said that was also what he was trying to get to. The point that Mr. Whichard made was a good one, but he was trying to figure out how is each of these divisions impacted by the recommendation that is being made.

Chairman Wilson said the question is how does it work? You do this, so what.

Mr. McGrady said division by division, and he couldn't go back and explain this to somebody right now.

Mr. Trogdon said what happens now is for example a division has a tremendous amount of construction going on, on high priority projects, that this interstate maintenance has to compete directly with say the widening extension relocation of US 64, 264, US 70, any of those other projects, it would compete head to head. Unfortunately because it is maintenance related sometimes it is not the highest priority. This would be a way allowing not to have to compete with the priority needs within those divisions.

Mr. McGrady said that is helpful, although it doesn't answer exactly how this would break out division to division, but he said he can live with that. He asked to speak to the first fix it strategy. He said he was the person that pushed that. He said as a County Commissioner he knows that his constituents don't want him to be out building new schools if he is not maintaining the schools he has. He thinks the same is really true with the transportation infrastructure that we need to very specifically state that we are going to maintain and make the improvements on what we have before we get to a lot of the other capacity issues. He said it just needs to be up front because that is the expectation of the constituents.

Mayor Bellamy said this is a follow up on the point that Mr. McGrady made. He said it would go to 13 out of 14 districts. Is it equally distributed?

Mr. Trogdon said his assessment would be based on their mileage or lane mileage.

Mr. Whichard asked, can we look at that hundred and fifty million dollars, see how it is spread among the 13 districts and then find out what the remaining funding under the intact equity structure. What impact it would have on all 14 districts? Would someone be disproportionately advantaged or disadvantaged by the removal of these dollars from the equity formula?

Chairman Wilson said that would be very helpful and then when that is ready go ahead and distribute that to the full committee. Don't wait until December 10th go give it to us Go ahead and get that out so people can understand it.

Mr. Whichard said the point about fix it first, he did not know if that conflicts. If you take that literally he thinks you may take that to mean that you don't do anything new until you fix what we have.

Mr. McGrady said he thinks it is a prioritization issue. He said he really wanted to prioritize maintenance over new capacity but he said he is not trying to suggest there is a bright line here that you are never going to look at a new capacity issue while you have maintenance issues out there.

Chairman Wilson said he might suggest that the thought has been captured. It is understood that you mean we not build anything new forever so as to maintain that which we have, but you want to make sure people understand that we going to be good stewards of that which we already have and that that is in alignment with what progress we might want to make. Is that a fair summary of what you are trying to capture?

Mr. McGrady said that is fair.

Chairman Wilson suggested that if there is not any objection to that goal then we will work on some language and you will see it between now and 10th and if we need to share it further we will. The point is preservation/maintenance would be a new bullet point under this particular heading. Is that a fair way of leaving it?

Mr. McGrady answered yes.

Chairman Wilson asked for a vote on Preservation. It is a recommendation from the subcommittee therefore it does not require a second. The committee voted unanimously to accept it.

Mayor Bellamy asked about the one there will be additional information on, are we going ahead and vote on it.

Chairman Wilson said you are going to get that additional information. We are going to supply the language that would describe that which Mr. McGrady has asked for and the point that he has made but what we just did was voted on this. You will get this information before December 10th.

Ms. Szlosberg said she would like to offer the following language for the section around mobility, articulating the priorities: "enhance mobility by implementing the recommendations of the Intermodal Bill and integrate the inclusion of pedestrian, bicycle and transit improvements in all transportation projects as appropriate."

Representative Carney thanked Ms. Szlosberg for bringing this to the attention of the committee. She said we did as a committee recommend the Intermodal Bill going into short session, but it is on hold until the next session so she thinks it is more than appropriate for the committee to have this again in its report because the committee did all vote on that unanimously back in the spring.

Chairman Wilson asked if there was any objection for the inclusion of that language within this particular piece.

Mr. McGrady said it is consistent with the connectivity piece that he was trying to get the original language so he is very supportive of it.

Chairman Wilson said if there is no objection we will include this under the Mobility and Connectivity piece. He asked if there were any further questions or comments about the Mobility and Connectivity piece. There being no further discussion the committee voted unanimously for this.

Mr. Whichard continued with the third priority area Safety and explained the 3rd recommendations with respect to Safety and asked for comments or questions or comments from staff as to this.

Chairman Wilson asked Mr. Whichard to elaborate on point number two.

Mr. Trogdon said there is an existing spot safety program at DOT. The number is about nine million annually short of what its expectations are. One of the concerns and feed back is, is there a good mechanism when that is fully funded to actually show that the projects selected are achieving their desired results against some program objective and so the two programs really work together.

Ms. Szlosberg said thank you to the committee for this work because she thinks the more we move towards the system that actually has met performance measures and it has a more objective criteria then we are going to have the publics trust in using the transportation dollars and the spot safety program certainly falls into that category. On number one, there is so much discussion about safety on two lane roads. You have a higher rate of fatalities on two lane roads in North Carolina. We have heard a lot about Highway 17, there is kind of a poster child for that. She said she is very supportive of making some improvements in certain areas on Highway 17, but she said she would not want us to give a blank check to 4 lane and all of our 2 lane roads because that is a part of the culture and the beauty and acquaintances of parts of North Carolina. She just wanted to be clear that that is not what we will be advocating.

Mr. Whichard said that he didn't sense that the solution to enforcing safety was limited to widening roads. He said he thinks there are other enforcement provisions that are being contemplated.

Ms. Szlosberg said she just wanted to be sure that it is clearly stated.

Mr. McGrady said this report is going to be an external document obviously for the new governor and the General Assembly but also for the public and he mentioned this point in subcommittee but on number 3, no one here could disagree with that point except to say maybe, isn't that our policy now. Aren't we focusing enforcement efforts on the top priority of accident and injury reduction? He said he would hope that is where we are now and what is not self evident to him is what is new about that. Maybe we have it in such code that it is something new but he isn't sure exactly what it is that's new in that recommendation.

Mr. Trogdon said Ms. Szlosberg's point about most of our fatal accident problems do occur at times on some of our rural roads and the one item that was covered this morning in the subcommittee was that there was a recent data that was published in September that the surrounding states because of the price fuel and the less driving that was occurring has actually showed a decrease in fatal and severe accidents whereas North Carolina did not. One of the questions early on was, do we know what we are doing to focus particularly our enforcement efforts which is outside the realm of the responsibility of DOT and goes further beyond the Highway Patrol. What are we doing to address the concern if most of our fatal accidents involve speeding, lack of seat belt wear and alcohol and sometimes young drivers as a factor? What enforcement focus are we doing to address those? Right now we have not been able to get an answer for that. That is one of the bullets up there and one of the things they wanted to get to the committee but he thinks we are running out of time on what we are doing in the safety area. He said in the absence of specific actions that are showing success or not showing success we are saying we need to make sure something is occurring in this avenue because it is the only way to address the problem that is occurring in North Carolina.

Ms. Szlosberg asked if language that spoke more to the need to create research or create data points on it be more appropriate since that is really what you are after.

Mr. Whichard said they talked specifically about measures and accountabilities within that language and perhaps if we take what you have said and focus it so there is measurable and accountable enforcement effort that may be what we need to do.

Mr. Trogdon said he thinks in conversation with the Law Enforcement Committee on other issues, not this, there may be better opportunities for collaboration between Highway Patrol, Sheriffs, Deputies and local law enforcement that could come out of this as recommendation.

Mr. McGrady said that last comment is precisely the meaning that I would love to see a little more here. No one should object to that as something we recommend. I just was looking to give it some meaning so that you look at and just don't pass on to the next thing.

Chairman Wilson said a good point and he thought we have captured that and we will indeed do that not only at this point. All of the points that we will be discussing and approving today are going to be given context and more meaning when we get to the narrative.

Chairman Wilson asked if there were any further questions or comments about the safety component. Seeing none he asked for a vote and it passed unanimously.

Mr. Whichard continued with his report explaining Performance and Accountability and asked for comments or questions from the subcommittee and the full committee members.

Ms. Szlosberg asked in bullet number 2 to include in that "transit and other modes." Other key infrastructures should capture that but it may be misconstrued and if you have transportation administrative cost associated with transit that could be cut because it is not in there.

Mr. McGrady said he would argue that under this section we need to include some recommendation about the DOT Board, specifically its structure, composition and role. He said the argument he made this morning was that it seems like we are broadly looking at a lot more money for transportation, and he thinks a lot of the constituents that he represents are going to view that as putting a lot more money into the same busted system. The McKenzie report touched on this in some way but he has a hard time thinking we are going to move forward for a goal of performance in accountability without touching this issue in some fashion.

Chairman Wilson said he understands Mr. McGrady's point. He said we are at a place both today and December 10th, if there is a specific proposal that you would like to put forward on those points for debate and consideration now or December 10th will be the time to hear it. There is not any philosophical disagreement with your commentary but we are down to the recommending phase and that is what we need.

Mr. Lanny Wilson said during the conservation this morning in the subcommittee meeting he thought that what we would focus on was that we would limit the Board's responsibility and try to transition it more from a Board that approves specific contracts to a Board that will set policy such as strategic highway corridors, initiate that the Board has approved and as far as approving individual ditches being cleaned out that those secondary road construction projects would not be the type matters that would come before the Board of Transportation on a monthly basis.

Mr. McGrady said they did have a discussion about it being more of a policy making Board, more focus on that and less focus on a lot of the nitty, gritty details that apparently go to that Board at this point and time. He said he thinks we need some time for this and he is not prepared today to come forward with a proposal here. He said he really thinks that if he were receiving our report as he can see it coming together, unless we address this issue we are going to be lacking in some creditability going forward.

Chairman Wilson said he would suggest what we could do is craft some language that captures your comments, those of Mr. Lanny Wilson, and the sense of the committee this morning and get that circulated to the members of this committee forth with. You will have the opportunity to provide feed back in the meantime but then that which is proposed without any feed back would then be reflected in the draft report on December 10th, recognizing that we are all going to have a lot of home work to do between now and December 10th.

Mr. Whichard said that his sense is that the subcommittee didn't want to redraft the McKenzie report but really wanted language to the extent that we have issues that need to

be significantly approved in the delivery vehicle which will be the vessel that receives these appropriations we hope to come forth.

Mr. McGrady said this is exactly where he would like to go with this. He realizes this is going to require some home work.

Ms. Szlosberg said she is puzzled about highway divisions, why we still call them highway divisions and not transportation divisions. She said she did not know whether we want to address this or not. Our divisions are supposed to be handling everything.

Chairman Wilson asked for further comments or questions, there not being any he said recognizing that we will have refocus on bullet point number 1 in the future all in favor of this component and it was voted in favor unanimously.

Representative Carney asked for clarification on this process. Are we voting these out knowing that we are going to change them?

Chairman Wilson answered correct because otherwise we do not know what the staff should draft. This is sort of like the next to final draft.

Mr. Whichard said some of these were new to our subcommittee today and I'm sure they are new to some of the folks who were not in our subcommittee.

Mr. Whichard said the final priority item is Increased Cooperation and Collaboration At All Levels of Government. He explained some points and had some suggested revisions In those.

Mr. Trogdon added to this explanation.

Mr. Lanny Wilson said in the subcommittee this morning one of the points he had hoped to address was the fact of going back and pulling out some of the recommendations from the Smart Group Commission that was established over 8 years ago and issued a report. One of the recommendations he was hoping they would see is the recommendation that would require municipalities and counties to consider the impact to the transportation network before they make land use decisions and if we talk about land use and transportation integration, but until we have some type of language that requires municipalities and counties to consider that, before they make the land use decisions it will never occur.

Ms. Szlosberg said she would very much support Board Member Wilson in that statement. She said she is trying to sift through the last part of the first sentence. She totally gets the first part of it but through the empowerment of decision making responsibility and accountability to the division engineers working with Board of Transportation members and municipalities. She asked for help with that.

Mr. Trogdon said that was a specific recommendation from some of the cities that Mayor Bell, at the meeting in Asheville summarized very well. One of the objectives was how to strengthen the relationship between DOT and municipalities and he thinks the assessment back through him from some of the other mayors were that they already have a fairly good relationship but the problem is they don't always get the responsiveness because decisions are not allowed to be made at that local level and sometimes take months or longer to occur as they are passed up the chain. The mayor's perspective was that maybe some more local empowerment of the division engineers and Board Members in this case would speed up some of the decisions that cause friction between municipal government and DOT. The example I gave this morning was the work that was done in the short session on express permitting which basically there are a lot of complaints out there that is was taking somewhere 10 and 12 months for permits to be obtained for large developments and how could we do that more efficiently through the short session that would allow the Department to leverage some other capabilities to achieve this speeding up and review of those.

Mr. McGrady said with respect to point one he also agrees with Mr. Wilson's observation although the flip side of that also is true and that is that DOT in putting in roads needs to take notice of what the land use plans are in place. He said it is a two way street in terms of the lack of link here. He said thinks point one is one of the most important points in the recommendations coming forward. His problem with it is again the lack of specificity. He said we need to come up with some specific recommendations on how you do this. Everybody agrees we ought to link land use and transportation but what are the changes where we are suggesting need to be made? Are they on the counties and the cities land use side or are they on the DOT road building side. What is it that is now going to cause this link to occur? Is there a role for regional governments here? You suggested for an example in you area that might be illustrative of the way to deal with these conflicts but he said where he lives the problem is that we are taking pasture land that has two or three hundred cows on it and turning it into condos to have 600 units and then all of a sudden you have a rural road. You talk about a disconnect that is where it occurs and that is what he would like to see something more specific than we have here.

Chairman Wilson asks Mr. Trogdon what do you anticipate that we might see coming out to try to capture these points that are being made. Is that your goal?

Mr. Trogdon answered yes.

Chairman Wilson said there is another reading assignment the committee will have in the interim here.

Mr. Trogdon said he anticipates by Monday or Tuesday we will have some draft language to circulate between the entire committee, just addressing that bullet point.

Mr. Lanny Wilson said taking into account Mayor Joines' comments with respect to Winston-Salem which requires traffic impact analysis before they approve subdivisions and shopping centers of a certain size that create so many ADT's per day.

Mr. Whichard said there are practices around the state that sort of provide the best practices.

Chairman Wilson said he would encourage in bullet point three if it is not already on you mental list that in the conversation about local authority over state roads that are within municipal limits, that you consider the very ability of that, that it does not have to be all one way or the other. Some may want to do it and if they can great and if others can't and don't want to then that is fine too. He said I am assuming that is on your list but I wanted say it out loud.

Ms. Szlosberg ask to make two points, one is around unintended consequences and that is that we don't want to set ourselves up so that you are doing traffic studies related to a high density mix used development that could be transit ready and it is not consistent with two lane or three lane configurations. She said she did not know to embed that in, that may be too far down in the weeds but we sure wouldn't want to do anything to discourage that. The second point is that is absent in the language that maybe we could think about embedding is some functions for the RPO's and MPO's. They are the coordinating agencies for local government in DOT.

Mr. Trogdon said certainly your first point about traffic impact analysis for high density we got that. He said he did not think that will be an issue. The second is MPO's are already required through law and so the coordination is already there through MPO's. RPO's right now are not required by at least federal law, he said and certainly not required by state law. He said he would just link them into maybe the third bullet and say because the county commissioners are members of the RPO's. That would be one more group that could participate based on their level of interest as we pursue these options.

Mayor Bellamy said she thinks maybe Ms. Szlosberg was working on looking at thresholds for certain levels for the traffic impact analysis to be required. She said her only concern is what happens for oversight and whose job is it to insure that it is carried through at the level that may be mandated as a request or requirement of this issue. She said she thinks it is a slippery slope if we get too many details so I would be careful about this. She gave an example. Buncombe County just adopted zoning in the county. It is a very continuous issue so she thinks their statement in Buncombe County has caused a lot of problems so we have to be careful about what you are expecting and who is going to enforce it and what are the penalties?

Mr. McGrady said we are coming now to point 3 and the additional language there. He said he thinks everybody in this room that heard the presentation and has been following the issue closely understands that language in white but it is really code again for somebody that is just picking up this report. They are not going to really understand what we are talking to there and that is why he really thinks we need to add further language that flushed this out in terms of specific opportunities that might be out there. Then it has some substance to it. He said he is supportive completely but we need to

move it out of our lingo, our code to something that means something to the average person.

Mr. Whichard said items one and two have been dealt with thoroughly and went on to explain the middle item. He said the fourth point was added and he thinks actually after further conversation it may have been dealt with effectively in the interim report but if we want to include this Increase Levels Of Collaboration and Cooperation just to make sure that we are fully engaged with the federal government and the federal delegation to make sure that we are exploring all opportunities of federal funding projects in North Carolina.

Chairman Wilson asked for further comments or questions. There not being any this was voted on unanimously in favor.

Chairman Wilson thanked Mr. Zelnak and the Finance Subcommittee for their good work over the last year, but particularly this morning in the subcommittee meeting. He said there was a lot of good conversation around a number of ideas. The recommendations that come forward today you will have another opportunity to reflect on between now and December 10th, and if language revisions are necessary on December 10th then members will have the opportunity to correct it at that time. Chairman Wilson also pointed out again the goal of this committee was to forward recommendations from this committee to the General Assembly. There is lots of level of detail that could have been included in some of these recommendations but the committee discussed this morning to try to strike a balance between furthering a concept and idea and not invading the purview of the General Assembly in developing the details around some of these notions but providing a sufficient level of detail to Mr. McGrady's earlier point so that the public and the General Assembly can clearly understand our intent. Listen for that artful balance, if you will, as we go forward here and we will be happy to ultimately at the end of the day follow the will of the committee.

Mr. Zelnak presented the recommendations from the Finance Subcommittee. (Included in the minutes as Attachment 2). He thanked the committee for all the hard work and time given and said the committee has been actively engaged. He said it has been very thoughtful and has come up with a lot of ideas and also shot down a lot of ideas. It has been a very good process and very good effort and he said he is quite proud to be associated with it. He said a new set of slides have been handed out to the committee that had some differences from the earlier set and he pointed out the differences between the two sets of slides. There will be inputs on each slide and a vote will be taken on each recommendations.

Ms. Szlosberg said she did not express this earlier but would like to cull it out as something perhaps that might warrant additional discussion and that would be making sure that we do everything to preserve the integrity of the State Highway Patrol. She wonders if perhaps one concern might be that that would be cut. She offered pulling that one piece out unless there is some objection to that.

Mr. Zelnak said it has already been approved in committee.

Chairman Wilson added something he did not state in subcommittee this morning, as it relates to the Highway Patrol, so long as the Highway Patrol can continue to be funded such that they can in future render the great service that they do for our state that transfer would not give me pause. If, however how this developed would any way inhibit their ability to continue render that great service I would share Ms. Szlosberg's concern and until such time as we could see our way to that end he said he would be concerned about them. Speaking as a member of the committee not as the Chair he said he also knows that this recommendation has been discussed a lot so he wanted to offer his comments for the record.

Representative Coates said she thinks that needs to be left in. She said as you know the Highway Patrol is funded by the Highway Department but we have no oversight over it. It comes out of Corrections so she thinks it should come out of the General Fund and she thinks this is entirely appropriate. She said she will be very much opposed to taking the Highway Patrol out of this.

Representative Cole said Representative Coates has put it in proper perspective. It is very frustrating when you have the responsibility to fund an agency but you have no oversight of that agency as to their efforts and what they do. In all honestly he said the Highway Patrol has the best of both worlds they get the money somewhere else and the people they are responsibility for don't say anything. He said we know throughout North Carolina that we are so under funded in transportation issues and trying to provide a safe system for our citizens that some of these things need to be funded out of the General Fund. The General Fund has grown from the time he came here in 1993 about 7.5 billion dollars to 20.7 billion dollars and he said he can assure us that the Highway Fund is not grown that way or the Highway Trust Fund and as a matter of fact it is headed in the wrong direction. Most recent in a Governmental Operations Report the chief financial officer for DOT whom he has a lot of respect for in his abilities and his numbers says we are facing a one billion dollar short fall over the next 3 years.

Chairman Wilson asked if there is any further discussion on this point or any other point relative to these bullet points.

Mr. Whichard said this information just added, what is the number associated with the elimination associated with those items.

Mr. Zelnak answered – a little over 70 million for the Highway Trust Fund transfer and the last number was two hundred and six for the Highway Patrol and thirty-four for driver's education. Two forty for the second item. Mr. Zelnak said perhaps the way to go at this would be to take some of the language that Chairman Wilson has offered up and to make sure that we include that kind of language with the recommendation as we develop this fully. Again, we are going to come back on the 10th, but he said he gets the sense that if we do that then probably we will have a recommendation that makes some sense. Will that be acceptable?

Chairman Wilson said we will look at the language. He said he is satisfied he has had his say about it. The recommendation is what it is and he would tender that to the committee

for approval, if there is not further discussion. The vote was taken and it was voted on with one No vote. The majority voted in favor so it passed.

Mr. Zelnak continued discussing and explaining VMT and the proposal was that the General Assembly considers VMT as an option and also considers the local option part of that.

Mr. Whichard said he assumes the local option collection would some how be tied to transportation spending by municipality or a county which does not have that authority now. Is that what the underlined assumption is that all of this whether it's local or state be used for transportation infrastructure?

Mr. Zelnak said it would have to be transportation funded.

Mr. McGrady said he feels strongly both ways on this thing. On the one hand he thinks we have to move away from the fossil fuel taxes as the way to fund our transportation long term and this is probably the way to go. On the other hand we are working within an economic climate that is absolutely awful to be proposing anything like that and that is why he is really conflicted. He said I guess you are just proposing that they consider that we are not proposing to enact.

Mr. Zelnak said we eliminated specific tax consideration. In the earlier version we had the quarter cent and the half cent and we chose to take that out. He said we think the concept is something that really needs to be studied. There is more ground to cover here before you could do it. My response on the economic end is that it is difficult times, you buy gas for $2.00 and you were paying $4.00. You buy less of it.

Mr. McGrady said I appreciate your comment Steve, should we strike the word consider and put the word enact and say that is what we think we ought to be about. As opposed to just saying well this is one of those ideas. Are we creating a menu here or are we creating recommendations. Are we going to prioritize some of these the hard pieces. We think this is the way to go or are we going to just say well here are your options. I don't know what the answer to that one is and it probably ties to the comment I've just made.

Chairman Wilson said we had a flavor of that conversation. The straight answer to your question is, we are creating a menu of recommendations and at the end of the day particularly within the context of the finance area we want to be very sensitive how they are arrayed is not interpreted that you would do one first, two second, 3 third. Representative Cole made a very good point this morning that perception is reality so when we get to that final document we will make sure that we don't inadvertently create a misperception in the public mind about which one of these should go first. To your other comment about VMT Mr. Zelnak has indeed addressed that. We do live in difficult times and that is one reason that we have moved away from some degree of specificity relative to the recommendations plus the technology needs to mature, you have the questions around enforcement. That is not to say back to your point. The fact of the matter is the current revenue structure is failing North Carolina and we want to make sure that our recommendations recognizes that and it helps educate the public on that point in

that this alternative seems to be the next best thing that is in our line of sight to move to. The details around that are obviously within the purview of the General Assembly to figure out how and when or if to structure it that way. That was the sense of the committee.

Representative Cole said he just happened to think he received a communication the other day that the Governor of Oregon is presenting to the General Assembly that they move towards VMT. That is something we will watch in North Carolina very closely to see how they implement it and what the reaction is and whether it solves the problem that we are looking at. There is a lot of talk about it and as you know we are running a test right here in the RTP with regards to that. To say we are going to do it I think is wrong. To say we are going to observe is right.

Mr. McGrady said he had certainly deferred to others on this. I could be more comfortable with it being a little stronger here but Representative Cole's point is well taken. With respect to the other, we have a menu here and some of them are potentially inconsistent with each other, meaning you would not want to do both of these things at the same time. He said some how or other in the language that is in the report I think we are going to need to reflect the potential inconsistencies of doing two or three of these at the same time.

Mr. Zelnak said it is back to a comment that you made, if you were to make some fairly reasonable assumptions about tie-in revenues of these recommendations and go back to the target of the billion dollars a year over ten years, which was what we framed to get from a D to a B, you could come to a billion four or a billion five pretty easily if opportunity within the recommendations that are being laid out and then the General Assembly is going to have to look and see which of those might make sense and what they might want to do with them.

Mr. McGrady said in the area he was thinking, being a county commissioner, it's all the local option pieces. Having lost land transfer once and sales tax twice some level of sensitivity here and there are some potential conflicts between what we are recommending and that just needs to be laid out in what ever prefatory language we have here. He said he appreciates the comments, well taken.

Chairman Wilson asked for other comments, questions or discussion on this proposal. There being none it was voted favorably unanimously.

Mr. Zelnak continued with the next item The Highway Use Tax and after explanation Chairman Wilson asked for discussion.

Ms. Szlosberg said just to share a little more information about the last bullet. Many of you know that the Highway Trust Fund has very, very specific and rigid parameters and when you listen to what communities want often times they are frustrated that the funds are so hamstrung and would like greater flexibility. The discussion was if we are going to raise new revenue maybe we ought to put that into the Highway Fund and give it more flexibility.

Chairman Wilson asked for more comments. There being none the committee voted unanimously in favor and motion carried.

Mr. Zelnak explained the next item Registration Fees.

Chairman Wilson asked for questions and comments.

Mr. Zelnak continued to explain the next part of Registration Fees.

Honorable Miller said in these several options we just looked at he has looked ahead and has raised the questions several times in the work here about an adjustment or an assessment on the user of the highway that causes the greater cost of repair and maintenance of the highway. He said he does not know if can see that directly in any of these. In the registration fees you may pick up a little of it there but he said we have an awful lot of out of state registered vehicles trucking traffic coming through North Carolina that require us to maintain a highway for them to go across and he said he is not sure they are paying their fair share of the maintenance for that highway, particular in certain designated areas where you have high density. He said someone sent him some of that information just this past week. He said he supposed what we are looking at is user cost and there is real justification for making an adjustment here. For these users it is part of the cost of doing business. It is a way of getting to and from our church on Sunday and he thinks we should draw that distinction. The cost of doing business is a tax deduction. We might get a little help from the federal through that route, if we used it. We are missing the boat if we do not go to a cost basis in some way to capture some of this expense that we have to incur for maintenance and up keep of our highways. He said he did not know if we are paying proper attention to what he believes is going to be coming down from Detroit in more efficient vehicles. He believes before they spend any more of our tax dollars up there by giving it or however they are going to allocate it to the manufactures they are going to require more efficient vehicles which means less dollars in gasoline taxes that we are going to have coming to our state through the federal or through our local system. Until we get into a user cost system, we have a total inequity in paying for the cost of our roads.

Mr. Zelnak said two responses, one with respect to people driving to church be it mothers or grandmothers or whomever I think there was actually a discussion around the exemption of mileage back on the VMT and that was one way of addressing that piece. Keep in mind the gasoline tax is going to go down based on lesser consumption but in VMT part they had that discussion very directly and they wanted to make sure they had an exemption there. With respect to trucks if you look at tolls, which we are going to talk about shortly. You are going have different toll rates that would be proposed with respect to trucking on those toll roads. You are also going to see a piece that is not on your deck and that was the one he referred to that we had talked about with respect to the possibility of looking at a differential between diesel fuel tax and gasoline tax.

Representative Cole said Honorable Miller to further try to tell where this comes from there is an international registration program among the big truckers that they apportion it and have to maintain logs as results. He said we probably don't get our entire share but

we get a big majority of it. The ones where we loose are the independent truckers that might have one or two trucks but maintain two logs one not to pay us and pay Georgia because theirs is less. That is a real probability but the other issues that Mr. Zelnak will be speaking to are some of those that will void things.

Honorable Miller said he hears that and he also has been a part of some of that over the years in seeing that we are not collecting fees and taxes that lawfully should remain here in North Carolina. We are not doing it on sales tax, Internet sales tax, motor fuel, not getting our fair share from Washington and until we take an issue on that we are not going to get it. Somebody with better clout and better persuasiveness is going to use our money for their use. He thinks somewhere it is time for us to stand up and say we are not going to put up with that anymore. He said he understands what we are doing now is making recommendations. It is going to be up to those who just got elected to implement these recommendations. That is a tough issue but you wanted the office and so you are going to have to make the tough decision. He said he did for 15 terms and knows well what it represents. He thinks we would be remise if we did not include in the report a recognition of the distinction between use of the highways for transportation and the use for producing as a cost of doing business.

Chairman Wilson asked for the vote and the motion carried in favor of this item.

Mr. Zelnak continued and discussed Bonds and asked for discussion.

Ms. Szlosberg asked just to be clear does it prohibit the use of that revenue for purposes other than roadways?

Mr. Zelnak said it hasn't been written yet but he thinks the intention was for those bonds that were headed toward roadway construction, or at least that was his understanding of the discussion.

Chairman Wilson said he understands the frailty of language but the fact of the matter is this was discussed in Mr. Zelnak's committee. This is more theory than practice. Clearly if bonding capability becomes available the General Assembly will recognize it and craft a bond for the state to consider and it would take into account lots more than just transportation.

Chairman Wilson said if there is no disagreement with this we will vote and the committee voted unanimously in favor of this item.

Mr. Zelnak continued his report with the discussion on the Yadkin River Bridge Project.

There being no questions or discussion from the committee on this Chairman Wilson called for a vote on someone else paying for the Yadkin River Bridge. The committee members voted unanimously in favor.

Mr. Zelnak continued with the explanation of Local Options and asked for discussion.

Ms. Szlosberg said the point that was made in committee that she would like to share with the other members was that we approved the Intermodal Bill and that has one-half cent sales tax dedicated for transit. The concern is that we are going to set up a situation where we are going to sort of pit one thing against the other and there isn't anything right now that prohibits communities to go to their local delegations seeking that authority and often times delegations then make it happen for those communities. She said she has a level of discomfort about this particular option.

Representative McGee said it seems that I recollect in reading some of the information that I have had reams to read from during this committee assignment that even though we would levy a tax in a county that that would not give any priority to those roads being built by the state and shared by the county in cost. He asked if was wrong in having read that assessment. Would that cause any differentiation between the state deciding to go into this county and build a road now rather than later?

Mr. Larry Goode answered and said the purpose of local option is where ideally we would have a state fund that would match the local option and where that it would be a cost sharing relationship on certain projects.

Chairman Wilson asked Mr. Goode, so you could vote in the one cent but that would not move you to the head of the line?

Mr. Goode answered right.

Mr. Jim Trogdon assisted in answering the question and said he thinks it is under Chapter 136, it says that DOT cannot program its projects based on the local community's ability to contribute or not. It is restrictive only on the Department when it comes to programming their projects but it doesn't preclude participation, if participation exists.

Ms. Szlosberg said she was not sure where that fund exists at the state level for the match.

Mr. Goode answered there is not.

Mr. McGrady asked if there was any discussion in committee about how this local option sales tax relates to the one that we currently got that very few counties have had any opportunity to pass?

Mr. Zelnak answered saying it was not discussed today in any detail but obviously we have had prior discussion of it. He said we have had some larger metro communities ask for the authority to get to this level and the thought is that if in fact they have the will and the ability to do that there should be an opportunity. In other places obviously we struggled. We have been through it as have others.

Mr. McGrady said so in theory the county could put in place the quarter cent increase specifically for transportation and later come back and seek one per cent for transportation infrastructure.

Mr. Zelnak said in theory if you layered this on top and did not cap it at one percent.

Mr. Lanny Wilson made two comments. In our municipality down in the Wilmington area we went to our local delegation and ask for a half-cent sales tax option to be utilized for transportation and there were two questions that came up number one, and he asked that it be considered in there, give more flexibility such that the municipalities can identify the projects that the money would be utilized for whenever they go to the referendum. Number two; give the community a right when they are putting in there for the sunset when those particular projects are completed. The other concern they had locally whenever they ask for the permission which was introduced in the House that the Senate did not consider was the fact that there was a lot of concern that DOT might supplant funds that were already allocated to this particular county that DOT might utilize in some other county. There is language that he will be glad to forward that they could include in there so that there would be that protection that a county or MPO or municipality would not penalized for participating in providing this one percent funding source.

Chairman Wilson said that is the intent. The first time we saw this it did have a sunset concept and what I hear you saying is, things that should be considered would be the authority to sunset the prohibition on displacement of state monies. You wouldn't be punished for doing good things and that the designation of specific projects to which the revenue would be applied. Chairman Wilson said I think we have captured that and it will be reflected in the report.

Mayor Joines said Mr. Lanny Wilson made his point just to make sure there is a maintenance of effort clause there in terms of the state and just to make sure that we are drilling down that the option would go down to a municipal level not just at the county level.

Mr. Zelnak said we had that discussion in committee. You interpreted the way we did.

Representative Carney asked to way in on what Ms. Szlosberg brought up again about what Charlotte was given the authority to do through the General Assembly our half-cent sales tax for transit. She said she thinks that if we are going go ask our colleagues in the General Assembly to give up this sales tax to local options she would like to see it specified and that it be specified for transit and we are charged with other new measures of revenue to build our roads across the state. She said it gave them an extreme advantage with the federal government and with the state to have that half-cent sales tax and they are seeing the trans rolling across the country around transit systems being developed and she agrees that the administration is going to come out very soon with a second stimulus package and the states that are there waiting with money in place for match of money they are the ones that are going to get the new money. She would like to the committee make a strong statement with the proposal here on this local sales tax option towards transit and not put highways into it.

Mr. Zelnak said the committee had that discussions and the issue you get into pretty quickly is that Charlotte may in fact want to do that very specifically, but he said he did

not think Henderson, North Carolina is going to have a transit system with any magnitude. Some of the other places will not and the question is, do you deny other places the opportunity implement that local option for other transportation needs based on their specific needs.

Representative Carney said when Senator Stevens and she introduced the Intermodal Bill there was quite a bit of discussion going through the halls up here and there were other parts of the state that wanted to buy into it and she very quickly realized that. She had to explain to some of her colleagues transit doesn't mean a train. It means buses and other avenues and when that educational component was put out there then they started thinking differently of how they are going to move people within their districts. She is going to support this because she wants to end up tweaking it too at a later venue but she said she knows we have given the counties already the quarter-cent option and so that it is in place for them to move ahead if they want to be in the road business. She thinks we have to connect all of our dots here. She feels we need to broaden this a little bit.

Mayor Joines said he understands where Representative Carney is coming from. He said he thinks at a local level we do support transit and there are some other needs that we would have for funds for this. He said he wonders if she would consider or think about maybe designating a portion of the one cent for transit and leave the other kind of open ended for use by local governments.

Representative Carney answered absolutely. She said their Bill said a half-cent. She said she is open and that is why she said she thought this needed to be redrafted with more specificity.

Representative McGee asked Representative Carney if her bill excluded roads.

Ms. Szlosberg to clarify, what I think I am hearing is that this is going to be rewritten. Is that right, or are we being asked to support it in its form as it is here?

Chairman Wilson said what you have before you is what we are prepared to vote on unless there is an amendment and then we will take that into consideration and change it. I think what I heard Representative Carney say is that she is supporting this conceptionally but she point out what we said at the beginning. The General Assembly gets the final word on this and they can change it and do whatever they want to with it.

Representative Carney said she thinks she is really pushing for, is we are going to be the 21st Century Transportation Committee and we are already in the 21st Century; transit is a part of it. She wanted maybe a stronger support or recommendation for Intermodal Transit through this commission.

Representative Cole said he just recognized, "provide for a one percent", how about up to a one percent?

Mr. Zelnak said that is the original language.

Ms. Szlosberg said if it is our intention to support the one-half cent sales tax for transit and we have already said we want to, should we try to make an amendment that one-half would be allocated for transit?

Chairman Wilson said if someone wants to make a motion to amend and give some language we will entertain it otherwise we have before us what we have. He said he thinks the substantive point goes back to what Mr. Zelnak said. What if a community wants to apply their taxes to roads? The question is, should they be prohibited from doing so? If the local community is setting its priorities for itself that is the philosophical point that is circulating around this conversation.

Representative Carney said she is happy with the language as it is, with the "up to", if that is in the original language. That gives the General Assembly leeway as we move forward with designating as it says "transit and roads".

Chairman Wilson asked all in favor signify by saying aye, oppose no. The motion carried with one voting No.

Mr. Zelnak continued with his report and explained Options – Indexing and asked for any discussion on this point.

Chairman Wilson asked for questions, comments, discussion. There being none the committee voted unanimously for this item.

Mr. Zelnak continued and explained Options – Tolls.

Chairman Wilson asked for comments, questions, discussion. There being none the committee voted unanimously for this item.

Mr. Zelnak continued and explained Intermodal Recommendation.

Chairman Wilson asked for comments, questions, discussion. There being none the committee voted unanimously for this item.

Mr. Zelnak has Senator Stevens' proposal which the committee approved but did not make the list that is for the General Assembly to consider a differential in the fuel tax between diesel and gasoline, with diesel being taxed at a higher level. He asked for discussion or comments on this recommendation.

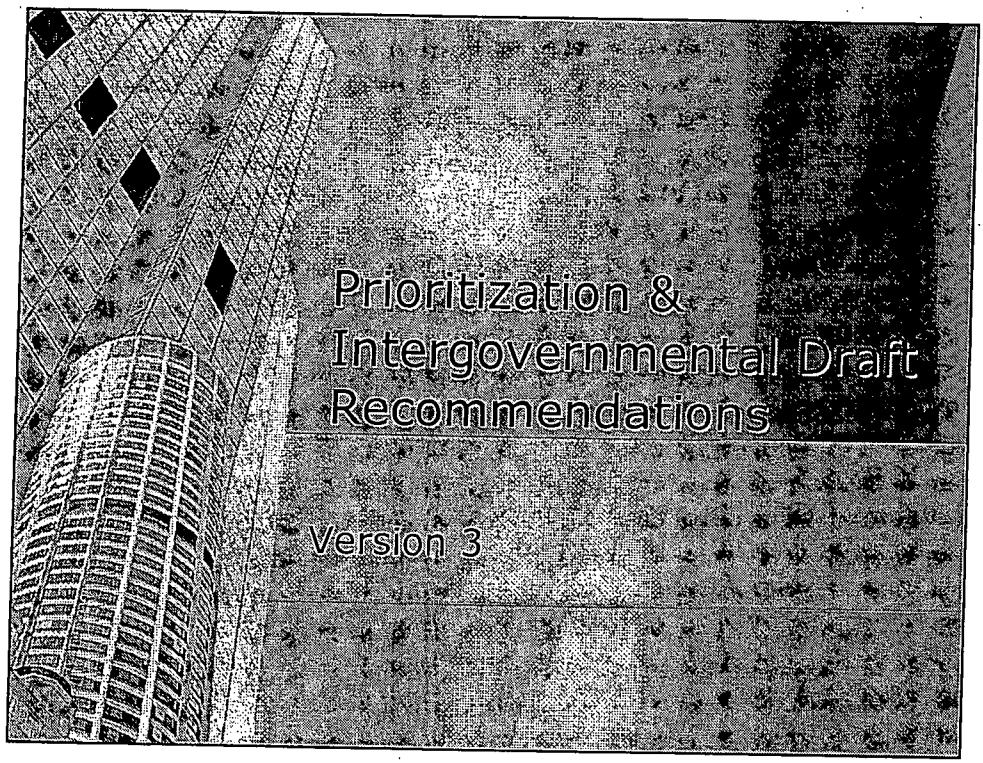
Chairman Wilson said there being none asked for the vote and the committee voted unanimously for this recommendation.
Chairman Wilson asked the committee if there was anything further. Is everybody clear on the process going forward? He told the committee members to look for their e-mail drafts of the information they have requested and the draft of the Committee Report. The committee will meet again on December 10th at 10:00 a.m.
Ms. Szlosberg said she would like to introduce some new language for the report and read a few bullets for recommendation. (Made a part of the minutes as Attachment 3)

Chairman Wilson thanked Ms. Szlosberg and told the committee they will see this reflected in the draft report they will be reviewing between now and December 10th.

The meeting was adjourned at 2:50 p.m.

Brad Wilson, Chairman

Sarah Murphy, Clerk



Priorities

- Mobility
- Preservation
- Safety
- Performance and Accountability
- Increased Cooperation and Collaboration at all levels of Government

Mobility

- Create a Congestion Reduction program focused on the Strategic Highway Corridors and the 7% of the highway system miles which carries 45% of the traffic – Estimated cost $120 million per year focused on decreasing travel time and increasing travel reliability
- Maximize capacity and utilization of rail freight movement consistent with the recommendations of Intermodal Committee and the North Carolina Railroad long range plans
- Enhance mobility within all areas of the state by continued investment and the completion of Intrastate System Projects and the Strategic Highway Corridors allowing regions to re-prioritize and re-program existing funding consistent with changing transportation demands and economic growth patterns within each region
- Enhance mobility and reduce congestion by ***accelerated*** investment and completion of all planned urban loops
- Expand use of tolling and congestion pricing to include High Occupancy Tolls (HOT) lanes consistent and complimentary with ***current*** North Carolina Turnpike Authority projects and ***any newly authorized tolling projects***

Preservation

- ***(Develop and consider language for potential adoption of a Fix-It First Strategy)***
- Fully fund existing Bridge Replacement Needs in North Carolina - $300 Million
- Create an effective Bridge Maintenance and Rehabilitation Program within existing maintenance funds
- Create an annual Interstate Resurfacing Program within each Highway Division with Interstates from existing Federal Interstate Maintenance Funds and Remove Interstate Maintenance Funding from equity calculations
- Implement a measurable system preservation and maintenance program with quantitative measures of performance and measures of effectiveness (i.e. MOE = remaining service life of road network, MOP=annual miles resurfaced and reconstructed)

Safety

- Focused external safety and enforcement programs to reduce fatal accidents and serious injuries on transportation facilities
- Fully fund spot safety programs but hold program accountable for accident and injury reduction
- Focus enforcement efforts on top priority of accident and injury reduction based on frequency and severity of occurrence

Performance and Accountability

- ***(Consider addition of language to specifically address DOT organizational concerns and public trust/confidence)***
- Reduce Transportation Administrative Costs which do not directly improve road, bridge, or other key infrastructure within the State
- Examine existing and recently proposed Department of Transportation organizational structure for opportunities to consolidate policy and programming responsibilities, decentralize project delivery to the greatest extent feasible to Highway Divisions, and***/or*** reduce redundancy
- Complete the implementation of planned measured performance objectives across the Department of Transportation for all key personnel and offices

Increased Cooperation and Collaboration at all levels of Government

- The Department of Transportation should work to develop a closer relationship with local government to leverage state/local resources and better coordinate land use with transportation planning through empowerment of decision making responsibilities and accountability to Division Engineers working closely with Board of Transportation Members and Municipalities ***(Consider addition of language to assist in Planning/Zoning considerations for transportation)***
- Push strategic and operational objectives and framework for a range of solutions with adequate resources to field Divisions targeting measurable outcomes allowing for increased flexibility and innovation
- NC General Assembly and NC Department of Transportation should continue to work with League of Municipalities, NC Metropolitan Coalition, and NC Association of County Commissioners to explore opportunities to best deliver transportation services cooperatively and efficiently within these areas ***(Consider addition of specific opportunities to explore and develop)***
- ***(Addition of Intergovernmental Efforts on greater return of Federal Share of Revenues)***

Discussion

- *Additions*
  -
  -
  -
  -

21st Century Transportation Committee
Finance Subcommittee
Funding Proposals to Consider
November 19, 2008

The Goals

- Take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and

- Put in place an effective multimodal transportation system

  - Reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state

What Will It Take?

- New investment of about $1 billion per year for the next 10 years
- Toll interstate highways
- Increased local option to implement the right solutions for each area
- Improved long-term planning
- Improved management and execution by the NCDOT and other involved agencies

Options – Eliminate Transfers

- Eliminate all remaining funds transferred from the Highway Trust Fund to the General Fund.
- Eliminate funds transferred from Highway Fund for State Highway Patrol, Driver's Education Program and reimbursement of sales tax exemption.

Options - VMT

- Committee recognizes the State needs an alternative or supplement to the motor fuels tax.
- Propose General Assembly consider a VMT (Vehicle Miles Traveled) fee.

Options – Highway Use Tax

- Increase the Highway Use Tax from 3% to 4% total over two years
- Implement ½% each year over two years
  - ½% = $100 million annually
  - 1% = $200 million annually
  - ***revenues based on historical collections; current year collections are down
- Increase current $1000 cap on Class A and Class B commercial vehicles to adjust for inflation
- Consider imposing a differential rate for fuel efficient vehicles.
- Consider allocating new funds for specific purposes besides Highway Trust Fund.

Options – Registration Fees

- Increase passenger vehicle registration fee (currently $28) by $30 over three years
  - $10 increase = $65 million annually
  - $30 increase = $195 million annually

  Increase other staggered registration fees by 25%
  - $50 million annually

Options – Registration Fees

- Consider charging based on weight of vehicle for passenger vehicles:

– < 2,499lbs	$27.60	$33	$37
– 2500-3499	$35.60	$43	$47
– 3500 and up	$45.60	$55	$60
Revenues	$70 Mill	$121 Mill	$150 Mill

Based on Florida Model-Maybe difficult and/or costly to set up.

Options - Bonds

- Put forward a referendum for bonds to accelerate construction on high traffic, high congestion roadways.
- Any issuance of bonds must be against new revenue which will support bonds at about 10 times the annual revenue.

Special Federal Funding

Yadkin River Bridge Project

- Seek special federal funding
- Tolling may be a future option

Options – Local Option

- Provide for a 1% local option sales tax authority for transportation for counties, cities, and metropolitan regions. The local option tax must be voter approved. Give the taxing entity the ability to set priorities between roads, transit, and other modes.

Options - Indexing

- Index fixed fees such as registration, title, drivers license to the consumer price index
  - The fees would automatically change without legislative action
  - Based on a 3% of all fees yields $20 million annually

Options - Tolls

- Toll I-95 border to border to support 180 miles of widening by an additional two lanes in each direction.
- Toll I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction.
- Propose that the State seeks federal approval to toll all interstates (at the borders).

Intermodal Recommendations

- Dedicate $ 170 million per year to Fund the Intermodal Initiative Recommended in Phase 1 the 21st Century Transportation Committee deliberations.

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Donna Graham	Triangle Transit
Cam Cover	BPMHL
Amy Simes	DENR
Doug Paris	City of Salisbury
Kent Jackson	Town of Apex
Julia Leggett	The Arc of NC
Steve Jackson	Budget & Tax
Shana Becker	NC Public Interest Research Group
Rob Schofield	NC Policy Watch
Ed Turlington	BP
Ken McEntire	ICA

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ellen Beckmann	DCHC MPO
[illegible]	City of Wilmington
DAVID JOYNER	NCTA
Molly Diggins	Sierra Club
[illegible]	RAMC
Michelle Frazier	MFS
DREW Moretz	GRCC
Johanna Reese	DOT
Allison Waller	Charlotte Chamber
Doug Heron	Williams Mullen
Cadey Thomas	NC Assn of Realtors

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Transp for [illegible] — 11/19/08

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Stem	NCAA
Ed Johnson	NC CAPITAL AREA MPO
Pat Strong	TJCOG
Anke Wagner	NCPTA
Michelle Frazier	MFS
Laura Barringer	John Locke foundation
Jake Cashion	WS Chamber
[illegible]	RTRC - Tri Axis
Shelby Powell	Kerr-Tar RPO
Joshuah Mello	Wilmington MPO
Mike Kozlosky	Wilmington MPO

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 11-19-08

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Farren	SELC
Steve Thomas	ACEC/NC
Julie White	NC metro Coalition
Ron Townley	Land of Sky Council of Govs.
Carrie Runser-Turner	Land-of-Sky Regional Council
Boyd Cauble	City of Charlotte
John Poole	[illegible]
Charlie Diehl	NC Trucking Assn.
Fred P. Baggett	Smith Moore Leatherwood LLP
Susan Coward	NCDOT
MARK FOSTER	NCDOT

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Transportation — 11/19/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ron Townsley Currie Rowser-Turner	Land of Sky Regional Council.
Mike Kozlosky	Wilmington MPO
Jim Blackburn	County Commissioners Association
Will Polk	Office of Gov.
Mac Boxley	NC Aggregates
WIN BATTEN	TOWN OF WARSAW / DUPLIN COUNTY
BERRY JENKINS	UCGC
Beau Memory	NCTA
Marc Finkelstein	Highway 17 Assn. / NC Do!
Jim Humphrey	CHARLOTTE DOT

ATTACHMENT 4

VISITOR REGISTRATION SHEET Item 6 4:30@1 PM

21st Century Transportation — 11-19-09

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paul Sherman	NCFB
Wylly Coyote	Roadrunner
Laura Padgett	Wilmington Council & MPO

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mercedes Barton	OSBM
LOUIS PATE	STATE REPRESENTATIVE
Kelli Kukura	NCLM

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Wednesday, December 10, 2008
10:00 A.M.
Room 634, Legislative Office Building

The 21st Century Transportation Committee met on Wednesday, December 10, 2008 at 10:00 a.m., in Room 634 of the Legislative Office Building. Chairman Brad Wilson, Senators Hoyle, Jenkins and Stevens; Representatives Cole, Carney, Coates, Frye and McGee; Honorables Bellamy, Blackburn, Joines, McGrady, and Miller, Jr.; Ms. Szlosberg; Misters Sewell, Whichard, III, Lanny Wilson, and Zelnak, Jr. attended.

Chairman Brad Wilson presided and called the meeting to order. He called attention to the draft of the final committee report on the desk at each committee members seat He announced the format for the meeting today. Larry Goode will give the committee some high level comments about what may be emerging out of the Obama transportation/infrastructure plan which is developing and will be helpful for the understanding of the committee about some potential opportunities that were outside the scope of the discussion of the committee because of the timing of everything. He said he understands the Board of Transportation is looking into that and talking about that in greater detail today.

Next, Chairman Wilson said he would like to offer some general comments about the draft report, some of the findings. Then he will look to the committee for any comments, questions, motions, feed-back they might have about the work that has been done. At the conclusions of that he will ask the committee one last time to ratify this report recognizing that the committee has voted on each of the recommendations at the last meeting. This will be an appropriate final flourish for the committee to endorse the final report. Chairman Wilson said he will talk about some procedural components about the draft at the proper time.

Larry Goode was recognized to tell the committee what he knows about the emerging Obama plan. Larry said it is an evolving plan but they do know that there is a potential for a substantial amount of transportation dollars to be made available to the states. Hopefully it is a part of an economic stimulus package that could be in the five hundred to seven billion dollar range which is as much as seventy-five to one hundred that might be transportation. With those numbers we are talking about anywhere from two to four billion dollars potentially for transportation. Whatever does come out of this would probably have to go to construction in a pretty rapid form. They are talking about ninety to one hundred eighty days whenever such package would pass. The Department has thirty-five major highway projects, there are some transit projects he is sure can be made available in that time period and there are hundreds of pavement rehab bridge replacement projects that can be made available in that time period. One of the things

this committee has recommended is the Yadkin River Bridge and this would be very high on the list hopefully receiving those funds. Other opportunities would be potentially the Raleigh Loop, the Charlotte Loop, the Wilmington Loop, and the Fayetteville Loop that is being delayed. Staff is briefing the Department at the Board Meeting today.

Chairman Wilson asked if anyone had questions for Larry or any additional information about how that package is emerging, the committee will be happy to entertain them at this point.

Senator Hoyle said that President Elect Obama has said use it or loose it. What is realistic, how much is there on the shelf? If we get a few hundred billion dollars thrown to the state and we have to spend it on worthwhile needed projects, do we have enough needed projects on the shelf ready to go with environmental permits, with everything so we could use it and not loose it?

Larry Goode said it depends on the size of the money obviously.

Senator Hoyle said he has not talked to anybody about this but hey have to have some idea of the size of the package. Is it eight hundred million or five hundred million or a billion? It has got to be a pretty big number if they are talking about trying to create two million jobs.

Larry said in the multiple billions is the numbers we are looking at and there are a lot of projects that are in the December letting over three hundred and fifty million that is being delayed that can go as soon as the word comes. They are being delayed because they do not have the money. Not because they are not ready.

Chairman Wilson said what little he knows about it and of course the Obama transition team can speak for itself and he said he is sure the folks at DOT are monitoring this, but he said he has heard a number for transportation around seventy-five billion. If that is available nation-wide if you use a three percent North Carolina allocation or piece that we typically get you are talking about two or three billion dollars. It is big money and having things in the pipeline ready to go is absolutely critical. He said he has also been told today that the Board of Transportation actually is looking at the list that would definitively answer your question. That is second hand information he said he has not talked to the Secretary. Maybe someone else has information on this.

Ms. Szlosberg said DOT has about five billion dollars worth of highway road projects identified and a billion dollars worth of transit projects identified and that straddles a whole bunch of different areas. Every division has given them a list so there are division projects that tend to be smaller that could be very executable and could be done with either an EA or categorical exclusion, so the permitting is actually not as big an issue on the smaller division projects. She thinks that is a pretty big number, over a billion. She said they have more projects than DOT will ever have money to do. These are so-called shelf projects ready to go. She said that is good news for them.

Senator Hoyle said when we say ready that means permitted because a lot of things are ready but all we lack is a permit from DENR and that could be twenty years in the making. When you say on the shelf that means permitted they could let at the contract, is that what we are saying?

Ms. Szlosberg said she did not think that is what they are saying, but the billion dollars of projects that are division projects are very small projects that probably would not have any major environmental documentation associated with them.

Mr. Lanny Wilson said to answer the question he did not know whether they actually have permits from DENR. He used for an example on the Wilmington bypass they are acquiring right away and they have a record of decision but they don't actually apply for the actual permit until a little further along in the process.

Mr. Zelnak said AASHTO has been doing the survey of the states to look for these ready to go projects. The first server they did came in at about eighteen billion dollars or so. They have resurveyed and the current number is about sixty-four billion. North Carolina, just as Ms. Szlosberg said is a little over five billion dollars out of those sixty-four billion dollars. The criteria that they are using there is that they are asking for projects that are Ready to be let within one hundred and eighty days.

Mr. Jerry Cohen said that Ms. Szlosberg and he talked with Scott Sailor with North Carolina Rail Road yesterday and they had not talked with anyone at DOT about this but they have a couple of major projects that they might be able to get underway as well that relate to not only highways, traffic safety but also potential transit projects that is in the triangle and one in Charlotte potentially.

Ms. Szlosberg said there are great separations for an example she talked with Scott this morning and they are giving them the list. Roberto this morning on the transit side had queried all of the transit properties in the state.

Mayor Joines said just to echo Senator Hoyle's point. They have been working through the U.S. Conference of Mayors developing their list and they are telling shelf ready within ninety days for their type of projects. The key is to be ready to go.

Chairman Wilson said clearly the summary of all of this discussion which is a good one triggered by Senator Hoyle's question that obviously this committee would urge the Department of Transportation to do that which is probably going to do this morning and that is put the state in the best position it could possibly be to use it and not loose it, whatever projects there may be. He underscored what Jerry Cohen said, this is not just about highways it is about rail and mass transit and there are component parts of the proposal that North Carolina needs to be in a position to use and not loose as well.

Representative Carney said she did not think it should go by that this committee made a strong recommendation in the short session that a bill was sent forth, a bill that talked

very strongly about the next administration whomever it would, be the topic of conversation was going to be transportation and transit. We are seeing that come to fruition in the bill that they filed this summer was very much in putting North Carolina in the position of being ready. She said this committee has had that charge all year and she is looking forward to the discussion around the agenda here in the recommendations being made.

Chairman Wilson turned attention to the Draft Report and said the committee members should remind themselves that the Governor, Senator Basnight and Speaker Hackney put this group together well over a year ago to access the sixty-four billion dollar more or less transportation infrastructure challenge that North Carolina has in order to best position the state to be ready for what North Carolina is going to look like in 2030. We will then be the 7th largest state in the country due to both indigenous and migration growth and that in order to be prepared for that different North Carolina we needed to undergo this transportation assessment. He said he thinks that it is clear and Representative Carney just referred to it as others did that North Carolina continues to be a donor state, so for every dollar we send to Washington we receive eighty-five cents. That is certainly a circumstance that has been unfair for as long as it has existed and as we prepare for the future it certainly needs to change. North Carolina currently ranks second out of the 50 states in total state maintained road mileage so we have a big infrastructure to address and to maintain. However, the state ranks 49th in total revenue per lane mile and 47th in spending per lane mile. This is a finding that is certainly relevant to the discussion that the committee has had around the strain and tension that surrounds the current base revenue stream i.e., the use tax and the fuel tax and the necessity for there to be a serious conversation about what is the next model. This committee at the last meeting and again reflected in this report believes that the General Assembly should lead and engage in a serious discussion about how North Carolina could move to a VMT approach. Currently North Carolina spends only 5% of its annual transportation budget on freight, passenger, rail, ferries, mass rapid transit, buses, cycling, pedestrian other non highway transportation options. We have had an enthusiastic conversation around those things and reflected in the report there is an emphasis on building the revenue streams. The Intermodal Bill that was introduced in the short session is simply one of the mechanisms that the committee believes that the General Assembly should consider to position North Carolina for 2030. Chairman Wilson said we all know and recognize and the record reflects that everyone that the committee has heard from all over North Carolina recognizes that the fuel and use tax funding formulas and mechanisms are indeed flat in declining and one of the findings concludes that that is not going to change into the future. For North Carolina to simply ignore that fact and not begin to move to an alternative that could either supplement or supplant those traditional revenue sources is something that is in the states' best interest and we should take a look at this.

Chairman Wilson continued explaining the findings and recommendations from the Draft Report (Attached to the minutes as Attachment I) He said the proposed plan from Washington would be to focus on bridges and one of the findings is that we need to be replacing or upgrading bridges to the tune of 400 a year. Presently about 400 a year are being addressed. He said last but certainly not least is cutting down on the time between

idea and ribbon cutting. Some of it is plain cooperation and common sense between agencies, talking about things and challenges from the outset not at the end, looking at each other as colleagues and getting aligned rather than as of adversaries. We would certainly hope and believe that our findings and suggestions around as to how to that would be implemented by the next administration.

Chairman Wilson said we recognize that we are not making any recommendations to United States Congress. Many of those hoops through which we have jumped are mandates from Washington that the state of North Carolina must comply with and the new administration here in Raleigh will be raising its voice with our congressional delegation to try to bring some common sense approaches to what the regulatory schemer will be into the future from Washington, D.C.

Chairman Wilson called attention to the letter and resolution from the Capital Area Metropolitan Planning Organization. All of the committee members should have received this electronically stating some very good and relevant points to the work of the committee. He acknowledged that we have received it and it will be made part of the record, and he thanked them for their input. (Attachment 2 with the minutes)

Chairman Wilson asked for any questions, comments or suggestions from the committee. He thanked the staff for the extraordinary work that they have provided the committee all the way through and particular in the crunch time here. It being the end of the time the committee was given to do this work we did the best we could to get as much information out as we could in as timely a way as possible. All the information gathered prior to this has been the substance of this report. Those things that have already been voted on, things discussed in committee and the challenge that the staff has had is to put the color commentary around all of that to bring us to this place this morning. If there are editorial comments and suggestions anyone has we will take note and make revisions consistent therewith. If there are substantive issues or recommendations that need to be changed the committee will be looked at for a motion to do so and it will be handled through a parliamentary process and finally if we end up with a list long enough that the committee would like to see this report again, Chairman Wilson said what he may ask the committee to do is delegate the authority for the final decisions to a very small group that would be comprised of he as chair, Mr. Zelnak, Mr. Whichard and Senator Jenkins as the chairs of the subcommittees, recognizing that Intermodal went out of business they would work through those, put something together finally send that out by e-mail. We do not have the authority to vote that way. This is just one idea.

Chairman Wilson asked for questions or comments about the report or the work in general.

Ms. Szlosberg commended Chairman Wilson for outstanding work and the staff for putting together a really informative year. She thinks they are getting ready to embark on some very important work for the state. She said she is very proud of the committee's work to establish the Intermodal Bill and very thankful for Representative Carney and Senator Stevens for continuing that work and look forward to working with them in the

up coming legislative session to get that passed. The one thing she felt a little bit of a hole that she hoped the Legislature can back fill on is that in the transportation, its not just about the transportation its about the land use. She said that is a very hard thing to tackle but with her eight years of experience on the Board and listening to presentations that all of the engineers and all of the transportation professionals just bang their heads against the wall all the time about the land use issue and not having the legislative authority or the tool to make sure that transportation and land use matches. She hopes the legislators as they look at these recommendations also know a better job might be accomplished for the state in that area. She thanked every member on the committee and enjoyed getting to know everyone and working with them. She said "we've done important work together."

Mr. McGrady said he enjoyed working with members of the full committee and he said he has learned a lot and made some good relationships and friends. He said the process has not been optimal and particularly difficult in getting some findings. He said he understands that a menu of options needed to be created particularly on the financial side and that is pragmatic decision that is being made and he can be supportive of it although he said he knows there is a desire out there that the committee was making some very specific recommendations and giving opinions to which we think are more meaningful or more important. Some of the funding recommendations would obviously be contradictory if they were adopted in the same way.

Mr. McGrady pointed out a few things that he has concerns and problems with. He feels the committee ducked the issue of changing the equity formula on page 6 in the report. On page 11 he said it is easy to recommend cooperation and collaboration with all levels of government but the key there is how we do it. It does not say much about that we are working with the League of Municipalities and the North Carolina Association of County Commissioners. The committee has not given any recommendation of what the role of local government should be and that was one of the charges. On page 9 of the report in a change that occurred between the last meeting and now there has been added to the idea of investment and completion of all planned urban loops that is going to be accelerated. That is not something he is supportive of. He said the report would be stronger if it had a statement that infrastructure investments really need to be coordinated with growth. He feels it could have been stated stronger. One of the things that bothered him most is on page 11 where a recommendation is not made on how to integrate transportation planning and land use. He feels that there is no meaningful project prioritization within the findings, although he said he appreciates the fix it first concepts. He feels the committee has ducked the issue of whether and NCDOT should be restructured. When the committee work started it needed to clearly address how it might fund the increasing transportation needs. He thinks this has been done by laying out the options but also the committee needed to insure that if monies could be found to fund these funds would go into a system and into a department that could use the funding efficiently. He thinks others looking at this report will really wonder why it was that the committee skirted those issues. He said he has real mixed opinions about this. He feels the committee has been pragmatic and ultimately the General Assembly has to make these calls and the idea of laying out options maybe is the way to go. In the funding side he feels a better job has

been done in laying out options than on the other side in terms of what the policies are and how to make this system more efficient.

Chairman Wilson said that many of the comments made around strengthening language bringing sharper focus to a particular point has been made note of and that is the kind of thing that they will now go back and try to implement. Relative to some of the substantive points. He said they will be happy to entertain from Mr. McGrady any specific recommendation this morning that he might have on those matters that he feels that might not have been addressed as clearly as they should have been, if he has that level of energy around that. We will be happy to entertain it before we adjourn.

Mr. McGrady said he is hard pressed to put together a new draft in areas having just received this report yesterday and looking at it last night. He said he is disinclined to go there although there are a range of things he would like to see changed.

Representative McGee said it could be the problem of standardization across the state in regards to a couple of comments made. He said he was mayor of Clemmons and DOT was very involved in the land use planning and highway connections, etc. within their development process. He said he did not know how it is in other areas but he did not know there could be an improvement in DOT's assistance to them in his district. It could be that DOT assistance in other districts was not up to that standard.

Mayor Joines congratulated Chairman Wilson on his hard work on the committee and the report. He feels this is a good report and there is some good work to be done. He called attention to page 9 of the report talking about the accelerated planned urban loops and said he is very much in favor of accelerating those. He would like to see some language in there something about with priorities established based on objective "public" criteria for funding.

Chairman Wilson said he did not believe there would be any objection to that so that change will be made.

Mr. Miller talked about the scope of the work the committee has done saying this task calls for a review of a highway system that has grown since the 1920's and for those now in their senior years this is has been 80 or 90 years. There were fees and taxes for the operation of what they had by way of transportation facilities, roads, streets and things. In one way we have come a long way we have come a long way in 80 or 90 years and another way we are still struggling really to put our arms around the massive problem and it is still there he said. Mr. Miller said the job that Chairman Wilson and the committee was given was really much larger than anyone could imagine being able to come to some quick resolution by way of establishing priorities or recommendations. He said one more time the needs have been identified and how to satisfy those needs by way of either taxes or fees. He said he is a little concerned that the committee has not looked down the road 20 to 25 years further as to what those needs and costs are going to be 20 to 25 years from now. The concept that has been used here in satisfying the cost of the transportation system is being met by taxes on motor fuel, and certain other things. That

is one segment of the way this can be paid for. The second the way of paying for it are fees. He thinks everyone would agree that taxes should be fair to be spread broadly over the population and fees although as a form of taxation can be disproportionate. He said he is not sure we have come to grips with that issue. He believes it is more important because the disproportionate cost of maintaining the highway system is growing on a certain class of users who are by necessity requiring a better quality of highway system and our cost of maintenance. He said he is addressing a method of payment based upon a user fee concept that more adequately applies to what he believes to be the disparity in accessing the cost of highway construction and long-term maintenance. He thinks the need for highway construction and maintenance for those who use our highways, not just our own citizens but the interstate population that crosses into our state. He thinks at that point the user fee concept has not kept up with the demand placed upon the state in providing for those more expensive highways and the more expensive cost of maintenance. He thinks it is unfair to have a tax system for maintenance of the highway system that it unfairly places that burden more on those who use it but require less in terms of maintenance and cost on those who use our highways as a part of their business operations as it turns into a part of their cost of doing business. He feels the user concept should accept more to capture part of the cost than those who use the highways as a part of the cost of doing business which is a tax deductible item. He thinks there might be a little bit more help from the federal that way than is there at the present time. Mr. Miller said he would hope the legislature would develop further review of user fee concept. He feels through the report of this study we have made lip service to user fee concept. He is not sure the report has placed the emphasis on it that it would have liked to have seen placed.

Senator Jenkins made the motion to accept the report. He said he would recognize that it is not exactly what is wanted but we have a very diverse state. We have a lot of different needs in different parts of the state. He said he can see this as real good road map for the General Assembly to move forward on and he recommends to the committee members that it be accepted and send it on to the General Assembly and ask them to see what they can do to fix it. He said he knows there are certain areas in the report, if you are talking about user taxes he is all in favor of them, but they are not something that can be created over night. There are a lot of little glitches to vehicle miles traveled that needs more work. They did not have the time to do it but he is moving to accept the report.

Representative Cole seconded the motion to accept the report.

Representative Carney said she made a commitment to attend all of the committee meetings and she thinks she has 100% attendance. She thanked the members that were appointed from the private sector than has given of their time to developing this road map or this list of potential legislative policies that the members of the General Assembly will take and dissect and as can be imagined they will come out probably different from some of the wording that has been brought forward in this report. She said she did not want anyone here to think that what the committee has done over the past year will put aside and on a shelf because what she has experienced through this process this year is the public is very much engaged in what is being done and also in deed what may not be

done. Public policy is driven by the public opinion and she said she knows this has been given almost 100% of everyone's effort. This report and the steps taken as a state in moving forward with any parts of this plan in the next 25 or 50 years there are some huge decisions that will be made. Transit has been a huge issue that has risen up to take the forefront with especially this economy and people needing to be transported from their front door to their work and back. She said the automobile can no longer be relied on. It will not be the only mode and she said she commends this committee and the chairman for the work that has been done and looking at all facets of transportation it is no longer just the great road state. She said she commends the administration in Washington that this is has been high on their agenda. Representative Carney told the members they will be referred to by her herself and her colleagues as the committee report goes forward with this committee's report. She said they will be using comments and input that has been given pro and con because the committee members are the ones that have been at the forefront on developing these recommendations. She said she commends everyone on the committee and expressed it has been an incredible experience.

Mayor Bellamy thanked the Governor and leadership of the House for including mayors on this study committee. It represents a good faith effort to begin a positive step towards increased cooperation and collaboration at all levels of government as referenced on page 11 of the report. She said she believes the Intermodal Bill is a great example of moving DOT towards a more comprehensive system. She called attention to page 10 under performance and accountability bullet one and three are essential to the success of the department. It should be emphasized in the cover letter that goes to the General Assembly. Without those 2 things being changed she thinks it is going to hamper the ability for this state to accept a lot of these recommendations that are being put forward. The VMT should be increased. The minimum that is stated in the report is $2,000 and she said she knows it is going to negatively impact the western part of this state so she respectively ask if it could start at $5,000? Mayor Bellamy asked, is that possible to give an amendment to be looked at stating this?

Brad said he thinks the recommendation is that we do not get into that level of detail. What is offered there at the level of detail that Mayor Bellamy is discussing is simply an example about how the VMT would work. The recommendation of this committee is simply stated that we would urge the General Assembly to undertake an analysis and a development of that approach, whatever that might be, and move the state in that direction. We are not recommending that it be two thousand, five thousand or a quarter of cent or a half cent. That is in there by way of illustration only.

Mayor Bellamy asked if it is possible to pull that out and vote on it separately.

Chairman Wilson said, if you have a motion to amend the report, I will be happy to entertainment it.

Mr. Lanny Wilson asked with respect to an amendment that he sent in to General Trogdon relating to the Intermodal fund and the counties that would qualify, has that amendment been made and would that need to be voted on?

In answer to Mayor Bellamy's question to vote on VMT separately from the entire bill. Chairman Wilson said not unless it is the will of the committee to do so. This is the full committee report and it would not be appropriate to do that. Chairman Wilson asked if Mayor Bellamy has a specific amendment she would like to make to this report he will be happy to entertain that motion.

Mayor Bellamy made the motion to remove the VMT recommendation in its entirety. There not being a second to the motion it fails for lack of a second.

In answer to Mr. Lanny Wilson's question Mr. Goode said the amendment is included. It is recommendation thirteen.

There not being any other discussion or debate on the report Chairman Wilson called for a vote. The vote was unanimous with one descending vote by Mayor Bellamy to accept the report.

Chairman Wilson thanked Larry Goode and all of the staff members that have done such great work in supporting the committee. He expressed to them appreciation for their patience and perseverance with the committee as this work has been done. He also thanked all members of the committee and particular the leaders of the subcommittees who did great work, attended as much as we could and he said he thinks we are at a good place. He also said he would like to specifically thank the members of the General Assembly who have wedged this committee into the busy schedules that they maintain and also for kind of keeping our feet on the ground. He said it is easy to come to this kind of work and you want to develop the perfect report, the perfect ivory tower scenario that is going to solve all problems and all issues for all time, and what the committee has tried to do, and the guidance of the members of the General Assembly has been helpful in reminding the committee that North Carolina has a lot of issues facing it other than just transportation. Chairman Wilson said what the committee has tried to craft here is a set of recommendations that will move the state forward and take a first step, a big step. He said we do not contend that this report is the answer to a sixty-four billion dollar question. He said he is not even sure anyone to could answer that in 2010. He said as he looks at the words that says final report he really looks at this as a final interim report. He said believes in short order and some date in the not too distant future this discussion will need to take place yet again because facts and circumstances are changing so rapidly that it cannot be locked in as the answer for the next twenty years. Remember that the goal of this committee was to take a first big bite. Talk has been in terms of ten billion for ten years or five billion for five years. Chairman Zelnak led the Finance Committee in that discussion to keep that discipline around it and what we have here is a reflection of that discipline. Not everybody will believe that the committee was as aggressive on every component of this report as it should have been. That is the nature of the work. Reasonable people are going to differ over these things. Chairman Wilson said he does believe as Representative Carney has said the committee members have given it their best

effort. The revisions that have been suggested here today will be made and it will be offered up as the final "Interim Report" for the General Assembly to apply their leadership in going forward.

He thanked the members of the General Assembly for keeping the committee's feet on the ground as the work has been done. Finally he thanked all those who have followed the work of the committee, all those who have offered their commentary both formally and informally to give the committee guidance and support and input. Chairman Wilson said he believes some of that will be seen and reflected in the report. Without public participation going forward building the political will around this particular topic and challenge for North Carolina it will in deed become another report that gathers dust. He said he has the same sense as Representative Carney, there is a lot of momentum and this committee will be happy to remain a part of that as the leadership of the state so directs and invites.

The meeting was adjourned at 11:00 a.m.

Brad Wilson, Chairman

Sarah Murphy, Clerk

21st CENTURY TRANSPORTATION COMMITTEE

Final Report

DRAFT

REPORT TO THE
2009 GENERAL ASSEMBLY
OF NORTH CAROLINA

A LIMITED NUMBER OF COPIES OF THIS REPORT IS AVAILABLE
FOR DISTRIBUTION THROUGH THE LEGISLATIVE LIBRARY

ROOMS 2126, 2226
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-7778

OR

ROOM 500
LEGISLATIVE OFFICE BUILDING
RALEIGH, NORTH CAROLINA 27603-5925
TELEPHONE: (919) 733-9390

TABLE OF CONTENTS

LETTER OF TRANSMITTAL..... 1

COMMITTEE PROCEEDINGS..... 2

FINDINGS AND RECOMMENDATIONS..... 4

COMMITTEE AUTHORIZATION..... 13

MEMBERSHIP OF THE COMMITTEE..... 16

APPENDIX A COMMITTEE INTERIM REPORT..... 18

December 10, 2008

TO THE MEMBERS OF THE 2009 GENERAL ASSEMBLY:

The 21st Century Transportation Committee hereby submits its final report to you for your consideration. This report was prepared by the Committee pursuant to the letter from the President Pro Tempore of the Senate and the Speaker of the House, dated October 29th, 2007, creating the Committee, issued under the authority of G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.

Brad Wilson
Chairman
21st CENTURY
TRANSPORTATION COMMITTEE

Committee Proceedings

The 21st Century Transportation Committee was established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly. The 21st Century Transportation Committee held thirteen meetings from November 2007 to December 2008.

In accordance with the charge, the committee studied the following:

(1) Ways to improve the transportation systems of the State in order to promote economic growth and ensure that the State can compete and participate in the global economy.

(2) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.

(3) Priorities of the Department of Transportation, including methods to ensure adequate funding for corridors and projects of statewide significance.

(4) Methods to use new and innovative technology to improve the transportation system.

(5) Local funding options for transportation.

(6) Ways to adequately fund road construction to address urban congestion and to improve mobility.

(7) Methods to spend transportation funds in the most effective and cost efficient manner, including ways to use recycled materials, and reuse and recycle road materials.

(8) Ways to maintain the continued safety of the current transportation system, including an analysis of the safety and reliability of bridges in the State.

(9) The appropriate division of responsibility for transportation infrastructure between State and local government and any federal role in providing transportation infrastructure needs.

(10) An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.

(11) A review of public transportation needs in urban areas.

(12) Methods to encourage fuel conservation and energy conservation in North Carolina.

The 21st Century Transportation Committee members traveled to several cities across the state in 2007 and 2008, including Asheville, Charlotte, Raleigh and Wilmington, to gain information on transportation issues facing North Carolina as well as potential mobility solutions.

Below is a list of the meetings of the 21st Century Transportation Committee. A complete record of each meeting is available in the Committee notebook filed in the Legislative Library:

November 7, 2007
November 26, 2007
December 12, 2007
January 16, 2008
February 21, 2008
March 24, 2008
April 24, 2008
May 13, 2008
August 21, 2008
September 11, 2008
November 5, 2008
November 19, 2008
December 10, 2008

Findings and Recommendations

Findings

North Carolina faces many transportation challenges that need to be addressed in order for our State to be successful in the future. After hearing information from several sources across the State, the Committee finds:

Our State's population grew by 30% from 1990 to 2005. This rate of growth is faster than the U.S. growth rate of 19% and faster than all but eight other states. This robust growth is expected to continue. The 2005 estimated population was 8,679,291 while the projected population for 2030 is 12,465,478 – this is a rate of growth of more than 43% over the next twenty five years. By 2030, North Carolina is projected to become the 7th most populous state in the nation. This is the equivalent to adding a South Carolina to our State. This growth presents great opportunity and great challenges, particularly to our State's aging transportation infrastructure.

North Carolina currently ranks 2nd out of 50 states in total state maintained road mileage. On the other hand, the State ranks 49th in total revenue per lane-mile, and 47th in spending per lane mile.

According to a 2006 report on the Interstate Highway system, 57% of all urban interstate miles in North Carolina and 47% of rural interstate miles are congested. In addition, 40% of all travel in urban areas is conducted during congested conditions. Estimates project a 50% growth in vehicle miles traveled over existing conditions by 2030.

Currently, North Carolina spends approximately 5% of its annual transportation budget on freight and passenger rail, ferries, mass rapid transit, busses, bicycling, pedestrian and other non-highway transportation options.

The North Carolina Department of Transportation reports that to meet current needs and to prepare North Carolina for 2030, an estimated additional investment of over $65 billion is required to plan, design, build and maintain all aspects of our transportation systems.

The user-pay model of taxing the consumption of fuel has worked well since 1921 and has adequately funded transportation needs in the State until recent years. As vehicles have become more fuel efficient, and gas prices have become more volatile, consumption has flattened and in recent months declined resulting in a precipitous drop in gas tax revenues. In addition, as the State works to promote the use of alternative fuels, revenues linked to the consumption of petroleum-based fuels are likely to continue to fall.

Toll roads are a user-pay model used in high-growth areas around the country. North Carolina is a federal transportation "donor" state. The State continues to send more in transportation funds to Washington than it receives in return, for both highways and transit.

Highway construction costs have increased 124% in the past six years.

North Carolina currently has over 2,500 structurally deficient bridges and ranks 41st out of the 50 states in terms of bridge deficiencies. The North Carolina Department of Transportation estimates that it needs to replace 400 bridges annually in order to reduce the number of structurally deficient bridges. Currently, the Department replaces only slightly more than 100 bridges annually.

As documented in the NCDOT Long Range Transportation Plan, currently 37 percent of State transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic.

North Carolina must simultaneously reduce the time and costs involved in delivering transportation projects. Currently, large projects take between 8 and 10 years for planning and permitting with increasing portions of transportation budgets being spent on these activities. North Carolina must do better at balancing these planning requirements with the fiscal stewardship our citizens deserve, as other states have done.

Recommendations

In the course of 13 meetings over the last 14 months, the Committee has heard many recommendations to address the transportation needs of North Carolina.

In September 2004, the North Carolina Department of Transportation published its Long Range Multimodal Transportation Plan for the next 25 years. The report identified several transportation trends and challenges, including a then estimated shortfall of $29 Billion in transportation needs versus anticipated revenues. By 2007 the estimated shortfall had grown to $65 billion. This shortfall is driven primarily by a 35% growth in population over the last 20 years, a 40% growth in vehicle-miles traveled over the last 10 years, an increase in construction costs of 124% over the past six years, and increasing pressures on transportation funds primarily supported by motor fuels taxes for maintenance of the existing highway system. Explosive growth in the urban areas and shifting demographic patterns are creating more demand for multi-modal transportation choices. The State is expected to experience a 67% increase in domestic freight tonnage over the next 20 years.

Although these challenges may appear daunting and insurmountable, they are a consequence of our successful and growing economy in North Carolina. Without this economic growth our list of challenges would be completely different and with little means of redress. Few would argue that the transportation needs are not currently outpacing available resources. North Carolina currently ranks 2nd out of 50 states in total state maintained road mileage, but 49th in total revenue per lane-mile and 47th in spending per lane mile. Currently, North Carolina spends approximately 5% of its annual transportation budget on freight and passenger rail, ferries, mass rapid transit, busses, bicycling, pedestrian and other transportation choices. In a growing and populous state, these statistics clearly show that North Carolina's challenges are directly related to the need for additional revenues not linked to motor fuels taxes. In addition, we must prioritize transportation spending based on statewide goals balancing mobility, connectivity and economic prosperity.

The committee recommends a "Fix-it-First" policy, which would ensure that we protect past investments in transportation systems and would also help reduce the long-term costs of repair by slowing the deterioration of existing roads, bridges and other infrastructure. A Fix-it-First strategy is not a Fix-it-Only strategy. A Fix-it-First is fiscally responsible with respect to maximizing investment dollars and in regards to support of our economy; will result in a balanced State transportation program; will result in increased citizen confidence regarding how State transportation dollars are spent.

Since the establishment of the 1989 Highway Trust Fund, most of the transportation funds allocated by the North Carolina Board of Transportation have been distributed using the "equity formula" as mandated by the General Assembly. Some have advocated for changes in the equity formula to better accommodate the needs of high growth areas. A considerable portion of state funds are distributed outside of the equity formula.

NCDOT reports that 17% of the entire federal and state construction expenditures in the last 15 years were expended in only seven counties, with several high growth counties receiving almost 5 times the average per-county expenditure. While, the debate continues about the continued use of the equity formula, there is little debate that the State's current revenue model is woefully inadequate to meet the needs of a rapidly growing State and to serve all of its citizens' transportation needs - both urban and rural in a global economic environment.

Given the $65 billion statewide need, it is clear that no single financing or policy solution exists to solve the State's transportation challenges. Rather, a menu of options will be required to prevent a decline in mobility in the State. The Committee made interim recommendations in May for the 2008 Regular Session of the 2007 General Assembly and those recommendations are in the Appendix A of this report.

The goals of the Committee are to take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and to put in place an effective multimodal transportation system that will reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state. Reaching these goals will require a new investment of $1 billion per year for the next 10 years, tolling of interstate highways, the creation of a dedicated funding source for intermodal solutions, additional local options to implement the right solutions for each area, improved long-term planning, and improved management and execution by the NCDOT and other involved agencies.

The Committee recommends that the General Assembly consider each of the following options as it searches for solutions to address the transportation needs in North Carolina.

A menu of policy options for new funding for transportation is listed below:

Eliminate Transfers. The Committee recommends eliminating all remaining transfers of funds from the Highway Trust Fund and the Highway Fund to the General Fund. This includes the transfers from Highway Fund for State Highway Patrol, Driver's Education Program, and reimbursement of sales tax exemption.

Highway Use Tax. The Committee recommends increasing the Highway Use Tax from 3% to 4% over two years. Several other Southeastern states already have taxes at this rate or higher. Increasing the rate to 4% would produce an additional $200 million annually, based on historical collections. In addition, the General Assembly should consider increasing the current $1000 cap on Class A and Class B commercial vehicles to adjust for inflation, imposing a differential rate for fuel efficient vehicles, and allocating new funds for specific purposes besides those currently mandated by the Highway Trust Fund.

Vehicle Miles Traveled {VMT} Fee. The Committee recognizes the State needs an alternative or supplement to the motor fuels tax. This fee would be a true user-fee independent of type or amount of fuel consumed. These days, North Carolinians are

traveling more miles in more vehicles. However, our roadways are suffering from lack of maintenance and new construction due to the slow growth of motor fuels tax revenues due to improvements in fuel economy One possible solution is to base our tax on how much we drive, not how much fuel we consume – in other words, a "Vehicle Miles Traveled Fee" (VMT Fee). With the VMT fee the consumers would pay taxes proportionately to the number of miles they drive. There is a pilot project in Oregon that is testing the feasibility of a VMT fee. A simple approach to a VMT fee is to charge each passenger vehicle and truck 1/4 cent for each mile driven. The average driver drives 12,000 miles per year, so with an exemption for the first 2000 miles the cost to the average driver would be $25. This fee could be collected as a part of the vehicle annual inspection program. In addition, the General Assembly should consider authorizing a local option VMT fee.

Vehicle Registration Fees. The Committee recommends increasing the passenger vehicle registration fee (currently $28) by $30 over three years. This would provide additional revenues of $195 million annually. In Committee also recommends increasing other staggered registration fees by 25%. This would provide additional revenues of $50 million annually.

Vehicle Registration Fees based on weight. The Committee recommends the General Assembly consider charging registration fees based on vehicle weight for passenger vehicles. The following estimates are based on the Florida model. The Committee recognizes that implementation of this proposal may be difficult or costly.

Vehicle Weight	Option 1	Option 2	Option 3
< 2,499lbs	$27.60	$33	$37
2500-3499	$35.60	$43	$47
3500 and up	$45.60	$55	$60
Revenues	$70 Mill	$121 Mill	$150 Mill

Bonds. The Committee recommends that the General Assembly authorize a referendum for general obligation bonds to accelerate construction on high traffic, high congestion roadways. The Committee recognizes that any issuance of bonds must be supported by new revenue.

Special Federal Funding. The Committee recommends that the State seek special federal funding for the Yadkin River Bridge Project and that NCDOT take needed actions to clear regulatory hurdles and prepare for letting to construction of this project.

Local Option Sales Tax. The Committee recommends that the General Assembly authorize a local option sales tax of up to 1% for transportation for counties, cities, and metropolitan regions. The Committee recommends requiring voter approval for the local option tax and granting the taxing entity the ability to set priorities between roads, transit, and other transportation modes.

Indexing Fees. The Committee recommends that the General Assembly index all fixed fees (such as registration, title, drivers license, etc.) to the consumer price index so that

the fees would automatically change without legislative action. Based on an inflation rate of 3%, this would yield an additional $20 million annually in the first year alone.

Tolls. The Committee recommends increasing the use of toll roads. Specifically, the Committee recommends tolling I-95 border to border to support 180 miles of widening by an additional two lanes in each direction, tolling I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction, and seeking federal approval to toll all interstates at the borders.

Differential Fuel Tax Rates. The Committee recommends that the General Assembly consider adopting differential fuel tax rates for diesel and gasoline

Intermodal Recommendations. The Committee recommends dedicating $ 170 million per year to fund the Intermodal Initiative recommended in the Interim Report of the 21st Century Transportation Committee (these recommendations can be found in the Appendix A of this report).

Revision to Intermodal Draft Legislation in Interim Report. The Committee recommends the language in proposed G.S. 136-252(a) be revised to read as follows, with the new language about Article 25 appearing in italics:

a) Cities, counties, *transportation authorities under Article 25 of Chapter 160A of the General Statutes,* regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes, including planning and engineering.

Other policy objectives

Mobility and Connectivity. The Committee makes the following recommendations with respect to mobility and connectivity:

- Create a Congestion Reduction program focused on the Strategic Highway Corridors and the 7% of the highway system miles that carries 45% of the traffic. The estimated cost of this $120 million per year. The program would be focused on decreasing travel time and increasing travel reliability.
- Maximize capacity and utilization of rail freight movement consistent with the recommendations of Intermodal Committee and the North Carolina Railroad long range plans.
- Enhance mobility within all areas of the state by continued investment and the completion of Intrastate System Projects and the Strategic Highway Corridors and by allowing regions to re-prioritize and re-program existing funding consistent with changing transportation demands and economic growth patterns within each region.
- Enhance mobility and reduce congestion by accelerated investment and completion of all planned urban loops.

- Expand use of tolling and congestion pricing to include High Occupancy Tolls (HOT) lanes consistent and complimentary with current North Carolina Turnpike Authority projects and any newly authorized tolling projects.

Preservation. Well-maintained roads are essential for safe, efficient transportation, for both automobiles and public transit. Potholes, cracks in the roads, and age related deterioration all contribute to less safe driving conditions and exact a significant financial toll on auto-users. Recognizing that preservation of our current transportation system is as important as making improvements to the system, the Committee makes the following recommendations:

- Recommend adoption of a Fix-it-First policy within NCDOT. A Fix-it-First transportation policy would ensure that we protect past investments in transportation systems and would also help reduce the long-term costs of repair by slowing the deterioration of existing roads, bridges and other infrastructure. A Fix-it-First strategy is not a Fix-it-Only strategy. A Fix-it-First is fiscally responsible with respect to maximizing investment dollars and in regards to support of our economy; will result in a balanced state transportation program; and will result in increased confidence regarding how state transportation dollars are spent.
- Fully fund existing bridge replacement needs in North Carolina. This has an estimated cost of $300 Million.
- Create an effective Bridge Maintenance and Rehabilitation Program within existing maintenance funds.
- Create an annual Interstate Resurfacing Program from federal interstate maintenance funds within each Highway Division with interstates and remove interstate maintenance expenditures from equity calculations.
- Implement a measurable system preservation and maintenance program with quantitative measures of performance and measures of effectiveness (i.e. MOE = remaining service life of road network, MOP=annual miles resurfaced and reconstructed).

Safety. The Committee makes the following recommendations with respect to improving the safety of our highway system:

- Focused external safety and enforcement programs with adequate metrics to reduce fatal accidents and serious injuries on transportation facilities.
- Fully fund spot safety programs but hold program accountable for accident and injury reduction.
- Focus collaborative enforcement efforts within all enforcement agencies on top priority locations for accident and injury reduction based on frequency and severity of occurrence. Of particular interest are coordinated efforts focused on rural secondary roads which account for 34% of all fatal accidents.

Performance and Accountability. The Committee makes the following recommendations with respect to improving performance and accountability:

- Increase the policy, strategic, planning, and governmental coordination focus of the Secretary and Board of Transportation with any safeguards and ethics reforms

required to restore public trust and confidence in the delivery of transportation services.

- Reduce transportation administrative costs that do not directly improve road, bridge, or other key infrastructure within the State.
- Examine existing and recently proposed Department of Transportation organizational structure for opportunities to consolidate policy and programming responsibilities, decentralize project delivery to the greatest extent feasible to Highway Divisions, and reduce redundancy.
- Complete the implementation of planned measured performance objectives across the Department of Transportation for all key personnel and offices

Increased Cooperation and Collaboration at all levels of Government. The Department of Transportation should work to develop a closer relationship with local government to leverage state/local resources and better coordinate land use with transportation planning through empowerment of decision making responsibilities and accountability to Division Engineers working closely with Board of Transportation Members and Municipalities. The Department of Transportation should assist local governments in coordination of land-use and transportation planning while integrating pedestrian, bicycle, and transit improvements as appropriate. The General Assembly and NCDOT should work with the League of Municipalities, the Metropolitan Coalition, and the Association of County Commissioners to explore opportunities for improved delivery and efficiency of existing transportation services and, adequate and secure revenue sources for those current responsibilities, including increased Powell Bill funding to better address the increased cost of road construction and maintenance.

Other Policy Considerations

As the State moves forward with improving our transportation system, all affected parties should seek to incorporate the following considerations in their actions:

1) The provision of sustainable source of funding for transportation using a new 21st century economic model not tied primarily to petroleum use.
2) The provision of incentives to reduce dependence on petroleum based motor fuel.
3) The provision of new markets for alternative energy sources which support the development of a new energy economy in North Carolina.
4) The provision of incentives for a reduction in vehicle miles traveled.
5) The positioning of the State positively as a recipient of federal infrastructure/economic stimulus funds.
6) The reduction of congestion in urban areas and the promotion mobility with improved land use planning.

As the revenue challenges are solved, North Carolina must simultaneously reduce the time and costs involved in delivering transportation projects. Currently, large projects take between 8 and 10 years for planning and permitting with increasing portions of transportation budgets being spent on these activities. North Carolina must do better at balancing these planning requirements with the fiscal stewardship our citizens deserve, as other states have done.

With good transportation policy, adequate revenue, and responsible delivery of transportation services, North Carolina will be positioned to meet the mobility and access needs of our growing population, both urban and rural, well into the future.

Marc Basnight
President Pro Tempore,
North Carolina Senate

Joe Hackney
Speaker,
North Carolina House of Representatives

Raleigh, North Carolina 27601-1096

21st Century Transportation Committee

Section 1. The **21st Century Transportation Committee** (hereinafter "Committee") is established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.

Section 2. The Committee consists of the 24 members listed below. The President Pro Tempore of the Senate shall appoint 12 members of the Committee, and 4 of these 12 appointments shall be made upon the recommendation of the Governor. The Speaker of the House of Representatives shall appoint 12 members of the Committee, and 4 of these 12 appointments shall be made upon the recommendation of the Governor.

The Committee shall select its chair upon the recommendation of the Governor. The Committee and the terms of the members shall expire when the Committee submits a final report to the General Assembly. Members serve at the pleasure of the appointing officer.

President Pro Tempore Appointments	**Speaker of the House Appointments**
Senator David Hoyle	Representative Nelson Cole
Senator Clark Jenkins	Representative Becky Carney
Senator Richard Stevens	Representative Lorene Coates
Dr. Joseph Monroe, Dean, Guilford County	Representative Phillip Frye
Mr. Lanny Wilson, New Hanover County	Representative William C. "Bill" McGee
Mr. Billy Sewell, Onslow County	Representative William L. Wainwright
Mr. Stephen Zelnak, Jr., Wake County	The Honorable George W. Miller, Jr., Durham County
The Honorable Richard Blackburn, Ashe County	Ms. Nina Szlosberg, Wake County
*The Honorable Terry Bellamy, Buncombe County	*Mr. Charles F. Bowman, Mecklenburg County
*The Honorable Sam Hunt, Alamance County	*The Honorable Chuck McGrady, Henderson County
*The Honorable Allen Joines, Forsyth County	*Mr. D. Jordan "Jordy" Whichard, III, Pitt County
*Mr. Gregory Plemmons, Guilford County	**Mr. Brad Wilson, Chair, Wake County

* Recommendation from Governor Michael F. Easley
** Recommendation for appointment as Chair by Governor Easley

Section 3. The Committee shall study the transportation infrastructure needs of the State. The Committee shall study and report on the following:

(1) Ways to improve the transportation systems of the State in order to promote economic growth and ensure that the State can compete and participate in the global economy.
(2) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.
(3) Priorities of the Department of Transportation, including methods to ensure adequate funding for corridors and projects of statewide significance.
(4) Methods to use new and innovative technology to improve the transportation system.
(5) Local funding options for transportation.
(6) Ways to adequately fund road construction to address urban congestion and to improve mobility.
(7) Methods to spend transportation funds in the most effective and cost efficient manner, including ways to use recycled materials, and reuse and recycle road materials.
(8) Ways to maintain the continued safety of the current transportation system, including an analysis of the safety and reliability of bridges in the State.
(9) The appropriate division of responsibility for transportation infrastructure between State and local government and any federal role in providing transportation infrastructure needs.
(10) An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.
(11) A review of public transportation needs in urban areas.
(12) Methods to encourage fuel conservation and energy conservation in North Carolina.
(13) Any other issues the Committee finds relevant to this study.

Section 4. The Committee shall meet upon the call of the chair. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

Section 5. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02.

Section 6. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5 and 138-6, as appropriate.

Section 7. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. An initial allocation of $50,000 shall be provided to the Committee from funds appropriated to the General Assembly.

Section 8. The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

Section 9. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations. The Legislative Services Commission shall grant adequate meeting space to the Committee in the State Legislative Building or the Legislative Office Building.

Section 10. The Committee may submit an interim report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before May 1, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before December 31, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate on December 31, 2008, or upon the filing of its final report, whichever occurs first.

Effective this 29th day of October, 2007

Marc Basnight
President Pro Tempore of the Senate

Joe Hackney
Speaker of the House of Representatives

10/29/07

Membership

21st Century Transportation Committee

Pro Tem Appointments

Sen. David Hoyle
300-A Legislative Office Building
Raleigh, NC 27603

Sen. S. Clark Jenkins
308 Legislative Office Building
Raleigh, NC 27608

Sen. Richard Stevens
406 Legislative Office Building
Raleigh, NC 27603

Mr. Richard Blackburn
451 Don Walters Rd.
Building Jefferson, NC 28640
27603

*The Honorable Allen Joines
PO Box 2511
Winston Salem, NC 27102

*The Honorable Terry Bellamy
48 Lancelot Lane
Asheville, NC 28806

*The Honorable Sam Hunt
1215 Maple Ave.
Building
Burlington, NC 27215

*Mr. Greg Plemmons
500 Old Dominion Way
Thomasville, NC 27360

Speaker Appointments

*Mr. Brad Wilson, Chairman
1412 Canterbury Rd.
Raleigh, NC 27608

Rep. William L. Wainwright
301-D Legislative Office Building
Raleigh, NC 27603

Rep. Becky Carney
1221 Legislative Building
Raleigh, NC 27601

Rep. Lorene Coates
633 Legislative Office
Raleigh, NC

Rep. Nelson Cole
1218 Legislative Building
Raleigh, NC 27601

Rep. Phil Frye
1019 Legislative Building
Raleigh, NC 27601

Rep. William C. "Bill" McGee
531 Legislative Office

Raleigh, NC 27603

*Mr. D. Jordan "Jordy"Whichard
PO Box 1967
Greenville, NC 27834

Mr. Billy Sewell
521 New Bridge St.
Jacksonville, NC 28540

*Mr. Charles F. Bowman, President
North Carolina Bank of America
Bank of America Corporate Center
100 North Tryon Street
Charlotte, NC 28255-0001

Dr. Joseph Monroe
NC A&T College of Engineering
Greensboro, NC 27411

*Mr. Chuck McGrady
1 Historic Courthouse Sq., Ste. 1
Hendersonville, NC 28792

Mr. Lanny Wilson
Miller, Jr.
1442 Quadrant Circle
Raleigh, NC 27607

The Honorable George W.

PO Box 51429
Durham, NC 27717

Mr. Stephen Zelnak, Jr.
PO Box 30013
Raleigh, NC 27607

Ms. Nina Szlosberg
2710 Rosedale Avenue
Raleigh, NC 27607

*Recommendations from Governor Michael F. Easley

Staff to Committee

Larry Goode
21st Century Committee
919 301-1589

Gerry Cohen
Mikael Gross
Bill Drafting Division
919 733-6660

Jim Trogdon
House and Senate Transportation
919 715-0654

Chris Dillion
Sabra Faires
President Pro Tem. Office
919 733-6854

Lisa Hollowell
Bob Weiss
Fiscal Research
919 733-4910

Canaan Huie
Speaker's Office
919 301-1410

Giles Perry
Wendy Graf Ray
Research Division
919 733-2578

APPENDIX A

Interim Report Approved by the 21st Century Transportation Committee
On May 14, 2008

APPENDIX A

Interim Report Approved by the 21st Century Transportation Committee
On May 14, 2008

21st Century Transportation Committee
Finance Subcommittee
Recommendations

There are six 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.

Number 2 - 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 – Debt service for Bonds – It is proposed that the new bonds will be paid for by a portion of the money recaptured through the elimination from the transfer of 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.

Number 5 - 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 semi-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 6 - Yadkin River Bridge / I-85
It is proposed to have NCDOT take needed actions to clear regulatory hurdles and prepare for letting to construction of a new bridge at I-85/Yadkin River (letting midyear 2009). NCDOT and the State of North Carolina will seek federal earmark funds for this specific project during 2008.
(The Finance Subcommittee of the 21st Century Transportation Committee will develop a backup funding recommendation by December 31, 2008.)

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.

21st Century Transportation Committee
Prioritization, Best Practices, and Efficiency Subcommittee
DRAFT Interim Recommendations
For NCGA consideration
Session 2008

There are seven interim recommendations for consideration by the 21st Century Transportation Committee:

Numbers 1 & 2 – Transfer Elimination and Gap Funding : Details with Finance Subcommittee

Number 3 – Mobility Corridors and Congestion Relief-
The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed on loops and Strategic Highway Corridors according to measures of congestion indices, travel time, average daily traffic, and accident rates, to modernize existing facilities, maximize capacity, remove bottlenecks which increase congestion, and add capacity where necessary, based on benefit/cost factors. These funds can also be used to accelerate planned loop projects where measurable congestion relief is provided.

Number 4 – Intrastate System and Bridge Preservation The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed against completion of the current Intrastate System and/or Bridge Replacement and Preservation allocated through the existing equity formula. If Intrastate System projects are not available for construction, these funds can only be used for replacing structurally deficient or functional obsolete bridges within a region or on mobility corridors according to item 5 above on statewide tier routes, or to projects deemed critical within each Highway Division by the Board of Transportation Member and the Division Engineer..

Number 5 -. Remove Interstate Maintenance from Equity Calculations - The Prioritization Subcommittee recommends removing the Federal Interstate Maintenance Funds from Equity Formula. IM Funds are approximately 3 % of the total federal and state transportation revenues. By removing them from equity calculations, similar to Congestion Mitigation and Air Quality funds, the Interstate System in NC can be maintained at a higher level of service without competing against other critical projects within a region, and would allow the establishment of an Interstate Resurfacing and Preventive Maintenance funding allocation annually to the Highway Divisions based on their Interstate Mileages to more economically provide preventive maintenance treatments in a timely manner.

Number 6 – Implementation of Key Studies Recommendations
Implement immediately (next 60 to 90 days) key recommendations from previous studies that to date have not been implemented:

- The NCDOT should develop meaningful and reliable highway performance objectives, measures and indicators for preconstruction and construction schedules and costs. Results should be compared to stabled goals as well as the results of prior periods, and should be reported internally and externally. Management should analyze results for variances, trends, and relationships and use them in budgetary, decision making, and improvement processes.
- Change the TIP structure to improve the ability to deliver projects as planned. Improve the Program and Project Delivery processes through streamlining of planning processes, improvements and decentralization of the bridge replacement.
- Establish measurable department-wide strategic objectives for program delivery, an annual business plan for improvements, and management accountabilities for accomplishing them. Provide proactive and standardized delivery reports at the program and project level to policy makers, customers, and business partners.

Number 7 – Use of Highway Trust Funds for Secondary Roads

As documented in the NCDOT Long Range Transportation Plan, currently 37 percent of state transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, based on percentage of needs, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic. The creation of the Highway Trust Fund mandated that all unpaved roads be paved. In 1989 there were over 16,000 miles of unpaved secondary roads, and currently less than 5,500 miles of unpaved roads, of which 1,800 can not be paved due to right-of-way and/or environmental issues. Therefore, the approximately 3,000 miles of unpaved roads remaining to be paved can be programmed and paved using the Highway Fund portion of the secondary roads program allowing the use of the Highway Trust Funds for increased bond authority in order to reduce congestion, and replace critical substandard bridge infrastructure. The Prioritization Subcommittee recommends continued investigation of the advantages of using the $81 Million per year Highway Trust Fund allocation to Secondary Roads for additional bonding authority for projects for priority items above, in order to adjust the percent expended by tier to better model the percentage of needs while increasing the priority for reducing congestion, and critical bridge infrastructure; or maintenance of the existing usage of these funds on the secondary road system consistent with that provided under HB 750 and HB 1825 focused on preservation and modernization of the sub-regional tier.

REPORT OF THE INTERMODAL COMMITTEE AND EXPLANATION OF CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND

The Intermodal Committee recommends legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund,
2. Set out a framework for grants for intermodal transit capital projects out of this fund, including standards for eligibility. These projects include urban transit and rail freight.
3. Authorize local option revenue options for major urban areas to match these grants
4. Authorize local option revenue options for other urban counties or counties contiguous to urban counties to allow them to raise additional revenues for public transportation systems.
5. Extend the State Ports Tax Credit for five years.

These recommendations allow the State's urban regions to remain good places to live, environmentally sound and economically viable. They allow new urban growth to be absorbed in an environmentally friendly manner, reducing demands on highways and infrastructure, and helping localities target and benefit from economic development. They will also allow strengthening the State's rail freight infrastructure, reducing demand on the highway system, allowing energy efficient movement of goods, and aiding development of the State's ports.

BACKGROUND

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), the North Carolina Railway Association which represents short line railroads, and the North Carolina State Ports Authority all relating to needs for improving freight rail capacity, as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.976 billion over the next 12 fiscal years. This includes $120 million for state aid for rail access to the State ports, $119 million for Class 1 railroads, $65 million for short line railroads, $30 million for statewide bus grants to local governments, $34 million for expansion of intercity passenger rail, and $1.594 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee recommends capping the maximum amount of urban transit capital grants for any one region at 33% of the fund.

NEEDS

On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $100 million in Fiscal Year 2009-2010, $112 million in 2010, between $151 and $173 million annually for the four years beginning 2011 through 2014, $189 million in 2015, between $154 million and

$180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $161 million per year. The committee recommends this level of funding on an ongoing basis with a continuing source of revenue because if not, grantees will be unable to plan and successfully carry out the programs. These figures are all in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, early emphasis will be placed on grants for acquisition of buses by transit systems across the state (including $12.5 million the first year to cover the state share of $50 million in bus purchase). Other projects anticipated for funding during the first three years include between $10 and $12 million annually for intercity passenger rail, potential uses including a third daily AMTRAK frequency from Charlotte to Raleigh or Selma and a demonstration project by the North Carolina Railroad in Eastern North Carolina.

FINDINGS

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. Short line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

RECOMMENDATIONS

Based on these findings and demonstrated needs, the legislation:

1. Establishes the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allows for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and Triangle Transit in the Research Triangle.)
3. Provides that grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Sets the following preconditions for the local government grants: (i) the grant application is approved by all Metropolitan Planning Organizations whose

jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.

5. Allows grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan. Funds appropriated shall remain available until expended.
6. Provides that Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. Provides that no applicant may receive more than 33% of the total funds in a 15-year period.
8. Requires that qualification for federal funding shall be considered in the review and approval process

SHORT LINE RAILROAD GRANTS

9. Provides grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

RAILROAD GRANTS

10. Provides grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars ($10,000,000) per fiscal year.

STATE PORTS RAILROAD GRANTS

11. Provides grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants may not exceed ten million dollars ($10,000,000) per fiscal year.

INTERCITY PASSENGER RAIL SERVICE

12. Provides that grants from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities served.

LOCAL REVENUE SOURCES

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor

vehicle rentals. Other urbanized or urbanizing counties also have significant needs for new revenues for public transportation. The committee has examined the existing revenue options and the legislation will provide the following:

LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the board of Triangle Transit. The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district and by each MPO in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
15. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the major counties in the Triad (Forsyth or Guilford), who are likely to finance a major urban transit project. The tax will also require approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district and by each MPO in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
16. Allow a ¼% sales tax for public transportation purposes to be levied after a favorable referendum in the remaining counties in the Triad: (Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). These eight counties are expected to have major needs for public transportation services, but not to the same extent as Forsyth and Guilford Counties. Programs in these counties might include significant expansion of bus service, including express bus service to employment centers, or extension of a commuter rail line.
17. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.

18. Allows a single county ¼% sales tax for public transportation purposes to be levied after a favorable referendum in any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland and New Hanover as of 2008) These counties have substantial needs for urban transit, but not to the same level as those counties suggested to have a ½% limit. Programs in these counties might include significant expansion of bus service, or commuter rail links to other urban counties.

LOCAL VEHICLE REGISTRATION FEE AND MOTOR VEHICLE RENTAL FEE

The 1991 General Assembly allowed Triangle Transit to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars ($5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

19. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.
20. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 17 will give all three major urban areas the same local option authority.
21. The committee recommends extending the same motor vehicle registration fee authority to any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) In addition, to the extent that any of those counties does not levy the full permitted seven dollars, and city located wholly within that county will be authorized to levy a full dollar rate to the extent that the city and county rate added together does not exceed the seven dollar cap. It is felt that the extension of the motor vehicle registration fee to counties contiguous to urban areas will allow them to add additional public transportation services, especially commuter and express bus service to help improve air quality and commuting. Extension of this fee to large counties such as Buncombe, Cumberland, and New Hanover will allow them to provide enhanced public transportation services.
22. The committee also recommends extending the authority to levy a motor vehicle rental charge of not to exceed five percent which is now authorized in the Triad, Triangle and Mecklenburg to any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) for the same purposes and rationale. Similar

provisions to #21 will allow municipal levy in those counties if the county does not levy the tax or does not levy the full five percent.

STATE PORTS TAX CREDIT

The state ports tax credit encourages businesses to use the two State-owned port terminals at Wilmington and Morehead City. The committee recommends extending the credit from its current 2009 expiration out five years to 2014. This extension has been requested by the North Carolina Ports Authority. The five-year extension of the Ports Tax Credit would allow the Ports to continue offering this business incentive to existing and potential customers and to stimulate economic growth for the State. Extending the NC Ports tax credit costs the State's general fund less than one million dollars each year, and allows companies such as Goodyear, CK International, JB International, Drexel Heritage Furniture, QVC, Martin Marietta, EN Beards Hardwoods Lumber, Edwards Wood Products, Culp, Inc., Broyhill, Kilop USA, Thomasville Furniture, Cormetech, Stein Fibers, Ltd., New South International, and Sonoco to be competitive in world markets. The NC Ports tax credit supports these and other industries and the thousands of jobs and millions of dollars in tax revenues that they contribute to our State.

The state ports tax credit, originally enacted in 1992, encourages exporters and importers to use State-owned port terminals. This credit, extended in 1995, 1997, 2001, 2002 and 2004 expires January 2009.

The tax credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carry forward on excess credit. The maximum cumulative credit that one taxpayer may claim is $2 million. The estimated cost to the General Fund is less than one million annually.

Recommended by Intermodal Committee to full 21st Century Transportation Committee
May 14, 2008
F:/MyDocuments/21st Century Intermodal Committee Report 05142008.doc

Intermodal Fund 5/14/2008 Report Illustrative Allocations

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
all numbers in millions													millions
Triangle Region (needs)	$16	$45	$85	$118	$171	$346	$461	$373	$287	$300	$416	$518	$3,136
Triangle Region w/33% cap 2011	16	45	75	107	161	336	449	361	267	280	396	488	2,981
Triad Region	$7	$16	$46	$80	$64	$72	$134	$142	$148	$90	$95	$200	$1,094
Statewide Bus Improvements	50	16	10	5	5	5	5	5	5	5	5	5	$121
Hwy and Rail Grade Separation	$12	$6	$5	$0	$5	$5	$0	$0	$5	$5	$5	$5	$53
Charlotte/ Mecklenburg Region	$167	$218	$414	$379	$354	$124	$106	$67	$102	$136	$117	$117	$2,301
Total	$252	$301	$550	$571	$428	$542	$694	$575	$527	$516	$618	$815	$6,550
25% State Share of Investment	$ 63	$ 75	$ 138	$ 143	$ 107	$ 136	$ 174	$ 144	$ 132	$ 129	$ 155	$ 204	$ 1,638
Short Line Grants - State Share	5	5	5	5	10	5	5	5	5	5	5	5	$65
Freight Rail Grants- State Share	10	10	10	9	20	5	5	10	10	10	10	10	$119
Ports Rail Grants - State Share	10	10	10	10	20	5	5	10	10	10	10	10	$120
Intercity Passenger Rail	12	12	10	0	0	0	0	0	0	0	0	0	$34
(3rd Amtrak train Raleigh-Charlotte)													
(NC RR demonstration project)													
Total Fund Needs	$ 100	$ 112	$ 173	$ 167	$ 157	$ 151	$ 189	$ 169	$ 157	$ 154	$ 180	$ 229	$ 1,935
TOTAL STATE REVENUES millions	110	110	167	167	167	167	167	167	167	167	167	212	$161
Carry Forward/Shortfall	$ 10	$ 8	$ 2	$ 3	$ 13	$ 29	$ 8	$ 6	$ 16	$ 29	$ 17	$ (0)	

This spreadsheet offers potential allocations from the Intermodal Fund based on potential projects from the May 14, 2008 committee report. It is only illustrative.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

H D

HOUSE DRH70631-LBxz-401T (1/22)

Short Title: Congestion Relief/Intermodal Transport Fund. (Public)

Sponsors: Representative Carney.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND, TO PROVIDE FOR ALLOCATION OF THOSE FUNDS TO: (1) LOCAL GOVERNMENTS AND TRANSPORTATION AUTHORITIES FOR PUBLIC TRANSPORTATION PURPOSES, (2) SHORT-LINE RAILROADS, FOR ASSISTANCE IN MAINTAINING AND EXPANDING FREIGHT SERVICE STATEWIDE, (3) RAILROADS FOR INTERMODAL FACILITIES, MULTIMODAL FACILITIES, AND INLAND PORTS, (4) MAKE CAPITAL IMPROVEMENTS ON RAIL LINES TO ALLOW IMPROVED FREIGHT SERVICE TO THE PORTS AND MILITARY INSTALLATIONS, (5) EXPAND INTERCITY PASSENGER RAIL SERVICE, AND TO EXTEND COMMON LEVELS OF LOCAL TRANSIT FUNDING AUTHORIZATION TO THREE URBAN REGIONS, AND ALLOW OTHER LOCAL GOVERNMENTS SIMILAR OPTIONS FOR LOCAL TRANSIT FUNDING, AND TO EXTEND THE STATE PORTS TAX CREDIT, ALL AS RECOMMENDED BY THE 21ST CENTURY TRANSPORTATION COMMITTEE.

The General Assembly of North Carolina enacts:

CHAPTER I. Fund Created.

SECTION 1. Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 19.

"Congestion Relief and Intermodal 21st Century Transportation Fund.

"**§ 136-250. Congestion Relief and Intermodal Transportation 21st Century Fund.**

There is established in the State treasury the Congestion Relief and Intermodal Transportation 21st Century Fund, hereinafter referred to as the Fund. The Fund shall

consist of all revenues appropriated and allocated to it. Interest on earnings of the Fund shall remain within the Fund.

"**§ 136-251. Findings of fact.**

The General Assembly finds that:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st century, sixty-six percent (66%) of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while forty percent (40%) is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust Fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads, will enable North Carolina to have a balanced 21st century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City, is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short-line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds partly so it can leverage the maximum federal and private participation to fund needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, and a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with railroads, trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 mainline miles of track, with Class I railroads holding seventy-nine percent (79%) of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified seven hundred ninety-nine million dollars ($799,000,000) in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short-line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short-line railroads. North Carolina economic development and commerce are dependent upon essential service by short-line railroads, and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short-line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways. Short-line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal will need high capacity intermodal access.

(12) Significant local revenues are needed to match State funds so that a major portion of the expenses is borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a fifty-eight percent (58%) favorable vote in Mecklenburg County in 1998, and reaffirmed by a seventy (70%) favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options, will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for providing additional public transportation options and for allowing localities to generate revenue to match State grants.

"**§ 136-252. Grants to local governments and transportation authorities.**

(a) Cities, counties, regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under

Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes, including planning and engineering.

(b) No grant may be approved from the fund unless:

(1) The application is approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the service area of the grant applicant.

(2) The applicant has approved a transit plan that includes local planning policies and adopted plans that reasonably support transit ridership and appropriate land use.

(3) The applicant has an adequate and sustainable source of funding established for its share of project costs.

(c) Grants from the fund may be committed for a multiyear basis to stabilize the phased implementation of a plan, including multiyear allotments. The Board of Transportation shall approve, and amend from time to time, a rolling multiyear projection of up to 15 years for allocation of funds under this section. No applicant is eligible under the 15-year plan projection for more than one-third of the total funds to be granted under this Article during that 15-year period.

(d) No grant under this section may exceed twenty-five percent (25%) of the cost of the project and must be matched by an equal or greater amount of funds by the applicant. In evaluating projects, qualification for federal funding shall be considered.

"**§ 136-253. Grants to other units.**

(a) Grants from the fund may also be made to State agencies and railroads for the following purposes:

(1) Assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. This may involve both the Rail Industrial Access program and the Short Line Infrastructure Access Program, as well as other innovative programs. Grants under this subdivision shall not exceed fifty percent (50%) of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

(2) Assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants under this subdivision shall not exceed fifty percent (50%) of the nonfederal share and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(3) Assistance to the State ports in terminal railroad facilities and operations, and to improve access to military installations, and to the North Carolina International Terminal. Grants under this subdivision shall not exceed fifty percent (50%) of the nonfederal share and must

be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(4) Expansion of intercity passenger rail service, including increased frequency and additional cities serviced or introduction of commuter rail service. Routes under this section must extend beyond the territorial jurisdiction of a transportation authority.

(b) Grants under subsection (a) of this section may serve more than one of the four listed purposes.

"**§ 136-254. Grant approval.**

All grants made under this Article are subject to approval of the Board of Transportation. The fund may be administered in conjunction with G.S. 136-44.20 and G.S. 136-44.36, but any funds allocated under those sections shall continue to be available as provided therein.

"**§ 136-255. Funds remain available until expended.**

Appropriations to the fund remain available until expended."

CHAPTER II. Public Transportation Sales Tax: Mecklenburg, Triangle, Triad.

SECTION 2.(a) Section 1(a) of S.L. 1997-417 is recodified as G.S. 105-510.1.

SECTION 2.(b) Article 43 of Chapter 105 of the General Statutes, as enacted by S.L. 1997-417 and amended by subsection (a) of this section, reads as rewritten:

"Article 43.

"Local Government Sales and Use Taxes for Public Transportation.

"Part 1. General.

"**§ 105-505. Short title; purpose.**

This Article is the Local Government Public Transportation Sales Tax Act and may be cited by that name. This Article gives the ~~counties~~ counties and transportation authorities of this State an opportunity to obtain an additional source of revenue with which to meet their needs for financing local public transportation systems. It provides ~~counties~~ them with authority to levy one-half percent (1/2%) sales and use taxes. All such taxes must be approved in a referendum.

"**§ 105-506. Definitions.**

The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

(1) Board of trustees. – The governing body of an Authority.

~~(1)~~(2) Net proceeds. – Gross proceeds less the cost of administering and collecting the tax.

~~(2)~~(3) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and

information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

(4) Transportation authority. – A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.

"**§ 105-506.1. Exemption of food.**

A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 2011.

"Part 2. Mecklenburg County.

"**§ 105-507. Limitations.**

A county may not levy a tax under this ~~Article~~ Part unless the county or at least one unit of local government in the county operates a public transportation system. In addition, a county may not levy a tax under this ~~Article~~ Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-508. Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied in accordance with this ~~Article.~~ Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-half percent (1/2%) local sales and use taxes, in addition to the current ~~two percent (2%)~~ local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-509. Levy and collection of sales and use tax.**

If the majority of those voting in a referendum held pursuant to this ~~Article~~ Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-half percent (1/2%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this ~~Article,~~ Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall

be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this ~~Article~~Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes'.

~~A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51.~~

"§ 105-510. Distribution and use of taxes.

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this ~~Article~~ Part by that county. If the Secretary collects taxes under this ~~Article~~ Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this ~~Article~~ Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this ~~Article~~ Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"§ 105-510.1. Applicability.

This ~~section~~ Part applies only to Mecklenburg County.

"Part 3. Transportation Authorities.

"§ 105-510.5. Limitations.

A transportation authority may not levy a tax under this Part unless:

(1) It operates a public transportation system.

(2) It has developed a financial plan and distributed it to each unit of local government located within its territorial jurisdiction. The plan must be approved by the board of commissioners of each county in the district prior to the levy of the tax. If the board of commissioners of a county in a multicounty district does not adopt the plan, the transportation authority may remove that county from the district, and no tax may be levied in that county under this Part. The financial plan must provide for equitable use of the net proceeds within the special district created under this Part and consider (i) the identified needs of local public transportation systems in the district, (ii) human service transportation

systems within the district, and (iii) expansion of public transportation systems to underserved areas of the district. The financial plan must also be approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the area of the special district. The plan may be revised from time to time.

(3) The tax is approved by the voters.

"**§ 105-510.6. Local election on adoption of sales and use tax – regional public transportation authority.**

(a) Special District. – A transportation authority may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the transportation authority shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this section may be used only for the benefit of the special district and only for the purposes provided in this Article. In the case of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes, the special district may not include counties other than Forsyth and Guilford Counties.

(b) Resolution. – The board of trustees of the authority, with the concurrent vote of:

(1) In the case of a single-county special district, a majority of the county board of commissioners within the special district,

(2) In the case of a multicounty special district, a majority vote of all the county boards of commissioners within the special district,

may direct the respective county board or boards of elections to conduct an advisory referendum within the special tax district on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied within the district in accordance with this Part. The election shall be held on a date jointly agreed upon by the authority and the county board or boards of elections and shall be held in accordance with the procedures of G.S. 163-287. The board or boards of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-half percent (1/2%) local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.7. Levy and collection of sales and use tax – regional public transportation authority.**

If the majority of those voting in a referendum held pursuant to G.S. 105-510.6 vote for the levy of the tax, the transportation authority may, by resolution, levy one-half percent (1/2%) local sales and use taxes within the special district, in addition to any other State and local sales and use taxes levied pursuant to law. In determining the results of the election in a multicounty district, all the counties of the district shall be

considered to be one unit. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to 'this Article' mean 'Part 2 of Article 43 of Chapter 105 of the General Statutes.' Any repeal of the tax shall be done by the same procedure as its enactment under this section, and a petition for repeal under G.S. 105-473 shall be judged by the total votes in all three counties.

"**§ 105-510.8. Expansion of district.**

If a special district established under this Part does not include all the counties in the territorial jurisdiction of a transportation authority, it may be expanded to include an additional whole county or counties by joint action of the board of trustees of the transportation authority and the board of commissioners of the county or boards of commissioners of the counties to be added, with the approval of the voters in the county or counties to be added. The procedure for addition of a county or counties shall be the same as for the initial creation of the district, but the referendum shall be held separately within each of the counties to be added.

"**§ 105-510.9. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each transportation authority the net proceeds of the tax levied under this Part within the special tax district, to be used for the benefit of that district.

(b) Use. – A transportation authority must expend the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-510.5 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. The transportation authority shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"Part 4. Other Counties.

"**§ 105-510.12. Limitations.**

A county may not levy a tax under this Part unless the county or at least one unit of local government in the county operates a public transportation system or contracts with a transportation authority to provide a public transportation system. In addition, a county may not levy a tax under this Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-510.13 Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-quarter percent (1/4%) may be levied in accordance with this Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of

G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-quarter percent (1/4%) local sales and use taxes, in addition to the current local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.14. Levy and collection of sales and use tax.**

If the majority of those voting in a referendum held pursuant to this Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-quarter percent (1/4%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes.'

"**§ 105-510.15. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this Part by that county. If the Secretary collects taxes under this Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"**§ 105-510.16. Applicability.**

(a) This Part only applies in counties that meet one or more of the following criteria:

(1) Have a population of 160,000 or over according to the most recent decennial federal census.

(2) Are members of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Are contiguous to Mecklenburg County.

(4) Are contiguous to Wake, Durham, or Orange County.

(b) This Part does not apply to Durham, Forsyth, Guilford, Mecklenburg, Orange, or Wake Counties."

CHAPTER III. Extension of Vehicle Registration Charge to Mecklenburg County.

SECTION 3. Section 6.2 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162, reads as rewritten:

"**SECTION 3.1.** A county authorized to impose a tax under Part 2 of Article 43 of Chapter 105 of the General ~~Statutes, as enacted by Part 1 of this act,~~ Statutes is considered an authority ~~under~~ under:

(1) Article 50 of Chapter 105 of the General Statutes, as enacted by Section 3 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50. G.S. 105-554 of Article 50 does not apply to the proceeds of a tax imposed by a county considered an authority under this section. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The proceeds may supplant existing funds allocated for a public transportation system. The term 'public transportation system' has the same meaning as defined in ~~G.S. 105-506 of Article 43.~~ G.S. 105-506.

(2) Article 51 of Chapter 105 of the General Statutes, as enacted by Section 4 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506."

CHAPTER IV. Local Vehicle Registration Charge Adjusted for Inflation.

SECTION 4.(a) Effective July 1, 2008, G.S. 105-561(a) reads as rewritten:

"(a) Tax Authorized. – The board of trustees of an Authority may, by resolution, levy an annual license tax in accordance with this Article upon any motor vehicle with a tax situs within its territorial jurisdiction. The purpose of the tax levied under this Article is to raise revenue for capital and operating expenses of an Authority in providing public transportation systems. The rate of tax levied under this Article must be a full dollar amount, but may not exceed ~~five dollars ($5.00)~~ seven dollars ($7.00) a year.

SECTION 4.(b) Effective July 1, 2008, G.S. 105-561(d) reads as rewritten:

"(d) Special Tax District. – If a regional transportation authority created under Article 27 of Chapter 160A of the General Statutes has not levied the tax under this section or has levied the tax at a rate of less than ~~five dollars ($5.00)~~ seven dollars

($7.00), it may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. The rate of tax levied within the special district may not, when combined with the rate levied within the entire territorial jurisdiction of the authority; exceed ~~five dollars ($5.00).~~ seven dollars ($7.00). The regional transportation authority may not levy or increase a tax within the special district unless the board of commissioners of each county in the special district has adopted a resolution approving the levy or increase.

A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the regional transportation authority created under Article 27 of Chapter 160A of the General Statutes shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this subsection may be used only for the benefit of the special district and only for the purposes provided in G.S. 105-564. Except as provided in this subsection, a tax levied under this subsection is governed by the provisions of this Article."

CHAPTER V. Extension of Vehicle Registration Charge and Motor Vehicle Rental Charge to Counties Contiguous to the Triangle and Mecklenburg County and to Other Urban Counties.

SECTION 5. Subchapter IX of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 52. Urban County Vehicle Rental Tax and Registration Tax.

"**§ 105-557. Urban County Vehicle Rental Tax.**

(a) This section only applies in counties that meet all of the following criteria:

(1) Has a population of 160,000 or over according to the most recent decennial federal census.

(2) Is not a member of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Is not contiguous to Mecklenburg County.

(4) Is not contiguous to Wake, Durham, or Orange County.

(b) This section does not apply to Durham, Forsyth, Mecklenburg, Orange, or Wake Counties.

(c) A county is considered an authority under Article 50 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50.

(d) To the extent that any county does not levy the full percentage authorized by Article 50 of this Chapter, any city located wholly within that county is considered an authority under Article 50 of this Chapter, and may levy a percentage under that Article as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 50. If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next

fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(e) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506.

"**§ 105-558; Urban County Vehicle Registration Tax.**

(a) A county authorized to impose a tax under Part 4 of Article 43 of Chapter 105 of the General Statutes is considered an authority under Article 51 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51.

(b) To the extent that any county does not levy the full amount authorized by Article 51 of this Chapter, any city located wholly within that county is considered an authority under Article 51 of this Chapter and may levy an amount under that Article (in whole dollars) as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 51. If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(c) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506. Any levy by a city under this section is in addition to any authority granted by G.S. 20-97 or any other local act."

CHAPTER V. Extension of State Ports Tax Credit.

SECTION 6.(a) G.S. 105-130.41(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 6.(b) G.S. 105-151.22(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 7. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

U D

BILL DRAFT 2007-RWz-10 [v.7] (04/01)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/7/2008 12:07:30 PM

Sponsors:

Referred to:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS.

Whereas, under the federal Intermodal Surface Transportation Efficiency Act of 1991 the State received an eighty-two and seven tenth percent (82.7%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, under the federal 1998 Transportation Equity Act for the 21st Century (TEA-21) the State received an eighty-nine and two tenth percent (89.2%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) promised that the State would increase its share of federal highway revenue to ninety-two percent (92%) by the 2008-2009 fiscal year; and

Whereas, under SAFETEA-LU the State has so far received only eighty-nine and seven tenth percent (89.7%) of the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the State has urgent transportation needs that could be addressed if the State received a fair share of the federal highway tax revenue it remitted to the federal Highway Trust Fund each year; Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

SECTION 1. The United States Congress is urged to provide the State with all the federal highway tax funds it was promised under the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and to end the State's status as a donor State of federal highway tax

revenues in the next federal transportation reauthorization act, due for enactment by Congress in 2009, by providing that State with one hundred percent (100%) of the federal highway funds it remits to the federal taxes to the federal Highway Trust Fund each year.

SECTION 2. The Secretary of State shall transmit a copy of this joint resolution to each member of the United States Congress representing North Carolina.

SECTION 3. This resolution is effective upon ratification.

21st CENTURY TRANSPORTATION COMMITTEE

Final Report

REPORT TO THE
2009 GENERAL ASSEMBLY
OF NORTH CAROLINA

A LIMITED NUMBER OF COPIES OF THIS REPORT IS AVAILABLE FOR DISTRIBUTION THROUGH THE LEGISLATIVE LIBRARY

ROOMS 2126, 2226
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-7778

OR

ROOM 500
LEGISLATIVE OFFICE BUILDING
RALEIGH, NORTH CAROLINA 27603-5925
TELEPHONE: (919) 733-9390

TABLE OF CONTENTS

LETTER OF TRANSMITTAL..... 1

COMMITTEE PROCEEDINGS..... 2

FINDINGS AND RECOMMENDATIONS..... 4

COMMITTEE AUTHORIZATION..... 13

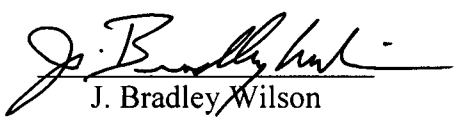
MEMBERSHIP OF THE COMMITTEE..... 16

APPENDIX A COMMITTEE INTERIM REPORT..... 18

December 10, 2008

TO THE MEMBERS OF THE 2009 GENERAL ASSEMBLY:

The 21st Century Transportation Committee hereby submits its final report to you for your consideration. This report was prepared by the Committee pursuant to the letter from the President Pro Tempore of the Senate and the Speaker of the House, dated October 29th, 2007, creating the Committee, issued under the authority of G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.



J. Bradley Wilson
Chairman
21st CENTURY
TRANSPORTATION COMMITTEE

Committee Proceedings

The 21st Century Transportation Committee was established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly. The 21st Century Transportation Committee held thirteen meetings from November 2007 to December 2008.

In accordance with the charge, the committee studied the following:

(1) Ways to improve the transportation systems of the State in order to promote economic growth and ensure that the State can compete and participate in the global economy.

(2) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.

(3) Priorities of the Department of Transportation, including methods to ensure adequate funding for corridors and projects of statewide significance.

(4) Methods to use new and innovative technology to improve the transportation system.

(5) Local funding options for transportation.

(6) Ways to adequately fund road construction to address urban congestion and to improve mobility.

(7) Methods to spend transportation funds in the most effective and cost efficient manner, including ways to use recycled materials, and reuse and recycle road materials.

(8) Ways to maintain the continued safety of the current transportation system, including an analysis of the safety and reliability of bridges in the State.

(9) The appropriate division of responsibility for transportation infrastructure between State and local government and any federal role in providing transportation infrastructure needs.

(10) An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.

(11) A review of public transportation needs in urban areas.

(12) Methods to encourage fuel conservation and energy conservation in North Carolina.

The 21st Century Transportation Committee members traveled to several cities across the state in 2007 and 2008, including Asheville, Charlotte, Raleigh and Wilmington, to gain information on transportation issues facing North Carolina as well as potential mobility solutions.

Below is a list of the meetings of the 21st Century Transportation Committee. A complete record of each meeting is available in the Committee notebook filed in the Legislative Library:

November 7, 2007
November 26, 2007
December 12, 2007
January 16, 2008
February 21, 2008
March 24, 2008
April 24, 2008
May 13, 2008
August 21, 2008
September 11, 2008
November 5, 2008
November 19, 2008
December 10, 2008

Findings and Recommendations

Findings

North Carolina faces many transportation challenges that need to be addressed in order for our State to be successful in the future. After hearing information from several sources across the State, the Committee finds:

Our State's population grew by 30% from 1990 to 2005. This rate of growth is faster than the U.S. growth rate of 19% and faster than all but eight other states. This robust growth is expected to continue. The 2005 estimated population was 8,679,291 while the projected population for 2030 is 12,465,478 – this is a rate of growth of more than 43% over the next twenty five years. By 2030, North Carolina is projected to become the 7th most populous state in the nation. This is the equivalent to adding a South Carolina to our State. This growth presents great opportunity and great challenges, particularly to our State's aging transportation infrastructure.

North Carolina currently ranks 2nd out of 50 states in total state maintained road mileage. On the other hand, the State ranks 49th in total revenue per lane-mile, and 47th in spending per lane mile.

According to a 2006 TRIP Report on the Interstate Highway system, 57% of all urban interstate miles in North Carolina and 47% of rural interstate miles are congested. In addition, 40% of all travel in urban areas is conducted during congested conditions. Estimates project a 50% growth in vehicle miles traveled over existing conditions by 2030.

Currently, North Carolina spends approximately 5% of its annual transportation budget on freight and passenger rail, ferries, mass rapid transit, busses, bicycling, pedestrian and other non-highway transportation options.

The North Carolina Department of Transportation reports that to meet current needs and to prepare North Carolina for 2030, an estimated additional investment of over $65 billion is required to plan, design, build and maintain all aspects of our transportation systems.

The user-pay model of taxing the consumption of fuel has worked well since 1921 and has adequately funded transportation needs in the State until recent years. As vehicles have become more fuel efficient, and gas prices have become more volatile, consumption has flattened and in recent months declined resulting in a precipitous drop in gas tax revenues. In addition, as the State works to promote the use of alternative fuels, revenues linked to the consumption of petroleum-based fuels are likely to continue to fall.

Toll roads are a user-pay model used in high-growth areas around the country.

North Carolina is a federal transportation "donor" state. The State continues to send more in transportation funds to Washington than it receives in return, for both highways and transit.

NCDOT reports that highway construction costs have increased 124% in the past six years.

North Carolina currently has over 2,500 structurally deficient bridges and ranks 41st out of the 50 states in terms of bridge deficiencies. The North Carolina Department of Transportation estimates that it needs to replace 400 bridges annually in order to reduce the number of structurally deficient bridges. Currently, the Department replaces only slightly more than 100 bridges annually.

As documented in the NCDOT Long Range Transportation Plan, currently 37 percent of State transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic.

North Carolina must simultaneously reduce the time and costs involved in delivering transportation projects. Currently, large projects take between 8 and 10 years for planning and permitting with increasing portions of transportation budgets being spent on these activities. North Carolina must do better at balancing these planning requirements with the fiscal stewardship our citizens deserve, as other states have done.

Recommendations

In the course of 13 meetings over the last 14 months, the Committee has heard many recommendations to address the transportation needs of North Carolina.

In September 2004, the North Carolina Department of Transportation published its Long Range Multimodal Transportation Plan for the next 25 years. The report identified several transportation trends and challenges, including a then estimated shortfall of $29 billion in transportation needs versus anticipated revenues. By 2007 the estimated shortfall had grown to $65 billion. This shortfall is driven primarily by a 35% growth in population over the last 20 years, a 40% growth in vehicle-miles traveled over the last 10 years, an increase in construction costs of 124% over the past six years, and increasing pressures on transportation funds primarily supported by motor fuels taxes for maintenance of the existing highway system. Explosive growth in the urban areas and shifting demographic patterns are creating more demand for multi-modal transportation choices. The State is expected to experience a 67% increase in domestic freight tonnage over the next 20 years.

Although these challenges may appear daunting and insurmountable, they are a consequence of our successful and growing economy in North Carolina. Without this economic growth our list of challenges would be completely different and with little means of redress. Few would argue that the transportation needs are not currently outpacing available resources. North Carolina currently ranks 2nd out of 50 states in total state maintained road mileage, but 49th in total revenue per lane-mile and 47th in spending per lane mile. Currently, North Carolina spends approximately 5% of its annual transportation budget on freight and passenger rail, ferries, mass rapid transit, busses, bicycling, pedestrian and other transportation choices. In a growing and populous state, these statistics clearly show that North Carolina's challenges are directly related to the need for additional revenues not linked to motor fuels taxes. In addition, we must prioritize transportation spending based on statewide goals balancing mobility, connectivity and economic prosperity.

The committee recommends a "Fix-it-First" policy, which would ensure that we protect past investments in transportation systems and would also help reduce the long-term costs of repair by slowing the deterioration of existing roads, bridges and other infrastructure. A Fix-it-First strategy is not a Fix-it-Only strategy. A Fix-it-First is fiscally responsible with respect to maximizing investment dollars and in regards to support of our economy; will result in a balanced State transportation program; will result in increased citizen confidence regarding how State transportation dollars are spent.

Since the establishment of the 1989 Highway Trust Fund, most of the transportation funds allocated by the North Carolina Board of Transportation have been distributed using the "equity formula" as mandated by the General Assembly. Some have advocated

for changes in the equity formula to better accommodate the needs of high growth areas. A considerable portion of state funds are distributed outside of the equity formula. NCDOT reports that 17% of the entire federal and state construction expenditures in the last 15 years were expended in only seven counties, with several high growth counties receiving almost 5 times the average per-county expenditure. While, the debate continues about the continued use of the equity formula, there is little debate that the State's current revenue model is woefully inadequate to meet the needs of a rapidly growing State and to serve all of its citizens' transportation needs - both urban and rural in a global economic environment.

Given the $65 billion statewide need, it is clear that no single financing or policy solution exists to solve the State's transportation challenges. Rather, a menu of options will be required to prevent a decline in mobility in the State. The Committee made interim recommendations in May for the 2008 Regular Session of the 2007 General Assembly and those recommendations are in the Appendix A of this report.

The goals of the Committee are to take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and to put in place an effective multimodal transportation system that will reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state. Reaching these goals will require a new investment of $1 billion per year for the next 10 years, tolling of interstate highways, the creation of a dedicated funding source for intermodal solutions, additional local options to implement the right solutions for each area, improved long-term planning, and improved management and execution by the NCDOT and other involved agencies.

The Committee recommends that the General Assembly consider each of the following options as it searches for solutions to address the transportation needs in North Carolina.

A menu of policy options for new funding for transportation is listed below:

Eliminate Transfers. The Committee recommends eliminating all remaining transfers of funds from the Highway Trust Fund and the Highway Fund to the General Fund. This includes the transfers from Highway Fund for State Highway Patrol, Driver's Education Program, and reimbursement of sales tax exemption.

Highway Use Tax. The Committee recommends increasing the Highway Use Tax from 3% to 4% over two years. Several other Southeastern states already have taxes at this rate or higher. Increasing the rate to 4% would produce an additional $200 million annually, based on historical collections. In addition, the General Assembly should consider increasing the current $1000 cap on Class A and Class B commercial vehicles to adjust for inflation, imposing a differential rate for fuel efficient vehicles, and allocating new funds for specific purposes besides those currently mandated by the Highway Trust Fund.

Vehicle Miles Traveled {VMT} Fee. The Committee recognizes the State needs an alternative or supplement to the motor fuels tax. This fee would be a true user-fee independent of type or amount of fuel consumed. These days, North Carolinians are traveling more miles in more vehicles. However, our roadways are suffering from lack of maintenance and new construction due to the slow growth of motor fuels tax revenues due to improvements in fuel economy One possible solution is to base our tax on how much we drive, not how much fuel we consume – in other words, a "Vehicle Miles Traveled Fee" (VMT Fee). With the VMT fee the consumers would pay taxes proportionately to the number of miles they drive. There is a pilot project in Oregon that is testing the feasibility of a VMT fee. A simple approach to a VMT fee is to charge each passenger vehicle and truck 1/4 cent for each mile driven. The average driver drives 12,000 miles per year, so with an exemption for the first 2000 miles the cost to the average driver would be $25. This fee could be collected as a part of the vehicle annual inspection program. In addition, the General Assembly should consider authorizing a local option VMT fee.

Vehicle Registration Fees. The Committee recommends increasing the passenger vehicle registration fee (currently $28) by $30 over three years. This would provide additional revenues of $195 million annually. In Committee also recommends increasing other staggered registration fees by 25%. This would provide additional revenues of $50 million annually.

Vehicle Registration Fees based on weight. The Committee recommends the General Assembly consider charging registration fees based on vehicle weight for passenger vehicles. The following estimates are based on the Florida model. The Committee recognizes that implementation of this proposal may be difficult or costly.

Vehicle Weight	Option 1	Option 2	Option 3
< 2,499lbs	$27.60	$33	$37
2500-3499	$35.60	$43	$47
3500 and up	$45.60	$55	$60
Revenues	$70 Mill	$121 Mill	$150 Mill

Bonds. The Committee recommends that the General Assembly authorize a referendum for general obligation bonds to accelerate construction on high traffic, high congestion roadways. The Committee recognizes that any issuance of bonds must be supported by new revenue.

Special Federal Funding. The Committee recommends that the State seek special federal funding for the Yadkin River Bridge Project and that NCDOT take needed actions to clear regulatory hurdles and prepare for letting to construction of this project.

Local Option Sales Tax. The Committee recommends that the General Assembly authorize a local option sales tax of up to 1% for transportation for counties, cities, and metropolitan regions. The Committee recommends requiring voter approval for the local option tax and granting the taxing entity the ability to set priorities between roads, transit, and other transportation modes.

Indexing Fees. The Committee recommends that the General Assembly index all fixed fees (such as registration, title, drivers license, etc.) to the consumer price index so that the fees would automatically change without legislative action. Based on an inflation rate of 3%, this would yield an additional $20 million annually in the first year alone.

Tolls. The Committee recommends increasing the use of toll roads. Specifically, the Committee recommends tolling I-95 border to border to support 180 miles of widening by an additional two lanes in each direction, tolling I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction, and seeking federal approval to toll all interstates at the borders.

Differential Fuel Tax Rates. The Committee recommends that the General Assembly consider adopting differential fuel tax rates for diesel and gasoline

Intermodal Recommendations. The Committee recommends dedicating $ 170 million per year to fund the Intermodal Initiative recommended in the Interim Report of the 21st Century Transportation Committee (these recommendations can be found in the Appendix A of this report).

Revision to Intermodal Draft Legislation in Interim Report. The Committee recommends the language in proposed G.S. 136-252(a) be revised to read as follows, with the new language about Article 25 appearing in italics:

a) Cities, counties, *transportation authorities under Article 25 of Chapter 160A of the General Statutes,* regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes, including planning and engineering.

Other policy objectives

Mobility and Connectivity. The Committee makes the following recommendations with respect to mobility and connectivity:

- Create a Congestion Reduction program focused on the Strategic Highway Corridors and the 7% of the highway system miles that carries 45% of the traffic. The estimated cost of this $120 million per year. The program would be focused on decreasing travel time and increasing travel reliability.
- Maximize capacity and utilization of rail freight movement consistent with the recommendations of Intermodal Committee and the North Carolina Railroad long range plans.
- Enhance mobility within all areas of the state by continued investment and the completion of Intrastate System Projects and the Strategic Highway Corridors and by allowing regions to re-prioritize and re-program existing funding consistent with changing transportation demands and economic growth patterns within each region.

- Enhance mobility and reduce congestion by accelerated investment and completion of all planned urban loops with priorities established based on measurable transparent criteria.
- Expand use of tolling and congestion pricing to include High Occupancy Tolls (HOT) lanes consistent and complimentary with current North Carolina Turnpike Authority projects and any newly authorized tolling projects.

Preservation. Well-maintained roads are essential for safe, efficient transportation, for both automobiles and public transit. Potholes, cracks in the roads, and age related deterioration all contribute to less safe driving conditions and exact a significant financial toll on auto-users. Recognizing that preservation of our current transportation system is as important as making improvements to the system, the Committee makes the following recommendations:

- Recommend adoption of a Fix-it-First policy within NCDOT. A Fix-it-First transportation policy would ensure that we protect past investments in transportation systems and would also help reduce the long-term costs of repair by slowing the deterioration of existing roads, bridges and other infrastructure. A Fix-it-First strategy is not a Fix-it-Only strategy. A Fix-it-First is fiscally responsible with respect to maximizing investment dollars and in regards to support of our economy; will result in a balanced state transportation program; and will result in increased confidence regarding how state transportation dollars are spent.
- Fully fund existing bridge replacement needs in North Carolina. This has an estimated cost of $300 Million.
- Create an effective Bridge Maintenance and Rehabilitation Program within existing maintenance funds.
- Create an annual Interstate Resurfacing Program from federal interstate maintenance funds within each Highway Division with interstates and remove interstate maintenance expenditures from equity calculations.
- Implement a measurable system preservation and maintenance program with quantitative measures of performance and measures of effectiveness (i.e. MOE = remaining service life of road network, MOP=annual miles resurfaced and reconstructed).

Safety. The Committee makes the following recommendations with respect to improving the safety of our highway system:

- Focused external safety and enforcement programs with adequate metrics to reduce fatal accidents and serious injuries on transportation facilities.
- Fully fund spot safety programs but hold program accountable for accident and injury reduction.
- Focus collaborative enforcement efforts within all enforcement agencies on top priority locations for accident and injury reduction based on frequency and severity of occurrence. Of particular interest are coordinated efforts focused on rural secondary roads which account for 34% of all fatal accidents.

Performance and Accountability. The Committee makes the following recommendations with respect to improving performance and accountability:

- Increase the policy, strategic planning, and governmental coordination focus of the Secretary and Board of Transportation with any safeguards and ethics reforms required to restore public trust and confidence in the delivery of transportation services.
- Reduce transportation administrative costs that do not directly improve road, bridge, or other key infrastructure within the State.
- Examine existing and recently proposed Department of Transportation organizational structure for opportunities to consolidate policy and programming responsibilities, decentralize project delivery to the greatest extent feasible to Highway Divisions, and reduce redundancy.
- Complete the implementation of planned measured performance objectives across the Department of Transportation for all key personnel and offices

Increased Cooperation and Collaboration at all levels of Government. The Department of Transportation should work to develop a closer relationship with local government to leverage state/local resources and better coordinate land use with transportation planning through empowerment of decision making responsibilities and accountability to Division Engineers working closely with Board of Transportation Members and Municipalities. The Department of Transportation should assist local governments in coordination of land-use and transportation planning while integrating pedestrian, bicycle, and transit improvements as appropriate. The General Assembly and NCDOT should work with the League of Municipalities, the Metropolitan Coalition, and the Association of County Commissioners to explore opportunities for improved delivery and efficiency of existing transportation services and, adequate and secure revenue sources for those current responsibilities, including increased Powell Bill funding to better address the increased cost of road construction and maintenance.

Other Policy Considerations

As the State moves forward with improving our transportation system, all affected parties should seek to incorporate the following considerations in their actions:

1) The provision of sustainable source of funding for transportation using a new 21st century economic model not tied primarily to petroleum use.
2) The provision of incentives to reduce dependence on petroleum based motor fuel.
3) The provision of new markets for alternative energy sources which support the development of a new energy economy in North Carolina.
4) The provision of incentives for a reduction in vehicle miles traveled.
5) The positioning of the State positively as a recipient of federal infrastructure/economic stimulus funds.
6) The reduction of congestion in urban areas and the promotion mobility with improved land use planning.
7) Enhance mobility and connectivity through the implementation of the intermodal recommendations.
8) Enhance mobility through integrating the inclusion of pedestrian, bicycle and transit improvements in all transportation projects as appropriate.

As the revenue challenges are solved, North Carolina must simultaneously reduce the time and costs involved in delivering transportation projects. Currently, large projects take between 8 and 10 years for planning and permitting with increasing portions of transportation budgets being spent on these activities. North Carolina must do better at balancing these planning requirements with the fiscal stewardship our citizens deserve, as other states have done.

With good transportation policy, adequate revenue, and responsible delivery of transportation services, North Carolina will be positioned to meet the mobility and access needs of our growing population, both urban and rural, well into the future.

Marc Basnight
President Pro Tempore,
North Carolina Senate

Joe Hackney
Speaker,
North Carolina House of Representatives

Raleigh, North Carolina 27601-1096

21st Century Transportation Committee

Section 1. The **21st Century Transportation Committee** (hereinafter "Committee") is established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.

Section 2. The Committee consists of the 24 members listed below. The President Pro Tempore of the Senate shall appoint 12 members of the Committee, and 4 of these 12 appointments shall be made upon the recommendation of the Governor. The Speaker of the House of Representatives shall appoint 12 members of the Committee, and 4 of these 12 appointments shall be made upon the recommendation of the Governor.

The Committee shall select its chair upon the recommendation of the Governor. The Committee and the terms of the members shall expire when the Committee submits a final report to the General Assembly. Members serve at the pleasure of the appointing officer.

President Pro Tempore Appointments	**Speaker of the House Appointments**
Senator David Hoyle	Representative Nelson Cole
Senator Clark Jenkins	Representative Becky Carney
Senator Richard Stevens	Representative Lorene Coates
Dr. Joseph Monroe, Dean, Guilford County	Representative Phillip Frye
Mr. Lanny Wilson, New Hanover County	Representative William C. "Bill" McGee
Mr. Billy Sewell, Onslow County	Representative William L. Wainwright
Mr. Stephen Zelnak, Jr., Wake County	The Honorable George W. Miller, Jr., Durham County
The Honorable Richard Blackburn, Ashe County	Ms. Nina Szlosberg, Wake County
*The Honorable Terry Bellamy, Buncombe County	*Mr. Charles F. Bowman, Mecklenburg County
*The Honorable Sam Hunt, Alamance County	*The Honorable Chuck McGrady, Henderson County
*The Honorable Allen Joines, Forsyth County	*Mr. D. Jordan "Jordy" Whichard, III, Pitt County

*Mr. Gregory Plemmons, Guilford County **Mr. Brad Wilson, Chair, Wake County

* Recommendation from Governor Michael F. Easley
** Recommendation for appointment as Chair by Governor Easley

Section 3. The Committee shall study the transportation infrastructure needs of the State. The Committee shall study and report on the following:

(1) Ways to improve the transportation systems of the State in order to promote economic growth and ensure that the State can compete and participate in the global economy.
(2) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.
(3) Priorities of the Department of Transportation, including methods to ensure adequate funding for corridors and projects of statewide significance.
(4) Methods to use new and innovative technology to improve the transportation system.
(5) Local funding options for transportation.
(6) Ways to adequately fund road construction to address urban congestion and to improve mobility.
(7) Methods to spend transportation funds in the most effective and cost efficient manner, including ways to use recycled materials, and reuse and recycle road materials.
(8) Ways to maintain the continued safety of the current transportation system, including an analysis of the safety and reliability of bridges in the State.
(9) The appropriate division of responsibility for transportation infrastructure between State and local government and any federal role in providing transportation infrastructure needs.
(10) An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.
(11) A review of public transportation needs in urban areas.
(12) Methods to encourage fuel conservation and energy conservation in North Carolina.
(13) Any other issues the Committee finds relevant to this study.

Section 4. The Committee shall meet upon the call of the chair. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

Section 5. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02.

Section 6. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5 and 138-6, as appropriate.

Section 7. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. An initial allocation of $50,000 shall be provided to the Committee from funds appropriated to the General Assembly.

Section 8. The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

Section 9. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations. The Legislative Services Commission shall grant adequate meeting space to the Committee in the State Legislative Building or the Legislative Office Building.

Section 10. The Committee may submit an interim report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before May 1, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before December 31, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate on December 31, 2008, or upon the filing of its final report, whichever occurs first.

Effective this 29th day of October, 2007

Marc Basnight
President Pro Tempore of the Senate

Joe Hackney
Speaker of the House of Representatives

Membership

21st Century Transportation Committee

Pro Tem Appointments

Sen. David Hoyle
300-A Legislative Office Building
Raleigh, NC 27603

Sen. S. Clark Jenkins
308 Legislative Office Building
Raleigh, NC 27608

Sen. Richard Stevens
406 Legislative Office Building
Raleigh, NC 27603

Mr. Richard Blackburn
451 Don Walters Rd.
Jefferson, NC 28640

*The Honorable Allen Joines
PO Box 2511
Winston Salem, NC 27102

*The Honorable Terry Bellamy
48 Lancelot Lane
Asheville, NC 28806

*The Honorable Sam Hunt
1215 Maple Ave.
Building
Burlington, NC 27215

*Mr. Greg Plemmons
500 Old Dominion Way
Thomasville, NC 27360

Speaker Appointments

*Mr. Brad Wilson, Chairman
1412 Canterbury Rd.
Raleigh, NC 27608

Rep. William L. Wainwright
301-D Legislative Office Building
Raleigh, NC 27603

Rep. Becky Carney
1221 Legislative Building
Raleigh, NC 27601

Rep. Lorene Coates
633 Legislative Office Building
Raleigh, NC 27603

Rep. Nelson Cole
1218 Legislative Building
Raleigh, NC 27601

Rep. Phil Frye
1019 Legislative Building
Raleigh, NC 27601

Rep. William C. "Bill" McGee
531 Legislative Office

Raleigh, NC 27603

*Mr. D. Jordan "Jordy"Whichard
PO Box 1967
Greenville, NC 27834

Mr. Billy Sewell
521 New Bridge St.
Jacksonville, NC 28540

*Mr. Charles F. Bowman, President
North Carolina Bank of America
Bank of America Corporate Center
100 North Tryon Street
Charlotte, NC 28255-0001

Dr. Joseph Monroe
NC A&T College of Engineering
Greensboro, NC 27411

*Mr. Chuck McGrady
1 Historic Courthouse Sq., Ste. 1
Hendersonville, NC 28792

Mr. Lanny Wilson
1442 Quadrant Circle
Raleigh, NC 27607

The Honorable George W. Miller, Jr.
PO Box 51429
Durham, NC 27717

Mr. Stephen Zelnak, Jr.
PO Box 30013
Raleigh, NC 27607

Ms. Nina Szlosberg
2710 Rosedale Avenue
Raleigh, NC 27607

*Recommendations from Governor Michael F. Easley

Staff to Committee

Larry Goode
21st Century Committee
919 301-1589

Gerry Cohen
Mikael Gross
Bill Drafting Division
919 733-6660

Jim Trogdon
House and Senate Transportation
919 715-0654

Chris Dillion
Sabra Faires
President Pro Tem. Office
919 733-6854

Lisa Hollowell
Bob Weiss
Fiscal Research
919 733-4910

Canaan Huie
Speaker's Office
919 301-1410

Giles Perry
Wendy Graf Ray
Research Division
919 733-2578

APPENDIX A

Interim Report Approved by the 21st Century Transportation Committee
On May 14, 2008

21st Century Transportation Committee
Finance Subcommittee
Recommendations

There are six 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.

Number 2 - 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 – Debt service for Bonds – It is proposed that the new bonds will be paid for by a portion of the money recaptured through the elimination from the transfer of 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.

Number 5 - 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 semi-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 6 - Yadkin River Bridge / I-85
It is proposed to have NCDOT take needed actions to clear regulatory hurdles and prepare for letting to construction of a new bridge at I-85/Yadkin River (letting midyear 2009). NCDOT and the State of North Carolina will seek federal earmark funds for this specific project during 2008.
(The Finance Subcommittee of the 21st Century Transportation Committee will develop a backup funding recommendation by December 31, 2008.)

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.

21st Century Transportation Committee
Prioritization, Best Practices, and Efficiency Subcommittee
DRAFT Interim Recommendations
For NCGA consideration
Session 2008

There are nine interim recommendations for consideration by the 21st Century Transportation Committee:

Numbers 1 & 2 – Transfer Elimination and Gap Funding : Details with Finance Subcommittee

Number 3 – Organization of NCDOT:

Based on NCDOT's internal assessment, there is a lack of formalized statewide long-term thinking, planning, and executing. There is little relationship between the Department's goals and staff level duties and performance. Too many poorly selected priorities dilute focus, overtax resources, and slow delivery, and there is a lack of accountability in delivery of transportation projects. There has been a considerable amount of work done by NCDOT's Transformation Management Team, and numerous options and recommendations for improvement are being development. Several critical activities are scheduled for completion within the next few months such as a completed organizational review, transportation delivery program improvements, mobility measures and improvements, project dashboard, etc. We commend the managers and employees directly involved with these efforts and encourage NCDOT to allow greater empowerment of these teams to immediately implement new ideas and strategies and encourage much more transparency and communications between these efforts and stakeholders, including this Committee.

The Board of Transportation plays a critical role in balancing diverse requirements and providing a strong linkage between transportation policy, programs, local governments, and our citizens. Additional laws or revised ethics policies can not improve upon the various changes and reorganizations that of previously occurred. Only strong leadership can ensure the NCDOT effectively fulfills its critical responsibilities and objectives. Therefore, the Prioritization Subcommittee recommends that the Secretary of NCDOT be legislatively selected as the Chairman of the Board of Transportation. As the only full time member of the board, the Secretary should provide the leadership to all members of the board necessary to maintain focus on transportation policies, programs, and long-term transportation needs. Additionally, the Subcommittee recommends that the Secretary not serve as the Chairman of the Board for the NC Turnpike Authority. The Legislative intent to provide some level of autonomy to the NCTA to improve on existing delivery processes is somewhat restricted with the existing organization. The State Highway Administrator should serve as the Chief Executive and be solely responsible for the Division of Highways operations and all Departments responsible for planning, programming, preconstruction, construction, maintenance, and operations. The current role for the Secretary to serve as a "CEO equivalent" and ex-officio Board member has

resulted in producing a Chief Executive without a strong professional transportation background, decision making retained at a high level significantly impacting responsiveness, and a Board of Transportation that was marginalized by its ex-officio Secretary acting as CEO.

Number 4 – Roles and Responsibilities of the Board of Transportation –There are currently no recommended changes to the composition of the Board of Transportation. However, it is recommended that the roles and responsibilities of the board be adjusted, as authorized under the current statues by the Secretary, to include increased oversight in the scheduling, delivery, and costs of Transportation Projects and Programs, with less emphasis on reviewing and approving individual project expenditures for rights-of-way acquisition, utility relocation, secondary road additions and expenditures, etc. The Board of Transportation should increase their oversight responsibilities in the area of long term transportation needs and financing options, transportation policies, transportation program delivery, and coordination and cooperation with Municipal Planning Organizations, and local governments.

Number 5 – Mobility Corridors and Congestion Relief-
The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed on loops and interstate routes according to measures of congestion indices, travel time, average daily traffic, and accident rates, to modernize existing facilities, maximize capacity, remove bottlenecks which increase congestion, and add capacity where necessary, based on benefit/cost factors. These funds can also be used to accelerate planned loop projects where measurable congestion relief is provided.

Number 6 – Intrastate System and Bridge Preservation The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed against completion of the current Intrastate System and/or Bridge Replacement and Preservation allocated through the existing equity formula. If Intrastate System projects are not available for construction, these funds can only be used for replacing structurally deficient or functional obsolete bridges within a region or on mobility corridors according to item 5 above on statewide tier routes.

Number 7 -. Remove Interstate Maintenance from Equity Calculations - The Prioritization Subcommittee recommends removing the Federal Interstate Maintenance Funds from Equity Formula. IM Funds are approximately 3 % of the total federal and state transportation revenues. By removing them from equity calculations, similar to Congestion Mitigation and Air Quality funds, the Interstate System in NC can be maintained at a higher level of service without competing against other critical projects within a region, and would allow the establishment of an Interstate Resurfacing and Preventive Maintenance funding allocation annually to the Highway Divisions based on their Interstate Mileages to more economically provide preventive maintenance treatments in a timely manner.

Number 8 – Implementation of Key Studies Recommendations

Implement immediately (next 60 to 90 days) key recommendations from previous studies that to date have not been implemented:

- The NCDOT should develop meaningful and reliable highway performance objectives, measures and indicators for preconstruction and construction schedules and costs. Results should be compared to stabled goals as well as the results of prior periods, and should be reported internally and externally. Management should analyze results for variances, trends, and relationships and use them in budgetary, decision making, and improvement processes.
- Change the TIP structure to improve the ability to deliver projects as planned. Improve the Program and Project Delivery processes through streamlining of planning processes, improvements and decentralization of the bridge replacement.
- Establish measurable department-wide strategic objectives for program delivery, an annual business plan for improvements, and management accountabilities for accomplishing them. Provide proactive and standardized delivery reports at the program and project level to policy makers, customers, and business partners.

Number 9 – Use of Highway Trust Funds for Secondary Roads for Bonding Authority for Item Numbers 5 and 6 Above

Currently, 37 percent of state transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, based on percentage of needs, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic. The creation of the Highway Trust Fund mandated that all unpaved roads be paved. In 1989 there were over 16,000 miles of unpaved secondary roads, and currently less than 5,500 miles of unpaved roads, of which 1,800 can not be paved due to right-of-way and/or environmental issues. Therefore, the approximately 3,000 miles of unpaved roads remaining to be paved can be programmed and paved using the Highway Fund portion of the secondary roads program allowing the use of the Highway Trust Funds for increased bond authority in order to reduce congestion, and replace critical substandard bridge infrastructure. By using the $94 Million per year Highway Trust Fund allocation to Secondary Roads for existing and additional bonding authority for projects under item numbers 5 and 6, the percent expended by tier will better model the percentage of needs while increasing the priority for reducing congestion, and critical bridge infrastructure

REPORT OF THE INTERMODAL COMMITTEE AND EXPLANATION OF CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND

The Intermodal Committee recommends legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund,
2. Set out a framework for grants for intermodal transit capital projects out of this fund, including standards for eligibility. These projects include urban transit and rail freight.
3. Authorize local option revenue options for major urban areas to match these grants
4. Authorize local option revenue options for other urban counties or counties contiguous to urban counties to allow them to raise additional revenues for public transportation systems.
5. Extend the State Ports Tax Credit for five years.

These recommendations allow the State's urban regions to remain good places to live, environmentally sound and economically viable. They allow new urban growth to be absorbed in an environmentally friendly manner, reducing demands on highways and infrastructure, and helping localities target and benefit from economic development. They will also allow strengthening the State's rail freight infrastructure, reducing demand on the highway system, allowing energy efficient movement of goods, and aiding development of the State's ports.

BACKGROUND

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), the North Carolina Railway Association which represents short line railroads, and the North Carolina State Ports Authority all relating to needs for improving freight rail capacity, as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.976 billion over the next 12 fiscal years. This includes $120 million for state aid for rail access to the State ports, $119 million for Class 1 railroads, $65 million for short line railroads, $30 million for statewide bus grants to local governments, $34 million for expansion of intercity passenger rail, and $1.594 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee recommends capping the maximum amount of urban transit capital grants for any one region at 33% of the fund.

NEEDS

On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $100 million in Fiscal Year 2009-2010, $112 million in 2010, between $151 and $173 million annually for the four years beginning 2011 through 2014, $189 million in 2015, between $154 million and

$180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $161 million per year. The committee recommends this level of funding on an ongoing basis with a continuing source of revenue because if not, grantees will be unable to plan and successfully carry out the programs. These figures are all in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, early emphasis will be placed on grants for acquisition of buses by transit systems across the state (including $12.5 million the first year to cover the state share of $50 million in bus purchase). Other projects anticipated for funding during the first three years include between $10 and $12 million annually for intercity passenger rail, potential uses including a third daily AMTRAK frequency from Charlotte to Raleigh or Selma and a demonstration project by the North Carolina Railroad in Eastern North Carolina.

FINDINGS

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. Short line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

RECOMMENDATIONS

Based on these findings and demonstrated needs, the legislation:

1. Establishes the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allows for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and Triangle Transit in the Research Triangle.)
3. Provides that grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Sets the following preconditions for the local government grants: (i) the grant application is approved by all Metropolitan Planning Organizations whose

jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.

5. Allows grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan. Funds appropriated shall remain available until expended.
6. Provides that Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. Provides that no applicant may receive more than 33% of the total funds in a 15-year period.
8. Requires that qualification for federal funding shall be considered in the review and approval process

SHORT LINE RAILROAD GRANTS

9. Provides grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

RAILROAD GRANTS

10. Provides grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars ($10,000,000) per fiscal year.

STATE PORTS RAILROAD GRANTS

11. Provides grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants may not exceed ten million dollars ($10,000,000) per fiscal year.

INTERCITY PASSENGER RAIL SERVICE

12. Provides that grants from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities served.

LOCAL REVENUE SOURCES

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor

vehicle rentals. Other urbanized or urbanizing counties also have significant needs for new revenues for public transportation. The committee has examined the existing revenue options and the legislation will provide the following:

LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the board of Triangle Transit. The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district and by each MPO in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
15. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the major counties in the Triad (Forsyth or Guilford), who are likely to finance a major urban transit project. The tax will also require approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). The transportation authority must propose a financial plan, which must be approved by the board of commissioners of each county in the district and by each MPO in the district prior to the levy of the tax. If the board of commissioners of a county in a multi-county district does not adopt the plan, the transportation authority may remove that county from the district and no tax may be levied in that county under this Part.
16. Allow a ¼% sales tax for public transportation purposes to be levied after a favorable referendum in the remaining counties in the Triad: (Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). These eight counties are expected to have major needs for public transportation services, but not to the same extent as Forsyth and Guilford Counties. Programs in these counties might include significant expansion of bus service, including express bus service to employment centers, or extension of a commuter rail line.
17. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.

18. Allows a single county ¼% sales tax for public transportation purposes to be levied after a favorable referendum in any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland and New Hanover as of 2008) These counties have substantial needs for urban transit, but not to the same level as those counties suggested to have a ½% limit. Programs in these counties might include significant expansion of bus service, or commuter rail links to other urban counties.

LOCAL VEHICLE REGISTRATION FEE AND MOTOR VEHICLE RENTAL FEE

The 1991 General Assembly allowed Triangle Transit to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars ($5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

19. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.
20. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 17 will give all three major urban areas the same local option authority.
21. The committee recommends extending the same motor vehicle registration fee authority to any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) In addition, to the extent that any of those counties does not levy the full permitted seven dollars, and city located wholly within that county will be authorized to levy a full dollar rate to the extent that the city and county rate added together does not exceed the seven dollar cap. It is felt that the extension of the motor vehicle registration fee to counties contiguous to urban areas will allow them to add additional public transportation services, especially commuter and express bus service to help improve air quality and commuting. Extension of this fee to large counties such as Buncombe, Cumberland, and New Hanover will allow them to provide enhanced public transportation services.
22. The committee also recommends extending the authority to levy a motor vehicle rental charge of not to exceed five percent which is now authorized in the Triad, Triangle and Mecklenburg to any county with a population of 160,000 or over according to the most recent decennial federal census (Buncombe, Cumberland, and New Hanover as of 2008) for the same purposes and rationale. Similar

provisions to #21 will allow municipal levy in those counties if the county does not levy the tax or does not levy the full five percent.

STATE PORTS TAX CREDIT

The state ports tax credit encourages businesses to use the two State-owned port terminals at Wilmington and Morehead City. The committee recommends extending the credit from its current 2009 expiration out five years to 2014. This extension has been requested by the North Carolina Ports Authority. The five-year extension of the Ports Tax Credit would allow the Ports to continue offering this business incentive to existing and potential customers and to stimulate economic growth for the State. Extending the NC Ports tax credit costs the State's general fund less than one million dollars each year, and allows companies such as Goodyear, CK International, JB International, Drexel Heritage Furniture, QVC, Martin Marietta, EN Beards Hardwoods Lumber, Edwards Wood Products, Culp, Inc., Broyhill, Kilop USA, Thomasville Furniture, Cormetech, Stein Fibers, Ltd., New South International, and Sonoco to be competitive in world markets. The NC Ports tax credit supports these and other industries and the thousands of jobs and millions of dollars in tax revenues that they contribute to our State.

The state ports tax credit, originally enacted in 1992, encourages exporters and importers to use State-owned port terminals. This credit, extended in 1995, 1997, 2001, 2002 and 2004 expires January 2009.

The tax credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carry forward on excess credit. The maximum cumulative credit that one taxpayer may claim is $2 million. The estimated cost to the General Fund is less than one million annually.

Recommended by Intermodal Committee to full 21st Century Transportation Committee
May 14, 2008
F:/MyDocuments/21st Century Intermodal Committee Report 05142008.doc

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
all numbers in millions													millions
Triangle Region (needs)	$16	$45	$85	$118	$171	$346	$461	$373	$287	$300	$416	$518	$3,136
Triangle Region w/33% cap 2011	16	45	75	107	161	336	449	361	267	280	396	488	2,981
Triad Region	$7	$16	$46	$80	$64	$72	$134	$142	$148	$90	$95	$200	$1,094
Statewide Bus Improvements	50	16	10	5	5	5	5	5	5	5	5	5	$121
Hwy and Rail Grade Separation	$12	$6	$5	$0	$5	$5	$0	$0	$5	$5	$5	$5	$53
Charlotte/ Mecklenburg Region	$167	$218	$414	$379	$354	$124	$106	$67	$102	$136	$117	$117	$2,301
Total	$252	$301	$550	$571	$428	$542	$694	$575	$527	$516	$618	$815	$6,550
25% State Share of Investment	$ 63	$ 75	$ 138	$ 143	$ 107	$ 136	$ 174	$ 144	$ 132	$ 129	$ 155	$ 204	$ 1,638
Short Line Grants - State Share	5	5	5	5	10	5	5	5	5	5	5	5	$65
Freight Rail Grants- State Share	10	10	10	9	20	5	5	10	10	10	10	10	$119
Ports Rail Grants - State Share	10	10	10	10	20	5	5	10	10	10	10	10	$120
Intercity Passenger Rail	12	12	10	0	0	0	0	0	0	0	0	0	$34
(3rd Amtrak train Raleigh-Charlotte)													
(NC RR demonstration project)													
Total Fund Needs	$ 100	$ 112	$ 173	$ 167	$ 157	$ 151	$ 189	$ 169	$ 157	$ 154	$ 180	$ 229	$ 1,935
TOTAL STATE REVENUES millions	110	110	167	167	167	167	167	167	167	167	167	212	$161
Carry Forward/Shortfall	$ 10	$ 8	$ 2	$ 3	$ 13	$ 29	$ 8	$ 6	$ 16	$ 29	$ 17	$ (0)	

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

H D

HOUSE DRH70631-LBxz-401T (1/22)

Short Title: Congestion Relief/Intermodal Transport Fund. (Public)

Sponsors: Representative.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND, TO PROVIDE FOR ALLOCATION OF THOSE FUNDS TO: (1) LOCAL GOVERNMENTS AND TRANSPORTATION AUTHORITIES FOR PUBLIC TRANSPORTATION PURPOSES, (2) SHORT-LINE RAILROADS, FOR ASSISTANCE IN MAINTAINING AND EXPANDING FREIGHT SERVICE STATEWIDE, (3) RAILROADS FOR INTERMODAL FACILITIES, MULTIMODAL FACILITIES, AND INLAND PORTS, (4) MAKE CAPITAL IMPROVEMENTS ON RAIL LINES TO ALLOW IMPROVED FREIGHT SERVICE TO THE PORTS AND MILITARY INSTALLATIONS, (5) EXPAND INTERCITY PASSENGER RAIL SERVICE, AND TO EXTEND COMMON LEVELS OF LOCAL TRANSIT FUNDING AUTHORIZATION TO THREE URBAN REGIONS, AND ALLOW OTHER LOCAL GOVERNMENTS SIMILAR OPTIONS FOR LOCAL TRANSIT FUNDING, AND TO EXTEND THE STATE PORTS TAX CREDIT, ALL AS RECOMMENDED BY THE 21ST CENTURY TRANSPORTATION COMMITTEE.

The General Assembly of North Carolina enacts:

CHAPTER I. Fund Created.

SECTION 1. Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 19.

"Congestion Relief and Intermodal 21st Century Transportation Fund.

"**§ 136-250. Congestion Relief and Intermodal Transportation 21st Century Fund.**

There is established in the State treasury the Congestion Relief and Intermodal Transportation 21st Century Fund, hereinafter referred to as the Fund. The Fund shall consist of all revenues appropriated and allocated to it. Interest on earnings of the Fund shall remain within the Fund.

"**§ 136-251. Findings of fact.**

The General Assembly finds that:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st century, sixty-six percent (66%) of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while forty percent (40%) is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust Fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads, will enable North Carolina to have a balanced 21st century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City, is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short-line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds partly so it can

leverage the maximum federal and private participation to fund needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, and a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with railroads, trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 mainline miles of track, with Class I railroads holding seventy-nine percent (79%) of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified seven hundred ninety-nine million dollars ($799,000,000) in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short-line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short-line railroads. North Carolina economic development and commerce are dependent upon essential service by short-line railroads, and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short-line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways. Short-line railroads are essential to preserve and develop jobs in rural and small urban areas of North Carolina.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Terminal will need high capacity intermodal access.

(12) Significant local revenues are needed to match State funds so that a major portion of the expenses is borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a fifty-eight percent (58%) favorable vote in Mecklenburg County in 1998, and reaffirmed by a seventy (70%) favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue

options, will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for providing additional public transportation options and for allowing localities to generate revenue to match State grants.

"**§ 136-252. Grants to local governments and transportation authorities.**

(a) Cities, counties, regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes, including planning and engineering.

(b) No grant may be approved from the fund unless:

(1) The application is approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the service area of the grant applicant.

(2) The applicant has approved a transit plan that includes local planning policies and adopted plans that reasonably support transit ridership and appropriate land use.

(3) The applicant has an adequate and sustainable source of funding established for its share of project costs.

(c) Grants from the fund may be committed for a multiyear basis to stabilize the phased implementation of a plan, including multiyear allotments. The Board of Transportation shall approve, and amend from time to time, a rolling multiyear projection of up to 15 years for allocation of funds under this section. No applicant is eligible under the 15-year plan projection for more than one-third of the total funds to be granted under this Article during that 15-year period.

(d) No grant under this section may exceed twenty-five percent (25%) of the cost of the project and must be matched by an equal or greater amount of funds by the applicant. In evaluating projects, qualification for federal funding shall be considered.

"**§ 136-253. Grants to other units.**

(a) Grants from the fund may also be made to State agencies and railroads for the following purposes:

(1) Assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. This may involve both the Rail Industrial Access program and the Short Line Infrastructure Access Program, as well as other innovative programs. Grants under this subdivision shall not exceed fifty percent (50%) of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

(2) Assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants under this subdivision shall not exceed fifty percent (50%) of the nonfederal share and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(3) Assistance to the State ports in terminal railroad facilities and operations, and to improve access to military installations, and to the North Carolina International Terminal. Grants under this subdivision shall not exceed fifty percent (50%) of the nonfederal share and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(4) Expansion of intercity passenger rail service, including increased frequency and additional cities serviced or introduction of commuter rail service. Routes under this section must extend beyond the territorial jurisdiction of a transportation authority.

(b) Grants under subsection (a) of this section may serve more than one of the four listed purposes.

"**§ 136-254. Grant approval.**

All grants made under this Article are subject to approval of the Board of Transportation. The fund may be administered in conjunction with G.S. 136-44.20 and G.S. 136-44.36, but any funds allocated under those sections shall continue to be available as provided therein.

"**§ 136-255. Funds remain available until expended.**

Appropriations to the fund remain available until expended."

CHAPTER II. Public Transportation Sales Tax: Mecklenburg, Triangle, Triad.

SECTION 2.(a) Section 1(a) of S.L. 1997-417 is recodified as G.S. 105-510.1.

SECTION 2.(b) Article 43 of Chapter 105 of the General Statutes, as enacted by S.L. 1997-417 and amended by subsection (a) of this section, reads as rewritten:

"Article 43.

"Local Government Sales and Use Taxes for Public Transportation.

"Part 1. General.

"**§ 105-505. Short title; purpose.**

This Article is the Local Government Public Transportation Sales Tax Act and may be cited by that name. This Article gives the ~~counties~~ counties and transportation authorities of this State an opportunity to obtain an additional source of revenue with which to meet their needs for financing local public transportation systems. It provides ~~counties~~ them with authority to levy one-half

percent (1/2%) sales and use taxes. All such taxes must be approved in a referendum.

"**§ 105-506. Definitions.**

The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

(1) Board of trustees. – The governing body of an Authority.

~~(1)~~(2) Net proceeds. – Gross proceeds less the cost of administering and collecting the tax.

~~(2)~~(3) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

(4) Transportation authority. – A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.

"**§ 105-506.1. Exemption of food.**

A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 2011.

"Part 2. Mecklenburg County.

"**§ 105-507. Limitations.**

A county may not levy a tax under this ~~Article~~ Part unless the county or at least one unit of local government in the county operates a public transportation system. In addition, a county may not levy a tax under this ~~Article~~ Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-508. Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied in accordance with this ~~Article.~~ Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-half percent (1/2%) local sales and use taxes, in addition to the current ~~two percent (2%)~~ local sales and use taxes, to be used only for public transportation systems.'

"§ 105-509. Levy and collection of sales and use tax.

If the majority of those voting in a referendum held pursuant to this ~~Article~~ Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-half percent (1/2%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this ~~Article,~~ Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this ~~Article~~Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes'.

~~A tax levied under this Article does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51.~~

"§ 105-510. Distribution and use of taxes.

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this ~~Article~~ Part by that county. If the Secretary collects taxes under this ~~Article~~ Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this ~~Article~~ Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this ~~Article~~ Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"**§ 105-510.1. Applicability.**

This ~~section~~ Part applies only to Mecklenburg County.

"Part 3. Transportation Authorities.

"**§ 105-510.5. Limitations.**

A transportation authority may not levy a tax under this Part unless:

(1) It operates a public transportation system.

(2) It has developed a financial plan and distributed it to each unit of local government located within its territorial jurisdiction. The plan must be approved by the board of commissioners of each county in the district prior to the levy of the tax. If the board of commissioners of a county in a multicounty district does not adopt the plan, the transportation authority may remove that county from the district, and no tax may be levied in that county under this Part. The financial plan must provide for equitable use of the net proceeds within the special district created under this Part and consider (i) the identified needs of local public transportation systems in the district, (ii) human service transportation systems within the district, and (iii) expansion of public transportation systems to underserved areas of the district. The financial plan must also be approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the area of the special district. The plan may be revised from time to time.

(3) The tax is approved by the voters.

"**§ 105-510.6. Local election on adoption of sales and use tax – regional public transportation authority.**

(a) Special District. – A transportation authority may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the transportation authority shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this section may be used only for the benefit of the special district and only for the purposes provided in this Article. In the case of a

regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes, the special district may not include counties other than Forsyth and Guilford Counties.

(b) Resolution. – The board of trustees of the authority, with the concurrent vote of:

(1) In the case of a single-county special district, a majority of the county board of commissioners within the special district,

(2) In the case of a multicounty special district, a majority vote of all the county boards of commissioners within the special district,

may direct the respective county board or boards of elections to conduct an advisory referendum within the special tax district on the question of whether a local sales and use tax at the rate of one-half percent (1/2%) may be levied within the district in accordance with this Part. The election shall be held on a date jointly agreed upon by the authority and the county board or boards of elections and shall be held in accordance with the procedures of G.S. 163-287. The board or boards of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-half percent (1/2%) local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.7. Levy and collection of sales and use tax – regional public transportation authority.**

If the majority of those voting in a referendum held pursuant to G.S. 105-510.6 vote for the levy of the tax, the transportation authority may, by resolution, levy one-half percent (1/2%) local sales and use taxes within the special district, in addition to any other State and local sales and use taxes levied pursuant to law. In determining the results of the election in a multicounty district, all the counties of the district shall be considered to be one unit. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to 'this Article' mean 'Part 2 of Article 43 of Chapter 105 of the General Statutes.' Any repeal of the tax shall be done by the same procedure as its enactment under this section, and a petition for repeal under G.S. 105-473 shall be judged by the total votes in all three counties.

"**§ 105-510.8. Expansion of district.**

If a special district established under this Part does not include all the counties in the territorial jurisdiction of a transportation authority, it may be expanded to include an additional whole county or counties by joint action of the board of trustees of the transportation authority and the board of commissioners of the county or boards of commissioners of the counties to be added, with the approval

of the voters in the county or counties to be added. The procedure for addition of a county or counties shall be the same as for the initial creation of the district, but the referendum shall be held separately within each of the counties to be added.

"**§ 105-510.9. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each transportation authority the net proceeds of the tax levied under this Part within the special tax district, to be used for the benefit of that district.

(b) Use. – A transportation authority must expend the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-510.5 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. The transportation authority shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"Part 4. Other Counties.

"**§ 105-510.12. Limitations.**

A county may not levy a tax under this Part unless the county or at least one unit of local government in the county operates a public transportation system or contracts with a transportation authority to provide a public transportation system. In addition, a county may not levy a tax under this Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human service transportation systems, and expansion of public transportation service to unserved areas in the county.

"**§ 105-510.13 Local election on adoption of sales and use tax.**

(a) Resolution. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum within the county on the question of whether a local sales and use tax at the rate of one-quarter percent (1/4%) may be levied in accordance with this Part. The election shall be held on a date jointly agreed upon by the boards and shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Article shall be:

'[ ] FOR [ ] AGAINST

One-quarter percent (1/4%) local sales and use taxes, in addition to the current local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.14. Levy and collection of sales and use tax.**

If the majority of those voting in a referendum held pursuant to this Part vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-quarter percent (1/4%) local sales and use taxes in addition to

any other State and local sales and use taxes levied pursuant to law. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Part, references to 'this Article' mean 'Part 1 of Article 43 of Chapter 105 of the General Statutes.'

"**§ 105-510.15. Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each taxing county the net proceeds of the tax levied under this Part by that county. If the Secretary collects taxes under this Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this Part in that month and shall include them in the quarterly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county on a per capita basis among the county and the units of local government in the county that operate public transportation systems. No proceeds shall be distributed to a county that does not operate a public transportation system or to a unit of local government that does not operate a public transportation system.

(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems.

"**§ 105-510.16. Applicability.**

(a) This Part only applies in counties that meet one or more of the following criteria:

(1) Have a population of 160,000 or over according to the most recent decennial federal census.

(2) Are members of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Are contiguous to Mecklenburg County.

(4) Are contiguous to Wake, Durham, or Orange County.

(b) This Part does not apply to Durham, Forsyth, Guilford, Mecklenburg, Orange, or Wake Counties."

CHAPTER III. Extension of Vehicle Registration Charge to Mecklenburg County.

SECTION 3. Section 6.2 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162, reads as rewritten:

"**SECTION 3.1.** A county authorized to impose a tax under Part 2 of Article 43 of Chapter 105 of the General ~~Statutes, as enacted by Part 1 of this act,~~ Statutes is considered an authority ~~under~~ under:

(1) Article 50 of Chapter 105 of the General Statutes, as enacted by Section 3 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50. G.S. 105-554 of Article 50 does not apply to the proceeds of a tax imposed by a county considered an authority under this section. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The proceeds may supplant existing funds allocated for a public transportation system. The term 'public transportation system' has the same meaning as defined in ~~G.S. 105-506 of Article 43.~~ G.S. 105-506.

(2) Article 51 of Chapter 105 of the General Statutes, as enacted by Section 4 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506."

CHAPTER IV. Local Vehicle Registration Charge Adjusted for Inflation.

SECTION 4.(a) Effective July 1, 2008, G.S. 105-561(a) reads as rewritten:

"(a) Tax Authorized. – The board of trustees of an Authority may, by resolution, levy an annual license tax in accordance with this Article upon any motor vehicle with a tax situs within its territorial jurisdiction. The purpose of the tax levied under this Article is to raise revenue for capital and operating expenses of an Authority in providing public transportation systems. The rate of tax levied under this Article must be a full dollar amount, but may not exceed ~~five dollars ($5.00)~~ seven dollars ($7.00) a year.

SECTION 4.(b) Effective July 1, 2008, G.S. 105-561(d) reads as rewritten:

"(d) Special Tax District. – If a regional transportation authority created under Article 27 of Chapter 160A of the General Statutes has not levied the tax under this section or has levied the tax at a rate of less than ~~five dollars ($5.00)~~ seven dollars ($7.00), it may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. The rate of tax levied within

the special district may not, when combined with the rate levied within the entire territorial jurisdiction of the authority; exceed ~~five dollars ($5.00).~~ seven dollars ($7.00). The regional transportation authority may not levy or increase a tax within the special district unless the board of commissioners of each county in the special district has adopted a resolution approving the levy or increase.

A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the regional transportation authority created under Article 27 of Chapter 160A of the General Statutes shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this subsection may be used only for the benefit of the special district and only for the purposes provided in G.S. 105-564. Except as provided in this subsection, a tax levied under this subsection is governed by the provisions of this Article."

CHAPTER V. Extension of Vehicle Registration Charge and Motor Vehicle Rental Charge to Counties Contiguous to the Triangle and Mecklenburg County and to Other Urban Counties.

SECTION 5. Subchapter IX of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 52. Urban County Vehicle Rental Tax and Registration Tax.

"**§ 105-557. Urban County Vehicle Rental Tax.**

(a) This section only applies in counties that meet all of the following criteria:

(1) Has a population of 160,000 or over according to the most recent decennial federal census.

(2) Is not a member of a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.

(3) Is not contiguous to Mecklenburg County.

(4) Is not contiguous to Wake, Durham, or Orange County.

(b) This section does not apply to Durham, Forsyth, Mecklenburg, Orange, or Wake Counties.

(c) A county is considered an authority under Article 50 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50.

(d) To the extent that any county does not levy the full percentage authorized by Article 50 of this Chapter, any city located wholly within that county is considered an authority under Article 50 of this Chapter, and may levy a percentage under that Article as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 50. If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60

days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(e) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506.

"**§ 105-558; Urban County Vehicle Registration Tax.**

(a) A county authorized to impose a tax under Part 4 of Article 43 of Chapter 105 of the General Statutes is considered an authority under Article 51 of this Chapter, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51.

(b) To the extent that any county does not levy the full amount authorized by Article 51 of this Chapter, any city located wholly within that county is considered an authority under Article 51 of this Chapter and may levy an amount under that Article (in whole dollars) as if it were an authority, such that the total gross levy of the county and city does not exceed the maximum permitted by law. For that purpose, the governing board of that city is considered the board of trustees of the authority under Article 51. If thereafter the county levies a tax at a rate that, combined with the city rate, would exceed the maximum, then the new county rate shall become effective on the first day of the next fiscal year beginning at least 60 days after adoption, and that levy automatically reduces the city rate on that date so the combined rate does not exceed the maximum.

(c) The proceeds of a tax imposed by a county or city considered an authority under this section may be used by that county or city to operate or contract for the operation of a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506. Any levy by a city under this section is in addition to any authority granted by G.S. 20-97 or any other local act."

CHAPTER V. Extension of State Ports Tax Credit.

SECTION 6.(a) G.S. 105-130.41(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 6.(b) G.S. 105-151.22(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, ~~2009~~ 2014."

SECTION 7. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

U D

BILL DRAFT 2007-RWz-10 [v.7] (04/01)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/7/2008 12:07:30 PM

Sponsors:

Referred to:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS.

Whereas, under the federal Intermodal Surface Transportation Efficiency Act of 1991 the State received an eighty-two and seven tenth percent (82.7%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, under the federal 1998 Transportation Equity Act for the 21st Century (TEA-21) the State received an eighty-nine and two tenth percent (89.2%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) promised that the State would increase its share of federal highway revenue to ninety-two percent (92%) by the 2008-2009 fiscal year; and

Whereas, under SAFETEA-LU the State has so far received only eighty-nine and seven tenth percent (89.7%) of the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the State has urgent transportation needs that could be addressed if the State received a fair share of the federal highway tax revenue it remitted to the federal Highway Trust Fund each year; Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

SECTION 1. The United States Congress is urged to provide the State with all the federal highway tax funds it was promised under the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and to end the State's status as a donor State of federal highway tax revenues in the next federal transportation reauthorization act, due for enactment by Congress in 2009, by providing that State with one hundred percent (100%) of the federal highway funds it remits to the federal taxes to the federal Highway Trust Fund each year.

SECTION 2. The Secretary of State shall transmit a copy of this joint resolution to each member of the United States Congress representing North Carolina.

SECTION 3. This resolution is effective upon ratification.

2007-2008

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

MINUTES

Charge for the 21st Century Transportation Finance Subcommittee

1) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.
2) Local funding options for transportation.

Membership

Mr. Stephen Zelnak, Jr., Cochair
PO Box 30013
Raleigh, NC 27607
steve.zelnak@martinmarietta.com

The Honorable Terry Bellamy
PO Box 7158
Asheville, NC 28801
mayorbellamy@ashevillenc.gov
jdunlap@ashevillenc.gov

Mr. Charles F. Bowman, President
North Carolina Bank of America
Bank of America Corporate Center
100 North Tryon Street
Charlotte, NC 28255
charles.f.bowman@bankofamerica.com

Rep. Nelson Cole
1218 Legislative Building
Raleigh, NC 27601
(919) 733-5779
Nelsonc@ncleg.net

Rep. Phil Frye
1019 Legislative Building
Raleigh, NC 27601
(919) 733-5661
Philf@ncleg.net

Sen. David Hoyle
300-A Legislative Office Building
Raleigh, NC 27603
(919) 733-5734
Davidh@ncleg.net

The Honorable Sam Hunt
1215 Maple Avenue
Burlington, NC 27215
samhunt@triad.rr.com

Dr. Joseph Monroe
NC A&T College of Engineering
1601 E. Market St., 651 McNair Hall
Greensboro, NC 27411
Monroe@ncat.edu

Mr. Greg Plemmons
500 Old Dominion Way
Thomasville, NC 27360
Greg.plemmons@odfl.com

Sen. Richard Stevens
406 Legislative Office Building
Raleigh, NC 27603
(919) 733-5653
Richards@ncleg.net

Ms. Nina Szlosberg
2710 Rosedale Avenue
Raleigh, NC 27607
Napro1@earthlink.net

Rep. William L. Wainwright
301-D Legislative Office Building
Raleigh, NC 27603
Williamw@ncleg.net

Staff

Lisa Hollowell
Fiscal Research Division
619 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603
Lisah@ncleg.net
(919) 733-4910

Sabra Faires
Senate Tax Counsel
330 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603
Sabraf@ncleg.net
(919) 733-2284

DeAnne Mangum
329 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603
Deannem@ncleg.net
(919) 733-2405

Membership List for 21st Century Transportation Finance Subcommittee

Mr. Stephen Zelnak, Jr., Cochair
PO Box 30013
Raleigh, NC 27607
(919) 781-4550
steve.zelnak@martinmarietta.com

Mr. Charles F. Bowman, President
North Carolina Bank of America
Bank of America Corporate Center
100 North Tryon Street
Charlotte, NC 28255
(980) 387-1297
charles.f.bowman@bankofamerica.com

Rep. Nelson Cole
1218 Legislative Building
Raleigh, NC 27601
(919) 733-5779
Nelsonc@ncleg.net

Rep. Phil Frye
1019 Legislative Building
Raleigh, NC 27601
(919) 733-5661
Philf@ncleg.net

Sen. David Hoyle
300-A Legislative Office Building
Raleigh, NC 27603
(919) 733-5734
Davidh@ncleg.net

Sen. Richard Stevens
406 Legislative Office Building
Raleigh, NC 27603
(919) 733-5653
Richards@ncleg.net

Staff

Lisa Hollowell
Fiscal Research Division
619 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603
Lisah@ncleg.net
(919) 733-4910

Sabra Faires
Senate Tax Counsel
330 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603
Sabraf@ncleg.net
(919) 733-2284

DeAnne Mangum
329 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603
Deannem@ncleg.net
(919) 733-2405

21st Century Transportation Finance Subcommittee
Wednesday, December 12, 2007
3:28 p.m.

MINUTES

The 21st Century Transportation Finance Subcommittee held its initial meeting on Wednesday, December 12, 2007, in Room 414 of the Legislative Office Building. Five members of the committee were present. Steve Zelnak presided as chair.

Introduction and Subcommittee Status Report

Mr. Zelnak summarized the letter he had sent out to committee members prior to the meeting (a copy is attached).

1. Stopping the transfer from the Highway Trust Fund to the General Fund.
Rep. Cole agreed with the letter's recommendation on stopping the transfer of funds from the Highway Trust Fund to the General Fund. Rep. Frye stated that the time is now to initiate new, non-controversial ways of increasing transportation funding. Rep. Cole suggested a gradual decrease of the transfer of funds; 50% the first year, 30% the second year and then 20%. Mr. Zelnak asked if this was a reasonable goal and questioned how the funds would be replaced in the budget, then determined that was not the subcommittee's responsibility.

2. Yadkin River I-85 bridge replacement.
Mr. Zelnak stated the bridge was a safety and congestion issue. He suggested that funds for replacing the bridge could come from a dedicated toll way or bonds. He asked for any other logical possibilities. Rep. Cole informed the subcommittee that the Turnpike Authority has drawings for replacing the bridge and that they should be responsible for this issue. Rep. Frye questioned the funding, Mr. Zelnak suggested focusing on the toll solution. Mr. Bowman said that was the fastest way to get the work finished.

3. Provision of funds for congested traffic relief.
Mr. Zelnak said that if the money is there, the traffic can be relieved, it is a statewide problem and suggested that each member get in front of the committee to provide information on rural versus urban traffic issues. Mr. Bowman suggested a variation of a user fee (miles traveled, time of travel, and allowing local creativity to solve the individual problems. Rep. Frye suggested finishing the intrastate system to relieve traffic. Mr. Zelnak suggested building four lanes roads within 20% of the population. Sen. Stevens questioned letting the Turnpike Authority toll any of the new urban loops. Mr. Bowman said that it is important to make sure that money is spent where it is said it is going to be spent so the public does not get upset. Rep. Cole wanted to keep revenue directed in the area where it is acquired. Mr. Zelnak said that materials costs are not controlled, there is a cement cartel and the rate of escalation will be more than double the rate of inflation. He wants DOT to wrap numbers up with realistic materials costs. Mr. Bowman said that trucks and other "heavy users" need to pay more to use NC roads. Mr. Zelnak stated that "regionalization" also needs to be considered when making recommendations, allowing areas to customize road funding to their needs.

4. Getting the Toll Authority to move ahead with important project (gap funding issue).
Mr. Zelnak said that the key issue to getting tolls created was the dedication of funds. It is a monetary issue that can be done when money is given to initiate the project.

5. Other issues.
   - Rep. Cole said that user funds (BMT) needs to be up for discussion, heavier vehicles create more wear and tear, so they should pay more to use the roads. A feasible funding mechanism is needed that's sellable to the public. He also said that the only way to capture out of state revenue is tolls.
   - Mr. Zelnak would like the State to do what the federal government does not. He sees a problem with earmarks and feels the

Chair Zelnak set a goal of having the committee's short term objectives recommendations prepared by March 24.

He stated that the long term objectives were complicated and additional time and information would be needed prior to making those recommendations to the full committee.

Other States' Funding Approaches

Lisa Hollowell, Fiscal Research Division fiscal analyst, outlined how surrounding and other states are generating transportation revenues. A copy of her presentation is attached.

Specific Funding Mechanisms to be Considered

The floor was opened to discussion among committee members.

- Representative Frye mentioned that there will be tremendous overlap of study issues amongst the subcommittees and it will be interesting to see how it evolves.
- Mr. Zelnak commented that a majority of members had brought up DOT funding performance. He has scheduled a conversation with McKinsey, Susan Coward and Mark Foster and will report back to the committee.
- Senator Stevens and Representative Cole said that due to the McKinsey report DOT has started implementing improvements and is already changing for the better.
- Mr. Bowman stated that private businesses have budget processes and it did not seem that DOT uses the same process.
- Mr. Zelnak closed the discussion by stating that organizational structure and funding seem to be DOT's primary needs.

The meeting adjourned at 4:38 p.m.

Steve Zelnak, Chair

DeAnne Mangum, Committee Clerk

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE
State Legislative Office Building
Raleigh, North Carolina 27603

December 4, 2007

NOTICE

TO: Members, 21st Century Transportation Finance Subcommittee

FROM: Stephen Zelnak, Jr., Chair

SUBJECT: Committee meeting

The Finance Subcommittee will meet on:

DAY:	**Wednesday**
DATE:	**December 12, 2007**
TIME:	**3:00 p.m.**
LOCATION:	**Room 414, Legislative Office Building**

Please advise DeAnne Mangum, Committee clerk, at (919) 733-2405 or e-mail deannem@ncleg.net if you will be unable to attend the meeting.

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

AGENDA

December 12, 2007
3:00 – 4:15

- Brief introduction and status report — ***Steve Zelnak***
- Discussion of Commission short term objectives as articulated by Chairman Brad Wilson — ***Committee***

  1. Recommendation on stopping transfer from the Highway Trust Fund to the General Fund
  2. How to address replacement of the I-85 bridge over the Yadkin River (Salisbury). This is a safety and congestion issue.
  3. How to provide an appropriate infusion of funds for traffic relief in the more congested areas
  4. How to get the Toll Authority moving ahead with important projects. Gap funding is the issue

- Discussion of funding approaches by other states (some of this will be covered in the preceding Commission Meeting). — ***Lisa Hollowell***
- Specific funding mechanisms that we should consider — ***Committee***
- Capabilities of NCDOT
- Other business

VISITOR REGISTRATION SHEET

21st Century Transportation Finance Subcommittee — Dec. 12, 2007

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Paula Pay	DC Tax Bureau
Warren Cloud	OSBM
Jay Sten	NCAA
Rita Harris	NC State Ports Auth
Berry Jenkins	Carolinas AGC
H. Thomas	NCDOT
T. Jerry Wilson	Multi Chutes
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
S. Jackson	Budget & Tax Center
D. McCorquodale	Manning Fulton
Murphy Sullivan	Charlotte Chamber

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

State Legislative Office Building
Raleigh, North Carolina 27603

December 6, 2007

To: Finance Committee Members

From: Steve Zelnak
Chairman – Finance Committee

Over the past two weeks, I've had the opportunity to talk with each member of the Committee individually to get your views on the very significant transportation funding issues facing North Carolina. In addition, I have solicited the views of several commission members who have a rich background and considerable experience in this area. A summary of these inputs is as follows:

1. There is clear agreement that North Carolina's transportation system is not keeping up with our growth or maintenance needs and that additional funding will be necessary to reverse this trend.

2. The needs of both urban areas (mobility and congestion) and the more rural areas (economic development) must both be met with a reasonable balance.

3. It will take a comprehensive set of both traditional and non-traditional funding approaches to make headway in solving our transportation problems and once again making North Carolina the "Good Transportation State".

4. There needs to be a comfort level that the NCDOT is moving forward in a manner that will provide assurance that they can execute effectively with a larger program.

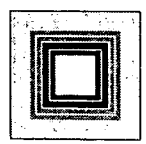
The agenda for our meeting is quite broad and encompassing. Obviously, we will not be able to cover it all in this meeting. What I hope we can do is make sure that we get all the reasonable options on the screen for thorough discussion in the future and also assure that we get to committee members the information needed to carefully assess possibilities.

If you have additional thoughts prior to our meeting, please call or email. I look forward to seeing you on December 12.

SPZ/ckh

Finance Subcommittee
21st Century Transportation Committee

December 12, 2007



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

Virginia
HB3202 Highlights

- New Revenues
  - 2/3rd of General Fund Undesignated Surplus to flow to Transportation Trust Fund
  - 3 cents recordation tax (2 cents dedicated to transit)
  - Abusive driver fees (range from $250 - $1,000 annually for three years)
  - Registration fee increases
  - Diesel tax equalization
  - Higher fines for overweight vehicles
- $3 Billion in Bonds Authorized

Virginia
HB3202 Highlights

- Hampton Roads Authority and Northern Virginia Transportation Authority
  - 2% gas tax
  - 40 cent grantor's tax
  - 2% vehicle rentals
  - $10 safety inspection
  - 1% initial registration
  - 5% auto repair
  - $10 regional registration
- Localities may raise additional funds for transportation purposes
  - Commercial real estate surcharge
  - Local vehicle registration
  - Commercial and residential impact fees
- Broadened and extended Transportation Impact Fee authority in high growth localities
- Created pilot projects for five counties for county road maintenance involving service districts and impact fees on rural development (December 2008)

State of Maryland
Special Session

- $400Million for Transportation Projects annually
  - Vehicle excise tax increase from 5% to 6% (net trade-in value)
  - Increase title fee from $23 to $50
  - Sales tax increase from 5% to 6% (Transportation will receive 50% of the increase)

State of South Carolina

- Transportation Authority Sales Tax
  - 1%
  - May be imposed for up to 25 years for specified highway, street, and bridge projects
  - Expires when revenue target is reached
  - Projects must be approved by the voters
- Hospitality fee of up to 2% on meals and beverages, to be used for tourism-related capital investments which may include road projects
  - Horry County (Myrtle Beach) expanded this to include lodging, restaurants, admissions, and other tourism-oriented services, and uses 1.5% of its tax for the county's road plan
- Capital Projects Sales Tax
  - 1%
  - May be used for highway, street, and bridge projects
  - Maximum duration of seven years or until revenue target is reached
  - Adopted by six counties

These types of sales taxes require majority voter approval to be enacted

State of South Carolina

- State Infrastructure Bank
  - Created in 1997 by the South Carolina General Assembly for the purpose of financing major projects
  - Cooper River Bridge is one of many projects

Revenues
North Carolina

- Gas Tax 1 cent = $54M/year
- Highway Use Tax 1% = $200M/year
- Passenger vehicle registration $10 increase = $65M/year
- Driver License Fees (currently $4/year/driver) = 6.2M licensed drivers $1 annual increase = $6M/year

DREAM TO REALITY

South Strand highway project becomes real; I-73 is still part fantasy

Local folks were delighted this week when the state Infrastructure Bank unexpectedly approved an $85 million grant into a key South Strand highway project. No sooner had that good highway news come down when the S.C. Department of Transportation added more: The Federal Highway Administration has given the S.C. DOT clearance to acquire right of way for the Interstate 73 portion between S.C. 22 and Interstate 95.

Once completed between Horry County and the N.C. line near Rockingham, I-73 will become our communities' most important highway in economic and storm-security terms. But as things stand now, the South Strand news is more exciting.

Why? The Infrastructure Bank's welcome generosity all but ensures that Horry County can afford to extend Carolina Bays Parkway from its current terminus at S.C. 544 to S.C. 707 near Holmestown Road. The bank board, under the tutelage of Chairman Don Leonard, a Myrtle Beach real estate executive, has increased its total commitment to that part of the South Strand project to $235 million.

Horry County local-option sales-tax money, meanwhile, will finance the rest of the project — the widening of S.C. 707 to five lanes between Enterprise Road and Murrells Inlet. Once these roads are completed — by 2013 at the latest — daily driving in our southern communities and the Waccamaw Neck will be a much less stressful experience for residents and visitors. Their chances of successful evacuation when hurricanes threaten measurably will improve.

None of this is to suggest that the S.C. DOT's I-73 news is inconsequential. The final environmental impact statement for the I-73 corridor plan is now in hand — a major milestone. Now, the S.C. DOT can begin to acquire the property on which the highway will be built. The question is whether the agency will be able to take step after that: dirt flying and concrete flowing.

The state still has not created a dedicated revenue stream to pay for its share of the I-73 project. U.S. Rep. Henry Brown, R-Hanahan, in concert with the rest of the S.C. congressional delegation, has bagged tens of millions in federal money for the project and is working tirelessly to get more. And state elected leaders have agreed in concept to allow tolling on the project.

But tolls alone won't pay the freight for the project — estimated several years ago to cost $2 billion and now likely to cost more. As members of the Horry County legislative delegation noted this week during a meeting with members of the Myrtle Beach Area Chamber of Commerce, legislative leaders have balked at creating a permanent annual budget line for I-73 — though they profess to support the project.

Local legislators promised to try for permanent funding again in 2008. Now that the federal authorities have approved the environmental impact statement for the southeastern leg of the project, the project has officially moved from concept to plan. Perhaps that change will induce legislative leaders to inject some financial "reality" into I-73.

Until they do, however, I-73 will remain a dream that's only partly realized. Thanks to Leonard and the Infrastructure Bank board, in contrast, the dream phase of the project is over.

THE SUN NEWS

Editorials are a consensus of the editorial board:

PUBLISHER AND PRESIDENT
GARY WORTEL
626-0251
gwortel@thesunnews.com

EDITOR AND VICE PRESIDENT
PATRICIA H. O'CONNOR
626-0316
toconnor@thesunnews.com

EDITORIAL PAGE EDITOR
DENNEY CLEMENTS
626-0263
dclements@thesunnews.com

MARKETING DIRECTOR
MILTON MILES
626-0370
mmiles@thesunnews.com

SENIOR EDITOR
GWEN FOWLER
626-0293
gfowler@thesunnews.com

LETTERS TO THE EDITOR

MAIL
P.O. BOX 406
MYRTLE BEACH, SC
29578-0406

E-MAIL
opinions@thesunnews.com

FAX
(843)
626-0356

IN PERSON
Bring letters to The Sun News front counter during business hours.

REPRESENTATIVE BECKY CARNEY
NORTH CAROLINA HOUSE OF REPRESENTATIVES
102ND DISTRICT: MECKLENBURG COUNTY

1221 LEGISLATIVE BUILDING
RALEIGH, NC 27601-1096
919-733-5827
919-754-3300 FAX
E-MAIL: BECKYC@NCLEG.NET

HOME ADDRESS
P.O. BOX 32873
CHARLOTTE, NC 28232
704-332-1893 (HOME)
704-905-2449 (CELL)

21st Century Transportation Finance Subcommittee
Wednesday, January 16, 2008
9:00 a.m.

MINUTES

The 21st Century Transportation Finance Subcommittee met on Wednesday, January 16, 2008, at 9:00 a.m. at the Charlotte Convention Center. Five members of the committee were present. Steve Zelnak presided as chair.

Chair's Comments

Mr. Zelnak started the meeting with a description of the speakers.

NCDOT Transformation Status

Mark Foster, NC Department of Transportation's Chief Financial Officer, spoke about outcomes of funding, priorities and efficiencies; and construction maintenance and networking. He also spoke about the McKenzie Report which outlined shortcomings and five key transformation initiatives. A copy of his power point presentation is attached.

Highway Fund and Highway Trust Fund Transfers

Lisa Hollowell, a Fiscal Research Division fiscal analyst, was recognized to explain the funds transfers. A copy of her power point is attached.

North Carolina Motor Fuels Tax History/Diesel Fuel Tax Options

Joseph Futima, a Fiscal Research Division fiscal analyst, was recognized to explain the fuels tax history and fuel tax options. A copy of his PowerPoint is attached.

The meeting adjourned at 10:18 a.m.

Steve Zelnak, Chair

DeAnne Mangum, Committee Clerk

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

AGENDA

January 16, 2008, 9:00 AM

Chair's Comments	Steve Zelnak, Finance Committee Chair
NCDOT Transformation Status	Mark Foster, Chief Financial Officer North Carolina Department of Transportation
Highway Fund and Highway Trust Fund Transfers	Lisa Hollowell, Fiscal Research Division North Carolina General Assembly
North Carolina Motor Fuels Tax History Diesel Fuel Tax Options	Joe Futima, Fiscal Research Division North Carolina General Assembly
Additional Discussion	Committee Members

1.

VISITOR REGISTRATION SHEET

21st Century Transportation Finance Subcommittee — Jan. 16, 2008
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Betty Turner	Bank of America
Murphy Sullivan	Charlotte Chamber
Jay Stem	NCAA
Lanny Goode	NC 64
Barry Moose	NCDOT
Marc Lindsay	Highway 17 Association
Gardner Payne	McGuireWoods Consulting
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Sam Erby, Jr	American Concrete Paving Assoc. So. East
Susan Coward	NCDOT
Roberto Canales	NCDOT

VISITOR REGISTRATION SHEET

21st Century Transportation Finance Subcommittee — Jan. 16, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Deborah Loy Goldberg	Mecklenburg County Manager's Office
Bill Carpenter	CATS
Carrie Lynch	City of Charlotte Manager's Office
Brad Wilson	21st Century Trans. Committee
Chris Dillon	Pro Tem
Johanna Reese	DOT
Will Pollock	Lt. Gov Office

Presented by
Mark Foster, CFO

Charlotte, NC
January 16, 2008

- NCDOT Transformation Update
- State Transportation Priorities
  - NCTA Gap Funding
- Alternative Funding Options
  - Debt Capacity
  - Industry Capacity

NCDOT Transformation

NCDOT's Transformation Includes:

- Vision - 21st Century DOT focused on State's transportation network connectivity and performance
- Prioritization - Realization of the need for a better prioritization of the State's resources to address congestion, safety, and infrastructure needs, and
- A better performing DOT



Solving NC Transportation Funding Problem

- Not Simple Matter of Revenue
- Requires a 3 Step Approach
  1) Improve NCDOT Organization & Process to become more efficient and impact focused
  2) Establish Statewide Prioritization Process
  3) Determine Incremental Resources/Revenues to achieve desired outcomes
     –Dependent on 1 and 2



21st Century NCDOT Vision

- Focus on Network Connectivity & Function, not just Projects
- Enhance Systems Operations, to leverage existing infrastructure
- Establish Network Performance Standards
- Greater Internal Efficiency, Ownership and Accountability
- Prioritized, Outcome-Based Budgets
- Link Infrastructure Delivery and Statewide Commerce Goals
- Culture Shift, become true Service Provider



Development Areas

- Conflicting Vision and Goals
- Non-Strategic Portfolio of Project and Services
- Core Processes Lack Prioritization, Accountability, Coordination
  - Project Design & Delivery
  - Strategic Planning (ad-hoc)
  - Operational Processes (not linked to metrics)
  - Funding Flexibility
- Shortcomings
  - Organization Structure (Silo and non-collaborative)
  - Failing Talent System (Recruit/Motivate/Develop)
  - Communication (Not pro-active)
  - Employee Mindsets



Five Key Transformational Initiatives

Strategic Direction

- Define common Mission and Goals for the NCDOT
- Determine the appropriate scope of activities for NCDOT
- Identify potential opportunities for new sources of funds
- Evaluate possible organizational changes to reach strategic goals

Planning and Prioritization

- Establish a Strategic Planning Office
- Develop strategic plan that aligns with Mission and Goals
- Establish a new prioritization approach based on strategic priorities

Program and Project Delivery

- Develop and implement enhanced program and project delivery models and processes

Performance and Accountability

- Implement a public facing Executive Dashboard that is aligned with the mission and goals
- Introduction of a performance based culture that cascades performance metrics throughout the organization

Improved Human Resource Management

- Design a rigorous performance review process tied to performance metrics
- Design a process for leadership planning
- Make high level recommendations on employee recruitment, development and retention

Alignment of Strategic Direction with [illegible]

Strategic Direction

Accomplishments to Date:

- ✓ New Mission and Goals
- ✓ Strategic Leadership Roles Identified
- ✓ Organization Assessment Approach Identified and Plan Developed
- ✓ Alternative Funding Recommendations Developed
- ✓ Streamlined Project and Programs Delivery Models Identified

Key Deliverables - Within Next 12 Months:

- Establish Appropriate Strategic Leadership Roles / Positions
- Complete a Comprehensive Organizational Assessment of All Business Units:
  - Mission
  - End Products
  - Activities
  - Effieiencies
- Recommend Strategic Organizational Changes
- Actively Participate in Development of Statewide Logistics Plan

Strategic Direction

Accomplishments to Date:

- **Efficiency-based Organization Design**
  - Addressing Repetitive Functions
  - Improving Cost Effectiveness By, E.G., Outsourcing or Devolving Activities
  - De-Layering the Organization (Vertically and Horizontally)
  - Tightening Spans of Control Within Organization
  - Aligning Resource Levels With Levels of Work
- **Effectiveness-based Organization Design**
  - Map Major Functions of Organization
  - Identify Interdependencies, Coordination Points, and Mutual Accountabilities to the Branch Level
  - Review Other Organization Structures to Develop a Set of Organization Design Choices to Accommodate Linkages

Key Deliverables - Within Next 12 Months:

- Assess Results
- Make Long Term Organizational Changes

Program and Project Delivery

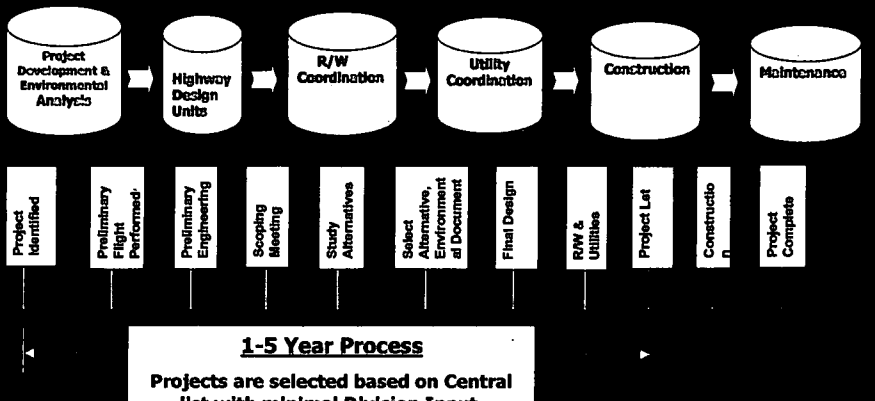
Accomplishments to Date:

- **NCDOT Bridge Program**
  - Twenty Year Assessment of Statewide Bridge Needs
  - Developed Processes to Address Gaps in Bridge Program Needs
- **TIP Projects**
  - Test Streamlined Project Delivery Models on Select TIP Projects
  - Demonstrate Ability to Deliver Projects Efficiently Particularly When Clear Priorities Are Set
  - PBS&J Study
- **Mobility Program**
  - Establish Standard Measures of Congestion to Allow Prioritization of Solutions
  - Identify Alternative Approaches to Manage Congestion
  - Assess Efficiency and Effectiveness of Resources Currently Allocated to Mobility Management

Key Deliverables - Within Next 12 Months

- Implement Processes
- Implement "Pilots"
- Assess Results and Make Long Term Changes Based on Lessons Learned

Historic Bridge Program - Silo Effect

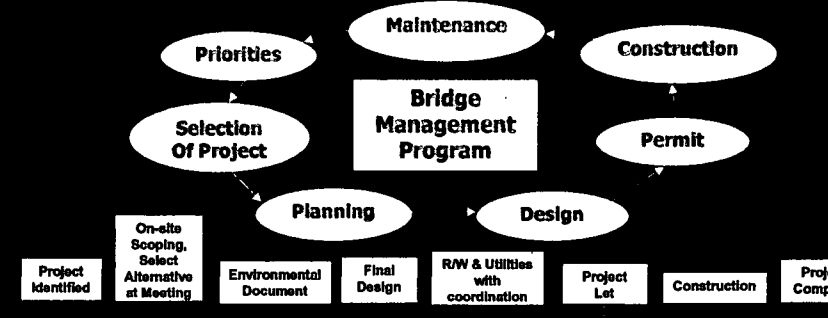


1-5 Year Process

Projects are selected based on Central list with minimal Division Input.

- The same design standards are applied to all bridges
- Design and Construction performed without budget constraints
- No team approach, Multiple hand-offs occur within units
- No Full accountability
- Inefficient Process

New Bridge Program
One Owner with Regional/Division Coordination



1-3 Year Process

Projects are selected based on need and available funds with significant Division Input.

- Convert Bridge Maintenance to Bridge Management - accountable for entire bridge program
- Division Managers are accountable for bridges in the Division
- Regional Team Approach - better efficiency and accountability
- R/W and Utility Coordination will provide more focus on R/W and Utility Relocation
- On-site scoping minimizes alternatives, saving time and money
- Tiered Design Standards - right size bridge for route (est. 25% savings)
- Budget Based Design and Construction - spending awareness and accountability

TIP Projects - New Delivery Models

- Pilot Management Models
  - Project Executive
  - Project Executive with Formal Team
  - Tri-Technical Managers - This will be the standard operating practice
- Regionalization of NCDOT - Alignment of Planning, Design and Operations to create regional teams
- Creation of an informal two-tier TIP with one part Development and one part Delivery



TIP Projects - Request New Delivery Models

- Pilot Management Models
  - provide high level accountability
  - single point of responsibility
  - reduction in cost and delivery time
- Regionalization of NCDOT
  - creates teams in regions that will continuously work with each other to prevent silos and promotes collaboration among business units
  - increase efficiency
  - provide project accountability from scope to construction completion
- Informal two tier TIP with one part Development and one part Delivery
  - provides a measurable TIP with realistic delivery dates
  - establishes delivery expectations and budget constraints
  - sets achievable project expectations



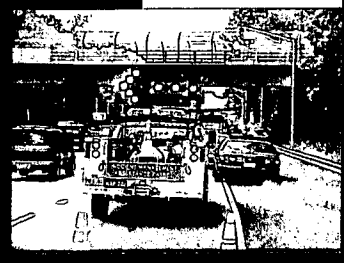
System Operations & Management



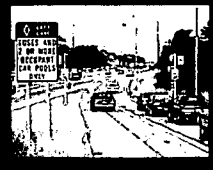




- 3 Transportation Mgmt Centers
- 150 Dynamic Message Signs
- 200 Traffic Cameras
- TIMS Website & 511
- 500 Miles of IMAP
- 139 CL Traffic Signal Systems



- Freeway Management
- Arterial Management
- Traveler Information*
- Incident Management*
- Emergency Management
- Work Zone Management







- Ramp Metering
- Commercial Vehicle Operations
- Transit Management
- Road Weather Management
- Electronic Payment Systems (Tolls)
- Crash Prevention & Safety

- Tucson, AZ: $6.3 benefit /$1 invested
- Cincinnati, OH: $11.80 benefit / $1 invested
- Seattle, WA: $12.20 benefit / $1 invested

Planning and Prioritization

Accomplishments to Date

- ✓ Identified the Need for a Strategic Planning Office
- ✓ Hired a Strategic Planning Director
- ✓ Developed a Conceptual Strategic Planning and Prioritization Process
  - Strategic "Direction Setting" Cycle
    - Frequency 8 Years
    - Outlook 20 - 25 Years
  - Strategic Prioritization Cycle
    - Frequency 2 Years
    - Outlook 2 - 7 Years
  - Annual Action Planning Cycle
    - Frequency Every Year
    - Outlook 1 - 2 Years
- ✓ Trained Departmental Leaders and Stakeholders on the New Conceptual Strategic Prioritization Process

Key Deliverables - Within Next 12 Months

- Establish Strategic Planning Office
- Continue to Communicate Conceptual Strategic Planning and Prioritization Processes to Key Stakeholders
- Pilot Annual Action Planning Process

Performance and Accountability

Accomplishments to Date

- ✓ Developed NCDOT's Value Tree Based on Department's New Mission and Goals
- ✓ Developed Key Performance Indicators That Align With New Mission and Goals
- ✓ Developed Performance Metrics for Department Leaders That Align With New Mission and Goals
- ✓ Implemented Performance Based Management Targets for NCDOT Maintenance and Operations Across the 14 Divisions
- ✓ Developed a Preliminary Executive Dashboard and Published on NCDOT Web Site

Key Deliverables - Within Next 12 Months

- Complete Development of Performance Targets for All Goals
- Develop Performance Metrics for All NCDOT Employees
- Educate All Employees on New Performance Culture
- Develop a Robust Executive Dashboard That Will Show Progress Towards Accomplishing Performance Outcomes

Improved Human Resource Management

Accomplishments to Date

- ✓ Completed Assessment of Current Personnel Practices and Developed Recommendations
- ✓ Developed Leadership Development System
- ✓ Developed Listing of "Core Values" for NCDOT
- ✓ Developed Performance Management System in Conjunction With Office of State Personnel
  - Includes Quantifiable Performance Metrics Assessment
  - Includes "Value Statement" Assessment
  - Includes Leadership Development Assessment
  - Includes Consequence Management Guidance
- ✓ Identified Need for Succession Planning
- ✓ Trained Senior Leadership on new Performance Management System

Key Deliverables - Within Next 12 Months

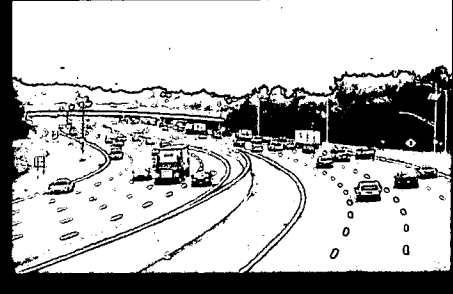
- Continue Training and Pilot the Implementation of New Performance Management System for All NCDOT Employees
- Complete an Employee "Value Proposition" That Can Be Used to Recruit Top Talent
- Develop and Implement a Mentoring Program Throughout the Organization
- Develop Career Planning System for All Employees (Technical, Functional, Managerial)
- Evaluate the Training and Development Needs of NCDOT Employees

Other Current Transportation Management Issues

- ✓ EEP Budget Reduction - $43 Million
  - Collaboration with DENR, COE, DWQ
- ✓ I-95 Corridors of the Future - $21 Million
  - VA, NC, SC, GA & FL: one of 6 National selections
  - Future Opportunity for Significant Federal Assistance
- ✓ Traffic Management Federal Grant - ≈$1 Million
  - All Interstates
- ✓ Statewide Traffic Operations Center
  - Partnership with SHP/NCNG/EOC/NCDOT/NCTA
- ✓ GARVEE Bonds - $300 Million
  - 30 Projects on Strategic Highway Corridors

Asset Management

- **Policy Driven** - Decisions based on well defined policy
- **Performance Based** - Policy decisions drive the outcomes
- **Analytical Analysis** - Resource allocation based on modern investment analysis and best value concepts



- **Decisions based on Quality Information** - Investment decision based on accurate and timely data
- **Monitoring for Accountability** - Performance results are monitored for accountability and efficiency improvement

Allows better communication with stakeholders, legislature and public

Better able to allocate resources to most needed work

NCDOT

OUR MISSION

"Connecting people and places in North Carolina – safely and efficiently, with accountability and environmental sensitivity"

OUR GOALS

- Make our transportation network safer
- Make our transportation network move people and goods more efficiently
- Make our infrastructure last longer
- Make our organization a place that works well
- Make our organization a great place to work

Strain of external trends

Growing Demand on System
- *Doubling of VMT by 2030*
- *NC population projected to grow by 50% between 2000 and 2030, "7th most populous state by 2030"*

Increasing Cost of Supplies
- *80% construction supplies inflation since 2002*
- *Spike in global asphalt, cement, and steel prices expected to continue*

Declining Funding
- *State gas tax purchasing power has declined (inflation and mpg)*
- *Federal Highway Trust Fund program projected to run out of funding by 2009*
- *Transportation funding flat/declining for FY2008/09**

* Gas tax cap and increased other agency support

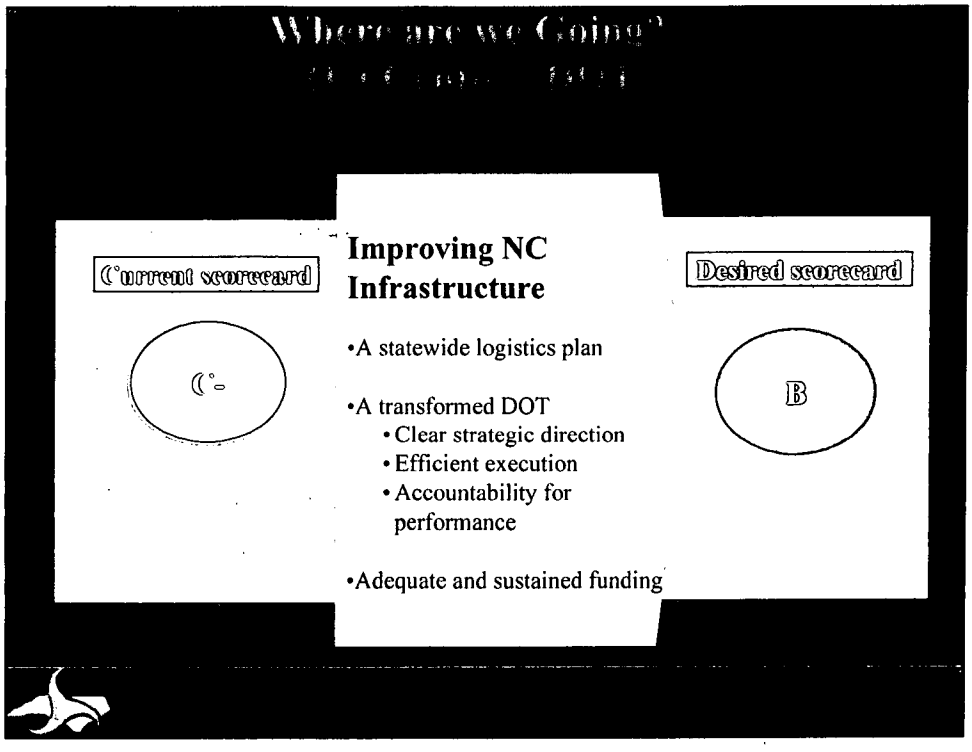
Source: ASCE Report Card, NCDOT internal data

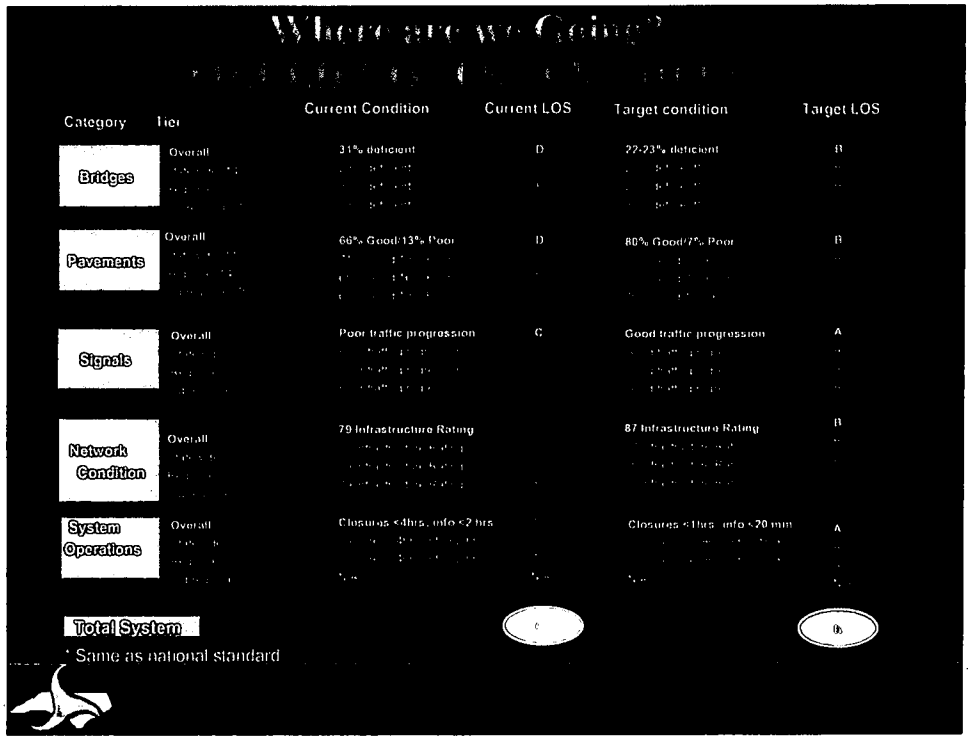
ASCE Report Card

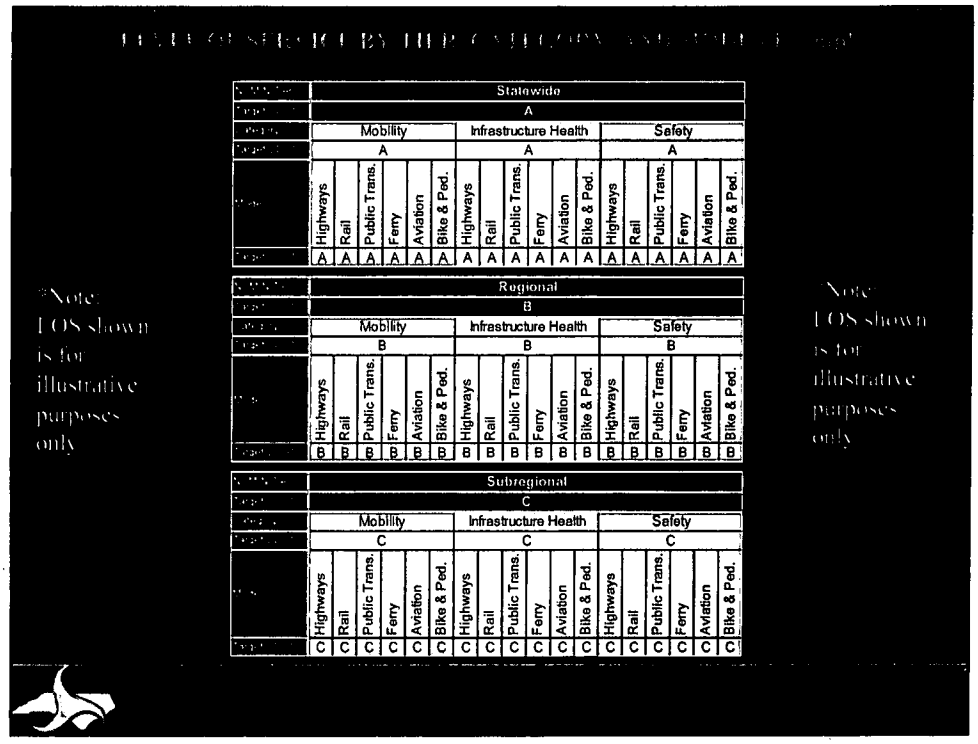
NC current state: Bridges C-, Roads D

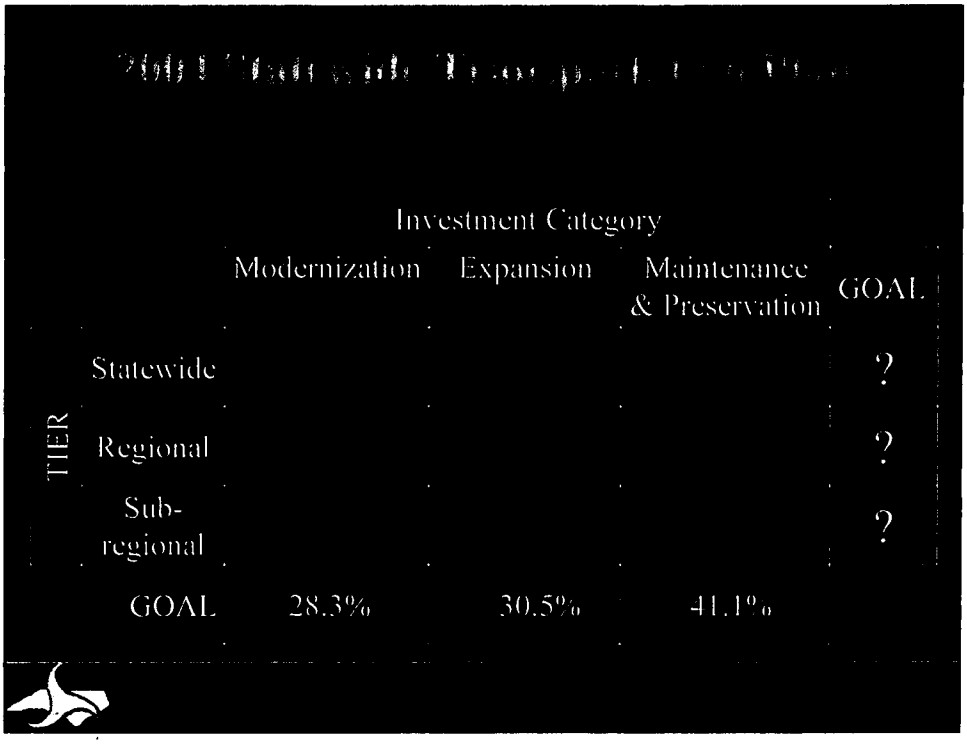
Airports	D+
Bridges	C-
Dams	D
Drinking Water	C+
Rail	B-
Roads	D
Schools	C-
Storm Water	C-
Waste Water	C-
NC GPA	C-

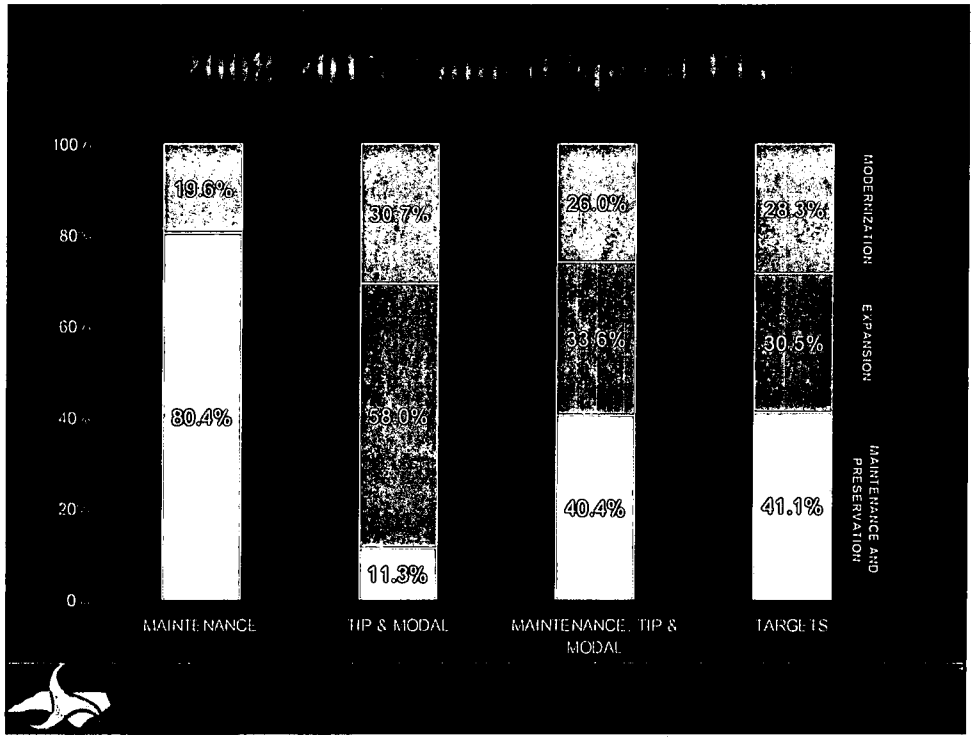
On current course, overall grade will drop to a D in 6 years


Where are we Going?
Current scorecard
C-
Improving NC Infrastructure
•A statewide logistics plan
•A transformed DOT
• Clear strategic direction
• Efficient execution
• Accountability for performance
•Adequate and sustained funding
Desired scorecard
B

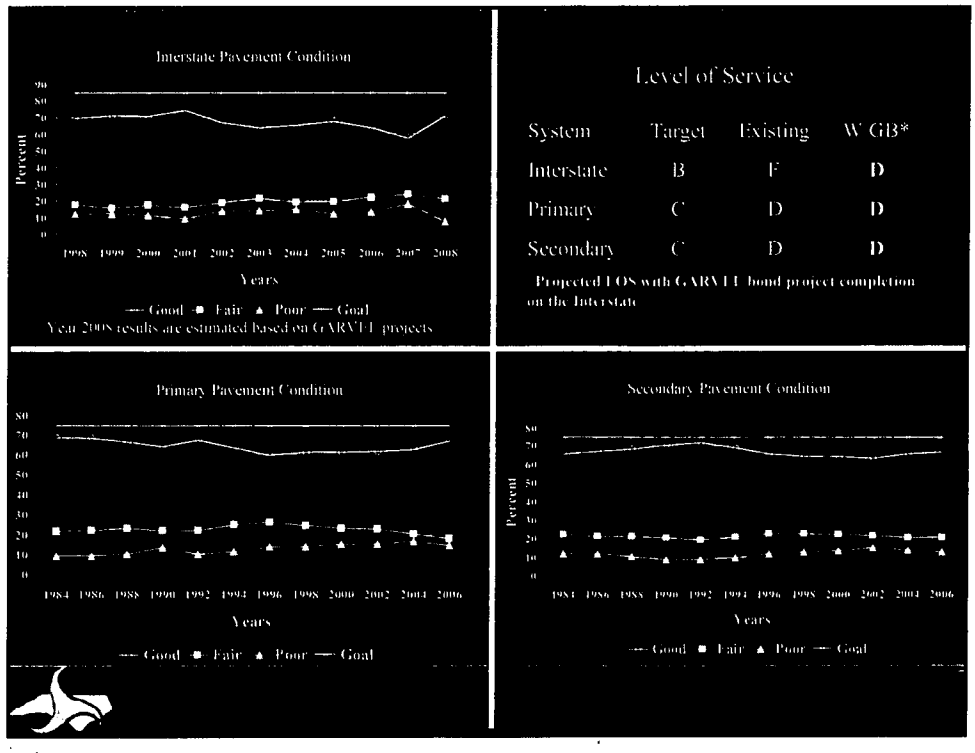

Where are we Going?
Category
Tier
Current Condition
Current LOS
Target condition
Target LOS
Bridges
Overall
31% deficient
D
22-23% deficient
B
Pavements
Overall
66% Good/13% Poor
D
80% Good/7% Poor
B
Signals
Overall
Poor traffic progression
C
Good traffic progression
A
Network Condition
Overall
79 Infrastructure Rating
87 Infrastructure Rating
B
System Operations
Overall
Closures <4hrs, info <2 hrs
Closures <1hrs, info <20 min
A
Total System
C
B
* Same as national standard

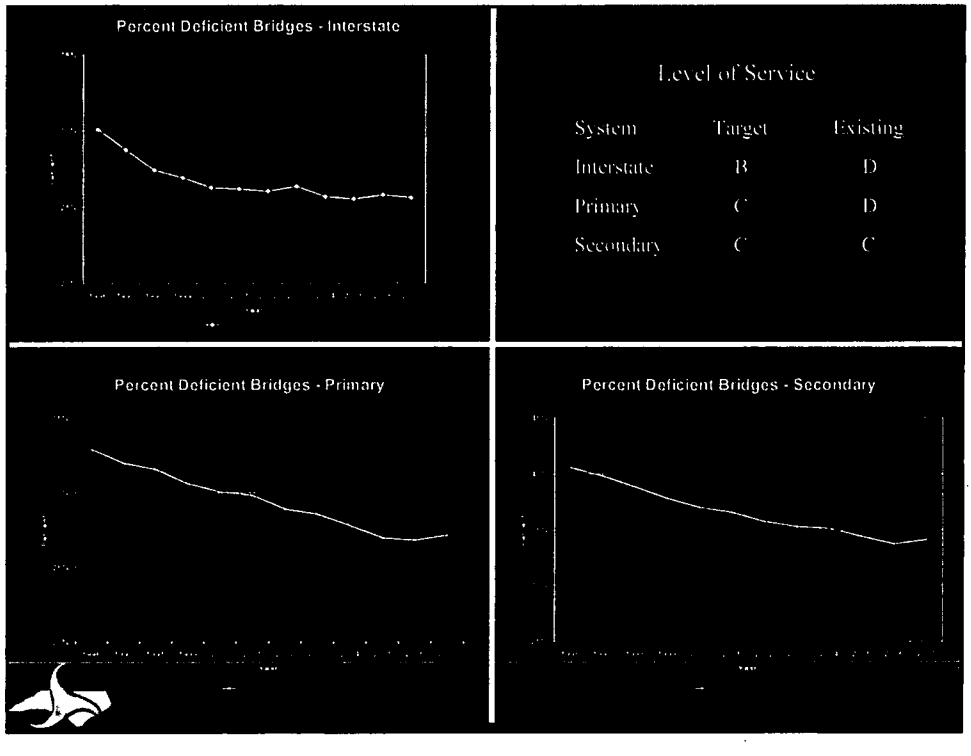

*Note: LOS shown is for illustrative purposes only
Statewide
A
Mobility
Infrastructure Health
Safety
Highways
Rail
Public Trans.
Ferry
Aviation
Bike & Ped.
Regional
B
Subregional
C
Note: LOS shown is for illustrative purposes only


Investment Category
Modernization
Expansion
Maintenance & Preservation
GOAL
TIER
Statewide
Regional
Sub-regional
?
?
?
GOAL
28.3%
30.5%
41.1%



TIER	Investment Category: Modernization	Expansion	Maintenance & Preservation	ACTUAL
Statewide				37.2%
Regional				19.3%
Sub-regional				43.5%
GOAL	28.3%	30.5%	41.1%	


Interstate Pavement Condition
Percent
Years
Good Fair Poor Goal
Year 2008 results are estimated based on GARVEE projects
Level of Service
System Target Existing W GB*
Interstate B F D
Primary C D D
Secondary C D D
Projected LOS with GARVEE bond project completion on the Interstate
Primary Pavement Condition
Years
Good Fair Poor Goal
Secondary Pavement Condition
Percent
Years
Good Fair Poor Goal


Percent Deficient Bridges - Interstate
Level of Service
System Target Existing
Interstate B D
Primary C D
Secondary C C
Percent Deficient Bridges - Primary
Percent Deficient Bridges - Secondary

[illegible]

- Target Key Projects
  - Bottlenecks (I-85 Yadkin River Bridge)
  - Congestion Relief (Strategic Highway Corridor & Feeder Routes)
  - Safety / Economic Development (Bonner Bridge)
- Accelerate Project Delivery
  - Prioritization Based on Objective Criteria
  - Internal Delivery Efficiencies (recover diminished purchasing power of flat revenue)
  - Innovative Finance (Tolls)
- Better Leverage of Existing Infrastructure
  - Asset / Operations Management
  - Network Connectivity (All Transportation Modes)



[illegible]

	Cost	Gap	Annual Gap	Bonds as Pct of Cost
Triangle Expressway (a)	$967.6	$265.0	$19.0	73%
Monroe Connector/Bypass	583.3	180.0	12.5	69%
Mid Currituck Bridge	460.9	198.9	15.6	57%
Cape Fear Skyway	971.6	439.0	39.0	55%
Gaston Parkway A	409.8	187.8	12.5	54%
Gaston Parkway B	765.4	418.1	26.0	45%
Gaston Parkway C	1,255.2	834.5	54.0	34%
Total w/ Gaston A	$3,393.2	$1,270.7	$98.6	
Yadkin River Bridge	478.8	35.7	2.0	
TOTAL w/ Gaston A	$3,872.0	$1,306.4	$100.6	
TOTAL w/ Gaston B	$4,227.6	$1,536.7	$114.1	
TOTAL w/ Gaston C	$4,717.4	$1,953.1	$142.1	

(a) Excludes cost of 540P at $108 million



Target Investment

MILEAGE (lanes miles)	NETWORK TIER	LEVEL OF SERVICE (LOS) CURRENT	LEVEL OF SERVICE (LOS) TARGET	1-TIME COST	INCREMENTAL ANNUAL COST	SIX YEAR TOTAL
17,600 (11%)	STATEWIDE	C	A	$ 3,759	$ 341	$ 5,805
22,500 (14%)	REGIONAL	C-	B	1,181	12	1,254
122,000 (75%)	SUBREGIONAL	D	C	2,536	286	4,252
162,000	TOTAL	C-	B	$ 7,476	$ 639	$ 11,310

DO NOTHING	C-	D	$ -	$ -	$ -
MAINTAIN CURRENT LOS	C-	C-	1,100	122	1,666
TARGET 1/2 INVESTMENT	C-	C+	3,300	424	5,841
TARGET INVESTMENT	**C-**	**B**	**7,476**	**639**	**11,310**



Target 1/2 Investment

MILEAGE (lanes miles)	NETWORK TIER	LEVEL OF SERVICE (LOS) CURRENT	LEVEL OF SERVICE (LOS) TARGET	1-TIME COST	INCREMENTAL COST	SIX YEAR TOTAL
17,600 (11%)	STATEWIDE	C	A-	$ 2,200	$ 341	$ 4,246
22,500 (14%)	REGIONAL	C-	B-	990	12	1,063
122,000 (75%)	SUBREGIONAL	D	D	110	70	532
162,000	TOTAL	D+	C+	$ 3,300	$ 424	$ 5,841

DO NOTHING	C-	D	$ -	$ -	$ -
MAINTAIN CURRENT LOS	C-	C-	1,100	122	1,666
TARGET 1/2 INVESTMENT	**C-**	**C+**	**3,300**	**424**	**5,841**
TARGET INVESTMENT	C-	B	7,476	639	11,310



Debt Availability

	BORROWING CAPACITY	
State General Obligation Bonds	Current 4%	Treasurer's Office Report
State Revenue Base	$ 2,930	on DOT borrowing capacity
Max Annual Debt Service	117	due February 2008
Less: FY 2008 Actual Debt Service	90	
Annual Debt Service Availability	27	
Borrowing Capacity (25 Year Bond / 5% Interest)	**$ 381**	

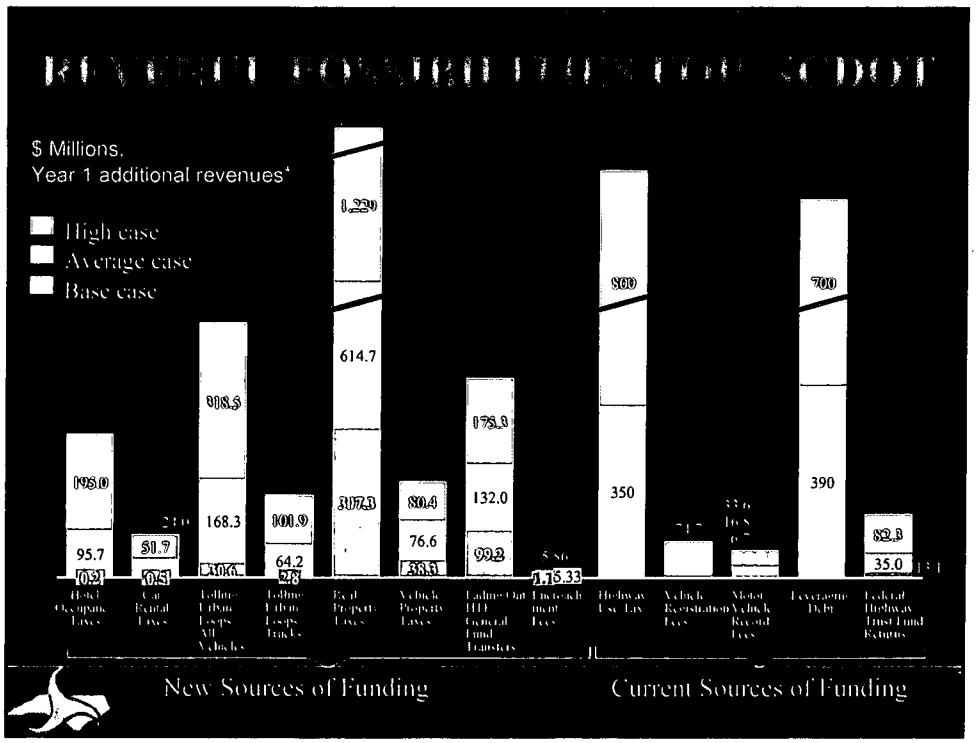
GARVEE Bonds	Current 15%
Federal Revenue Base	$ 900
Max Annual Debt Service	135
FY 2009 Actual Debt Service	32
Annual Debt Service Availability*	68
Borrowing Capacity (12 Year Bond / 5% Interest)*	**$ 600**

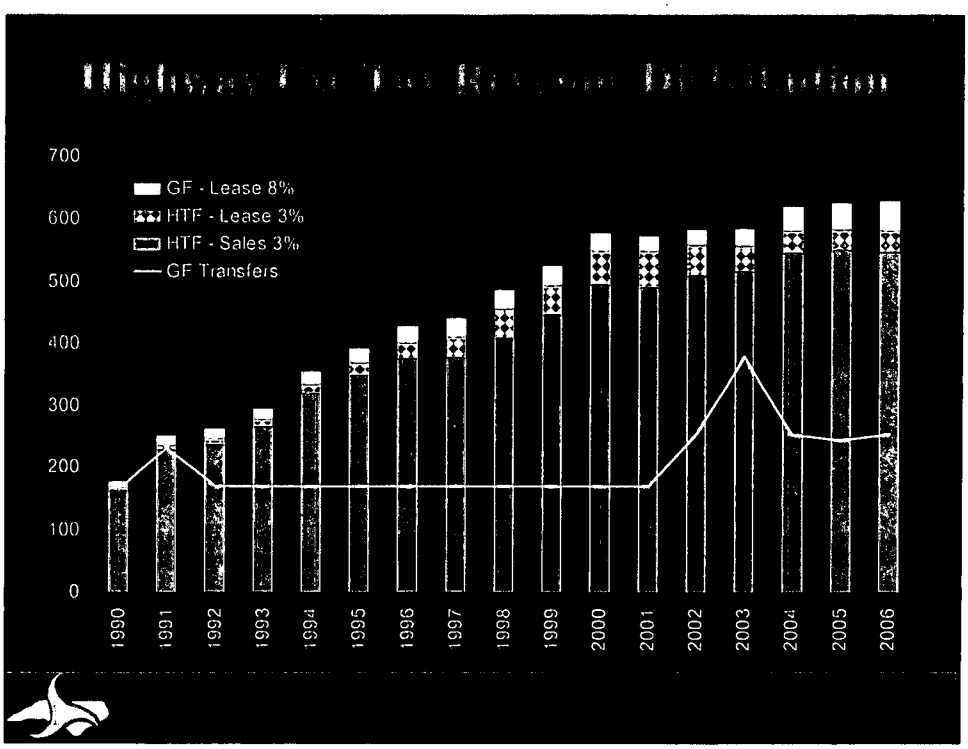
* Total GARVEE debt outstanding can not exceed prior years' federal allocation

Ad Hoc Committee Recommendations

Accomplish the Following during 2007-08

- Eliminate the HUT Trade-In Component/Increase HUT Rate
- Eliminate Cap on Gas Tax
- Reduce/Eliminate HTF and HF Transfers
- Enact a Menu of Local Options to Finance Transportation Projects
- Expand Statutory Authority to Leverage (Toll) Urban Loops
- Establish Surcharge on Vehicle Property Tax
- Develop a Logistics Needs Plan
- Study the Implementation of a VMT user Fee


$ Millions.
Year 1 additional revenues*
High case
Average case
Base case
198.0
95.7
0.2
31.7
0.5
908.5
168.3
0.6
100.9
64.2
2.8
1,229
614.7
307.3
80.4
76.6
38.3
178.3
132.0
99.2
5.56
1.75.33
800
350
700
390
82.3
35.0
New Sources of Funding
Current Sources of Funding


700
600
500
400
300
200
100
0
GF - Lease 8%
HTF - Lease 3%
HTF - Sales 3%
GF Transfers
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006

Funding Impact

Funding Scenario	Rate	Potential Revenue ($M/Year)	Additional Taxpayer Cost $/Yr
HUT - Rate Increase (%)	1	200.0	44.0
HUT- Trade-in Elimination		110.0	36.0
HUT- CV Cap Elimination [1]		20.0	307.7
MFT - Rate (¢)	1	55.0	7.50
HTF Transfer		172.6	
HF Transfer		265.8	
Vehicle Registration Fee	20	134.0	20.00
Property Tax (¢/100)	10	615.0	108.30
Vehicle Property Tax (¢/100)	5	38.3	5.90

[1] 13,000 Transactions Annually

Revenue Options Tax and/or Investment

	Total	Highway Trust Fund			Highway Fund	NCTA
		Equity Formula	Strategic Leverage	Total	IS Maint	Gap Funding
General Fund Transfer	$ 192	$ 72	$ -	$ 72	$ 20	$ 100
HUT Cap Elimination	110	110		110		
HUT: + 1%	200		2,819	2,819		
DMV Reg. Fees: + $20	134			-	134	
Gas Tax: Restore Index	200		700	700	150	
Total	$ 836	$ 182	$ 3,519	$ 3,701	$ 304	$ 100
Incremental Debt Service	$ 250					
Potential Debt Service (10%) [1]	$ 269					

[1] Treasurer's Office Report on DOT borrowing capacity due February 2009

Revenue Scenario	Rate	HF	HTF
HUT - Rate Increase (¢)	1	-	200.0
HUT- CV Cap Elimination		-	20.0
HUT- Automobile Trade Elimination			115.0
MFT - Diesel Rate Increase (¢)	3	22.5	7.5
MFT - Rate Cap		(75.0)	(25.0)
Sub-Total		(52.5)	317.5
HTF Statutory %	17		(54.0)
Net Funding (Reduction)/Addition		(52.5)	263.5
Powell Bill/Sec. Roads/Admin			

Distribution	%	HF	HTF
Outside Equity			
TPA GAP (Recurring for 40 to 50 Years)			31.5
Transit	10		23.2
SHC Congestion	45		
Construction (¢)	80		83.5
Maintenance (¢)	20		20.9
Equity	45		
Construction (¢)	80		83.5
Maintenance (¢)	20		20.9
Total - Funding Distribution		(52.5)	263.5

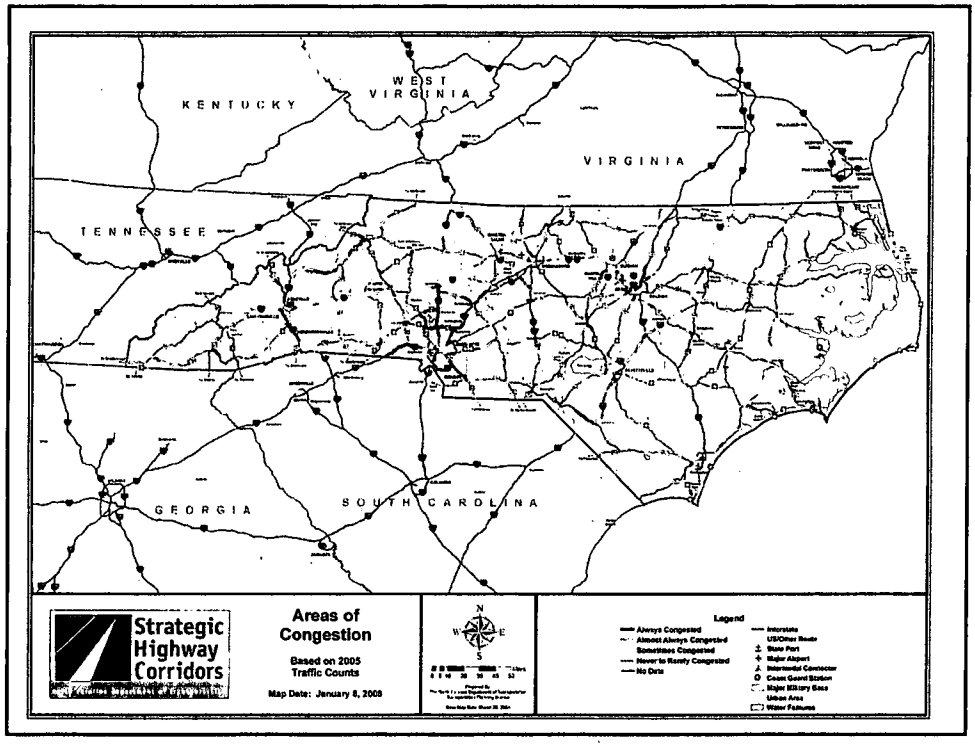
HUT: Highway Use Tax MFT: Motor Fuel Tax HF: Highway Fund HTF: Highway Trust Fund

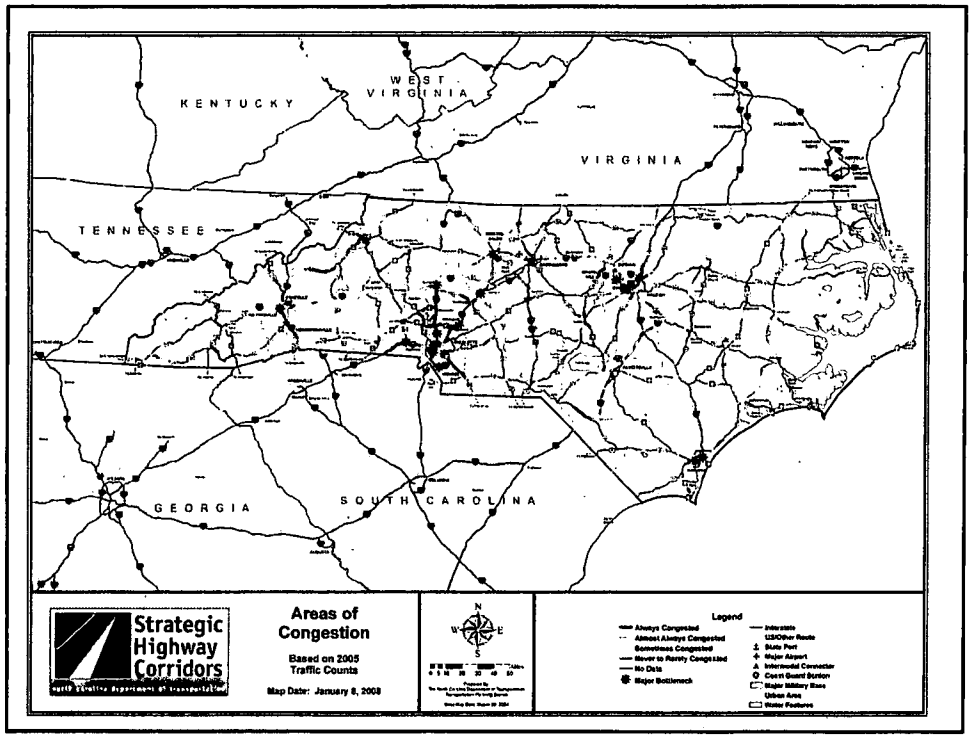
Proposal (in Millions):	FY08	FY09	FY10
Highway Use Tax: +1% (phased 1/2% over 2 yrs)	$ 100	$ 200	$ 200
Registration Fees: +$5/Year (for 3 yrs) - to TF	33	67	100
	$ 133	$ 267	$ 300
Allocation (in Millions):			
TF Statutes (PB / SR / Adm.)	$ -	$ -	$ -
TPA Gap Funding	30	30	30
Maintenance Funding	30	30	30
Strategic Highway Corridor (Non-Equity)	37	104	120
Remaining TF Allocation (IS / Loops)	36	103	120
	$ 133	$ 267	$ 300

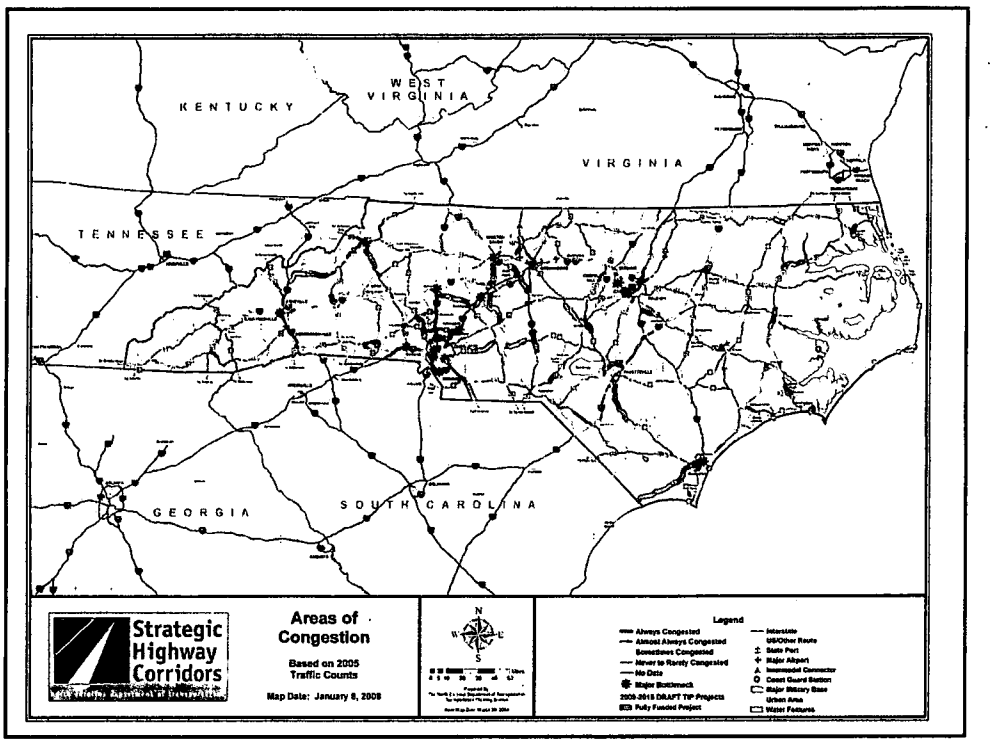
Registration Fees:	Current	FY08	FY09	FY10
NC (Proposal)	$ 28.00	$ 33.00	$ 38.00	$ 43.00
VA (range $39.5 - $44.5)	39.50	39.50	39.50	39.50
TN (range $36 - $55)	47.00	47.00	47.00	47.00
SC	24.00	24.00	24.00	24.00
FL (range $28 - $46)	43.00	43.00	43.00	43.00

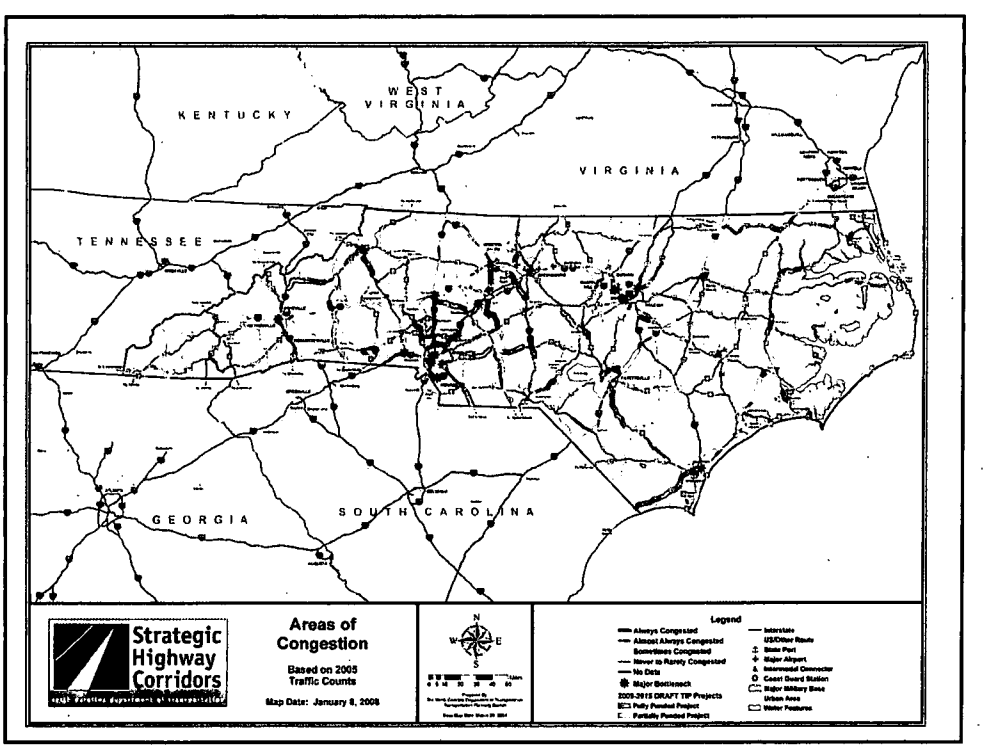
	Annual Total	Allocation				Remainder 6 Year Total
		Admin	Second Roads	Powell Bill	Annual Remainder	
Eliminate HUT Trade-in	$ 110	$ 4	$ 7	$ 7	$ 92	$ 552
Raise HUT from 3% to 4%	200	8	13	13	167	1,004
Eliminate GF Transfer	172	7	11	11	144	864
Subtotal	482	18	30	30	403	2,420
Raise TF DMV Fees (Title/Other - 112)	78	3	39	5	(65)	(390)
Leverage Opportunity	920				920 1x	920
Raise Registration Fee (6.7 Million Vehicles)						
VA Proposal +$20	134					
Leverage Opportunity	1,900				1,900 1x	1,900
Raise HUT from 3% to 5%	200	8	13	13	167	
Leverage Opportunity (1% HUT)	2,360				2,360 1x	2,360
Total 6 Year Collection						$ 7,210
Memo						
One Time leverage					5,180	5,180
Incremental Annual Funding Per Year					338	2,030

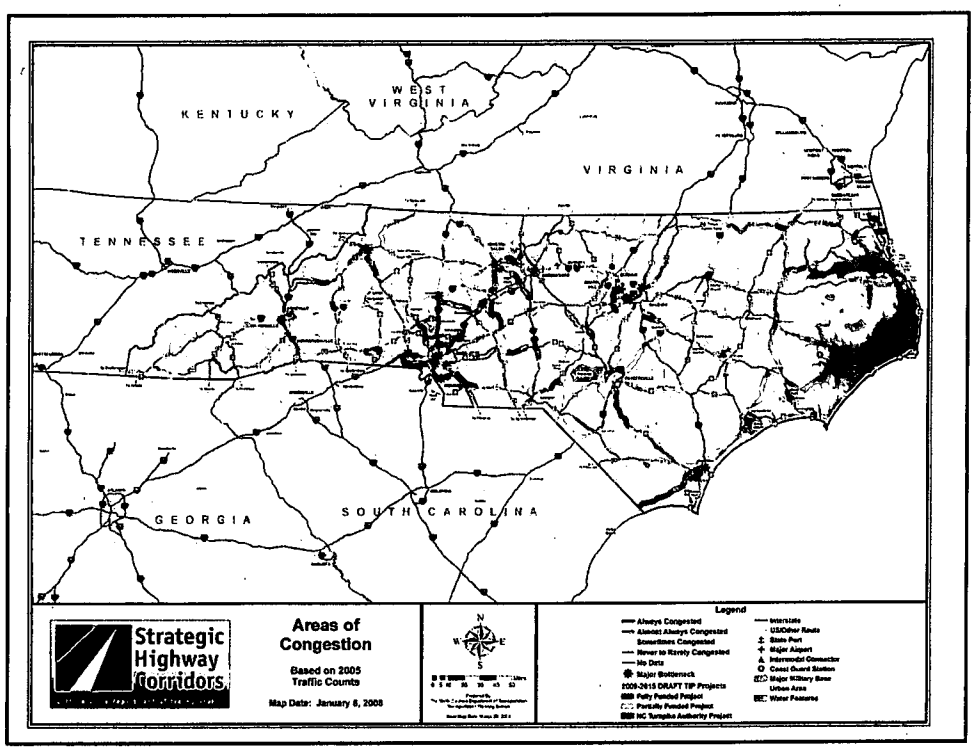
Congestion

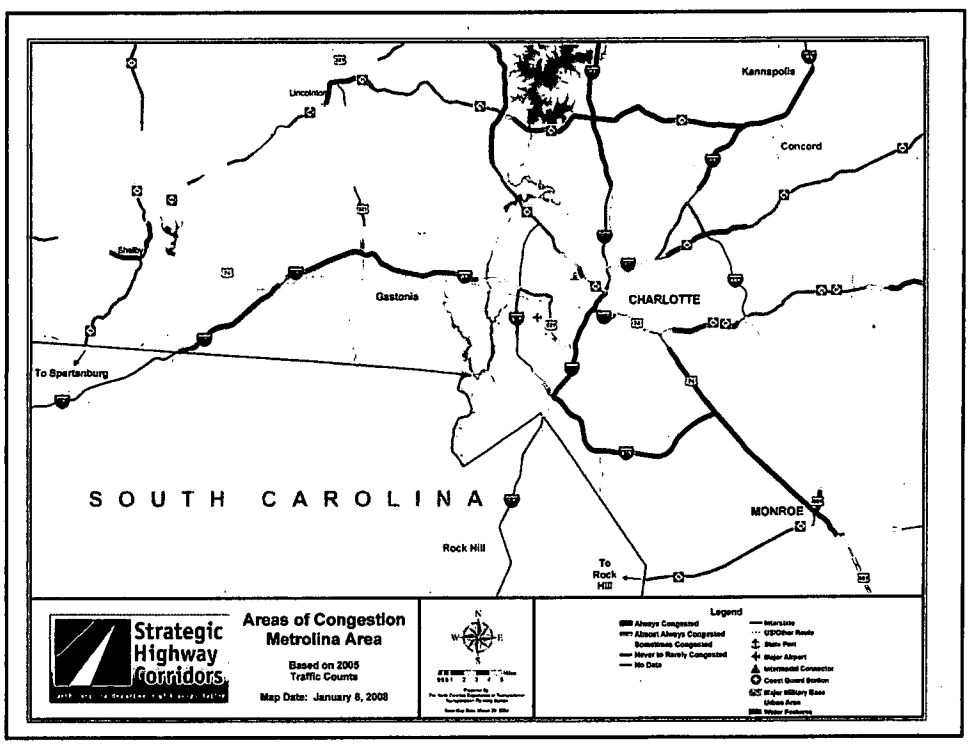

KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Areas of Congestion
Based on 2005 Traffic Counts
Map Date: January 8, 2008
N
W
E
S
Legend
Always Congested
Almost Always Congested
Sometimes Congested
Never to Rarely Congested
No Data
Interstate
US/Other Route
State Port
Major Airport
Intermodal Connector
Coast Guard Station
Major Military Base
Urban Area
Water Features

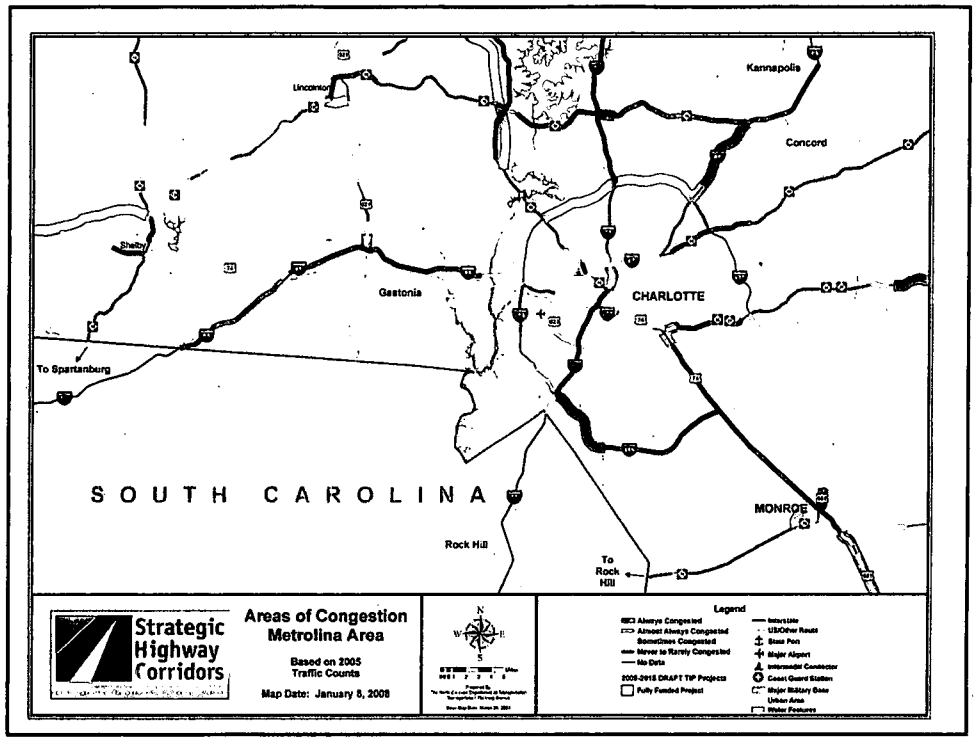

KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Areas of Congestion
Based on 2005 Traffic Counts
Map Date: January 8, 2008
N
W
E
S
Legend
Always Congested
Almost Always Congested
Sometimes Congested
Never to Rarely Congested
No Data
Major Bottleneck
Interstate
US/Other Route
State Port
Major Airport
Intermodal Connector
Coast Guard Station
Major Military Base
Urban Area
Water Features

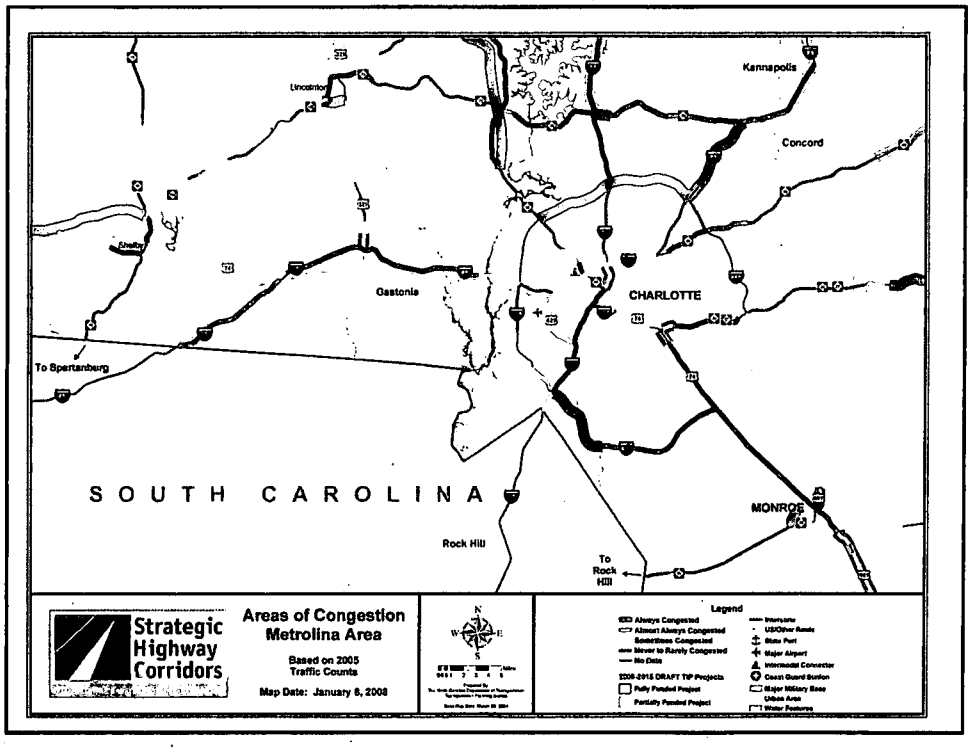

KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Areas of Congestion
Based on 2005 Traffic Counts
Map Date: January 8, 2008
Legend
Always Congested
Almost Always Congested
Sometimes Congested
Never to Rarely Congested
No Data
Major Bottleneck
2009-2015 DRAFT TIP Projects
Fully Funded Project
Interstate
US/Other Route
State Port
Major Airport
Intermodal Connector
Coast Guard Station
Major Military Base
Urban Area
Water Features

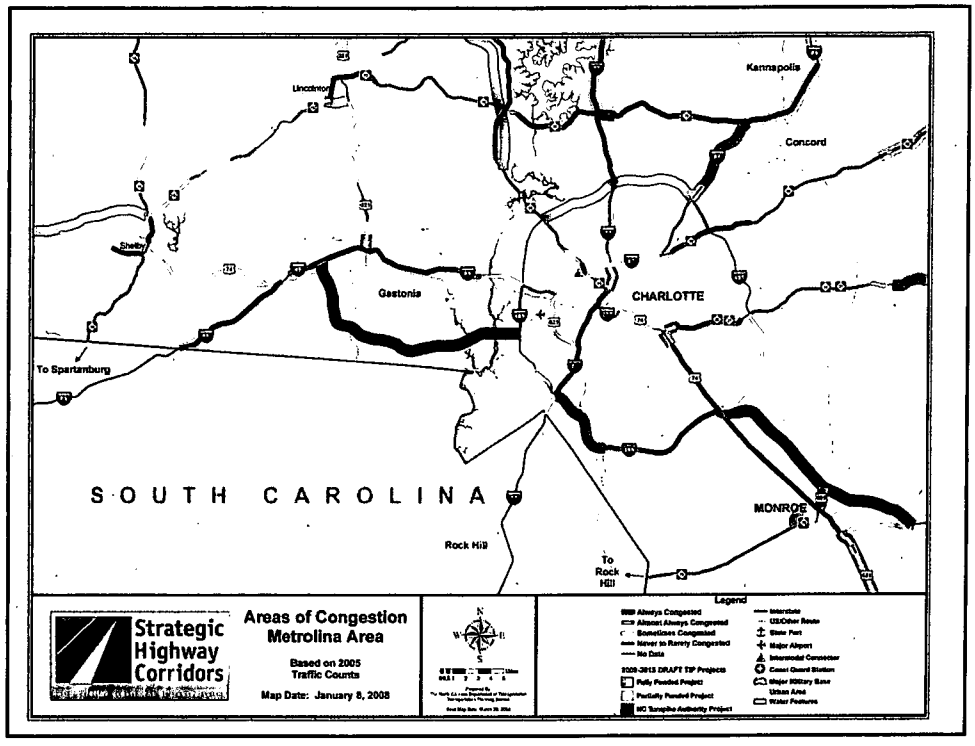

KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Areas of Congestion
Based on 2005 Traffic Counts
Map Date: January 8, 2008
Legend
Always Congested
Almost Always Congested
Sometimes Congested
Never to Rarely Congested
No Data
Major Bottleneck
2009-2015 DRAFT TIP Projects
Fully Funded Project
Partially Funded Project
Interstate
US/Other Route
State Port
Major Airport
Intermodal Connector
Coast Guard Station
Major Military Base
Urban Area
Water Features


KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Areas of Congestion
Based on 2005 Traffic Counts
Map Date: January 8, 2008
Legend


Kannapolis
Concord
Lincolnton
Shelby
Gastonia
CHARLOTTE
To Spartanburg
SOUTH CAROLINA
MONROE
Rock Hill
To Rock Hill
Strategic Highway Corridors
Areas of Congestion Metrolina Area
Based on 2005 Traffic Counts
Map Date: January 8, 2008
Legend

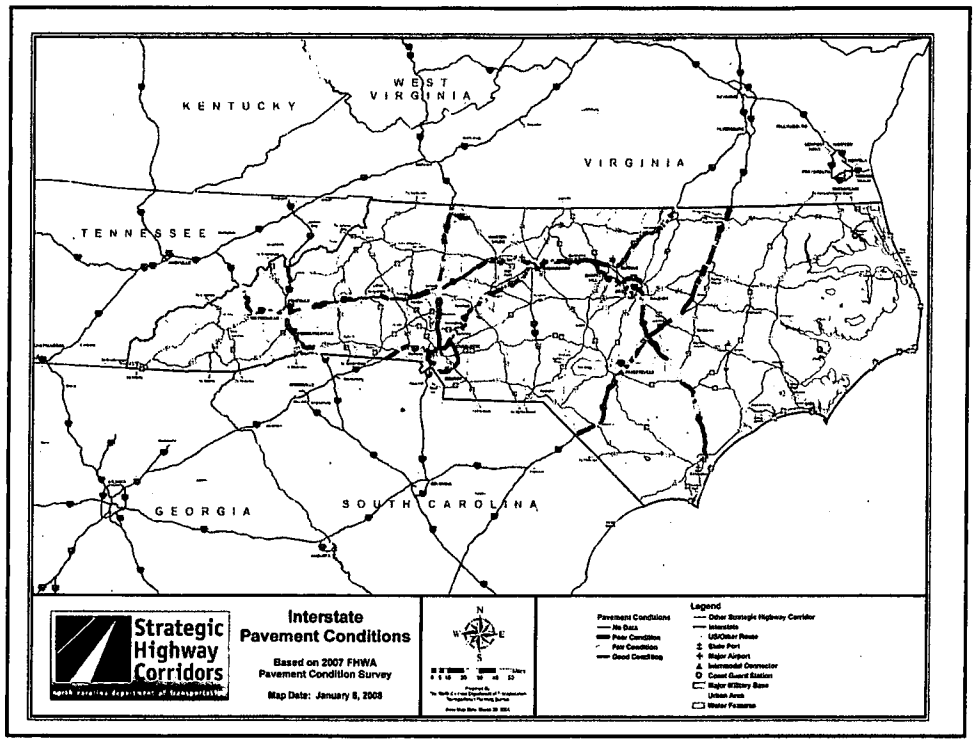

Lincolnton
Kannapolis
Concord
Shelby
Gastonia
CHARLOTTE
To Spartanburg
SOUTH CAROLINA
MONROE
Rock Hill
To Rock Hill
Strategic Highway Corridors
Areas of Congestion
Metrolina Area
Based on 2005 Traffic Counts
Map Date: January 8, 2008
Legend

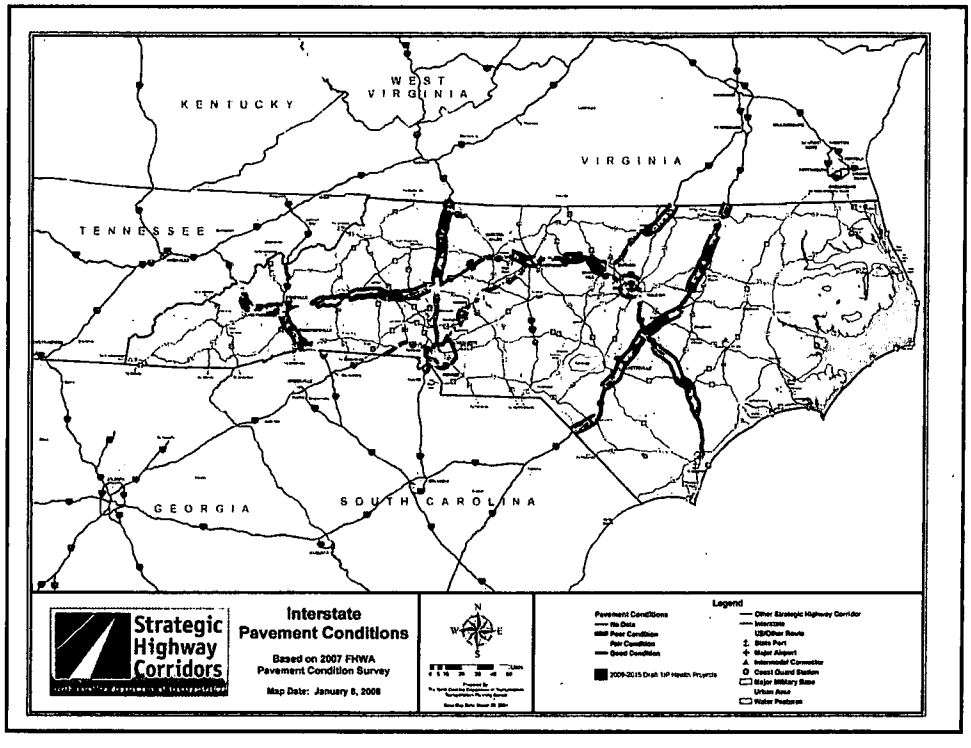

Lincolnton
Kannapolis
Concord
Shelby
Gastonia
CHARLOTTE
To Spartanburg
SOUTH CAROLINA
MONROE
Rock Hill
To Rock Hill
Strategic Highway Corridors
Areas of Congestion
Metrolina Area
Based on 2005 Traffic Counts
Map Date: January 8, 2008
Legend



System

Condition


KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Interstate Pavement Conditions
Based on 2007 FHWA Pavement Condition Survey
Map Date: January 8, 2008
N
W
E
S
Legend
Pavement Conditions
No Data
Poor Condition
Fair Condition
Good Condition
Other Strategic Highway Corridor
Interstate
US/Other Route
State Port
Major Airport
Intermodal Connector
Coast Guard Station
Major Military Base
Urban Area
Water Features


KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Interstate Pavement Conditions
Based on 2007 FHWA Pavement Condition Survey
Map Date: January 8, 2008
N
W
E
S
Legend
Pavement Conditions
No Data
Poor Condition
Fair Condition
Good Condition
2009-2015 Draft TIP Hwy/Hb Projects
Other Strategic Highway Corridor
Interstate
US/Other Route
State Port
Major Airport
Intermodal Connector
Coast Guard Station
Major Military Base
Urban Area
Water Features

Metric	Metric Data	Target	Wt (%)
Crash Rates	*Fatalities per 100 million vehicle miles i.e. 1.5B this will be compared against a baseline TBD*	TBD	
Level of Congestion on Strategic Highway Corridor System (SHC)	*Miles of SHC at V/C ratio of 1.2 & above compared to total miles of SHC expresses as percentage*	TBD	
Delivery of Bridge Replacement Program	*# of major milestones planned for year divided by # actual met = % success rate (CE R/W Let Const Completed)*	TBD	
Projects/Programs/Services on Schedule and on Budget	*# of major milestones planned for year divided by # actual met = % success rate (CPs EA FONSI EIS PHs R/W Let Const Completed)*	TBD	
Project Scope		TBD	
Business Development & Outreach	*% Contract dollars awarded to DBEs MBEs WBEs SBEs & HUBs*	TBD	
Customer Service	*Customer satisfaction surveys*	TBD	
Fiscal Management	*% improvement of existing Admin Budget*	TBD	
Employee Safety	*# of reported incidents that cause lost work days and / or worker's comp claims compared to baseline i.e. previous year(s) reported incidents*	TBD	
Employee Satisfaction	*Employee Survey*	TBD	
Recruiting developing and retaining employees	*- % retention of employees that continuously meet or exceed expectations on their PDA's* *- Overall % of employees retained at the end of cycle vs # of employees at beginning of cycle (Retirement or positive movement within the Dept does not negatively affect rating)*	TBD	

21st Century Transportation Committee
Finance Subcommittee

Highway Fund and
Highway Trust Fund Transfers
Diesel Tax Options

January 16, 2008

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

Outline

- Funding Sources
- Department of Transportation's Budget Overview
- Highway Fund Transfers
  - Transfers to other state agencies for transportation-related functions
- Highway Trust Fund Transfers
  - Transfer to the General Fund
- Diesel Tax Rate in North Carolina
- Diesel Tax Rates across States
  - Weight Mile Tax
- Revenue Options
- Questions

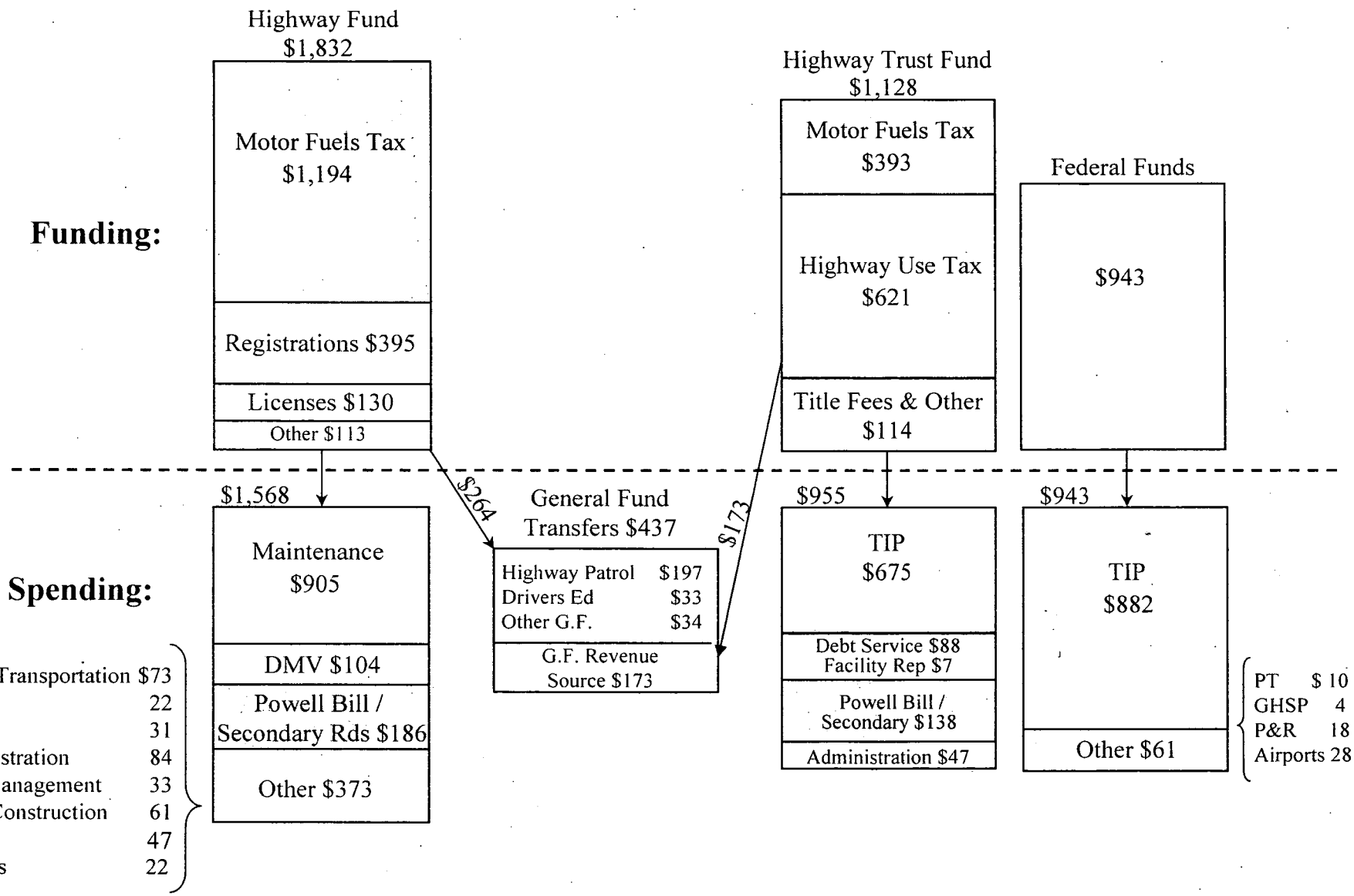
Highway Fund and Highway Trust Fund

- Highway Fund was established in 1921
  - Provides funding for the maintenance of roads, Division of Motor Vehicles, other transportation programs (public transportation, ferries, rail services), State Highway Patrol, and other State agencies' programs
- Highway Trust Fund was created in 1989
  - Provides funding for construction of particular highway and road projects, including the Intrastate System, urban loops, secondary roads, and supplemental funding for municipalities under the Powell Bill

Highway Fund and Highway Trust Fund

	Highway Fund	**Highway Trust Fund**
Allocation Method	**Appropriation** (Some by statutory formula)	**Statutory Formula** (G.S. 136-176)
Budget 2007-08	$1.8 Billion	$1.1 Billion
Major Sources of Funds	Motor Fuels Tax DMV Licenses and Fees	Highway Use Tax Motor Fuels Tax
Major Programs	Maintenance (49%) State Highway Patrol DMV Secondary road construction Aid to Municipalities Public Transportation, Rail, Ferry, Aviation Driver Education Other	Construction •Intrastate 61.95% •Urban Loops 25.05% •Secondary Roads 6.5% •Aid to Municipalities 6.5% •Transfer to General Fund (Statutory amount: $172+ million)

Highway Fund, Highway Trust Fund & Federal Funds 2007-08 ($ in Millions)



Tax Revenue Transfers

Motor Fuel Tax Transfers

- ½ cent per gallon – credited to the Leaking Underground Storage Tank Cleanup Fund (commercial, noncommercial, and Water and Air Quality Account) – approximately $27 million
  - G.S. 105-449.125
- 1/6th of 1 percent of the Highway Fund is credited to the Wildlife Resources Fund - $1,987,724 in FY2006-07
  - G.S. 105-449.126

Other Transfers

- 8% on short term vehicle leases - $49.3 million for FY2006-07
  - G.S. 105-187.9 (see slide 9)

Highway Fund Transfers	Law & Summary	FY2007-2008
Dept Agriculture - Gas Inspection Fee	G.S. 119-18 Inspection of motor fuel pumps (part of the .25 cpg used for administration)	$4,809,103
DENR Leaking Underground Storage Tank Fund	G.S. 119-18 Part of the .25 cent per gallon, prescribed in law	$4,885,830
Dept Rev - Gas Tax Collection	G.S. 119-18 Administration of the motor fuels tax collections (part of the .25 cent per gallon)	$5,405,067
DOR-IRP Auditors	G.S. 105-449.43. Auditing the International Registration Plan program for NC participants	$373,494
Dept of Health & Human Services - Chemical Testing	July 14, 1980 Executive Branch decision to transfer program to Division of Public Health to perform service	$673,803
State Highway Patrol	G.S. 20-194 – State Highway Patrols expenses are to be paid for by the Highway Fund	$195,055,818
Driver Education Program	G.S. 20-88.1 Driver Education - Funds paid to Department of Public Instruction, calculated based on the number of 9th graders (average daily membership) and distributed to Local Education Agencies)	$33,285,956
Transfer to General Fund	G.S. 105-164.44D Reimbursement for sales tax exemption for purchases by the Department of Transportation	$18,190,000
Reserve	Session Law 2005-345 Continuation budget for Global TransPark	$1,600,000
State Fire Protection Grant	G.S. 58-85A-1 Creation of Fund; allocation to local fire districts and political subdivisions of the State - State Fire Protection Grant Fund	$150,000
	Totals	$264,429,071

Highway Trust Fund Transfers
$172+ Million Annually

- Prior to 1989, a 2% sales tax was levied on the sale of motor vehicles with proceeds going to the General Fund
- Tax was capped at $300 (which was the amount for a car costing $15,000)
- The Highway Trust Fund, created in 1989, replaced the vehicle sales tax with a 3% Highway Use Tax, the cap was set at $1,000 in 1989 and increased to $1,500 in 1993 (and eliminated in 2001)
- To compensate the General Fund for its loss of the sales tax on vehicles, the proceeds from the new Highway Use Tax were transferred to the General Fund during its first two years; and the General Assembly directed that an amount of $170 million be transferred annually
- In FY2001-02, the General Assembly removed the $1,500 cap and transferred the additional amount to the General Fund. That amount was $1.7 million in FY2001-02 and $2.4 million in FY2002-03 and thereafter, and fluctuates annually based on the percentage change of revenues collected
- There have been a total of $3.5 billion transferred to the General Fund since 1989-90, which is a net of $400 million above the statutory transfer amount

Highway Trust Fund to General Fund Transfer
Statutory Language

- **§ 105-187.9. Disposition of tax proceeds.**
- (a) Distribution. – Taxes collected under this Article at the rate of eight percent (8%) shall be credited to the General Fund. Taxes collected under this Article at the rate of three percent (3%) shall be credited to the North Carolina Highway Trust Fund.
- (b) **Transfer**. – In each fiscal year the State Treasurer shall transfer the amounts provided below from the taxes deposited in the Trust Fund to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.
- **(1) The sum of one hundred seventy million dollars ($170,000,000).**
- (2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002-2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available. (1989, c. 692, s. 4.1; c. 799, s. 33; 1993, c. 321, s. 164(a); 2001-424, s. 34.24(c); 2001-513, s. 15.)

Highway Trust Fund to General Fund Transfer
Session Law 2007-323

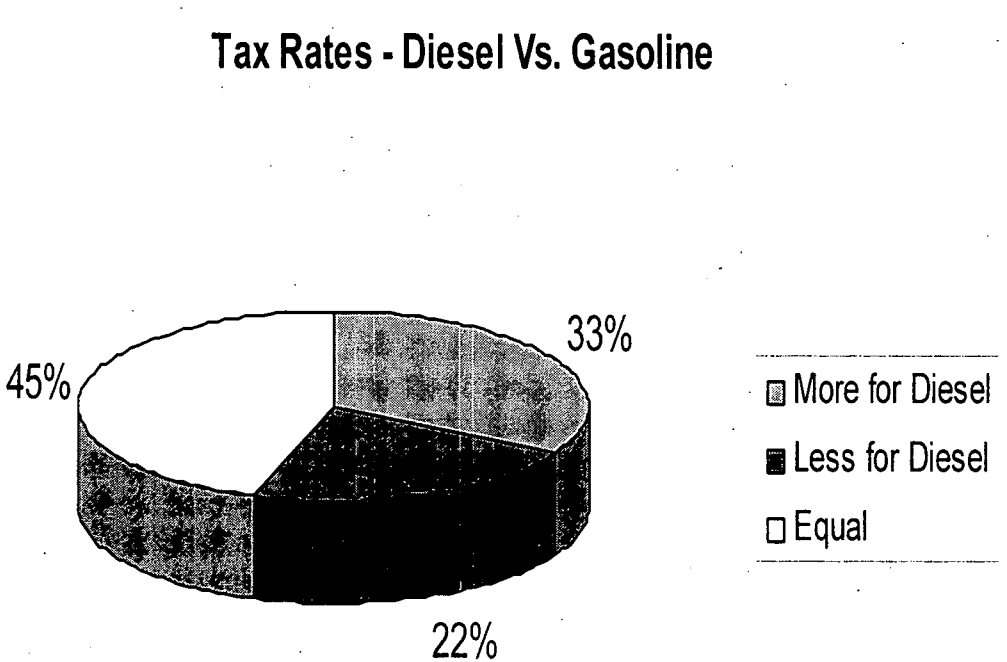
- **PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE HIGHWAY TRUST FUND TO THE GENERAL FUND AND OTHER STATE AGENCIES**

  SECTION 27.12. It is the intent of the General Assembly to phase out funds transfers from the Highway Fund and the Highway Trust Fund to the General Fund and to other State agencies over a five-year period of time. The funds transfers from the Highway Fund and the Highway Trust Fund to the General Fund and to other State agencies would be reduced to fifty percent (50%) of the current funds transfers, effective July 1, 2009. The funds transfers from the Highway Fund and the Highway Trust Fund to the General Fund and other State agencies would be reduced an additional fifty percent (50%) of the amount being transferred on June 30, 2011, effective July 1, 2011. The funds transfers from the Highway Fund and the Highway Trust Fund to the General Fund and other State agencies would be eliminated completely, effective July 1, 2013.

NC's Motor Fuels Tax

- NC has one tax rate for gasoline and diesel
- Set twice each year January 1st and June 1st
- Comprised of two components:
  - 17.5 cents per gallon fixed
  - 7% of wholesale variable
  - Capped at 29.9 cents per gallon through 6/30/09
- January 1, 2008 sent rate up to cap
  - Would be 33.4 cents per gallon otherwise
  - Results in 95 million dollar shortfall for both fuels (17.1 million for diesel) over 6 month period

Comparing Gasoline Vs. Diesel Rates Across States



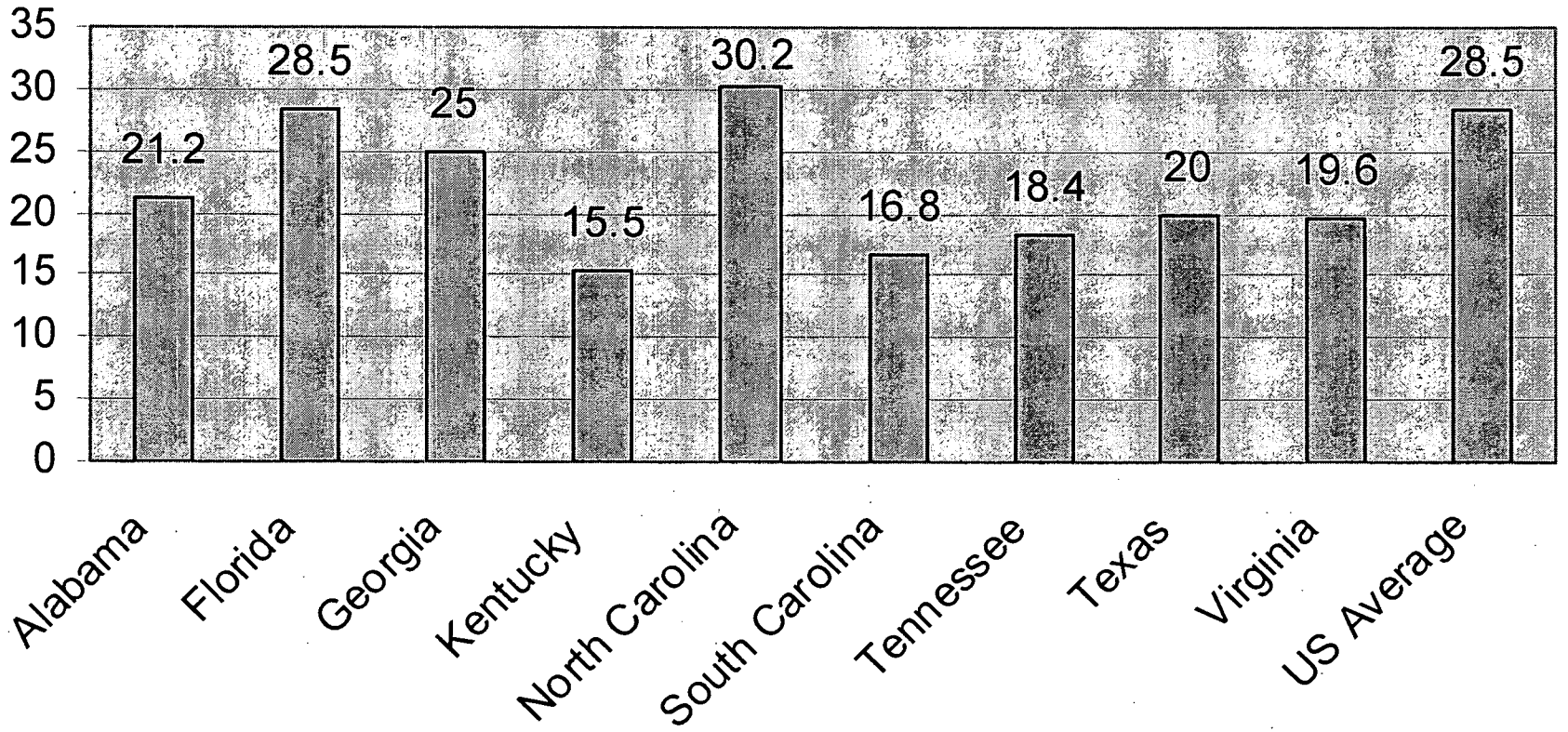
- 17 Charge More

Alabama, Arizona, Arkansas, California, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Montana, New Jersey, New Mexico, Pennsylvania, Vermont

- 11 Charge Less

Colorado, Connecticut, Delaware Georgia, Kentucky, Michigan, New York, Nevada, Oregon, Oklahoma, Tennessee,

Diesel Tax Rates
Southeastern States

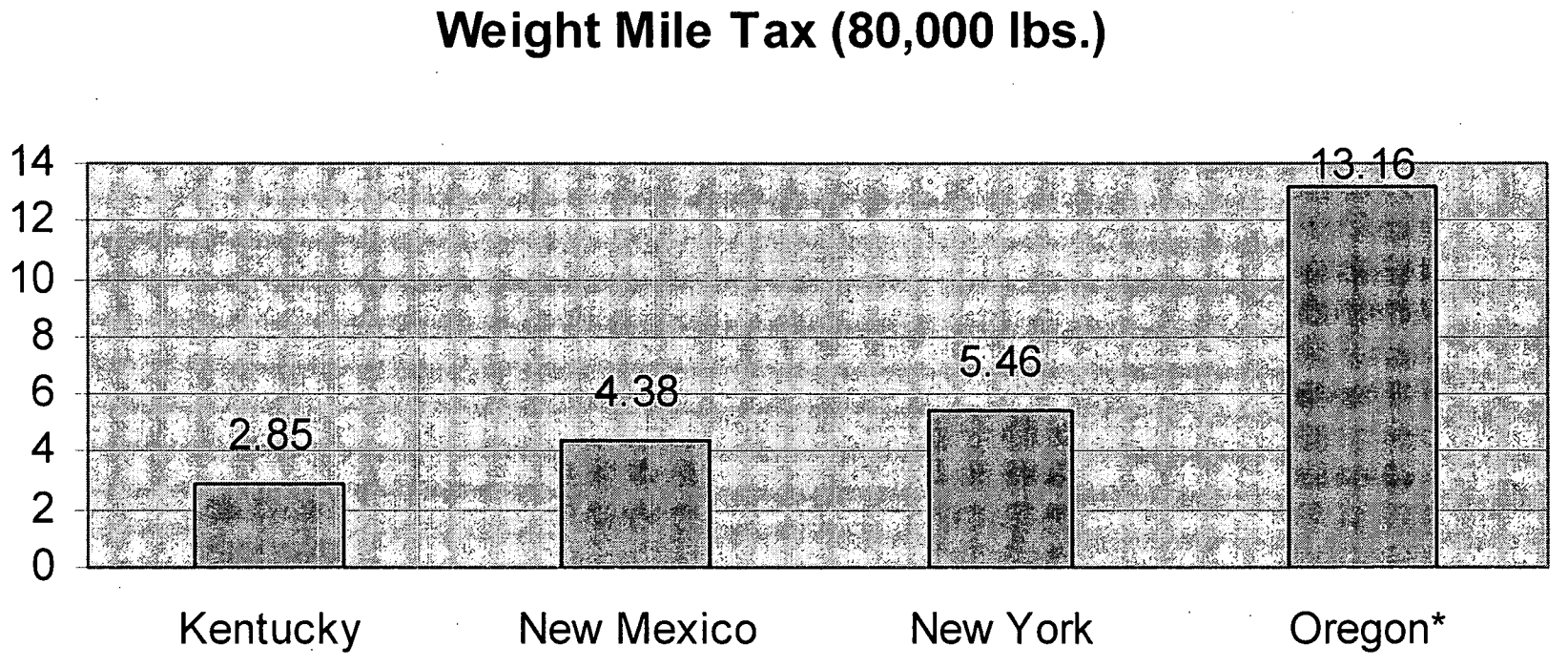


*Federal Diesel Tax Rate of 24.4 cents per gallon

Weight Mile Tax

- Charges a per mile tax rate which increases progressively proportional to vehicle weight
- Currently in use by 4 US states; New Mexico, Oregon, New York and Kentucky
- 19 states have had weight mile taxes at some point in the past but have repealed them

Weight Mile Tax



*No additional diesel tax for large trucks

Oregon's Weight Mile Tax

- Has collected some form of the weight mile tax since 1925
- Revenues dedicated to public highways, street roads, rest areas and includes highway protection services
- Cost per mile based on declared gross weight of the truck
  - Ranges from 26,000 to 105,000 in 2,000 pound increments
  - Rate starts at 4 cents a mile and escalates to 13.14 cents a mile for a 80,000 pound truck.
  - Trucks over 80,000 increase proportional to the # of axles

Oregon Weight Mile, Cont'd

- Axle incentives are tax reductions given for trucks operating with more than the required number of axles for the weight they are carrying (80,000 lbs. +)
- Most farm vehicles exempt from weight mile and only subject to state diesel tax
- Log, sand, gravel, and wood chip trucks can pay monthly flat fee based solely on weight

Oregon Weight Mile, Cont'd

- Administration
  - Truck companies required to report road miles and calculated weight-mile tax on those miles either monthly or quarterly to ODOT
  - ODOT performs periodic audits
  - Data cross checked with fuel purchase records at truck stops, ODOT weigh stations and other points of encounter with law enforcement

Kentucky's Weight Mile Tax

In addition to 15.5 cent per gallon base rate:

- Supplemental Tax
  - Applies to vehicles >26,000 lbs.
  - 4.7% on diesel (2% on gasoline)
  - Paid by fuel suppliers
- Weight Mile Tax
  - Applies to vehicles >60,000 lbs.
  - 2.85 cents per mile
- Proceeds of both go to road fund

New Mexico's Weight-Distance Tax

In addition to 20.9 cent per gallon base rate:

- Ranges from 26,000 – 80,000 lbs in 2000 lb increments with rates starting at 1.101 cents per mile and going up to 4.378 cents per mile
- Submitted on quarterly basis by carrier
- Has grown approximately 3-4% per year outpacing NM's fuel tax revenue growth
- In the process of setting up an electronic database that tracks all registered carriers in state facilitating administration

Virginia

In addition to base rate of 16 cents per gallon

- Vehicles >26,000 lbs. or with 3 or more axles, pay an additional 3.5 cents per gallon (all fuel types)
- Not tied to miles driven
- 2% sales tax in localities (Northern Virginia Transportation District)

Other State's Taxes

Arizona

- 18 cents per gallon of diesel for vehicles <26,000 lbs.
- 26 cents per gallon of diesel for vehicles >26,000 lbs.

Illinois

- 22.6 cents per gallon of diesel for vehicles <26,000 lbs.
- 28.6 cents per gallon of diesel for vehicles >26,000 lbs.

Indiana

- 18 cents per gallon of diesel for vehicles <26,000 lbs.
- 29 cents per gallon of diesel for vehicles >26,000 lbs.

Advantages/Disadvantages of Weight Mile Tax

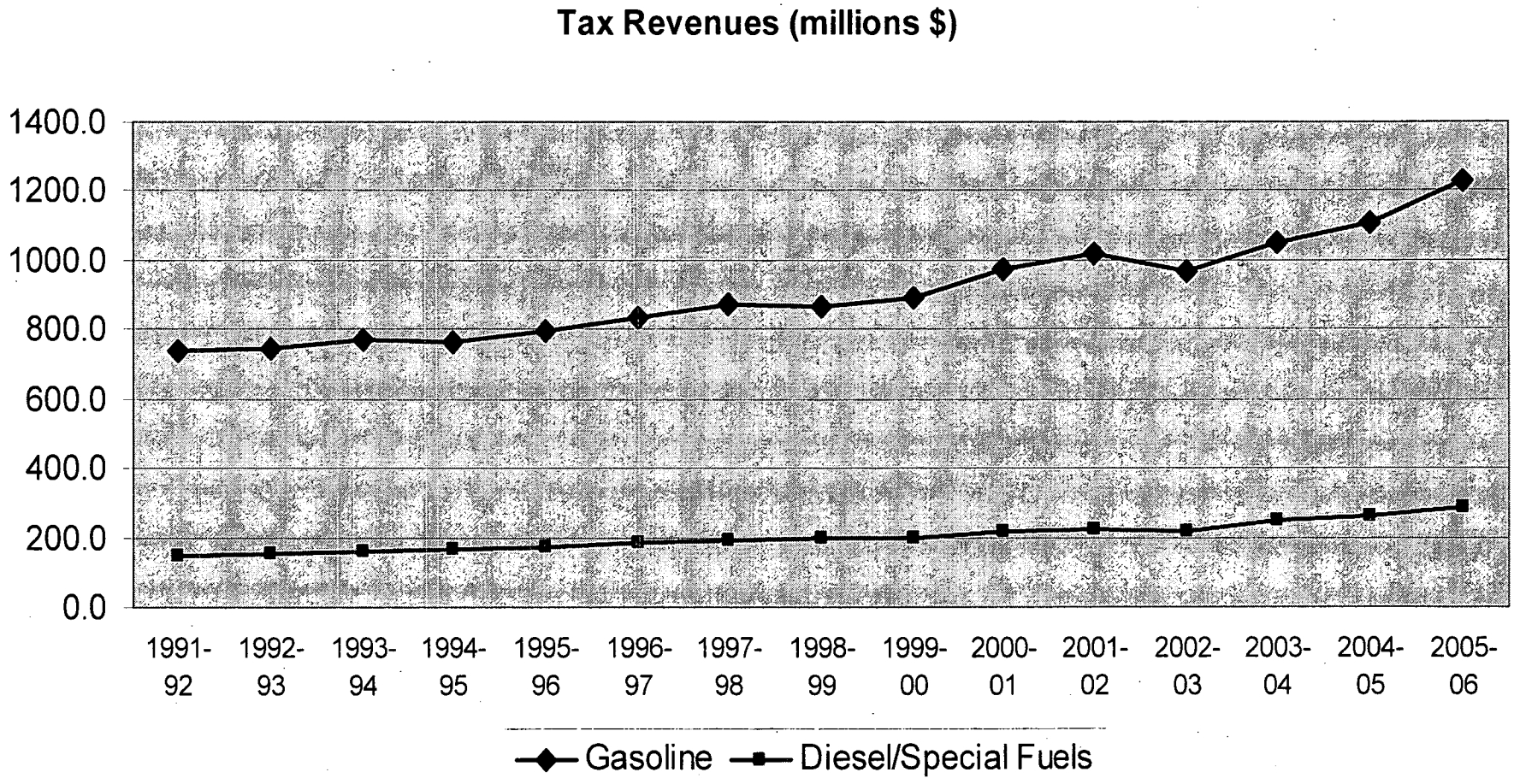
Advantages:

- Better correlates tax paid to road wear
- Traditional per gallon fuel taxes may not correlate well with wear caused by large trucks
  - A doubling of truck weight nearly doubles road wear but may only increase fuel consumption by 10% (Oregon Issue Brief, 2000)

Disadvantages

- Potential for tax evasion
- Administrative costs for collection and compliance
- Additional costs to truckers
- Generally disliked in trucking industry

Growth Rates – Gasoline vs. Diesel



Growth Rates – Gasoline vs. Diesel

FY 1991-92 to 2005-06

- Revenues from Gasoline have averaged 3.8% growth per year and grown 67% growth overall.
- Revenues from diesel/special fuels have averaged 5.1% growth per year and 99% growth overall.

Revenue Options

- Under GS 105-164.13(11a) diesel fuel sold to railroad companies are exempt from sales and motor fuels tax (enacted in 94-95 session)
  - The 2007 tax expenditure report puts the cost of this exemption at $17 million from sales tax, based on information provided by the industry
- Remove Gas Rate Cap
  - $34 million for diesel, $155 million for gasoline (calculated at current rate if cap did not exist)
- No measure of truck miles driven by weight category for accurate comparison to other states

Questions?

NCHRP

Web-Only Document 102:

Future Financing Options to Meet Highway and Transit Needs

Cambridge Systematics, Inc.
Bethesda, MD

Mercator Advisors LLC
Philadelphia, PA

Alan E. Pisarski
Falls Church, VA

Martin Wachs
Los Angeles, CA

Contractor's Final Report for NCHRP Project 20-24(49)
Submitted December 2006

National Cooperative Highway Research Program
TRANSPORTATION RESEARCH BOARD
OF THE NATIONAL ACADEMIES

3.0 Improved and New Revenue Options

This section provides an analysis of the major options which could be used by various levels of government to increase funding for surface transportation through 2017. The analysis for this study included options at all levels of government. A comprehensive list and matrix of options was assembled (see Table 3.1) from previous studies and from a review of actual practice at the state and local level, including input provided by panel members. A comprehensive set of options was considered, while realizing that it was important to focus the work on those revenue and financing mechanisms with significant gap closing potential and with a significant likelihood that those sources will be feasible for funding highways and public transportation.

The analysis focused most heavily on the current and emerging revenue measures shown in Table 3.1. Innovative financing and management tools, such as debt instruments and private participation that may help to accelerate project and program development but which are not strictly revenue measures, are covered in Section 4.0. Following Table 3.1 is a textual discussion of each of the revenue tools and selected state or local examples of each tool.

3.1 Review of Specific Candidate Revenue Sources

Revenue tools are presented in the three main categories discussed in Section 2.0: User Fees, Specialized Taxes, and General Sources. In this subsection, each revenue source is described, and examples are given of promising actions taken to enhance or utilize the source.

Motor Fuel and Vehicle User Fees

Motor fuel and vehicle fees (often referred to as user fees although they are not direct point of use fees such as tolls, pricing, or transit fares), are the mainstay of state highway programs as can be seen in Figure 3.1. The data shows that in 14 states, revenues from motor fuel taxes and motor vehicle taxes and fees account for over 90 percent of state highway funding and in the vast majority of states account for more than 50 percent of highway revenues.

Table 3.1 Candidate Revenue Sources

Specific Revenue Tool	Modes: Highway/Bridge: Preservation, Maintenance	Modes: Highway/Bridge: New Capacity	Modes: Transit: Operations, Maintenance	Modes: Transit: Capital	Scope: Program	Scope: Project	Yield: Potential[a] Yield	Locations Used
Fuel Taxes								
Motor fuel excise (per gallon) tax	●	●		●	●		H	All states, Federal
Indexing of the motor fuel tax (can be indexed to inflation or to other factors)	●	●		●	●		H	FL, IA, KY, ME, NE, NC, PA, WV
Sales tax on motor fuel[d]	●	●		●	●		H	CA, GA, HI, IL, IN, MI, NY
Petroleum franchise or business taxes	●	●		●	●		H	NY, PA
Vehicle Registration and Related Fees								
Vehicle registration and license fees	●	●			●		H	All states
Vehicle personal property taxes	●	●			●		M	CA, KS, VA
Excise tax on vehicle sales dedicated to transportation	●	●			●		H	CT, IA, KS, MD, MI, MN, MO, NC, NE, OK, SD, VA; Federal for heavy trucks
Tolling, Pricing, and Other User Fees								
Tolling new roads and bridges		●	●	●		●	M	About half of states (e.g., TX, FL, VA)
Tolling existing roads	●	●	●	●		●	L	VA proposed, others considering
HOT lanes, express toll lanes, truck toll lanes		●	●	●		●	M	CA, CO, GA, MN, TX
VMT fees	●	●	●	●	●		H	OR testing; recommended by 15 state-pooled fund study
Transit fees (fares, park-and-ride fees, other)			●		●		H	All transit agencies
Container fees, customs duties, etc.		●			●	●	M	CA
Beneficiary Charges and Local Option								
Dedicated property taxes	●	●	●	●	●		H	Many local governments
Beneficiary charges/value capture (impact fees, tax increment financing, mortgage recording fees, lease fees, etc.)		●		●		●	L	Many states and localities (e.g., CA, FL, OR, NY)
Permitting local option taxes for highway improvements								
• Local option vehicle or registration fees	●	●			●	●	M	AK, CA, CT[b], CO, HI, ID, IN, MS[b], MO, NE, NV, NH, NY, OH, SC, SD, TN[b], TX, VA[b], WA, WI
• Local option sales taxes	●	●			●	●	H	AL, AZ, AR, CA, CO, FL, GA, IA, KS, LA, MN, MO, NE, NV, NM, NY[b], OH, OK, SC, TN, UT, WY
• Local option motor fuel taxes	●	●			●	●	M	AL, AK[b], FL, HI, IL, MS, NV, OR, VA, WA
Permitting local option taxes for transit								
• Local option sales taxes			●	●	●	●	H	AL, AZ, CA, CO, FL, GA, IL, LA, MO, NV, NM, NY, NC, OH, OK, TX, UT, WA
• Local option income or payroll tax			●	●	●	●	M	IN, KY, OH, OR, WA
Other Dedicated Taxes								
Dedicate portion of state sales tax	●	●	●	●	●		H	AZ, CA, IN, KS, MA, MS, NY, PA, UT, VA
Miscellaneous transit taxes (lottery, cigarette, room tax, rental car fees, etc.)			●	●	●	●	L	Various states and localities
General Revenue Sources								
General Revenue[c]	●	●	●	●			H	Most states and localities

[a] Potential Yield; H= High, M= Medium, L= Low.

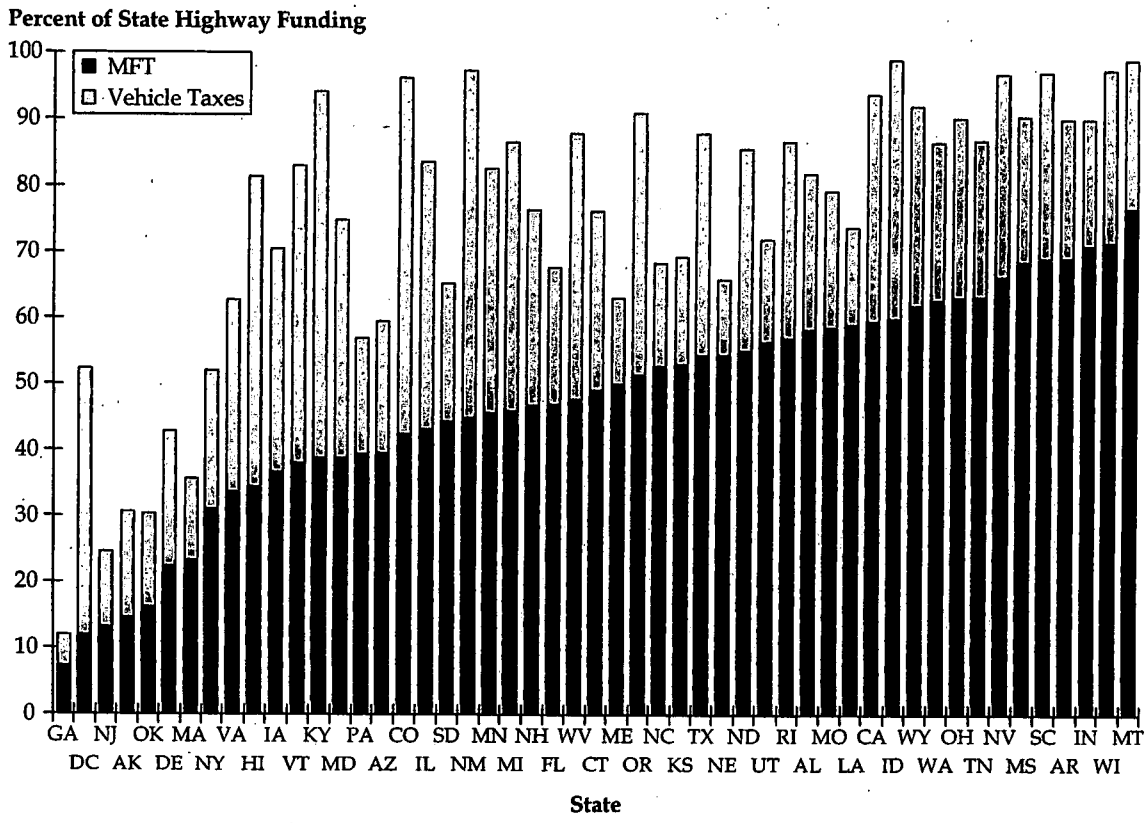
[b] Revenues go into General Fund but can be earmarked or used for transportation.

[c] For purposes of this report, the leveraging of tax subsidies through tax credit bonds and investment tax credits is treated effectively as producing revenue from general fund sources for transportation.

[d] In some states, revenues from sales taxes on motor fuel are not dedicated or only partially dedicated to fund transportation needs.

Figure 3.1 Fuel and Vehicle Taxes as a Percent of Total State Highway Funding

Fiscal Year 2004



Source: 2004 Highway Statistics, Table SF-1.

21st Century Transportation Finance Subcommittee
Wednesday, February 21, 2008
University of North Carolina Wilmington
Executive Development Center
9:00 a.m.

MINUTES

The 21st Century Transportation Finance Subcommittee met at 9:00 a.m. on Wednesday, February 21, 2008, at the University of North Carolina Wilmington Executive Development Center. Four members of the committee were present. Steve Zelnak, Chair, presided.

Inter-governmental Committee Report

Sam Hunt, Chair of the Intergovernmental Subcommittee, was recognized to explain the work and recommendations of his subcommittee. He stated that committee seeks a separate grant fund that entities can apply to for congestion relief and intermodal transportation costs. The committee also recommends a commuter rail feasibility study (Goldsboro – Winston-Salem). He would like the Finance subcommittee to be prepared with funding recommendations. Mr. Hunt distributed a bill draft that creates the Congestion Relief/Intermodal Transport Fund. Copies of his handouts are attached.

Gerry Cohen, Fiscal Research Division director, was recognized. He summarized the bill draft. It suggests funding the grant by allowing counties to offer a referendum for a local option sales tax, increasing vehicle registration fees (setting aside the increase for local mass transit funding), extending Mecklenburg County's authority for vehicle registration fees, allowing business grants for less urban areas. Mayor Bellamy was recognized. She requested that the proposed legislation include smaller communities and counties because they are seeing relative transportation issues.

Secondary Roads Program – Justification Review

Lisa Hollowell, Fiscal Research Division fiscal analyst, was recognized to explain the findings of the review of the Secondary Roads Program. A copy of her presentation and the review is attached.

Transportation Funding – Other States

Lisa Hollowell was recognized to discuss transportation issues and funding of area states. A copy of the state comparisons is attached.

The meeting adjourned at 10:15 p.m.

Steve Zelnak, Chair

DeAnne Mangum, Committee Clerk

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

AGENDA

February 21st
9:00 AM – 11:00 AM

Chair's Comments	Steve Zelnak, Finance Chair
Inter-governmental Committee Report	Sam Hunt, Chair Intermodal Work Subcommittee
Secondary Roads Program Justification Review	Lisa Hollowell, Fiscal Research Division
Transportation Funding Other States	Lisa Hollowell
Additional Discussion	Committee Members

VISITOR REGISTRATION SHEET

21st Century Transportation – Finance Subcommittee — Feb. 21, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety

VISITOR REGISTRATION SHEET

21st Century Transportation – Finance Subcommittee — Feb. 21, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Tom Eagar	ISC State Ports
Stephanie Ayers	" "
Rita Harris	" "
Laura Wilson	" "
S. Jacobson	Budget & Tax Center
H. Isaico	NCDOT
Damian Graham	TTA
Amy Schilder	MWC
Lauren Bradley	City of Asheville PO Box 7148 Asheville NC 28802
Roberto Canales	NCDOT
Patrick Simmons	NCDOT

EXPLANATION OF
CONGESTION RELIEF AND INTERMODAL TRANSPORTATION
21ST CENTURY FUND
EXPENDITURES AND LOCAL FUNDING

The Intermodal Committee will later this morning be considering proposed legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund,
2. Set out a framework for grants for intermodal capital projects out of this fund, requiring that for urban transit projects.
3. Authorize local option revenue options for major urban areas to match these grants

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.909 billion over the next 12 fiscal years. This includes $80 million for state aid for rail access to the State ports, $80 million for Class 1 railroads, $58 million for short line railroads, $20 million for statewide bus grants to local governments, $20 million for expansion of intercity passenger rail, and $1.621 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee will recommend capping the maximum amount of grants for any one region at 33% of the fund. On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $86 million in Fiscal Year 2009-2010, $110 million in 2010, between $160 and $149 million annually for the four years beginning 2011 through 2014, $190 million in 2015, between $170 million and $180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $159 million per year. It is noted that all these estimates are in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, this will allow $30 million annually for the first four years to be allocated out of the fund for Toll Road gap funding. Other projects anticipated for funding during the first two years include $10 million annually in bus improvement grants the first two years, $10 million for intercity passenger rail ($5 million of which could be used for a third daily frequency from Charlotte to Raleigh and the remaining $5 million for a demonstration project by the North Carolina railroad in Eastern North Carolina).

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported

that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Port would need high capacity Intermodal access.

Based on these findings and demonstrated needs, the proposed legislation will do the following on the State level:

1. Establish the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allow for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and TTA in the Triangle.)
3. Those grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Three specific preconditions for the local government grants are: (i) the grant application is approved by all Metropolitan Planning Organizations whose jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.
5. Grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan.
6. The Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. No applicant may receive more than 33% of the total funds in a 15-year period.
8. In evaluating projects, qualification for federal funding shall be considered.

SHORT LINE RAILROAD GRANTS

9. Grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

RAILROAD GRANTS

10. Grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars ($10,000,000) per fiscal year.

STATE PORTS RAILROAD GRANTS

11. Grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant.. Total grants may not exceed fifteen million dollars ($10,000,000) per fiscal year.

INTERCITY PASSENGER RAIL SERVICE

12. Grants from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities serviced. Grants under this subdivision shall not exceed 25% of the project cost.

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor vehicle rentals. The committee has examined the existing revenue options and the legislation will provide the following:

LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the Triangle Transit Authority (TTA).
15. Allows a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the counties in the Triad (Forsyth, Guilford, Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART).
16. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.

LOCAL VEHICLE REGISTRATION FEE

The 1991 General Assembly allowed TTA to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars ($5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

17. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation

would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.

18. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 18 will give all three major urban areas the same local option authority.

February 19, 2009
Intermodal Committee Draft

LEGISLATIVE
FEB 19 2008
DRAFTING

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

H D

BILL DRAFT 2007-LBx-401K [v.2] (1/22)

DRAFT FOR REVIEW ONLY

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
2/19/2008 3:37:12 PM

Short Title: Congestion Relief/Intermodal Transport Fund. (Public)

Sponsors: Representative.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A CONGESTION RELIEF AND INTERMODAL TRANSPORTATION 21ST CENTURY FUND, TO PROVIDE FOR ALLOCATION OF THOSE FUNDS TO: (1) LOCAL GOVERNMENTS AND TRANSPORTATION AUTHORITIES FOR PUBLIC TRANSPORTATION PURPOSES, (2) SHORT LINE RAILROADS, FOR ASSISTANCE IN MAINTAINING AND EXPANDING FREIGHT SERVICE STATEWIDE (3) RAILROADS FOR INTERMODAL FACILITIES, MULTIMODAL FACILITIES, AND INLAND PORTS, (4) MAKE CAPITAL IMPROVEMENTS ON RAIL LINES TO ALLOW INCREASED FREIGHT SERVICE TO THE PORTS AND MILITARY INSTALLATIONS, AND (5) EXPAND INTERCITY PASSENGER RAIL SERVICE, AND TO EXTEND COMMON LEVELS OF LOCAL TRANSIT FUNDING AUTHORIZATION TO THREE URBAN REGIONS.

The General Assembly of North Carolina enacts:

SUBCOMMITTEE DRAFT – NOT APPROVED

CHAPTER I. Fund Created.

SECTION 1. Chapter 136 of the General Statutes is amended by adding a new Article to read:

ARTICLE 19.

Congestion Relief and Intermodal 21st Century Transportation Fund

"**§ 136-250. Congestion Relief and Intermodal Transportation 21st Century Fund.**

There is established in the State Treasury the Congestion Relief and Intermodal Transportation 21st Century Fund, hereinafter referred to as the fund. The fund shall consist of all revenues appropriated and allocated to it. Interest on earnings of the fund shall remain within the fund.

"§ 136-251. Findings of fact.

The General Assembly finds that:

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain.

North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Port would need high capacity Intermodal access.

"**§ 136-252. Grants to local governments and transportation authorities.**

(a) Cities, counties, regional public transportation authorities under Article 26 of Chapter 160A of the General Statutes, and regional transportation authorities under Article 27 of Chapter 160A of the General Statutes may receive grants from the fund for public transportation purposes.

(b) No grant may be approved from the fund unless:

(1) The application is approved by all Metropolitan Planning Organizations under Article 16 of this Chapter whose jurisdiction includes any of the service area of the grant applicant.

(2) The applicant has approved a transit plan that includes local planning policies and adopted plans that reasonably support transit ridership and appropriate land use.

(3) The applicant has an adequate and sustainable source of funding established for its share of project costs.

(c) Grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan. The Board of Transportation shall approve, and amend from time to time, a rolling multi-year projection of up to 15 years for allocation of funds under this section. No applicant is eligible under the 15-year plan projection for

more than one-third of the total funds to be granted under this Article during that 15-year period.

(d) No grant under this section may exceed twenty-five percent (25%) of the cost of the project, and must be matched by an equal or greater amount of funds by the applicant. In evaluating projects, qualification for federal funding shall be considered.

"**§ 136-253. Grants to other units.**

Grants from the fund may also be made to state agencies and railroads for the following purposes:

(1) Assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. This may involve both the Rail Industrial Access program and the Short Line Infrastructure Access Program, as well as other innovative programs. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed five million dollars ($5,000,000) per fiscal year.

(2) Assistance to any railroad in construction of (i) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (ii) inland ports to reduce truck traffic on the highway system. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under this subdivision may not exceed ten million dollars ($10,000,000) per fiscal year.

(3) Assistance to the state ports in terminal railroad facilities and operations, and to improve access to military installations, and to the North Carolina International Port. Grants under this subdivision shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant.. Total grants under this subdivision may not exceed fifteen million dollars ($10,000,000) per fiscal year.

(4) Expansion of intercity passenger rail service, including increased frequency and additional cities serviced. Grants under this subdivision shall not exceed twenty-five percent (25%) of the project cost.

"**§ 136-254. Grant approval.**

All grants made under this Article are subject to approval of the Board of Transportation. The fund shall be administered in conjunction with G.S. 136-44.20, and any funds allocated under that section shall continue to be available, or the Department of Transportation may reprogram that to the fund."

CHAPTER II. Public Transportation Sales Tax: Mecklenburg, Triangle, Triad.

SECTION 2.(a) Section 1(a) of S.L. 1997-417 is recodified as G.S. 105-510.1.

SECTION 2.(b) Article 43 of Chapter 105 of the General Statutes, as enacted by S.L. 1997-417 and amended by subsection (a) of this section, reads as rewritten:

"ARTICLE 43.

"Local Government Sales and Use Taxes for Public Transportation.

Part 1. General

"**§ 105-505. Short title; purpose.**

This Article is the Local Government Public Transportation Sales Tax Act and may be cited by that name. This Article gives the ~~counties~~ counties and transportation authorities of this State an opportunity to obtain an additional source of revenue with which to meet their needs for financing local public transportation systems. It provides ~~counties~~ them with authority to levy one-half percent (1/2%) sales and use taxes. All such taxes must be approved in a referendum.

"**§ 105-506. Definitions.**

The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

(1) Board of trustees. – The governing body of an Authority.

~~(1)~~(2) Net proceeds. – Gross proceeds less the cost of administering and collecting the tax.

~~(2)~~(3) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.

(4) Transportation authority. A regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes.

Part 2. Mecklenburg County.

"**§ 105-507. Limitations.**

A county may not levy a tax under this ~~Article~~ Part unless the county or at least one unit of local government in the county operates a public transportation system. In addition, a county may not levy a tax under this ~~Article~~ Part unless it has developed a financial plan and distributed it to each unit of local government in the county that operates a local public transportation system. The financial plan must provide for equitable allocation of the net proceeds distributed to the county in consideration of the identified needs of local public transportation systems in the county, countywide human

One-half percent (1/2%) local sales and use taxes, to be used only for public transportation systems.'

"**§ 105-510.7. Levy and collection of sales and use tax – regional public transportation authority.**

If the majority of those voting in a referendum held pursuant to G.S. 105-510.6 vote for the levy of the tax, the transportation authority may, by resolution, levy one-half percent (1/2%) local sales and use taxes within the special district, in addition to any other State and local sales and use taxes levied pursuant to law. In determining the results of the election in a multi-county district, all the counties of the district shall be considered to be one unit. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to 'this Article' mean 'Part 2 of Article 43 of Chapter 105 of the General Statutes'. Any repeal of the tax shall be done by the same procedure as its enactment under section, and a petition for repeal under G.S. 105-473 shall be judged by the total votes in all three counties.

"**§ 105-510.8. Expansion of district.**

If a special district established under this Part does not include all the counties in the territorial jurisdiction of a transportation authority, it may be expanded to include an additional whole county or counties by joint action of the board of trustees of the transportation authority and the board of commissioners of the county or boards of commissioners of the counties to be added, with the approval of the voters in the county or counties to be added. The procedure for addition of a county or counties shall be the same as for the initial creation of the district, but the referendum shall be held separately within each of the counties to be added.

"**§ 105-510.9. Exemption of food.**

A tax levied under this Part does not apply to the sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but would be exempt from the State sales and use tax pursuant to G.S. 105-164.13 if it were purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 2011.

"**§ 105-510.10 Distribution and use of taxes.**

(a) Distribution. – The Secretary shall, on a quarterly basis, allocate to each transportation authority the net proceeds of the tax levied under this Part within the special tax district, to be used for the benefit of that district.

(b) Use. – A transportation authority must expend the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-510.5 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. The transportation authority shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems."

CHAPTER III. Extension of Vehicle Registration Charge to Mecklenburg County.

SECTION 3. Section 6.2 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 reads as rewritten:

"**SECTION 3.1.** (a) A county authorized to impose a tax under Article 43 of Chapter 105 of the General Statutes, as enacted by Part 1 of this act, is considered an authority ~~under~~ under:

(1) Article 50 of Chapter 105 of the General Statutes, as enacted by Section 3 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50. G.S. 105-554 of Article 50 does not apply to the proceeds of a tax imposed by a county considered an authority under this section. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The proceeds may supplant existing funds allocated for a public transportation system. The term 'public transportation system' has the same meaning as defined in ~~G.S. 105-506 of Article 43.~~ G.S. 105-506.

(2) Article 51 of Chapter 105 of the General Statutes, as enacted by Section 4 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 51. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest city in that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506."

CHAPTER IV. Local Vehicle Registration Charge Adjusted for Inflation.

SECTION 4.(a) Effective July 1, 2008, G.S. 105-561(a) reads as rewritten:

"(a) Tax Authorized. – The board of trustees of an Authority may, by resolution, levy an annual license tax in accordance with this Article upon any motor vehicle with a tax situs within its territorial jurisdiction. The purpose of the tax levied under this Article is to raise revenue for capital and operating expenses of an Authority in providing public transportation systems. The rate of tax levied under this Article must be a full dollar amount, but may not exceed ~~five dollars ($5.00)~~ seven dollars ($7.00) a

SECTION 4.(b) Effective July 1, 2008, G.S. 105-561(d) reads as rewritten:

"(d) Special Tax District. – If a regional transportation authority created under Article 27 of Chapter 160A of the General Statutes has not levied the tax under this section or has levied the tax at a rate of less than ~~five dollars ($5.00)~~ seven dollars ($7.00) it may create a special district that consists of the entire area of one or more counties within its territorial jurisdiction and may levy on behalf of the special district the tax authorized in this section. The rate of tax levied within the special district may not, when combined with the rate levied within the entire territorial jurisdiction of the authority, exceed ~~five dollars ($5.00).~~ seven dollars ($7.00).The regional transportation authority may not levy or increase a tax within the special district unless the board of

commissioners of each county in the special district has adopted a resolution approving the levy or increase.

A special district created pursuant to this subsection is a body corporate and politic and has the power to carry out the purposes of this subsection. The board of trustees of the regional transportation authority created under Article 27 of Chapter 160A of the General Statutes shall serve, ex officio, as the governing body of a special district it creates pursuant to this subsection. The proceeds of a tax levied under this subsection may be used only for the benefit of the special district and only for the purposes provided in G.S. 105-564. Except as provided in this subsection, a tax levied under this subsection is governed by the provisions of this Article.

SECTION 5. This act is effective when it becomes law.

Intermodal Fund 2/19/2[redacted] Illustrative Allocations

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
													millions
Triangle Region (needs)	$16	$45	$85	$118	$171	$346	$461	$373	$287	$300	$416	$518	$3,136
Triangle Region w/33% cap 2011	16	45	75	108	161	336	451	363	267	280	396	488	2,986
Triad Region	$7	$16	$46	$82	$64	$72	$137	$145	$148	$90	$95	$200	$1,102
Statewide Bus Improvements	10	10	0	0	0	0	0	0	0	0	0	0	$20
Hwy and Rail Grade Separation	$10	$10	$5	$5	$5	$5	$5	$5	$10	$10	$10	$10	$90
Charlotte/ Mecklenburg Region	$167	$218	$414	$382	$354	$124	$106	$67	$102	$136	$117	$117	$2,304
Total	$210	$299	$540	$577	$423	$537	$699	$580	$527	$516	$618	$815	$6,502
25% State Share of Investment	$ 53	$ 75	$ 135	$ 144	$ 106	$ 134	$ 175	$ 145	$ 132	$ 129	$ 155	$ 204	$ 1,626
Short Line Grants - State Share	3	5	5	5	5	5	5	5	5	5	5	5	$58
Freight Rail Grants- State Share	10	10	10	10	5	5	5	10	10	10	10	10	$105
Ports Rail Grants - State Share	10	10	10	10	5	5	5	10	10	10	10	10	$105
Intercity Passenger Rail	10	10	0	0	0	0	0	0	0	0	0	0	$20
(3rd Amtrak train Raleigh-Charlotte)													
(NC RR demonstration project)													
Toll Road Gap Funding	30	30	30	30	0	0	0	0	0	0	0	0	$120
Total Fund Needs	$ 116	$ 140	$ 190	$ 199	$ 121	$ 149	$ 190	$ 170	$ 157	$ 154	$ 180	$ 229	$ 1,914
													33% cap
REVENUES													
various fee increases	110	110	110	110	110	110	110	110	110	110	110	110	
1/3 transfer capped at $50m	23	34	50	50	50	50	50	50	50	50	50	50	
TOTAL REVENUES	133	144	160	160	160	160	160	160	160	160	160	160	
Carry Forward/Shortfall	$ 18	$ 4	$ (30)	$ (39)	$ 39	$ 11	$ (30)	$ (10)	$ 3	$ 6	$ (20)	$ (69)	
Net after Carryforward	$ -	$ 22	$ (11)										

This spreadsheet offers potential allocations from the Intermodal Fund based on potential projects. It is only illustrative.

Highway Fund and Highway Trust Fund Secondary Roads Program Justification Review

21st Century Transportation Committee
Finance Subcommittee
February 21, 2008



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

Justification Reviews

- Conducted by Fiscal Research Division
- Pilot effort satisfying the zero base budgeting requirement in S.L. 2005-276
  - Examine new approaches to budgeting and management
  - Directs the Legislative Services Commission to conduct zero-based budget reviews prior to convening of 2007 session
  - Requires analysis of the budget, program goals and purposes, and highlight policy and budget issues

Secondary Roads Construction Program

- Program is a good candidate for review
  - Funding is statutory, not generally reviewed in the appropriations process
  - Funding automatically grows over time

Secondary Roads Program

- Highway Trust Fund Act of 1989
  - Directed paving of 10,000 miles of State-maintained roads that carried 50 or more vehicles per day within ten years, and paving the remaining unpaved roads within six years after that.

Secondary Roads Construction Program

- G.S. 136-44.2A requires 1-3/4 cents collected per gallon be allocated for secondary road construction through HF
- G.S. 136-176(b)(4) requires that 6.5% of HTF (net transfer & admin) be used for secondary rd construction
- G.S. 20-85(b) directs $15 of each title application fee used for secondary road construction through HTF

Highway Fund	$94,089,500
Highway Trust Fund	$99,630,348
TOTAL	$193,719,848

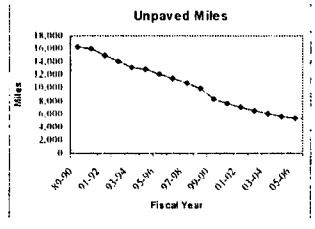
*Amount Available for Projects **$169,821,873**

- Was originally allocated to counties based on the number of unpaved road mileage and on the county's percentage of state's unpaved miles that carry 50 or more vehicles per day
- FY2007-08 there are changes in the allocation methodology (revised by HB750-1825) that allows for a transition and attempts to pave as many of the roads as possible
- FY2010-11 additional major changes in allocation will occur and the program becomes an improvement program

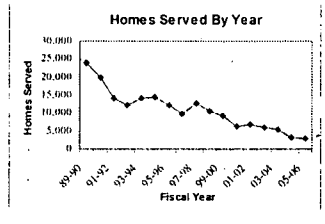
Secondary Roads Construction Program Finding #1

Most of the secondary road construction is completed.

Approximately 3,000 miles are currently eligible to be paved.



Homes served per year is dropping.



Secondary Roads Construction Program Finding #2

There has been significant variation between counties in priority ratings of the roads in construction plans

- Unpaved roads are assigned points, updated every four years
- Points based on vehicle miles traveled daily, number of homes, businesses, and types of businesses
- County plans reviewed identified paving plans on roads with as few as 11.6 points and a high of 368.2 points

Secondary Roads Construction Program Finding #3

- HB 750 and HB1825 has made fundamental changes
  - Transition to paved road improvement program
    - Emphasize Safety
    - Modernize
    - Improve Traffic Flow
    - Upgrade widths and shoulders
- Funding will be based on total miles of secondary roads, paved and unpaved in 2010-11

Secondary Roads Construction Program Finding # 4

- **The State of North Carolina has had a long commitment for constructing and maintaining local roads; however, funds are scarce and the State is not constructing and maintaining major transportation infrastructure at an adequate level.**

Secondary Roads Construction Program Finding # 5

- North Carolina's policy of state responsibility for local roads is a different approach than most other states.

OCTOBER 2006 Federal Highway Administration			
STATE	Road Miles Owned by State Agency	Total Road Miles	Percent Owned by State Agency
Florida	12,040	120,557	10%
Georgia	17,930	117,645	15%
North Carolina	**79,031**	**103,128**	**77%**
South Carolina	41,391	66,238	62%
Tennessee	13,817	90,451	15%
Texas	79,648	304,171	26%
Virginia	57,860	71,961	80%
U.S. Total	777,252	3,995,644	19%

Secondary Roads Construction Program Recommendations

1. Eliminate or reduce funding for the secondary roads program and redirect those funds to construction and maintenance of the State's major road systems.

2. The State should reconsider its overall financial responsibility for the state's local roads.

Secondary Roads Construction Program

North Carolina Department of Transportation Response is found on the last page of the Justification Review Document

Session Law 2007-428

Senate Bill 1513

County Financing/Powell Bill/City Election

- Reversed the law dating back to 1931 that prohibited counties from participating in the costs of road construction and maintenance
- Voluntary
- Allows counties to participate in the cost of right of way, construction, and maintenance
- No counties have acted on this new law to date

Highway Fund and Highway Trust Fund Secondary Roads Program

Justification Review **March 24, 2007**

The General Assembly should eliminate or reduce funding for the secondary roads program and redirect those funds to construction and maintenance of the State's major road systems. The General Assembly should reconsider its overall financial responsibility for the State's local roads.

Executive Summary

In Fall 2006, Fiscal Research Division Staff conducted a justification review of the Secondary Roads Program, which receives approximately $170 million per year from the Highway Fund and Highway Trust Fund. Staff found that the original purpose of the program, paving unpaved roads, had been largely achieved and that recent statutory changes will significantly improve the usefulness of money spent on the secondary road system. However, Staff noted the shortfall in construction and maintenance funds recently identified by the Department of Transportation (DOT) for all of its highway systems and that the State's highway network is not being expanded, preserved, modernized and maintained at an adequate level. As a result, Staff questions the set aside for secondary roads, which serve generally local traffic, and recommends that this funding be redirected to the State's strategic or highest priority roads. Staff also noted that the State's financial responsibility for local roads is high in North Carolina compared to other states and suggests that the division of financial and operational responsibility between State and local government for local roads be reconsidered.

Scope and Methodology

This report on the Highway Fund and Highway Trust Fund Secondary Roads Program of the Department of Transportation (DOT) is one of six "justification reviews" of State government programs being published by the Fiscal Research Division (FRD) during FY 2006-07. The justification review program is a pilot effort designed to satisfy the zero base budgeting requirement set out in S.L. 2005-276, Section 6.34(a-c).

To review the operations and impact of the Secondary Roads Program, FRD met with DOT staff in Raleigh and in DOT divisions and with one Board of Transportation member. Staff also reviewed secondary road plans, DOT fiscal information, and data from the Federal Highway Administration and other sources.

Background and Mission

History

North Carolina has had a long commitment to State responsibility for building and maintaining secondary roads. The State has the second largest state maintained highway system, over 79,000 miles (slightly less than Texas), because the North Carolina system includes almost 64,000 miles of secondary roads that in most states are built and maintained by local units of government.

North Carolina's first real State Highway Commission, established in 1915, provided road building assistance to counties. In 1921, the General Assembly authorized the State to take over 5,500 miles of county roads. At that time a one cent per gallon motor fuel tax was imposed, a system of motor vehicle license and registration fees was created, and a $50 million State highway bond issue was approved to build hard surfaced roads to connect the county seats

and other principal towns. By 1927, the State had raised the motor fuels tax to five cents per gallon and authorized an additional $65 million of bonds. It was during this period that North Carolina became "The Good Roads State."[1]

During the Depression, North Carolina counties were under financial stress and the State assumed responsibility for the remainder of the county roads in 1931, leaving only city streets under local control. In 1951, the General Assembly passed the Powell Bill, assuming State control over those city streets that were part of the State highway system. The Powell Bill also provided funds to cities from the motor fuels tax for maintenance and improvement of city streets.

By the 1980's the State of North Carolina's transportation infrastructure and funding mechanisms had become inadequate for the State's growth. A Highway Study Commission established in 1987 held extensive hearings and ultimately recommended a multi-billion dollar highway construction program. The Commission's work led to passage in the General Assembly of the Highway Trust Fund Act in 1989 (S.L.1989-692). This Act provided for a $9.2 billion construction program, which included paving/construction of secondary roads, to be completed over thirteen and a half years. The program included:

- Completion of the Intrastate Highway System, a 3600 mile network of four-lane highways.
- Construction of urban loops near seven major cities.
- Paving all 10,000 miles of the State-maintained roads that carried 50 or more vehicles per day within ten years and within six years after that paving the remaining unpaved roads.
- Increasing Powell Bill funding (assistance to municipalities for street improvement and maintenance) by 50 percent.

Funding of the Secondary Road Construction Program under Current Law

Funding for secondary road construction comes from the Highway Fund and the Highway Trust Fund. For FY 2006-07 the total appropriations are as follows:

Highway Fund	$94,089,500
Highway Trust Fund	$99,630,348
TOTAL	$193,719,848

After deductions for debt repayment, revenue under-collection, and other charges, the amount of funding available for projects is $169,821,873. The funding levels derive from long standing statutory formulas and have not generally been the subject of discussion or change in the legislative appropriations process. In addition to construction, DOT spends over $400 million per year on maintenance and contract resurfacing for the secondary road system.

The Highway Fund appropriation for secondary roads is set in G.S. 136-44.2A, which requires that 1-3/4 cents of the motor fuels tax collected per gallon be allocated for secondary road construction. The Highway Trust Fund appropriation directed by G.S. 136-176(b)(4) requires that 6.5 percent of the Highway Trust Fund (net of the General Fund transfer and administration) be used for secondary road construction as provided in G.S. 136-182, including debt service on the bonds issued for secondary road construction under the State Highway Bond Act of 1996. In addition, G.S. 20-85(b) directs that $15 of each title application fee shall be used for the same purpose.

Allocation to Counties

Secondary road construction funds are allocated to counties by their percentage of the State's unpaved road mileage. The first $68,670,000 is based on the county's percentage of the State's total unpaved miles. Highway Fund dollars above that level, plus all Highway Trust Fund dollars, are based on the county's percentage of the State's unpaved miles that carry 50 or more vehicles per day.

Statutory Changes in 2005 and 2006

Major changes in the statutes governing the allocation of secondary road funding were made by the General Assembly in 2005 (S.L. 2005-404) and 2006 (S.L. 2006-258). The changes are effective July 1, 2007.

The program is changed from a secondary road construction program to a secondary road improvement program, recognizing that a significant part of the need on the secondary road system is related to improving roads that were previously paved but are inadequate based on current design standards (e.g., lane width). Many of these roads now serve subdivisions and commercial areas and carry more and heavier vehicles than they did as farm-to-market roads.

Starting in fiscal year 2010-11, after a three year transition period, funds will be allocated to counties based on the county's percentage of total secondary road miles, not the percentage of unpaved miles. This

is consistent with the change to an improvement program that considers the entire system as eligible for improvement rather than a construction program that only considers the unpaved mileage. The three year transition period will allow an emphasis on completion of the paving program to the extent possible in counties where the unpaved mileage is significant.

DOT's goal for the changes was to better address safety and mobility needs through modernization improvements on the secondary road system. The model for the type of project that DOT plans is the NC Moving Ahead program (S.L. 2003-383). The bulk of funds will go for widening, resurfacing, safety, and bridge replacement. DOT has estimated that the new law will offset or reduce maintenance funding needs by $50 million per year.

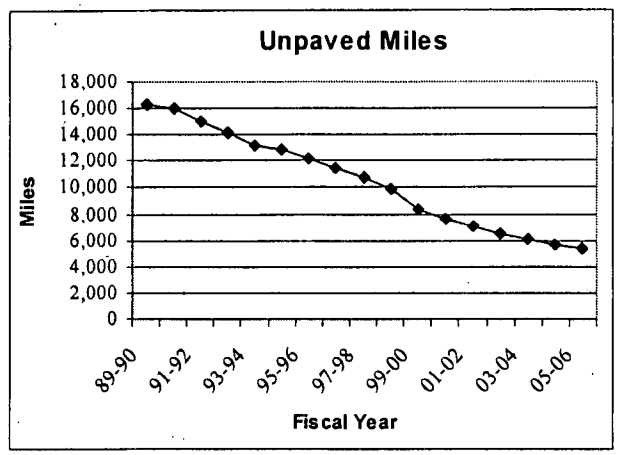
Finding 1

The Department of Transportation has completed most of the secondary road construction program called for in the Highway Trust Fund legislation of 1989. Right of way and environmental issues, combined with the existing statutory allocation system, have slowed progress in recent years.

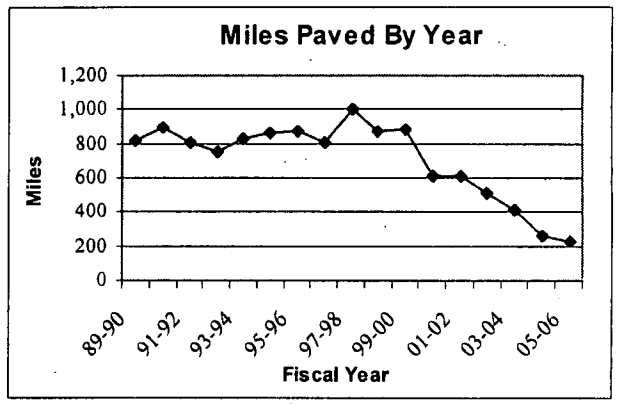
In 1989 there were over 16,000 miles of unpaved road in North Carolina on the State maintained system. The goal of the Highway Trust Fund was to pave those secondary roads with traffic greater than 50 vehicles daily travel (VDT). At that time about 10,475 miles of road met that threshold.

In 1989, there were 16,000 miles of unpaved secondary roads and in 2007 there are less than 5,500 miles.

Since the beginning of the Highway Trust Fund, DOT has paved more than 12,000 miles, serving over 184,000 homes. As of 2006 there were 5,382 unpaved miles on the secondary system, of which 2,369 had more than 50 VDT. Forty percent of the total unpaved miles, and half of the miles with greater than 50 VDT, are located in the mountain counties (DOT Divisions 11, 13, and 14). About 1,800 miles of unpaved roads cannot be paved currently due to right-of-way or environmental issues.

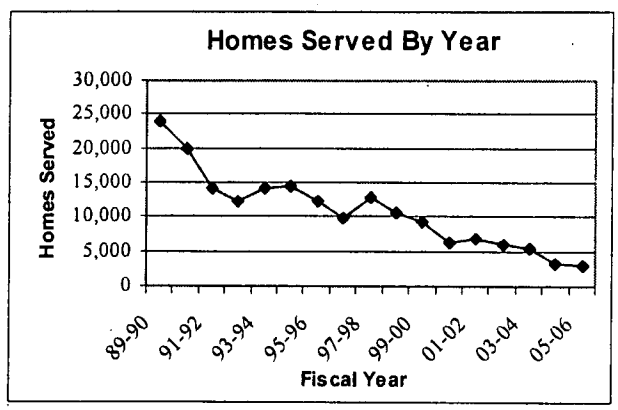


Source: DOT



Source: DOT

Appropriations for secondary road construction are set by statute and grow with the number of gallons of motor fuel sold (Highway Fund appropriation) and Highway Trust Fund availability (Highway Trust Fund appropriation). However, as shown in the tables, miles paved and homes served have generally been declining as the highest priority roads have in most cases been built. In recent years the cost of paving these roads has been approximately $250,000 per mile.



Source: DOT

Appropriations were supplemented during fiscal years 1997-98 through 1999-2000 by $150 million of funding from the Highway Trust Fund bond sale of 1997. Those funds are gone and debt service of about $13.6 million per year is paid from the Highway Trust Fund appropriation.

Roads that would otherwise be a priority for paving become ineligible due to the inability to obtain the right-of-way or environmental permits. A road on the eligible list may get moved to the ineligible list or "Hold List" due to a right-of-way or environmental issue. The Board of Transportation's policy for secondary road improvement is that the property owners must provide, at no cost to DOT, adequate right of way for the paving of the road. (There is an exception; property owners willing to donate their land may post a bond to cover condemnation costs incurred by DOT to obtain the other property needed from owners unwilling to donate their land. However, DOT engineers use this as a last resort in solving right of way disputes.)

Prior to 2003, if the right of way did not become available on roads having 50 or more ADT, counties accumulated allocations that could not be used for paving and could not be used for paved road improvements. According to DOT about 19 counties had paved all the roads having 50 or more ADT but still received Trust Fund secondary road dollars. With respect to environmental permitting, according to DOT, the required environmental analyses and permits have slowed down the construction process, particularly in the mountain counties. Changes in the law in 2003 allowed flexibility to use funds for road improvements.

Finding 2

Under current law there is significant variation between counties in the priority ratings of the roads in the secondary road construction plans. The current approach divides the funds among counties but is not consistent with a statewide strategic plan that paves or maintains roads based on State priorities.

The Department of Transportation Secondary Roads Program maintains an inventory, updated every four years, of all of the unpaved State maintained roads in each county and the points that the road generates. Points are generated according to DOT determined criteria and are based on traffic on the road and the number of homes, businesses, etc. Within the list of roads eligible for paving, counties create a top ten list of the priority roads that have the highest number of points.

Point totals for unpaved roads, as determined under criteria set by DOT, vary greatly among counties. Roads with fewer than 50 points are priorities in some counties while other counties have roads to be paved with a very high number of assigned points. Statewide, the average number of points per road on a county's top-ten list is 89.6. Currently there are 775 rural roads in the State's program that are on a county's top-ten list. There are some counties with fewer than 10 roads or even no roads waiting to be paved, while other counties have many roads beyond their top ten that could be paved.

In addition to the rural unpaved roads, there is a separate priority list by county of subdivision roads identified for paving; there are 319 subdivision roads within counties' top ten lists. The roads that qualify include those subdivision roads planned, constructed, and recorded before October 1, 1975.

This study compared the Secondary Roads Construction Program for paving of State maintained secondary roads for thirty counties selected randomly. The plans were pulled for FY2006-07. If there was no plan filed the FY2005-06 plan was reviewed.

Of the thirty plans reviewed, four of these counties had filed plans that did not include paving of secondary roads; those plans programmed general and safety improvements to secondary roads. (Some plans did not include paving due to spending restrictions related to DOT cash problems in 2005.) The average number of points per county's rural paving program was 123, or 33.4 points higher than the statewide average of 89.6. Of the plans reviewed, the range of average points per county plan was 11.6 to 368.2. There were ten counties that included a subdivision paving plan and of those, the average number of points per county was 277 and ranged from 88 to 470. The points were generally higher for the paving projects within the subdivision paving construction program, reflecting a different method of calculation.

Finding 3

Recent legislation will, when fully implemented, lead to substantial change in the secondary road program. The expectation is that paving will be essentially completed in three years and that starting in 2007 the program will have the flexibility to do higher priority paved secondary road improvement projects that currently have no funding source.

DOT suggested HB 750 in the 2005 Session to transform the secondary road paving program into a more flexible paved road improvement program for secondary roads. The Board of Transportation supported the bill, even though it would change the allocation between counties, because the funding would have greater flexibility and unusable allocations (due to unavailable right-of-way) would not continue to accumulate. HB 1825 in the 2006 Session was introduced to correct a technical problem in HB 750. These laws also contained provisions to:

1. authorize Division Engineers to pave roads having right of way widths less than 60 feet provided safety is not compromised, and
2. set aside from the Highway Trust Fund secondary road appropriation $5 million per year for paving secondary roads that become available off the Hold List.

The projects envisioned by DOT for secondary road improvements would be similar to those undertaken under the NC Moving Ahead program (S.L. 2003-383). That law authorized $630 million of Highway Trust Fund cash balances for highway system preservation, modernization, and maintenance, including projects to enhance safety, reduce congestion, improve traffic flow, reduce accidents, upgrade pavement widths and shoulders, extend pavement life, improve pavement smoothness, and rehabilitate or replace deficient bridges and for certain economic development transportation projects.

DOT considered the NC Moving Ahead structure as a model for making high value system improvements. However, NC Moving Ahead is a one time expenditure of cash balances and therefore is nonrecurring.

The new law, with its added flexibility may lead to better project selection but the paving of the remaining thousands of miles of secondary roads will place an additional burden on the DOT maintenance budget, as paved roads are more expensive to maintain than unpaved roads. For the roads with little traffic this may be a poor investment, given other local transportation needs.

In fact, the original Government Performance Audit Committee (GPAC) study found that North Carolina was underinvesting in highway maintenance and recommended cutting back the Highway Trust Fund construction program and increasing maintenance. With respect to secondary roads the GPAC study recommended:

> "The HTF program should be further adjusted to eliminate the requirement to pave all unpaved secondary roads with total traffic volume of between 50 and 100 cars per day."[2]

The purpose of the recommendation was to direct those funds to roads with sufficient traffic to justify the higher level of maintenance. However, this recommendation was not accepted into the GPAC final report.

G.S. 136-44.3 requires DOT to report to the General Assembly every other year on the condition and funding needs for the State's roads. DOT presented the 2006 *Condition Assessment and Funding Needs for North Carolina's Highway System*[3] to the Joint Legislative Transportation Oversight Committee in December, 2006. DOT calculates the cost of bringing the various road systems up to an acceptable level and notes that the costs of deferring maintenance can be much higher than doing the maintenance on a timely basis and that various programs are endangered when funds are short. DOT also notes that "the paving of 500-600 miles of Secondary Roads a year places an additional burden on the maintenance budget."[4]

Finding 4

The State has a long commitment to the secondary road system and has also provided support to the cities through Powell Bill funding. However, the State is not constructing and maintaining its major transportation infrastructure at an adequate level.

1. Based on the *Condition Assessment* mentioned above, DOT's statewide Annual Maintenance Funding Plan indicates a maintenance shortfall of $200 million in FY 2007-08, growing to $420 million in FY 2011-12.[5]

2. In 2006 DOT released a draft update of the funding and need estimates related to *North Carolina's Statewide Multimodal Transportation Plan* (2004).[6] The estimates for 2005 through 2030 are that needs total $122 billion and funding, based on the funding structure currently in place, totals $57 billion, leaving a gap of $65 billion.

3. The North Carolina Chapter of the American Society of Civil Engineers issued an *Infrastructure Report Card 2006* as part of a national project.[7] Grades were assigned on the basis of condition and capacity and funding versus need. Transportation related grades for the State were generally low, though similar to the national grades:

	NC	Nation
Airports	D+	D+
Bridges	C-	C
Rail	B-	C-
Roads	D	D

4. Transportation is a major part of the State's logistics capability and affects the State's economic development competitiveness and potential. However, according to surveys undertaken by *Logistics Today*[8], North Carolina does not have a city in the top 50 logistics friendly cities in the nation. Greensboro is the State's highest ranking location, ranking number twenty in the southeast.

Finding 5

North Carolina's policy of State responsibility for local roads is a different approach than that generally taken by other states.

North Carolina owns and maintains 77 percent of the State's road mileage, second only to Virginia's 80 percent. For the U.S. as a whole only 19 percent of the road mileage is owned by the State agency.

State Owned Road Miles

STATE	Road Miles Owned by State Agency	Total Road Miles	Percent Owned by State Agency
Florida	12,040	120,557	10%
Georgia	17,930	117,645	15%
North Carolina	**79,031**	**103,128**	**77%**
South Carolina	41,391	66,238	62%
Tennessee	13,817	90,451	15%
Texas	79,648	304,171	26%
Virginia	57,860	71,961	80%
U.S. Total	777,252	3,995,644	19%

Source:http://www.fhwa.dot.gov/policy/ohim/hs05/pdf/hm10.pdf

Another indication of North Carolina's policy of State provision of local road services is that the Federal Highway Administration classifies 157,000 miles of State highway agency-owned public roads in the United States as "local." One third of those miles are in North Carolina.

Recommendations

The General Assembly should reduce or eliminate funding for a specific secondary roads program and reconsider the State's role in funding local roads and streets.

There are significant indications that the State's overall highway network is not being expanded or maintained adequately. To the extent that funds are limited, the General Assembly should ensure that those funds are spent to yield the greatest benefit.

The State's role in funding local roads and streets should also be rethought, with a greater role for local government in raising funds for purely local projects. Because the State funding levels for these local road programs are set by statute there is no current budgetary mechanism to compare the benefits of these expenditures with additional expenditures on high priority primary system projects.

The General Assembly should consider the value of a statewide plan that addresses the statewide road maintenance and improvements needs based on current and future economic development. The funding of particular projects should be identified as a priority need in this statewide plan.

Under the current program, funds are allocated by county for use on one component of the State system, secondary roads. However, there are significant indications that the needs on the State's overall highway system are not being adequately addressed. The General Assembly should direct that the limited funds that exist for road maintenance and improvements be used for those areas with greatest need that provide for the greatest overall benefits.

North Carolina has a major role in the ownership, funding, and maintenance of local roads, more so than most other states. Many states require local governments to manage their own road systems and allow local governments to generate the necessary revenue to fund the cost. It is clear that the State has the responsibility for the major roads that define the system. The General Assembly should ensure that the State is first meeting that responsibility by targeting funding toward that system.

For additional information, please contact:
Bob Weiss
Lisa Hollowell
Fiscal Research Division
NC General Assembly
300 N. Salisbury St., Room 619
Raleigh, North Carolina 27603-5925
(919) 733-4910
bobw@ncleg.net or lisah@ncleg.net
http://www.ncleg.net/fiscalresearch

[1] Harrington, James E., *Pavement, Planks, and Progress: A Review and Analysis of North Carolina's Highway System,* North Carolina Department of Transportation (1987) 3.

[2] Government Performance Audit Committee, *Transportation Issue Paper* (December 1992) 5.8.

[3] NC Department of Transportation, *Maintenance Condition Report: 2006 Maintenance Condition and Funding Needs for the North Carolina State Highway System.*

[4] Ibid, page 32.

[5] NC Department of Transportation, *Condition Assessment and Funding Needs for North Carolina's Highway System,* Report to the Joint Legislative Transportation Oversight Committee, December 12, 2006, slide 40.

[6] NC Department of Transportation, *Charting a New Direction for NCDOT: North Carolina's Long-Range Statewide Multimodal Transportation Plan* (Raleigh: NCDOT, September 2004).

[7] http://sections.asce.org/n_carolina/ReportCard/roads.pdf

[8] http://www.logisticstoday.com/displayStory.asp?S=1&sNO=8267&MLC=AdvancedSearch&OASKEY=CurrentIssue

STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY
GOVERNOR

1501 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1501

LYNDO TIPPETT
SECRETARY

March 21, 2007

Mr. Lynn Muchmore
Director, Fiscal Research Division
300 N. Salisbury Street, Suite 619
Raleigh, North Carolina 27603-5925

Dear Mr. Muchmore:

Thank for the opportunity to review and comment on the draft report provided by the Fiscal Research Division on the Justification Review of the Secondary Roads Program. Staff from the Chief Engineer Operations office met with Bob Weiss and Lisa Hollowell this week to verify data utilized in the report and to offer clarification on portions of the report findings.

The North Carolina Department of Transportation concurs with the report findings that a shift should be made from paving unpaved roads to improving more heavily traveled roadways. House Bills 750 and 1825, which are supported by the Board of Transportation, provide a method to make necessary modernization improvements to the higher volume roads on the secondary system. Over the past year, the Department's senior management has developed a method to establish performance standards for each network tier defined in the Long-Range Statewide Mulitimodal Transportation Plan approved by the Board of Transportation. This approach would shift resources to the primary system resulting in a higher level of service needed to meet customer expectations of this network.

The responsibility to maintain and operate the secondary road system to an acceptable level of service will continue to be that of the Department until such time legislation allows or requires other agencies or parties to assume all or part of this responsibility. Until other fund sources or alternate parties are established to maintain and modernize the secondary road system, the current fund sources are vitally important to operate these roads at an adequate level.

I appreciate your work toward exploring methods to enhance the use of scarce funding needed to address the challenges we encounter regarding transportation needs. If I can be of further assistance, please let me know.

Sincerely,

Lyndo Tippett

LT:ls

cc: Deputy Secretary of Transportation Susan Coward
W. S. Varnedoe, PE, Chief Engineer – Operations

PHONE 919-733-2520 FAX 919-733-9150

THE NEWS&OBSERVER
newsobserver.com

Published: Feb 22, 2008 12:30 AM
Modified: Feb 22, 2008 03:04 AM

Fund would help urban transit

BRUCE SICELOFF, Staff Writer

WILMINGTON - Sam Hunt, a former transportation secretary, called Thursday for creation of a congestion-relief fund that could match local tax money with $1.6 billion in state funds to help build urban transit projects in the Triangle, the Triad and Charlotte.

Hunt serves on a study committee that is preparing transportation proposals for the legislature. At a committee meeting in Wilmington, he offered draft legislation to authorize new local transit taxes in the three major urban areas and to set up a congestion-relief fund.

He called for more than $1.9 billion to finance rail, port and public transportation projects over the next 12 years, with most going for urban transit.

"The congestion and the growth in these urban areas is a reality that can't be ignored," Hunt said.

Hunt, a Burlington businessman who served in the state House and headed the state Department of Transportation, said he hoped his congestion plan would be included in the full committee recommendations.

Hunt's proposed legislation would give the three major urban areas two options for new or expanded transit taxes:

* A half-cent sales tax, now in effect in Mecklenburg County.

* A vehicle registration fee, now levied in the Triangle, with the legal limit to be raised to $7 from the current $5.

In Wake, Durham and Orange counties, the local sales tax increase would require approval by voters, county commissioners and the Triangle Transit Authority. If two or three counties held their referendums at the same time, the combined votes in all counties would determine the outcome.

Hunt did not suggest how the state should pay for the congestion fund. The panel is considering revenue sources that include bonds, an end to the yearly transfer of $172 million from the Highway Trust Fund to the General Fund, an increase in the highway use tax collected on car sales and other taxes.

Sen. David Hoyle of Gastonia, a co-chairman of the Senate Finance Committee, said it would be hard to win approval for new taxes in an election year. He asked Hunt what new taxes or fees he favored.

"I'm not proposing any fees," Hunt told Hoyle. "You'd be proposing fees."

Hoyle laughed."That's exactly what my opponent, who just filed to run against me, would say."

Hunt shrugged and fired back.

"You're a valuable person to this state, and we'd hate seeing you lose," he told Hoyle. "However, this is more important to North Carolina in the long term."

His proposal won praise from Triangle transit advocates.

"If you look at total DOT spending annually, this is a good start -- it represents about 4 percent of our total spending," said Nina Szlosberg of Raleigh, who serves on the state Board of Transportation. "It's a modest, reasoned approach, based on need."

bruce.siceloff@newsobserver.com or (919) 829-4527

© Copyright 2008, The News & Observer Publishing Company

A subsidiary of The McClatchy Company

State Transportation Funding Comparisons

21st Century Transportation Committee

Finance Subcommittee

February 21, 2007



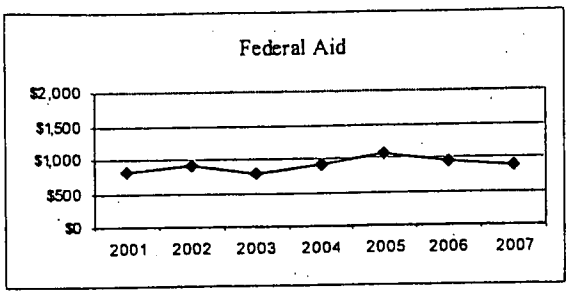
FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

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*

Federal Aid



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

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

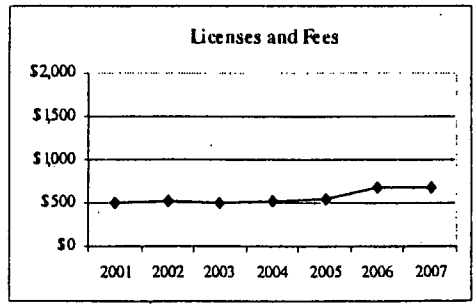
3

Licenses and Fees

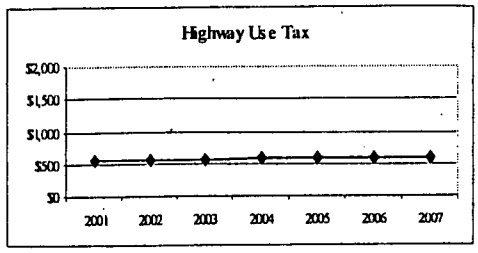
- Division of Motor Vehicles collects licenses and fees of about $700 million per year for vehicle registration, driver licenses, titles, sales of motor vehicle records, etc.
- Transaction growth has been slow; fees were raised in 2005 to catch up with inflation; many of the fees had been originally 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



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	[illegible]%	$115

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

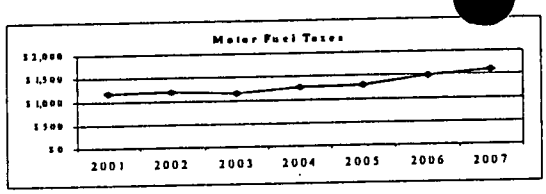
- Local property taxes per capita are significant in Florida ($13) and Texas ($45) but insignificant in other states in the region. The national average is $25.

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*

21st Century Transportation Finance Subcommittee
Monday, March 24, 2008
Room 425 LOB, 10:00 AM

MINUTES

The 21st Century Transportation Finance Subcommittee met at 10:00 a.m. on Monday, March 24, 2008, in room 425 of the Legislative Office Building. Five members of the committee were present. Steve Zelnak, Chair, presided .

Elimination of transfer from Highway Trust Fund to General Fund

There was unanimous consideration by commission members that the transfer needs to be stopped. Discussion covered the time frame which included a gradual phase out or immediate end of the transfers. Representative Cole and Senator Stevens both pointed out that waiting on this issue will allow the legislature to spend it in the upcoming session. Representative Frye wanted to make sure that if the money is taken out of the General Fund it needs to stay in the Highway Trust Fund.

Bond Funding

Larry Goode was recognized to explain the proposed bond. He stated $1.8 billion maximum to $1.2 billion minimum paid over 10 years in addition to current revenue would be needed to fund the highway trust fund. Mr. Zelnak questioned whether the bond should be requested in the 2008 session. Rep. Cole said to ask for the maximum amount because of rising inflation and lower borrowing rates. Mr. Zelnak suggested looking at GARVEE funding to address a lot of the transportation needs and said that the subcommittee will revisit that topic prior to the April 24 meeting. He then questioned the use of the funds (high traffic corridors) and how to allocate the funds to specific areas. Mr. Goode stated that bridges and congestion (Yadkin River bridge as an example) needed to be included. DOT is currently working on 100 bridges per year but wants to do 400 bridges per year. Mr. Zelnak asked about including loops and intrastate roads. Rep. Cole talked about metro area loops invested with local funds of approximately 25 to 50%. Rep. Frye said that money has been invested in the intrastate system and it needs to be finished since that will help the bond pass, spread economic opportunities statewide and would address urban areas' congestion. Rep. Cole said congestion is a major problem, the second national largest road system has one of the highest gas taxes and revenue needs to be raised one way or the other. Charles Bowman said that more a community elects to spend; the faster their project will be completed.

Yadkin River Bridge/I-85

Mr. Zelnak spoke of the pros and cons of tolling the project. He counted as pluses: gap funding would be negligible and the temporary alternate route would allow economic development in the town of Spencer. He gave the following as negatives: cost of temporary alternative route, toll collection issues, Spencer's traffic would increase, and if a non-toll approach was used, then significant sources of revenue will have to be found. David Joyner, Turnpike Authority executive director, was recognized. He stated that the Authority has studied this issue but has not taken a position on tolling the project. He gave some of the cons of tolling: if electronic tolling is used, the State will have to sell transponders and purchase video equipment; we do not have collection reciprocity with other states to collect from out-of-state vehicles using the route; an the Authority will need legislative enforcement created in order to collect delinquent fines (such as withholding registration renewals). Sen. Stevens questioned how existing interstate projects are tolled. Mr. Joyner said that federal permission has to be requested. Rep. Cole wanted to know why people are just thinking of this as a toll funded project. Mr. Joyner again stated that the Authority has not taken a position on the project yet, but is seriously considering the toll option. Sen. Stevens requested the numbers on tolling versus non-tolling. Mr. Bowman asked for leakage estimates. Mr. Joyner stated that there will be a 20% uncollectible toll on the Yadkin project; it is less on other projects (4-5%).

Gap Funding

Mr. Zelnak asked if other sources of revenue should be talked about. He stated that five projects are being looked at that are creating a gap and that funding would move the projects along.

DOT Oversight

Mr. Zelnak explained that the general committee would be making recommendations. Mr. Bowman said that the concepts are right, but he would not like to add bureaucracy to bureaucracy. Senator Stevens stated the University Bonding Oversight committee has been a good process and it might be good to duplicate for DOT. Mr. Zelnak stated that it was important to check with the gubernatorial candidates for their views on the matter.

Federal Resolution

Mr. Zelnak wants a clear understanding of how NC stands on donor states' money going to the Federal Government. NC money is pooled, but the money is going elsewhere – the earmarks are not in the South and NC needs to go on record to get its promised share ($4 billion short that the Feds are seemingly going to fix). Rep. Cole said that NC puts more money into the Federal pool, but only gets 29% returned while SC who puts in less money gets 48% returned. Senator Stevens requested a written report with numbers and projections backing this statement.

The discussion changed to maintenance when Mr. Bowman asked where the State is on road maintenance. Lisa Hollowell, Fiscal Research Division analyst, stated that there was a $200 million DOT maintenance shortfall. Mr. Goode is hopeful that if funding increase, maintenance will follow. Mr. Zelnak said that safety issues should be a consideration, especially on secondary roads.

The meeting adjourned at 10:15 p.m.

Steve Zelnak, Chair

DeAnne Mangum, Committee Clerk

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

AGENDA

March 24, 2008
Room 425, 10:00 AM

Discussion	Committee Members

1. Elimination of transfer from Highway Trust Fund to General Fund - $172 million
   - Time frame
   - Use of funds
2. Bond Funding
   - Amount range
   - Timing
   - Use of funds
3. Yadkin River/I-85
   - Toll versus no toll
   - Funding options without toll
4. Gap Funding
   - Sources
   - Specific projects
5. DOT oversight
6. Federal Resolution
   - Fix Federal funding
   - Fix Donor State issue

VISITOR REGISTRATION SHEET

21st Century Transportation Finance Subcommittee — March 24, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
SHANNON LASATER	NCDOT
Amy Schilder	MWC
H. TARAICO	NCDOT
Reid Simons	NCTA
David Gypsum	NCTA
BERRY JENKINS	NC GO
Betty Turner	BANK of America
Debra Lay Goldberg	Mecklenburg County
Mac Boxley	NC Aggregates
Jennifer Barton	NC OSBM
Marc Finlayson	Highway 17 Association

VISITOR REGISTRATION SHEET

21st Century Transportation Finance Subcommittee — March 24, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Johanna Reese	DOT
CS Hollis	KCC
Paul Meyer	NCACC

21st Century Transportation Finance Subcommittee
Wednesday, September 11, 2008
9:00 a.m.

MINUTES

The 21st Century Transportation Finance Subcommittee met on Wednesday, September 11, 2008, at 9:00 a.m. at the Four Points Sheraton in Asheville. Three members of the committee were present. Brad Wilson presided as chair.

Local Option Sales and Use Tax – Success in South Carolina

Mr. Myron George, President, Capital Management and Engineering, was recognized to explain the funding of transportation projects by using local option sales tax revenues. He explained the success of the tax in York County, South Carolina. Mr. Alfred Greene, Union County Manager (former York County Manager), was recognized to support the presentation and answer questions. Donald King, a member of the general public, was recognized to ask several questions. A copy of Mr. George's power point is attached.

Land Transfer Tax

Dr. Roland Stephen, Institute for Emerging Issues Assistant Director for Policy and Research, was recognized to explain local revenue options for transportation. He proposed a possible division of responsibility between the State and local governments by agreeing upon equitable and efficient sources of revenue. His suggested revenue options include property tax, local option sales taxes, land transfer taxes, vehicle registrations, impact taxes and rental car taxes. A copy of his presentation is attached.

Local Vehicle Registration

Rodney Bizzell, a Fiscal Research Division fiscal analyst, was recognized to discuss a range of local revenue sources which included impact fees, property taxes, rental car taxes and special assessments but his primary focus was on vehicle registration taxes. Most state delegate this tax to local jurisdiction and it is not necessarily earmarked for transit but usually for the General Fund. A copy of his power point is attached.

The meeting adjourned at 9:45 a.m.

Brad Wilson for Steve Zelnak, Chair

DeAnne Mangum, Committee Clerk

21st Century Transportation Committee
Finance Subcommittee
Four Points Sheraton-Asheville Ballroom
September 11, 2008 @ 9:00 AM

Local Revenue Options for Transportation

Local Option Sales and Use Tax, Success in South Carolina	*Mr. Alfred Greene, Union County Manager* *Mr. Myron George, President* *Capital Management and Engineering*
Land Transfer Tax	*Dr. Roland Stephen, Institute for Emerging Issues* *Assistant Director for Policy and Research*
Local Vehicle Registration	*Mr. Rodney Bizzell, Fiscal Analyst* *North Carolina General Assembly*
Impact Fees	
Property Tax	
Rental Car Tax	
Special Assessments	

Institute for Emerging Issues

21st Century Transportation Committee
Finance Subcommittee
September 11, 2008

Local Revenue Options for Transportation

Dr. Roland Stephen
Institute for Emerging Issues

Institute for Emerging Issues

Dividing the Responsibilities, Dividing the Burden?

- Building, operating and paying for transportation is (largely) a state responsibility in NC.
- In other states the burden is shared between state and local government.
- New local responsibilities require new local revenue options.

Institute for Emerging Issues

Local Options: Criteria to Consider

- Revenue Prospects: How much? How stable?
- Incidence: Who pays?
- Impact: Will it hurt growth and jobs?
- Equity: Is it fair?
- Efficiency: Is it easy to collect?

Institute for Emerging Issues

Options

- Property Tax
- Local Option Sales Tax
- Land Transfer Tax (deed stamp tax)
- Local Vehicle Registration Tax
- Impact Fees
- Rental Car Tax

Institute for Emerging Issues

Property Tax

- Very stable, fast growing in urban areas, flat in rural areas
- NC has historic low rates: US average 35% of business tax burden, NC average 30%
- Paid by business and residents
- Low rates an economic development tool
- A burden on fixed income residents

Institute for Emerging Issues

Property Tax

10¢ on $100 assessed value (2006-07):

- $835 million statewide
- $68 million Wake Co.
- $38.5 million Guilford Co.
- $21 million Buncombe Co.
- $8 million Carteret Co.

Institute for Emerging Issues

Local Option Sales Tax

- Stable, but will not keep up (without retail magnet)
- Paid by consumers (including visitors)
- Narrow base and relatively high rates in NC leads to distortions
- Regressive (even with food exemption)

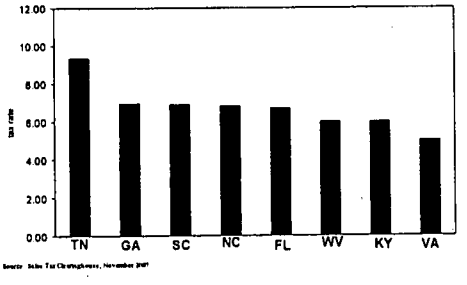
Institute for Emerging Issues

Local Option Sales Tax (0.5%, 2006-07)

- Statewide: $450 million
- Orange Co. $5.75 million
- Durham Co. $20.5 million
- Wake Co. $61 million
- Mecklenburg Co. $70 million (actual)

Institute for Emerging Issues

Regional Sales Tax Rates



Institute for Emerging Issues

Land Transfer Tax

- Unstable but fast growing
- Paid by owners selling property
- Low economic impact at low rates
- Not shared by all residents and businesses

Institute for Emerging Issues

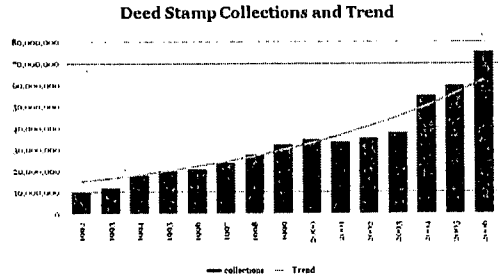
Land Transfer Tax 0.4%, 2006-07

- Statewide: $160 million
- Buncombe Co. $6 million
- Guilford Co. $12.5 million
- Durham Co. $10 million
- Carteret Co. $4 million

Institute for Emerging Issues

Land Transfer Tax

Deed Stamp Collections and Trend



Institute for Emerging Issues

Vehicle Tags & Impact Fees

- Small amounts but grow as traffic and development grow.
- Paid by auto owners and new home buyers.
- Low overall economic impact.
- New residents and first time home buyers tend to pay the most.

Institute for Emerging Issues

Vehicle Tags & Impact Fees

$10 Vehicle Tag Tax:

Statewide: $65 million, Buncombe: $1.6 million, Guilford: 3.4 million

$1000 per house impact fee:

Statewide: $61 million, Wake: $10 million

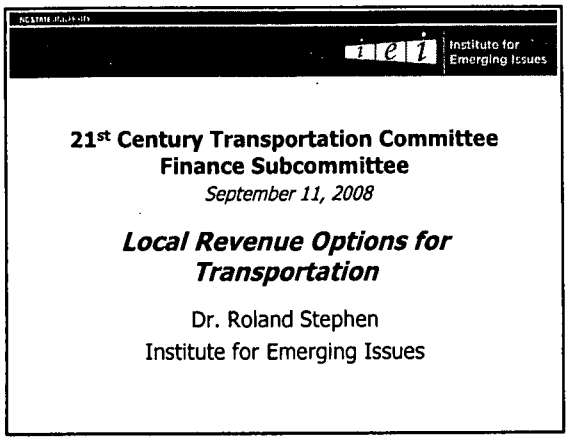
Institute for Emerging Issues

Framing Options: IEI Poll

No majority favors any specific tax to pay for roads, however:

53% support increasing the local sales tax by one-half cent ***if it is used to relieve traffic congestion***

http://ncsu.edu/iei/pdf/IEImaypollrelease.pdf


iei
Institute for Emerging Issues
21st Century Transportation Committee
Finance Subcommittee
September 11, 2008
Local Revenue Options for Transportation
Dr. Roland Stephen
Institute for Emerging Issues

Comparison of Local Transportation Revenue Sources in Selected States

21st Century Transportation Committee

Rodney Bizzell
NC General Assembly
Fiscal Research Division

Goals of Presentation

- Examine use of selected revenue sources in other states
  - Is the source used for transportation?
  - Is the source dedicated or earmarked?
- Compare to NC when possible
  - Amount of collections
  - Types of projects funded
  - Extent of use

Comparison States

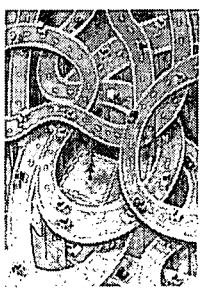
- Focus on Southern States
  - Florida
  - Georgia
  - North Carolina
  - South Carolina
  - Tennessee
  - Texas
  - Virginia
- Comparison data is limited due to the wide variety of local sources of revenue (lack of conformity in implementation, limited data collection at state level)
- Summary of existing research from FHWA, Commerce Clearinghouse, University of California Transportation Center and Dillon Associates.

Revenue Sources Examined

- Property Tax
- Special Assessments
- Impact Fees
- Sales Taxes
- Vehicle Registration Fees
- Land Transfer Taxes
- Rental Car Taxes

Property Taxes

- Most important and universal local revenue source in the United States
- Property taxes are used to fund streets in all 50 states
- Widely unpopular



Property Taxes

- While some states fund transportation through property tax earmarks, most use general fund sources, which include property taxes
- States use a variety of levels of differentiation in tax systems to account for various expenditure types.
- Examples:
  - Virginia has several special taxing districts for roads
  - Texas has six different types of property tax levies for transportation, including road maintenance, operations, bond debt and road types.
  - The City of Raleigh recently dedicated a portion of a property tax increase for debt service for street bonds.

Property Taxes and General Fund Revenues used for Transportation

(Thousands of $)

STATE	APPROPRATIONS FROM GENERAL FUNDS	PROPERTY TAXES AND SPECIAL ASSESSMENTS
Florida	489,831	254,122
Georgia	506,318	100,887
North Carolina	433,948	4,057
South Carolina	205,369	28,027
Tennessee	134,691	6,396
Texas	1,300,209	1,058,894
Virginia	515,660	37,000
Average	512,318	212,452

* Data is from FHWA - October 2007

Property Taxes and General Fund Revenues used for Transportation

Per Capita ($)

STATE	APPROPRATIONS FROM GENERAL FUNDS	PROPERTY TAXES AND SPECIAL ASSESSMENTS
Florida	27.62	14.33
Georgia	55.59	11.05
North Carolina	50.00	0.47
South Carolina	48.27	6.12
Tennessee	22.49	1.07
Texas	58.92	48.35
Virginia	68.28	4.90
Average	47.08	19.52

* Data is from FHWA - October 2007

Special Assessments as Transportation Funding Sources

- Counties in several states may:

  1) Establish districts to levy special assessments to build sewers, streets and other types of public works projects

  2) Allow assessments to be imposed on private developers to pay for streets or repairs.

Use of Special Assessments in Selected States

- North Carolina - H1770 enables cities and counties to finance transportation facilities through revenue bonds to be paid off with special assessments
- South Carolina – cities may use special assessments to fund streets and sidewalks
- Tennessee - used to repay road bonds
- Virginia - uses special assessments to fund streets/roads within service districts.

Impact Fees

- Impact fees first emerged as an alternative to property taxes in the late 1970's
- About 60 percent of all cities with over 25,000 residents and almost 40 percent of all metropolitan counties use some form of impact fees. In California and Florida, the extent of cities and counties using impact fees is at 90 and 83 percent, respectively.
- Impact fees have continued to significantly increase in popularity and usage.
- Source: Dillon Associates (www.impactfees.com)

How Much is the Average Impact Fee?

Impact fees vary greatly by region and facility. Fees are generally highest in Western states (California, Oregon, Washington and Arizona) and lowest in South Central states (Texas, Oklahoma, Arkansas and Louisiana). Fees are usually highest for school facilities (often over $10,000 per dwelling) and lowest for police facilities (often under $500 per dwelling).

Source: Dillon Associates (www.impactfees.com)

IMPACT FEES ON A SINGLE-FAMILY UNIT (3-BR, 2,000 sf, on 10,000 sq. ft. lot at density of 4 UPA and value of $200,000)		
STATE	JURISDICTIONS	ROADS
Florida	71	3,395
Georgia	8	869
North Carolina	5	822
South Carolina	3	887
Tennessee	6	1,519
Texas	8	1,452
Virginia	2	13,621
Average	14.43	3,224

* National Impact Fee Survey, 2007

Local Option Sales Tax

- Broad base allows low rate in most states
- Non-residents pay significant portion
- Over 30 states have local option sales taxes for transportation purposes.
- Sales taxes have funded several light rail projects.
- Local sales taxes allow local governments to generate substantial revenues to fund particular projects.

Examples of Transportation Funding through Local Option Sales Taxes

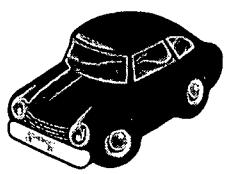
- NC – ½% Mecklenburg County
- FL - Dedicated tax (up to 1%) in Broward/Dade and surrounding counties for transit/roads
- GA- Dedicated tax (1%) in MARTA counties, roads in more than 25% of counties
- SC - Specified Transportation Projects
- TN – 9 counties earmark a small portion of local sales tax (up to 2.75%) for roads
- TX – 10 Transit Districts (rates vary from ¼% to 1%)

Vehicle Registration Taxes

- Most states authorize some type of annual vehicle license or registration tax
- In many states, the implementation is delegated to the local government
- Used for many different purposes, including general government, highway construction, public transit, air pollution control and public safety programs.

Vehicle Registration Taxes

- Of selected states, only North Carolina, South Carolina and Texas specifically designate vehicle registration taxes for roads or transit.



Land Transfer Taxes

- Typically used for general government purposes or a variety of dedicated purposes.
- Florida has 0.6% local surtax
- NC has 0.4% local option
- South Carolina has 0.55% county tax
- Virginia has local option for up to 1/3 state rate (0.25%)

Rental Car Taxes

- Enterprise estimates about 80 special car rental taxes— not including airport fees— have been imposed across the USA, and at least 44 proposals are pending. Some examples:
- Performing arts center and culinary institute in Clark County, NV (2% tax)
- Sports arena in Dallas (5% tax)
- Teacher salaries in Arkansas (10% tax)
- In Wisconsin and several municipalities, the rental car tax is a key funding source for public transportation projects.

Source: USA Today (4/18/2006)

Case Study: Northern Virginia

- In 2007 the Northern Virginia Transportation Authority (NVTA) approved the implementation of seven taxes and fees, as authorized by the General Assembly, which would have generated approximately $300 million annually in new transportation funding for Northern Virginia
- The Virginia Supreme Court later ruled the taxing authority was unconstitutional
- Taxes would have funded a variety of road, transit, bicycle and pedestrian projects.

The Seven Taxes and Fees are:

- Congestion Relief Fee (Grantor's Tax) — *$.40 cents/per $100 valuation*
- Motor Vehicle Rental Tax — *2% of rental rate*
- Transient Occupancy Tax — *2% of hotel rate*
- Safety Inspection Fee — *$10.00 annually*
- Sales and Use Tax on Auto Repairs — *5% of labor charges*
- Regional Registration Fee — *$10.00 annually*
- Initial Vehicle Registration Fee — *1 % of value (one time)*

Conclusions

- All of the revenue sources examined are used for a variety of purposes, including transportation funding
- Greater reliance on local revenues
- Shift from user taxes to sales taxes
- Vehicle registration taxes remain popular, however, they have been eliminated in some states
- Increased use of development fees in fast-growing areas

21st Century Transportation Finance Subcommittee
Wednesday, November 5, 2008
10:00 a.m.

MINUTES

The 21st Century Transportation Finance Subcommittee met on Wednesday, November 5, 2008, at 10:00 a.m. in room 415 of the Legislative Office Building. Seven members of the committee were present. Brad Wilson presided as chair.

Revenue Options

Brad Wilson presented a complete review of funding options that the subcommittee had previously considered as possible recommendations to the full committee. He discussed the subcommittee's goals and the requirements needed to fulfill the goals. Goals included improving the NC Department of Transportation's (DOT) D rating to a B over the next ten years, and creating an effective multimodal transportation system. Requirements needed include a minimum of $1 billion per year invested into DOT over the next ten years. In order to finance this investment and provide additional revenue for a variety of projects, the subcommittee had several suggestions such as eliminate transfers from the Highway Fund, request a congressional earmark for the Yadkin River Bridge replacement, remove the gas tax cap, gradually increase the Highway Use Tax, bonds, increase vehicle registration fees, create toll roads, and institute a Vehicle Mileage Tax. After a general discussion, the subcommittee agreed to incorporate the suggestions into a report to the full committee after more discussion and further refinements at the next subcommittee meeting. A copy of Mr. Wilson's power point is attached.

Saundra Freeman, CFO of Triangle Transit, was recognized to explain tax fairness and possible intermodal fund legislation. A copy of her power point is attached.

The meeting adjourned at 11:24 a.m.

Brad Wilson for Steve Zelnak, Chair

DeAnne Mangum, Committee Clerk

House Pages

21st Century Transportation Sub: Finance
Name Of Committee: _____ Date: 11-5-2008

1. Name: _____
   County: _____
   Sponsor: _____
2. Name: _____
   County: _____
   Sponsor: _____
3. Name: _____
   County: _____
   Sponsor: _____
4. Name: _____
   County: _____
   Sponsor: _____
5. Name: _____
   County: _____
   Sponsor: _____

Sgt-At-Arms

1. Name: Carlton Adams : House
2. Name: Mike Martin : House
3. Name: ERNIE SHERRELL : Senate
4. Name: RON SPANN : Senate
5. Name: _____

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — Nov. 5, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
MARK FOSTER	NCDOT
Molly Diggins	Sierra Club
ED JOHNSON	NC CAPITAL AREA MPO
DAVID KING	TRIANGLE TRANSIT
Rudy Ruisill	Crime Control & Public Safety
Mercidee Benton	OSBM
Conn Cover	BPHL
Mary Deaton	RANC
Shana Becker	NCPIRG
Susan Howard	NCDOT
Steve Jackson	Budget & Tax Center

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — Name of Committee

Nov. 5, 2008 — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Allison Roach	DMV
Brian Bozard	DMV
Johanna Reese	DOT
Boyd Cauble	City of Charlotte
Julie Witt	metro Coalition
Damien Graham	Triangle Transit
Marc Finlayson	Highway 17 Association
Michael Hauser	NC DOR
Stephen R. Lamm	NC DMV
Jim Humphreys	CHARLOTTE DOT
GERRY COHEN	Bill Batting, NCDOT

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — Nov. 5, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
David Joyner	
Charlie Diehl	NCTA
John Pobst	NCDOT
Kay Paksoy	NASW-NC, Student Intern
Jake Cashion	WS Chamber
DREW MORITZ	RALEIGH CHAMBER
Cathy Thomas	NC Assn of Realtors
TIMOTHY W. MALONEY	WAKE COUNTY
THOMAS GREMILLION	SOUTHERN ENVIRONMENTAL LAW CENTER
Mac Bonley	NC Aggregates
Amanda Freeman	Triangle Transit

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — Nov. 5, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Amber Wagner	NCPTA
BERRY JENKINS	CAROLINAS AGC
Allison Waller	Charlotte Chamber
Betty Turner	Bank of America
John McAlister	NC Chamber
JOE MILAZZO	RTA
[illegible]	City of Wilmington
Mike Kozlosky	Wilmington MPO

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE

AGENDA

November 5, 2008
Room 415, 10:00 AM

I.	Revenue Options	Brad Wilson, Chair 21st Century Transportation Committee
II.	Discussion	Subcommittee Members
III.	Adjournment	

21st Century Transportation Committee
Finance Subcommittee
Funding Proposals to Consider
November 5, 2008

1

The Goals

- **Take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and**
- **Put in place an effective multimodal transportation system**
  - **Reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state**

2

What Will It Take?

- New investment of about $1 billion per year for the next 10 years
- Toll interstate highways
- Increased local option to implement the right solutions for each area
- Improved long-term planning
- Improved management and execution by the NCDOT and other involved agencies

3

Options – Eliminate Transfers

- Eliminate the remaining transfer of $73 million annually from the Highway Trust Fund to the General Fund
- Transfer funding of the Highway Patrol ($206 million), Driver's Education ($34 million) to the General Fund, and eliminate transfer to General Fund for reimbursement of sales tax exemption for DOT purchases ($18 million)

4

Options - VMT

- Implement a VMT (Vehicle Miles Traveled) fee to be collected annually. Charge ¼ to ½ cent per mile for passenger vehicles. Cost to the driver would be $25-$50 (based on 10,000 miles)
- The number of miles driven will be based on the recording made during the annual vehicle inspection.
- Fee may generate $165 million - $330 annually million based on the fee structure
- Trucks may be charged at a higher amount ½ cent – 2 cents per mile depending on weight; additional revenues could generate $40 - $80 million annually depending on fee structure

5

Options – Highway Use Tax

- Increase the Highway Use Tax from 3% to 4% total over two years
- Implement ½% each year over two years
  - ½% = $100 million annually
  - 1% = $200 million annually
  - ***revenues based on historical collections; current year collections are down

6

Options – Remove Cap on Motor Fuels Tax

- Allow the gasoline tax cap to sunset as currently scheduled in July, 2009
  - The cap will cost the State approximately $430 million in revenues for FY 2008-09

7

Options – Registration Fees

- Increase passenger vehicle registration fee (currently $28) by $30 over three years
  - $10 increase = $65 million annually
  - $30 increase = $195 million annually
- Increase other staggered registration fees by 25% (no estimate available on additional revenues)
- Consider charging based on weight of vehicle for passenger vehicles

8

Options - Bonds

- Issue $2-3 billion in bonds to accelerate construction on high traffic, high congestion roadways
- Any issuance of bonds must be against new revenue which will support bonds at about 10 times the annual revenue. Bonds must be approved in a referendum.
- The Yadkin River Bridge would be funded with bonds.

9

Options – Local Option

- Provide for a 1% local option sales tax authority for transportation for counties, cities, and metropolitan regions. The local option tax must be voter approved and sunset in 10 years. Give the taxing entity the ability to set priorities between roads, transit, and other modes.

10

Options - Indexing

- Index fixed fees such as registration, title, drivers license to the consumer price index
  - The fees would automatically change without legislative action

11

Options - Tolls

- Toll I-95 border to border to support 180 miles of widening by an additional two lanes in each direction. Cost would be about $6 billion
- Toll I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction. Estimated cost would be over $1 billion (no estimate available).

12

Options - Tolls

- Toll the urban loops built or in construction phase
- Complete remaining loops (Asheville, Fayetteville, Greensboro, Greenville, Wilmington) on an accelerated basis using TIP funding based on increased revenue model

13

Questions and Discussion

14

triangletransit

take it. easy.

Member of the gotriangle family of services

Tax Fairness and the Intermodal Fund Legislation:

Assessing The Impact of a ½ Cent Sales Tax on Low/Moderate Income Families

½ Cent Transit Sales Tax

- Funds major improvements in Bus and Rail transit in the Triangle area
- Endorsed by the Special Transit Advisory Commission (STAC), a task force created by the region's 2 MPO's
- Significant benefit to Low/Moderate income families
- Potential to generate approximately $90M annually from Wake, Durham and Orange Counties

Sources of Revenue to Fund Transit

Sales tax is one of six revenue sources; other five include

In place

1. **Vehicle Registration Fee**
2. **Vehicle Rental Tax**
3. **Local property tax revenues**

Under contract

4. **Investment return from Joint Development around station areas**

Pending commitment to construct rail system

5. **New property tax based revenue such as tax increment fees/tax district fees**

Mix of funding sources is more balanced and comprehensive than that of most U.S. urban communities who rely more heavily on sales tax.

Exclusions from ½ Cent Transit Sales Tax

- Food
- Medicine
- Utilities
- Housing

". . . the more the base of the sales tax excludes necessities (such as food and prescription drugs) and includes luxury or nonessential goods and services, the less regressive the tax is likely to be".

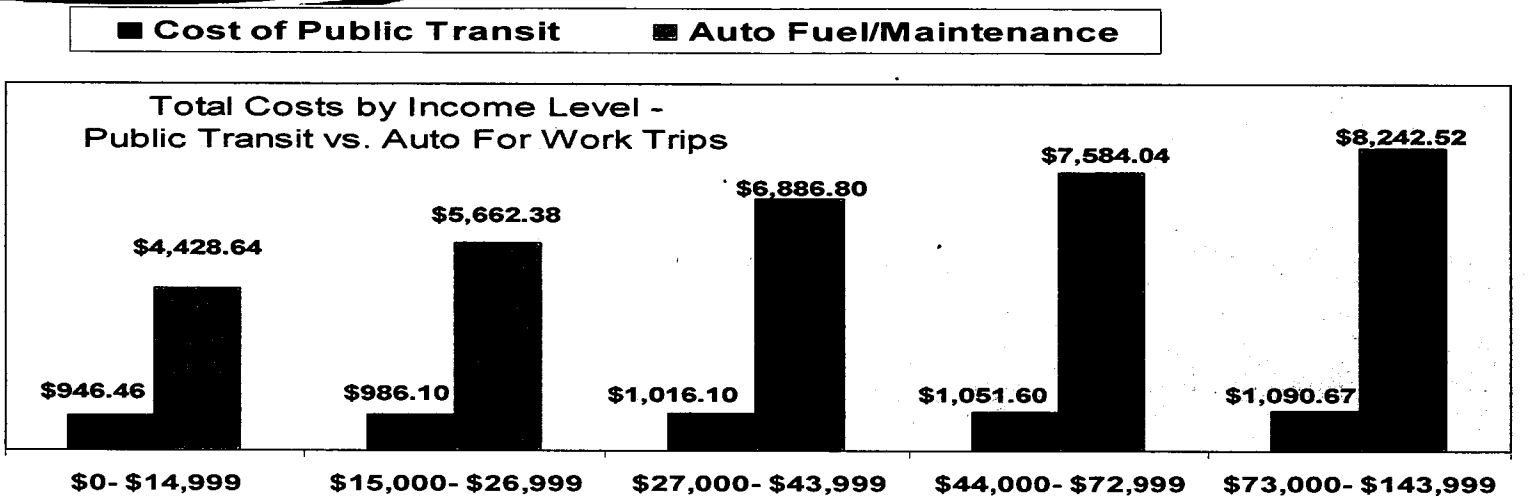
Robert D. Lee, Jr., Ronald W. Johnson and Phillip G. Joyce (2008). Public Budgeting Systems, 8th Edition (Boston: Jones Bartlett).

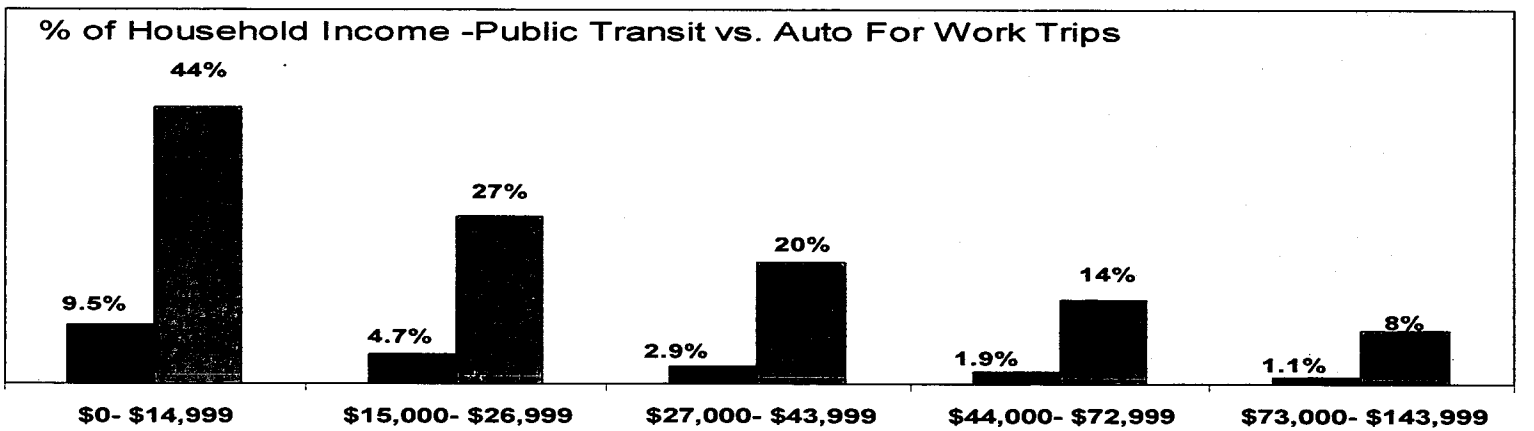
Myth: A ½ cent sale tax which funds additional transit services harms low income households.

Facts: The data shows that the availability of public transit provides a significant benefit to low and moderate income families. Public transit options will include expanded and enhanced bus service as well as rail service.

The annual cost of transit is 5 to 7 times lower than the cost to maintain and operate a vehicle for work purposes.

The annual impact of a ½ cent sales tax is 6 to 11 times lower than the impact of $1.12 per gallon fuel increase. (Based on price per gallon increase from September, 2006 of $2.61 to current cost of $3.73)





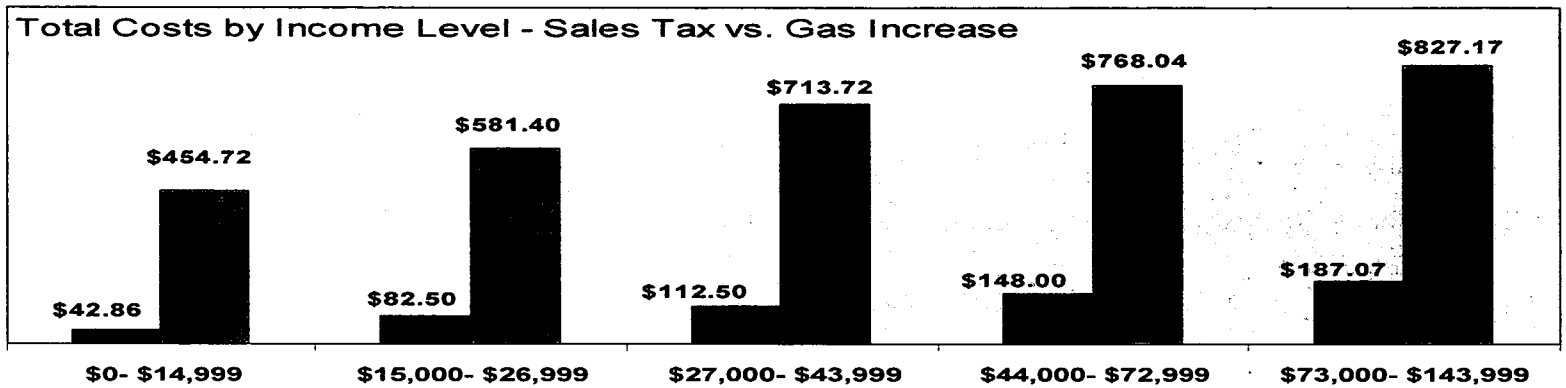
Use of public transit is much less expensive for low and moderate income families as a % of income than automobile use and maintenance for work related trips. Low and moderate income families benefit to a much greater extent from having transit options.

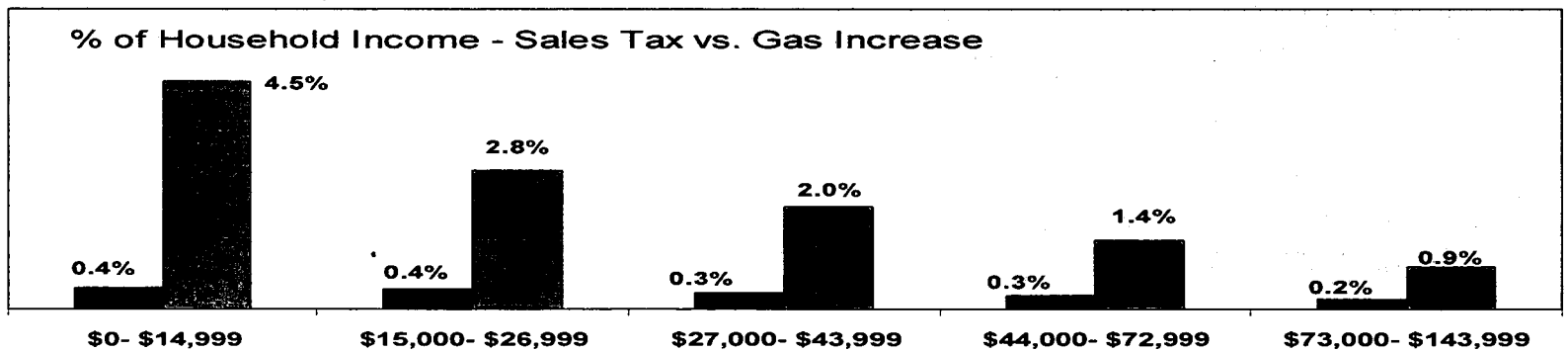
triangletransit
take it. easy.

Member of the gotriangle family of services

■ 1/2 Cent Sales Tax* ■ $1.12/gallon gas increase*

*Based on avg. gas price of $2.61 per gallon in September, 2006 and current price of $3.73 per gallon





Total dollars and % of income paid for higher gas prices has much larger impact on all groups than ½ cent sales tax. Greatest impact of gas prices is on lowest income levels.

Myth: Developers and builders will not pay their fair share.

Facts: The Joint Development Agreement, currently in place, will provide revenue to offset future capital and operating costs.

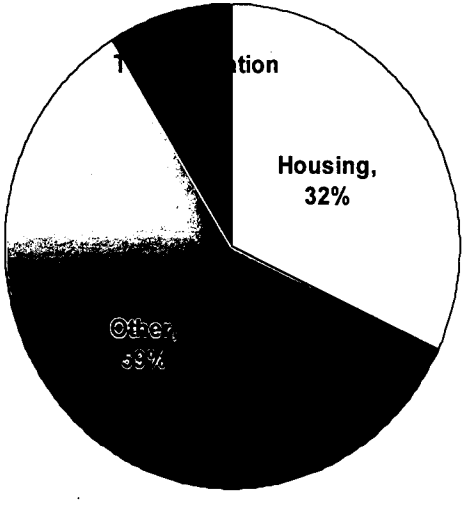
Businesses that benefit from proximity to rail stations will pay additional taxes to support transit.

Building and development activity spurred by new rail stations will lead to increased sales tax revenue from the purchase of construction materials.

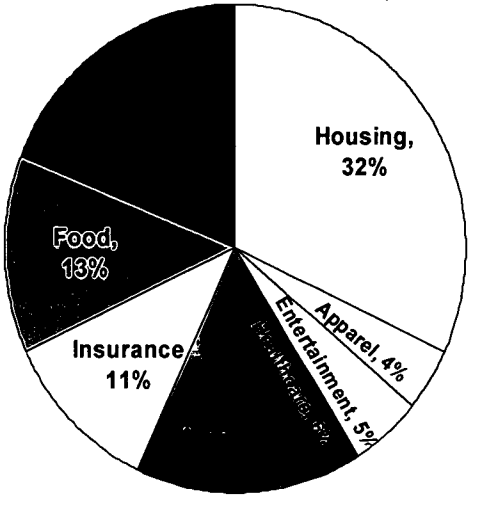
Impact of Transit Oriented Development

% of Income

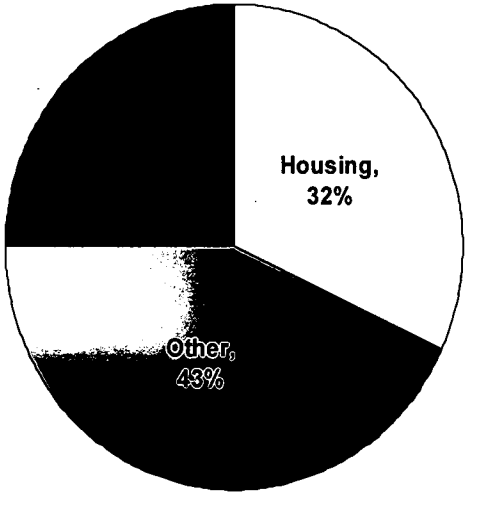
Transit Accessible Neighborhood



Average American Family



Auto Dependent Neighborhood



Source: Center for TOD Housing + Transportation Affordability Index, 2004 Bureau of Labor Statistics

A ½ cent sales tax will fund much improved transit services throughout the Region. The result will be transit accessible neighborhoods where transportation costs are significantly less than in auto dependent neighborhoods.

The Facts

- Sales tax is one of six revenue sources for Bus and Rail improvements under discussion in the Triangle region.
- With exclusions for food, medicine, utilities and housing costs, the impact of a ½ cent sales tax for transit is less regressive.
- The impact of operating and maintaining an automobile for work related trips has a much larger impact on low/moderate income families than the cost of public transit.
- Gasoline price increases have a much greater impact on low/moderate income families than a ½ cent sales tax.
- The package of transit funding sources includes significant revenue from owners and users of developed properties surrounding the rail stations.
- Travelers from outside the Region will be significant contributors to the ½ cent transit sales tax.
- Tax revenue will go exclusively to public transit which provides significant benefits to low/moderate income families.

21st Century Transportation Finance Subcommittee
Wednesday, November 19, 2008
Room 1124, Legislative Building, 10:00 a.m.

MINUTES

The 21st Century Transportation Finance Subcommittee met on Wednesday, November 19, 2008, at 10:00 a.m. in room 1124 of the Legislative Building. Eight members of the committee were present. Steve Zelnak presided as chair.

Chair's Comments

Mr. Zelnak reviewed the efforts of the past year and touched on the changes to the economy. He stated that the State's transportation issues had not changed and that the subcommittee needed to make recommendations that the General Assembly can consider in the context of the financial environment.

Proposed Recommendations

Transfer Elimination

The subcommittee discussed eliminating transfers from the Highway Trust Fund to the General Fund. It was recommended that any dollar amounts be removed from the recommendation. Mr. Zelnak moved for a vote and the vote was unanimous.

Transfer HP and Drivers' Ed Funding

The members discussed transferring the Highway Patrol and Drivers' Ed funding to the General Fund and the eliminating DOT sales tax exemption reimbursement transfers to the General Fund. Mr. Zelnak made the motion and the vote was unanimous.

Vehicle Miles Traveled (VMT)

The members discussed initiating a VMT fee collected annually during annual inspections with a variable rate structure for personal and commercial vehicles. Ms. Szlosberg requested a revenue option for local governments and Representative Frye requested the elimination of the gas tax if a VMT tax is implemented. Mr. Zelnak moved for a vote and the motion passed.

Highway Use Tax

The members discussed an increase from 3% to 4% over two years of the Highway Use Tax and an increase on the $1,000 cap on Class A and Class B commercial vehicles to adjust for inflation. Also under consideration is imposing a differential rate for fuel efficient cars and reducing funding restrictions by allocating new funds for specific purposes other than the Highway Trust Fund. Mr. Zelnak brought the proposal up for a vote and the motion carried.

Remove Cap on Motor Fuels Tax

This option was discussed, but committee members felt that the situation is already on course for the legislature to debate so the proposal was not taken up for a vote.

Registration Fees

The members discussed several options: 1) a graduated annual increase of the annual passenger vehicle registration fee from $28 to $50; 2) a graduated annual increase of registration fees of other vehicles by 25%; and, 3) consider charging based on the weight of passenger vehicles. Lisa Hollowell, a fiscal analyst with the Fiscal Research Division, was recognized to answer questions on what other state are doing. Mr. Zelnak put the proposal up for vote and the vote was unanimous.

Bonds

The members proposed bond referendums that would supplement construction funding on high traffic, high congestion roadways as a way to accelerate project completion. The proposal was voted on and the motion carried.

Yadkin River Bridge

The members discussed requesting federal funding for the construction and replacement costs of the Yadkin River Bridge project. Also discussed was the need for a toll option if the federal funds do not materialize.

Local Option Sales Tax

A broad-based local option sales tax authority was proposed. Committee members agreed that it must be voter approved and allow each local entity to decide where the transportation funds shall be spent. The proposal was put to a vote and the motion carried.

Indexing

The members discussed allowing inflation to adjust the amount of registration, title and drivers license fees by tying the fees to the consumer price index. This will allow the fees to change automatically without legislative approval. Bob Weiss, a fiscal analyst with the Fiscal Research Division, was recognized to answer questions. The proposal was voted upon and the motion carried.

Tolls

The committee discussed the resources are more finite, which has created a deficit causing a delay or postponement of transportation projects. This has led to regional tensions. It was proposed that in order to generate needed revenue the State seek federal approval to toll all interstates at the border and the motion passed.

The committee also voted on tolling I-95 and I-77 to widen each by at least an additional two lanes in each direction. The motion passed.

The members discussed urban loop tolling with local voter approval. The proposal was put to a vote but failed.

Intermodal

The proposal dedicates funding of $170 million per year for the development and expansion of an intermodal transportation initiative as recommended in the interim report of the 21st Century Transportation Committee. The vote was unanimous.

Differential Fuel Tax Rates

The committee discussed taxing diesel and gasoline at different tax rates. The proposal was voted upon and approved.

Steve Zelnak

Steve Zelnak, Chair

DeAnne Mangum

DeAnne Mangum, Committee Clerk

21ST CENTURY TRANSPORTATION FINANCE SUBCOMMITTEE
State Legislative Office Building
Raleigh, North Carolina 27603

November 7, 2008

NOTICE

TO: Members, 21st Century Transportation Finance Subcommittee.

FROM: Stephen Zelnak, Jr., Chair

SUBJECT: Committee meeting

The Finance Subcommittee will meet on:

DAY:	**Wednesday**
DATE:	**November 19, 2008**
TIME:	**10:00 a.m.**
LOCATION:	**Room1124, Legislative Building**

Please advise DeAnne Mangum, Committee clerk, at (919) 733-2405 or e-mail deannem@ncleg.net if you are unable to attend the meeting.

House Pages

Hot County Transportation

Name Of Committee: Subcommittee Finance Date: 11-19-08

1. Name: _____

   County: _____

   Sponsor: _____

2. Name: _____

   County: _____

   Sponsor: _____

3. Name: _____

   County: _____

   Sponsor: _____

4. Name: _____

   County: _____

   Sponsor: _____

5. Name: _____

   County: _____

   Sponsor: _____

Sgt-At-Arms

1. Name: Bob Rossi

2. Name: Brent Toussaint

3. Name: _____

4. Name: _____

5. Name: _____

SENATE
STAN Johnson
Curtis Dowd
Jon Fitchett

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — November 19, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
DREW MORETZ	GRCC
Johanna Reese	DOT
Amber Wagner	NCPTransp. Association
TIM MALONEY	WAKE COUNTY
AMY SIMES	DENR
BERRY JENKINS	CAROLINAS AGC
Victor Barbour	DOT
CS Hollis	
Cady Thomas	NC ASSN OF REALTORS
Shana Becker	NC Public Interest Research Group
Ron Townley	Land of Sky Council
Rea Bradley	NC Aggregates

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — November 19, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
CARRIE RUNGER-TURNER	LAND-OF-SKY REGIONAL COUNCIL
JOE LANIER	520 WICKOR
Mitch Kokai	John Locke Foundation
Pete Hans	520 Wicker
Meridee Bertor	OSBM
Jordan Schrader	press
Devian Graham	Triangle Transit
Steve Jackson	Bridget & Tax.
Marc Finlayson	Highway 17 Association
Jim Humphrey	CITY OF CHARLOTTE
Ed Furlong	[illegible]
Allison Waller	Char to the Chamber

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — November 19, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
Charlie Diehl	NC Trucking Assn.
John Poland	NCDOT
Laura Padgett	City of Wilmington Council, MPO

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — November 19, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	RANC
Gary Robertson	AP

VISITOR REGISTRATION SHEET

21st Century Transportation (Finance) — November 19, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO DeANNE MANGUM

NAME	FIRM OR AGENCY AND ADDRESS
DAVID HYDER	HIGH POINT NC
Jack Gwynn	Womble
Pam Meyer	NCACC
CASANDRA WHITE	GOV. OFFICE

21st Century Transportation Committee
Finance Subcommittee
Funding Proposals to Consider
November 19, 2008

1

The Goals

- Take North Carolina's road transportation system from a "D" rating to a "B" rating over the next 10 years and
- Put in place an effective multimodal transportation system
  - Reduce congestion, improve efficiency and productivity, increase safety, improve the environment, and support economic development throughout the state

2

What Will It Take?

- New investment of about $1 billion per year for the next 10 years
- Toll interstate highways
- Increased local option to implement the right solutions for each area
- Improved long-term planning
- Improved management and execution by the NCDOT and other involved agencies

3

Options – Eliminate Transfers

- Eliminate the remaining transfer of $73 million annually from the Highway Trust Fund to the General Fund
- Transfer funding of the Highway Patrol ($206 million), Driver's Education ($34 million) to the General Fund, and eliminate transfer to General Fund for reimbursement of sales tax exemption for DOT purchases ($18 million)

4

Options - VMT

- Implement a VMT (Vehicle Miles Traveled) fee to be collected annually. Charge ¼ to ½ cent per mile for passenger vehicles and trucks. Cost to the driver would be $25-$50 (based on 10,000 miles). Maximum charge would be $75-$150 respectively.
- The number of miles driven will be based on the recording made during the annual vehicle inspection.
- Fee may generate $190 million - $380 annually million based on the fee structure

5

Options – Highway Use Tax

- Increase the Highway Use Tax from 3% to 4% total over two years
- Implement ½% each year over two years
  - ½% = $100 million annually
  - 1% = $200 million annually
  - ***revenues based on historical collections; current year collections are down
- Increase current $1000 cap on Class A and Class B commercial vehicles to adjust for inflation

6

Options – Remove Cap on Motor Fuels Tax

- Allow the gasoline tax cap to sunset as currently scheduled in July, 2009
  - The cap will cost the State approximately $430 million in revenues for FY 2008-09
  - The projected revenues for future years could range from $300 million down to zero

7

Options – Registration Fees

- Increase passenger vehicle registration fee (currently $28) by $30 over three years
  - $10 increase = $65 million annually
  - $30 increase = $195 million annually

  Increase other staggered registration fees by 25%
  - $85 million annually

8

Options – Registration Fees

- Charging based on weight of vehicle for passenger vehicles:

– < 2,499lbs	$27.60	$33	$37
– 2500-3499	$35.60	$43	$47
– 3500 and up	$45.60	$55	$60
Revenues	$70 Mill	$121 Mill	$150 Mill

Based on Florida Model-Maybe difficult and/or costly to set up.

9

Options - Bonds

- Issue bonds to accelerate construction on high traffic, high congestion roadways
- Any issuance of bonds must be against new revenue which will support bonds at about 10 times the annual revenue. Bonds must be approved in a referendum.

10

Special Federal Funding

Yadkin River Bridge Project

11

Options – Local Option

- Provide for a 1% local option sales tax authority for transportation for counties, cities, and metropolitan regions. The local option tax must be voter approved. Give the taxing entity the ability to set priorities between roads, transit, and other modes.

12

Options - Indexing

- Index fixed fees such as registration, title, drivers license to the consumer price index
  - The fees would automatically change without legislative action
  - Based on a 3% of all fees yields $20 million annually

13

Options - Tolls

- Toll I-95 border to border to support 180 miles of widening by an additional two lanes in each direction. Cost would be about $6 billion
- Toll I-77 from the South Carolina border to I-40 (Statesville) to increase capacity a minimum of two lanes in each direction. Estimated cost would be over $1 billion (no estimate available).

14

Options - Tolls

- Toll the urban loops built or in construction phase where economically feasible.

15

Intermodal Recommendations

- Dedicate $ 170 million per year to Fund the Intermodal Initiative Recommended in Phase 1 the 21st Century Transportation Committee deliberations.

16

2007-2008

21ST CENTURY TRANSPORTATION INTERGOVERNMENTAL SUBCOMMITTEE

MINUTES

ATTENDANCE

21st Century Transportation Intergovernmental Subcommittee

(Name of Committee)

DATES	Dec 12	Jan 16	Feb 21	March 24	April 24
Mr. D. Jordan Whichard, Chair	x	x	x	x	x
Representative Lorene Coates	x	x	x		x
The Honorable Allen Joines		x	x	x	x
The Honorable Chuck McGrady	x		x	x	x
The Honorable George Miller	x	x	x	x	x
Staff					
Giles Perry	x	x	x	x	x
Wendy Graf Ray	x	x	x		x
Michelle Hall, Committee Clerk	x	x	x	x	x

Membership List for 21st Century Transportation Intergovernmental Subcommittee

Mr. D. Jordan "Jordy" Whichard, Chair
PO Box 1967
Greenville, NC 27834
jwhichard@coxnews.com

Rep. Lorene Coates
633 Legislative Office Building
Raleigh, NC 27603
Lorenec@ncleg.net

The Honorable Allen Joines
PO Box 2511
Winston Salem, NC 27102
allenj@cityofws.org

The Honorable Chuck McGrady
100 North King Street
Hendersonville, NC 28792
cmcgrady@hendersoncountync.org

The Honorable George W. Miller, Jr.
PO Box 51429
Durham, NC 27717
GWMJr@HDMLLP.com

Giles Perry, Research Attorney
545 Legislative Office Building
Raleigh, NC 27603
919-733-2578
gilesp@ncleg.net

Wendy Graf Ray, Research Attorney
201HH Legislative Office Building
Raleigh, NC 27603
919-733-2578
wendyg@ncleg.net

Michelle Hall, Committee Assistant
530 Legislative Office Building
Raleigh, NC 27603
919-733-5820
bordsenla@ncleg.net

MINUTES
21st CENTURY TRANSPORTATION COMMITTEE
INTERGOVERNMENTAL SUBCOMMITTEE

December 12, 2007

The 21st Century Transportation Committee Intergovernmental Subcommittee met at 3:00 p.m. on Wednesday, December 12, 2007 in Room 415 LOB. Chair Jordan Whichard, Representative Lorene Coates, the Honorable Chuck McGrady, and the Honorable George Miller attended. A visitor registration sheet is attached and made part of these minutes.

Representative Coates presided in Mr. Whichard's absence. She opened the meeting and welcomed Members and visitors. Subcommittee Members introduced themselves.

Representative Coates reviewed the schedule for the meeting. An agenda is attached and made part of these minutes. She noted that the Subcommittee would discuss a list of potential issues for examination (see attachment). Representative Coates stated that Subcommittee Members may want to add other issues to the list.

The Chair recognized the Honorable Chuck McGrady for a question. Mr. McGrady inquired as to whether Members could confer with staff and return to the subcommittee with other ideas for discussion.

Larry Goode responded that Members could add issues at any time.

Mr. McGrady noted that the Department of Transportation has broad responsibility in the area of land use and perhaps the link between state and counties and cities with regards to land use is an issue the Subcommittee could consider.

The Chair recognized the Honorable George Miller for a comment.

Representative Miller requested the Subcommittee be brief on the present responsibilities of the State. He asked to see who is responsible for each aspect.

Representative Coates stated that permits from the State could be another topic. The process of obtaining a permit can often take two to three years and only costs $50. Perhaps the State should raise the cost.

Discussion ensued about permits.

Representative Coates noted the next meeting date for the Subcommittee would be January 16 at the Charlotte Convention Center.

Mr. McGrady inquired as to how many meetings the Subcommittee would hold.

The Chair recognized Giles Perry to respond.

Mr. Perry responded that Staff would confer with the Chair and potential speakers to determine the number of meetings.

Representative Miller was recognized. He remarked he thought it would be interesting to look at local governments' source of revenue.

Mr. McGrady was recognized. He requested that at the next meeting there be a schedule of the resources the Subcommittee would utilize to address the 8 – 9 topics.

There being no further business, Representative Coates adjourned the meeting at 3:45 p.m.

Respectfully submitted,

Representative Coates
Presiding Chair

Michelle Hall
Subcommittee Assistant

21st Century Transportation Committee
Intergovernmental Subcommittee

Potential Issues for Discussion

1. The responsibility of the State, municipalities and counties for road construction and maintenance. Should more roads be the responsibility of cities or counties? If so, how should responsibility be divided?

2. Effect of municipal and county land use decisions on road construction needs.

3. Use of regional transit systems, or Statewide rail assets, for additional transportation capacity.

4. Examination of additional local taxes for roads and transit. What is the position of cities and counties? What taxes would be increased? What would they be used for?

5. Examination of recent legislation authorizing Counties to participate in Road construction. What is the position of the North Carolina Association of County Commissioners? Are counties planning to use this new authority? How would they fund it?

6. Examination of existing municipal participation in State construction and maintenance. Should cities be asked to do more? What is the position of the League of Municipalities? How would they fund additional participation?

7. Should the same responsibilities/authority for road construction and maintenance be given to municipalities and counties?

8. Examination of limited federal resources for transportation. (This issue may also be addressed by the full committee and the Subcommittee on Finance.)

9. Additional issues suggested by Subcommittee members?

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — December 12, 2007

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Farren	Southern Env. Law Center 200 W Franklin St Chapel Hill
Rob Schofield	NC Policy Watch
Jan Williams	CCPS
Amy Simes	DENR
Chris Dillon	PRO Team
Calvin Leggett	NCDOT
Danyelle Washington	OSBM
Rebecca Tinder	NCACC
Beau Mills	NC Metro Coalition
John Lutz	MWC
[illegible]	MWC

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — December 12, 2007

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Johanna Reese	DOT

21st Century Transportation Committee
Intergovernmental Subcommittee Meeting

December 12, 2007
Room 415 Legislative Office Building

Agenda

I. Welcome and Introduction of Members
Jordan "Jordy" Whichard, III, Subcommittee Chair

II. Discussion of potential issues for subcommittee to address

III. Discussion of next meeting date

IV. Adjourn

MINUTES
21st CENTURY TRANSPORTATION COMMITTEE
INTERGOVERNMENTAL SUBCOMMITTEE

January 16, 2008

The 21st Century Transportation Committee Intergovernmental Subcommittee met at 9:00 a.m. on Wednesday, January 16, 2008 in Room 202AB of the Charlotte Convention Center. Chair Jordan Whichard, Representative Lorene Coates, the Honorable Allen Joines, and the Honorable George Miller attended. A visitor registration sheet is attached and made part of these minutes.

The Chair opened the meeting and welcomed Members and visitors. Subcommittee Members introduced themselves.

Mr. Whichard reviewed the schedule for the meeting. An agenda is attached and made part of these minutes.

The Chair recognized Calvin Leggett of the North Carolina Department of Transportation (NCDOT) for a presentation on how NCDOT partners with local governments. His handout is included and made part of these minutes.

Mr. Leggett stated he would explain how NCDOT partners with local governments. He noted that DOT has not partnered with counties. As outlined on his handout, Mr. Leggett explained the four categories that characterize municipal participation in road projects.

Mr. Leggett noted one way municipalities partner with DOT is through direct construction on state facilities through an encroachment agreement. The project is done through local revenue, generally bonds, and the municipality does the planning, design, the Right of Way agreement, and the construction work. The State DOT role is limited to review of the plans and some construction oversight. He noted that counties have the same authority to work with DOT in this capacity.

Another way municipalities partner with DOT, as explained by Mr. Leggett, is through limited financial participation to provide local enhancements to state projects. Sidewalks, architectural enhancements, additional utility work beyond the standard state practice are examples that may be requested. He noted that counties likely have this authority. Mr. Leggett continued explaining that some municipalities loan money to NCDOT to build projects sooner. The funds to replay these loans must be shown in the TIP and must be repaid within seven years.

The Chair recognized The Honorable Allen Joines for a question.

Mr. Joines inquired as to whether the debt was a part of the underwriting.

The Chair also inquired as to whether municipalities know how the loan will be repaid.

Mr. Leggett responded that everything is structured in the loan agreement.

The Chair recognized Representative Coates for a question.

Representative Coates inquired about the cost of inflation and if lending money in advance allowed municipalities to get roads cheaper.

Mr. Leggett responded that DOT pays interest on the loans but pays the underlying interest of the TIP project at 5% interest.

Mr. Leggett continued and noted that cities and towns have authority to enter contracts with DOT for road maintenance. DOT can have public/private agreements but DOT cannot do any ROW or utility work. He then directed the Subcommittee to the back of the handout. He noted the factors that contribute to the consideration of whether DOT should have the same philosophy for counties as municipalities. He concluded that over time, his belief was that DOT would do more business with counties.

The Chair recognized Paul Meyer of the North Carolina Association of County Commissioners (NCACC) for a presentation on the County perspective on DOT funding. His powerpoint is included and made part of these minutes.

Mr. Meyer opened his presentation by providing Members with background on NCACC. He then gave the history of the relationship of NCACC and transportation. He noted that NC Counties do not fund transportation and have not since 1931. Instead, NC Counties finance the building of schools, jails, courts, community colleges, county facilities, water systems, libraries, animal shelters, and landfills. Mr. Meyer then listed all of the county services and operations: law enforcement, fire protection, public health, mental health, social services, elections, and tax administration in addition to public school expenses, emergency and medical services, housing, parks and recreation, libraries, solid waste management, and economic development. He emphasized that counties are not the same creatures as municipalities, both in legal structure and function.

Mr. Meyer then listed the current revenue issues counties face. He then discussed SB 1513 which authorized counties to participate in road projects under agreement with NCDOT voluntarily. He stated at this point, there is likely minimal interest in use of SB 1513 due to the existing revenue shortfalls counties are facing and the limited county authority over road finance. The new local option taxes are by referendum only. He stated that property taxes are the primary revenue for counties and that the roles and responsibilities of counties should not be expanded without giving more tax options. Mr. Meyer then noted that none of the 15 attempts by counties to opt for a land transfer tax by referendum were successful.

The Chair inquired about tax authorities that did not require a referendum.

Mr. Meyer responded the only authority Counties have is the property tax rate.

Mr. Meyer concluded by listing a few unresolved questions and issues including the structure of the agreement between counties and NCDOT, funding sources for voluntary county participation, and the proper role for counties in transportation funding.

The Chair recognized Representative Miller for a question.

Representative Miller inquired what the use of SB1513 has been at this point.

Mr. Meyer responded that there has been no use; zero counties are participating.

The Chair recognized Beau Mills, Director of Intergovernmental Relations for the North Carolina Metropolitan Coalition (NCMC). His handout is included and made part of these minutes.

Mr. Mills reviewed for the Subcommittee Members the legislative agenda of NCMC. He informed Members of a meeting of the Coalition that had taken place on January 9. There were decisions made at that meeting about which he would brief the Subcommittee. The first decision of the Coalition was the determination that the Federal Government is not the answer to transportation problems. The second decision was that any new funding for transportation at the state level must focus on measurable results; new funding means new rules. DOT should not shift responsibility to local governments; local option funding should be for local needs, not state responsibilities; interstates need separate funding sources; new sate funding should invest in multi-modal solutions; and the Coalition supports NCDOT reform were the remaining decisions.

Mr. Mills expounded on NCDOT reform stating reform would improve efficiency, cost, and confidence to citizens. He stated that Division engineers and local leaders could make more decisions and that DOT decisions should be based on good data, include an open process, and be measurable decisions.

Mr. Mills concluded with ideas for future discussion including ways to connect land use and transportation policy; potential role of North Carolina Counties in transportation; analysis of other states and best practices.

The Chair inquired about measurable results and how this would work with DOT.

Mr. Mills responded that the Coalition had not gone into great detail on this topic, but they had noted that traffic volume was not part of the equation for transportation projects and funding and it should be a key factor.

Representative Coates was recognized for a question. She inquired as to how the DOT Board could be made less political.

Mr. Mills responded that the Coalition had not gone into much detail on that topic either, but transparency in decision making was key to Board decisions. He noted that when it is unclear how decisions are made this creates frustration.

Discussion ensued over the topic of Federal funding and North Carolina's status as a "donor" state.

The Chair asked the Subcommittee to discuss what the priorities of the Subcommittee should be. He noted they were not making short-term decisions.

The Honorable Allen Joines was recognized. He stated his belief that the issue of Federal funding should be a priority as well as other states' best practices. He also asked that the North Carolina Transit Association be given a chance to talk to the Subcommittee about mass transit needs.

Representative Coates was recognized. She emphasized getting a better return on the money North Carolina gives to the Federal Government.

Representative Miller was recognized. He noted that it might be time to bring the matter to North Carolina's Congressional and Senatorial delegation for an explanation of the formula and why is has not changed.

Further discussion ensued about revenue sources for transportation. Staff informed the Subcommittee that this issue would also be addressed to the Full Committee.

There being no further business, Chairman Whichard adjourned the meeting at 10:20 a.m.

Respectfully submitted,

Mr. Jordan Whichard
Presiding Chair

Michelle Hall
Subcommittee Assistant

21st Century Transportation Committee
Intergovernmental Subcommittee Meeting

January 16, 2008
9:00 a.m. Room 202AB
Charlotte Convention Center

Agenda

I. Welcome and Introductory Remarks
   Jordan "Jordy" Whichard, III, Subcommittee Chair

II. Discussion of How Cities and Counties Currently Participate in State Road Construction
   Calvin Leggett, P.E. Manager, Program Development Branch, North Carolina Department of Transportation

III. County Perspectives on Transportation Funding
   Paul Meyer, Senior Associate General Counsel
   North Carolina Association of County Commissioners

IV. Municipal Perspectives on Transportation Funding
   Beau Mills, Director of Intergovernmental Relations, NC Metropolitan Coalition

V. Committee Discussion

VI. Adjourn

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — **Name of Committee**

January 16, 2008 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Reid Simons	NCTA
John Tuttle	MWC
Amy Simes	DENR
Steve Jackson	BTC@NC Justice Ctr
Deborah Goldberg	Mecklenburg County
Louis Mitchell	NCDOT
Marc Morgan	NCDOT
Phil Conrad	Cabarrus-Rowan MPO
Ed Johnson	N.C. CAPITAL AREA MPO
Jim Humphrey	CITY OF CHARLOTTE

Notes for January 16, 2008
21st Century Transportation Study Commission

Municipal participation in road projects falls generally in 4 categories:

1 – Direct construction on state facilities through encroachment agreement. Project is done through local revenue, generally bonds, and municipality does all planning, design, ROW & construction work. State role is limited to review of plans, and some construction oversight to insure quality since we will be maintaining the final product.

Counties have this authority also.

2 – Limited financial participation to provide local enhancements to state projects. This would involve such things as sidewalks, architectural enhancements such as brick walls instead of state standard concrete; additional utility or Y-line work beyond the standard state practice may also be requested.

It is likely that Counties have this authority.

3 – Loans to NCDOT to build projects sooner. A municipality may loan funds to the DOT to accelerate construction of projects. The funds to repay these loans must be shown in the TIP & must be repaid within 7 years.

Counties have this authority also.

4 – Participate in Public/Private agreements. Under certain circumstances, the NCDOT can enter into agreements to participate in private road development projects. The DOT participation is capped at 50% of engineering and construction costs. We cannot participate in ROW or utility work. Municipalities may be partners in these agreements. Current practice is that the local government needs to be a minority partner to the private entity.

It does not appear that Counties may do this.

5 – Contract with the state to do roadway maintenance. The state may pay a city to do work on state system roads, or a municipality may pay the state to do work on local streets.

This provision is not applicable to Counties at this time.

City/County Participation in Road Construction

General Statute	Agreement Authority	Municipality	County	Comments
136-51	Participation in costs of ROW, Construction, Improvement, or Maintenance on State Roads		X	
136-66.3	Participation in the ROW and Construction cost of State Highway Improvements	X		Several Conditions: Participation can not "cause any disadvantage" to any other TIP project Any state or Federal funds made available by Municipal participation must remain in the same funding region No agreement may provide extra funding to a muncipality in exchange for municipal participation
	Can pay for additional Improvements	X		
136-41.3	DOT can contract with cities or towns to do maintenance on State Highways	X		The state can contract with a municipality to do work on a state road, or a municipality can contract with the state to do work on city streets
136-44.5	File Transportation Corridor Protection Maps	X		Also Regional Transportation Authorities, the NC Turnpike Authority, and the Wilmington Area MPO have this authority
136-18	Loan DOT funds to advance TIP Projects	X	X	Repayment must be shown in the STIP & funds repaid within 7 years
136-28.6	DOT and Municipalities may participate in private construction contracts	X		Several Conditions: Project must be on Mutually adopted Thoroughfare Plan. Project must be designated as a state responsibility. DOT participation capped at 50% of engineering and construction costs. DOT cannot participate in ROW or Utility costs.

21st Century Transportation Committee – Intergovernmental Subcommittee

January 16, 2007

Paul A. Meyer
NC Association of County Commissioners

County Perspectives on Transportation Funding

- History
- County 101
- Existing Revenue Shortfalls
- SB 1513
- Current Activities
- The Future

Who We Are

- NCACC is advocacy organization representing all 100 NC counties
- Established in 1908
- Counties are intergovernmental partners of the state

History

- Counties removed from transportation funding in 1931; Great Depression
- Instead, NC counties finance building of:
  - Public schools
  - Jails
  - Courts
  - Community colleges
  - County facilities
  - Water/Wastewater/Stormwater systems
  - Libraries
  - Animal shelters
  - Landfills

County 101

- County Services/Operations
  - Law Enforcement/Fire Protection
  - Public Health
  - Planning/Inspections
  - Mental Health
  - Social Services
  - Elections
  - Tax Administration/Collection

County 101

- County Services/Operations
  - Public School Current Expense
  - Emergency Medical Services/911
  - Housing
  - Parks and Recreation
  - Libraries
  - Solid Waste/Landfills
  - Economic Development
  - Environmental Programs: Air and Water

County 101

- A county is NOT the same creature as a municipality, both in legal structure and function

Current Revenue Issues

- Property Tax is primary revenue source
- 2007-08: 48 counties increased PT rates
  - 2 out of 3 North Carolinians paid more in PTs
- Ongoing assault on PT base
- $9B funding gap for public schools

Current Revenue Issues

- Newly authorized taxes intended for existing conditions – not expanded roles or responsibilities
- Authorized by referendum

SB 1513

- Authorizes Counties to participate in road projects under agreement with NCDOT
- Voluntary
- At this point, likely minimal interest in use of SB 1513
  - Existing revenue shortfalls
  - Limited county authority over road finance
  - New local option taxes by referendum only

Current Activities

- December 6, 2007 County Transportation Summit
  - Over 150 county officials in attendance
  - 42 counties represented
  - Participation by NCDOT officials

The Future

- Unresolved Questions:
  - Structure of agreement between counties and NCDOT?
  - Funding source for voluntary county participation?
  - Proper role for counties in transportation funding?

Questions?

Paul A. Meyer
Sr. Associate General Counsel
NC Assoc. of County Commissioners
Email: paul.meyer@ncacc.org
Phone: 919-715-2893

NORTH CAROLINA
METROPOLITAN COALITION
BUILDING LIVABLE CITIES *for* NORTH CAROLINA'S FUTURE

EXECUTIVE COMMITTEE

CHAIR
Allen Joines
MAYOR, WINSTON-SALEM

VICE CHAIR
Kevin Foy
MAYOR, CHAPEL HILL

TREASURER
Susan W. Kluttz
MAYOR, SALISBURY

AT LARGE
Terry Bellamy
MAYOR, ASHEVILLE

Jennifer Stultz
MAYOR, GASTONIA

IMMEDIATE PAST CHAIRS
Patrick L. McCrory
MAYOR, CHARLOTTE

DIRECTOR
William A. (Beau) Mills
BMILLS@NCLM.ORG

MEMBER CITIES
APEX
ASHEVILLE
BOONE
BURLINGTON
CARRBORO
CARY
CHAPEL HILL
CHARLOTTE
CONCORD
DURHAM
FAYETTEVILLE
GASTONIA
GREENSBORO
GREENVILLE
HICKORY
HIGH POINT
HUNTERSVILLE
JACKSONVILLE
KANNAPOLIS
RALEIGH
ROCKY MOUNT
SALISBURY
WILMINGTON
WILSON
WINSTON-SALEM

WWW.NCMETROS.ORG
215 N. DAWSON STREET
RALEIGH, NC 27603
P.O. BOX 3069 (27602-3069)
(919) 715-7895
FAX (919) 733-9519

PRIORITY ACTION PLAN FOR 2007-2008

Infrastructure and Quality Growth

Establish Diversified Revenue Choices for Urban Infrastructure – to meet the demands of our economy, environment and protect quality of life

* Authorize Local Option revenues for capital investments

Improve Transportation in North Carolina

* Support a State Transportation Bond for traffic congestion relief

* Help create a state-wide dialogue for improving transportation in our state and pursue partnerships with interested parties
  - Seek partnerships with business community to improve transportation funding in our cities, regions and state
  - Seek to revise the equity formula to better reflect actual traffic volume and needs

* Actively support a stronger partnership between NC DOT and local governments and their MPOs – on setting priorities, highway design and land use

* Support NC Turnpike Authority's development of toll roads that have LOCAL support through MPOs

Public Safety

Gang Prevention

* Specifically target gang activities with criminal penalties **and** provide $20 million for gang intervention and prevention programs

Improve Overwhelmed State Courts in Urban Areas

* Seek additional state resources for technology, staff and support greater management flexibility for county courthouses

Support Interoperable Communications for Public Safety

* Seek **state and federal** funding to complete the state-wide system that allows first responders to communicate (VIPER) - including a state bond issue

Urban Economic Development

Support Economic Development and Job Recruitment

* Work with business and state leaders to maintain support for business recruitment tools and incentives that are necessary to compete for new jobs

NC Metropolitan Coalition – Discussion Points from January 9, 2008 meeting

Federal Government NOT the Answer
Since NC is likely to continue its role as a "donor state" we should not look to the federal government for solutions. However, we should remain vigilant to protect our interests at the federal level.

New Money – New Rules
Any new funding for transportation at the state level MUST FOCUS ON MEASURABLE RESULTS – and NOT use the current processes that simply divide money up geographically. This includes all new funding including any potential bonds or shift in current funding.

NCDOT should not Shift Responsibility
We will oppose any major shift in the financial or operational responsibility for transportation from NCDOT to local governments. NC DOT needs to modernize and better reflect an urbanizing and fast growing state, but having a state department act as the primary entity for building and maintaining our transportation system is seen as an efficient way to meet our transportation needs.

Local Option Funding should be for LOCAL NEEDS - NOT STATE RESPONSIBILITIES!
Actively support authorization for local option funding. *Local option funding should be focused solely on local or regional responsibilities* – such as the Charlotte/Mecklenburg local option sales tax for transit or the rental car tax in the Triangle and Triad (levied by a county for a local and regional purpose). Local option funding should *not be used to supplant state funds used for state responsibilities.*

Interstates Need Separate Funding Source
These high volume *major routes should be treated differently* – they serve the entire state and facilitate state-wide and national transportation and commerce needs. Counting the huge costs to develop and maintain these interstates against a region's equity formula unfairly penalizes a region by reducing funds needed for other uses.

New State Funding Should Invest in Multi-Modal Solutions
The *growing importance of public transportation* and multi-modal solutions means the North Carolina needs to "play catch up." The current level in multi-modal investments is insufficient, so it is critical that any new funding should significantly increase the overall level of support for multi-modal uses such as bus systems, rail, bike and pedestrian solutions to mobility.

Support NC DOT reform
NC DOT is too centralized and decision-making processes are often criticized for being made "behind closed doors" and lacking justification. The Metropolitan Coalition believes that a NC DOT that operates in a transparent and measurable manner could find efficiencies and improve processes. This would improve the quality of service, reduce costs and give confidence to the citizens of North Carolina that their NCDOT is a high performing organization.

- *Decentralize decision making* – let Division Engineers and local leaders make more decisions on priorities and design without interference from a central office, especially for projects that are more local and regional in significance.
- *Transparency of decision-making and open processes are critical* - this requires high quality data and clear and objective project criteria and information AND a less political DOT Board of Transportation.

Important Issues for further development

- Potential role of NC Counties in transportation
- Ways to connect land use and transportation policy
- Comparative analysis with other states – financing and responsibility

MINUTES
21st CENTURY TRANSPORTATION COMMITTEE
INTERGOVERNMENTAL SUBCOMMITTEE

February 21, 2008

The 21st Century Transportation Committee Intergovernmental Subcommittee met at 9:00 a.m. on Thursday February 21, 2008 in the Swain Room of the UNC Wilmington Executive Development Center. Chair Jordan Whichard, Representative Lorene Coates, the Honorable Allen Joines, the Honorable Chuck McGrady and the Honorable George Miller attended. A visitor registration sheet is attached and made part of these minutes.

The Chair opened the meeting and welcomed Members and visitors. Subcommittee Members introduced themselves.

Mr. Whichard reviewed the schedule for the meeting. An agenda is attached and made part of these minutes. He noted the tentative date for the next meeting would be March 24.

The Chair recognized Allen Pope, Division Engineer at the North Carolina Department of Transportation (NCDOT) for a presentation on land use and development and their effect on transportation facilities. His presentation is included and made part of these minutes.

Mr. Pope stated his presentation would discuss the current situation in Division Three of NCDOT, issues for DOT, and possible suggestions as related to land use, development and their effects on transportation.

Mr. Pope showed the Subcommittee the population growth in North Carolina from 2000 to 2006. He then noted the population growth in Brunswick County, specifically. The tourism impact in this county creates a seasonal impact, making congestion double in the summer months. Major development in the County has caused the average housing division to have 500 – 700 dwelling units rather than 200 – 250 dwelling units. This means the maintenance and resurfacing budgets are also impacted, due to increased population.

Mr. Pope noted that the gas tax and user fees are "hindsight" because the demand is already in place. Water and sewer are filling up the Right of Way space; if roads in Brunswick were to be widened, the water and sewer lines would have to be relocated. The developers' impacts create the need for cost sharing for needed improvements. Multiple developers on the same intersection creates additional problems with cost sharing.

Mr. Pope concluded with suggested improvements including generating funds to assist in improvements, developing a way to fairly proportion impact cost created by multiple developments, better tie between local governments and land use planning for transportation.

The Chair opened the meeting for questions.

Representative Miller was recognized for a question regarding the level of cooperation between land use and transportation planning in local governments.

Mr. Pope responded that many local governments do not ask for participation.

Representative Miller was recognized for a follow up question. He inquired about the list of priorities. He stated the local government can not be last on the developers' lists. If everything else is approved, it is too late to modify a plan for transportation concerns.

Mr. Pope responded that there is no statutory tie between land use and transportation.

The Chair inquired whether the Division could deny a permit for a housing development.

Mr. Pope responded that the Division could make a permit conditional, but cannot really exercise any control over that.

The Chair followed up with a question regarding zoning.

Mr. Pope responded that traffic impact studies identify needs, but not solutions. He noted that land use and development is up to the counties, but transportation is up to DOT.

The Chair recognized Joel Cranford, NCDOT Congestion Management Section, Municipal School Transportation Assistant Engineer for a presentation on school traffic issues. His presentation is included and made part of these minutes.

Mr. Cranford informed the Subcommittee of transportation considerations for school site selection including modes of transportation available to children, the impact of vehicles and pedestrians on the existing roadways, and peak traffic hours. Mr. Cranford then showed Members problem designs for schools and how the Division could address such problems. He noted the different costs of solutions to solve traffic congestion and safety concern issues associated with school transportation. Mr. Cranford concluded with what was needed to provide safe roads for schools including cooperation in selection of school sites, influence from DOT on designing sites, and implementation of recommendations for sites.

The Chair recognized Representative Coates for a question.

Representative Coates inquired about whether it was a problem that local officials do not listen to DOT.

Mr. Cranford responded that yes it was a problem.

The Honorable Chuck McGrady was recognized for a question regarding the source of the money for improvement projects.

Mr. Cranford responded that the money was internal DOT funds.

Mr. McGrady inquired as to whether this was still true for internal campus changes.

Mr. Cranford responded that yes, it was still DOT money.

The Chair recognized Mike Kozlosky, Senior Transporation Planner for the City of Wilmington for a presentation on land use and transportation issues in Wilmington. His presentation is included and made part of these minutes.

Mr. Kozlosky outlined four main areas affecting land use and transportation in Wilmington: growth and congestion; scenario planning; corridor planning; and collector street planning. He showed how the congestion in Wilmington has changed since 1997 in conjunction with national congestion issues. Mr. Kozlosky noted that Wilmington has been rated by AAA as the "most dangerous place to drive in North Carolina" for eight years.

Mr. Kozlosky noted areas of poor planning due to strip commercial development with no inter-connectivity; poor access management, and lack of effective development regulations. He noted the results of the lack of connectivity including backed-up traffic and frequent accidents. The problems will continue to get worse as the population in Wilmington increases. He explained long range transportation plans including ways to improve mobility through the planning process. Mr. Kozlosky concluded with solutions on ways to better integrate land use and transportation planning including providing resources to develop long range plans, promoting better and more efficient land use planning, and recognizing that land use decisions made at the political level impact capacity and mobility on area roadways.

The Chair inquired as to how there could be better ties made between land use planning and transportation planning.

Mr. Kozlosky responded that sharing maps with everybody might facilitate better planning; this would help businesses and developers better decide where to locate.

The Chair followed up with a question about alternative revenue sources and whether Wilmington had explored this at all.

Mr. Kozlosky replied that in 2005 legislation was filed that would have allowed for a referendum on a .5 cent sales tax increase. He noted that counties have the authority to put the increase to a referendum but cities do not have the authority. He also noted that nationally, cities and towns have fewer ways to raise revenue. They must go piece by piece to the Legislature, especially in North Carolina.

The Chair then opened the meeting for discussion regarding the Subcommittee report.

The Honorable Allen Joines was recognized. He commented that cities might be willing to take on more transportation responsibility if there was funding and the ability to affect decision making.

The Honorable Chuck McGrady was recognized. He noted that counties are different, but he agreed with Mr. Joines about the funding. He noted that the transfer tax had been voted down in every referendum; this did not look promising in terms of a revenue source.

Representative Coates was recognized. She noted her belief it was a good idea to give Division Engineers more authority in the decision making process.

The Chair inquired as to whether there were any other topic the Subcommittee wanted to explore.

Representative Coates was recognized. She stated that the Subcommittee should into taking the Interstate system out of the equity formula for transportation funding. It is unfair when the Interstate system takes all of a district's money and they have none left for other projects.

The Chair and the other Subcommittee Members agreed the formula needed tweaking.

There being no further business, Chairman Whichard adjourned the meeting at 11:00 a.m.

Respectfully submitted,

Mr. Jordan Whichard
Presiding Chair

Michelle Hall
Subcommittee Assistant

21st Century Transportation Committee
Intergovernmental Subcommittee Meeting

February 21, 2008
9:00 a.m- 11:00 a.m.
Swain Room
UNC Wilmington Executive Development Center
1241 Military Cutoff Road, Wilmington

Agenda

I. Welcome and Introductory Remarks
Jordan "Jordy" Whichard, III, Subcommittee Chair

II. Land Use, Development and Their Effect on Transportation Facilities in the State
H. Allen Pope, PE
NC DOT Division Engineer Highway Division 3

Joel C. Cranford
NC DOT Congestion Management Section, Municipal and School Transportation Asst. Engineer

III.. Land Use and Transportation Issues in Wilmington
Mike Kozlosky
Senior Transportation Planner
City of Wilmington

IV. Committee Discussion

V. Adjourn

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — February 21, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mike Kozlosky	Wilmington MPO
Allen Pope	NCDOT Wilm.
Anthony Law	NCDOT Wilm.
Dan Cumbo	NCDOT Wilm.
Joel Cranford	NCDOT Congestion Management
Marie Sutton	NCDOT- Program Development
DENNIS URGENTO	PIEDMONT NATURAL GAS
ALEX PEARSON	PIEDMONT NATURAL GAS
JOHN MITCHELL	ASHEVILLE CHAMBER OF COMMERCE
Joe McKinney	Land-of-Sky Regional Council
Paul Meyer	NC Assoc. County Cmrs.

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — February 21, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Laura Padgett	Nat'l League of Cities TIS chair City of Wilmington, MPO Vice chair

Intergovernmental Subcommittee Meeting
21st Century Transportation Committee
February 21, 2008

Allen Pope, PE
Division Engineer
NC Department of Transportation
(910) 251-5724

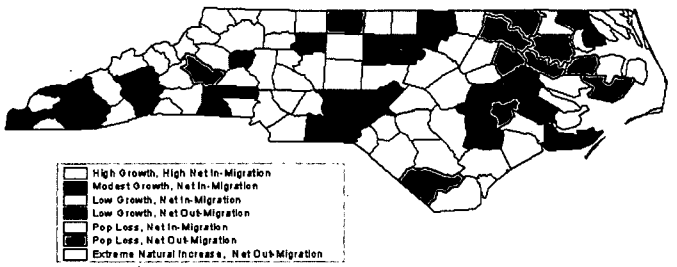
Land Use, Development and Their Effect on Transportation Facilities

Discuss the current situation in Division Three

Issues for the Department of Transportation

Possible Suggestions

POPULATION GROWTH 2000 TO 2006



Brunswick County Growth

1980	Population	35,000+	
1990	Population	50,985	(46%)
2000	Population	73,143	(44%)
		Ranks 7th in State's Growth	
2006	Population (Est.)	94,945	
2010	Population (Est.)	110,374	(51%)

Since 7/99 development approvals have added more that 80,000 living units. These developments can have the impact of 800,000 additional trips.

Pender County Growth

1990	Population	28,855
2000	Population	41,082 (42%)
2010	Population (Est.)	54,884 (34%)

Seven recent development approvals along US 17 have an impact of approximately 180,000 additional trips to US 17. Majority of those trips have to come to US 17 to go anywhere. With sewer and water being placed on US 17, it is anticipated that this number will continue to grow.

Anticipated Military Growth
202K Grow the Force Campaign

Additional active duty Marines and civilian workers

Camp Lejeune	8,052
New River Air Station	1,411
Cherry Point Air Station	1,485

Estimated ~25,000 additional troops, civilian workers and their families, which could equal ~100,000 additional trips spread over several counties.

Tourism Summer Growth

The coastal area of our Division is a tourism attraction. New Hanover and Brunswick Counties are major beach attractions.

Wilmington and New Hanover County are the major retail hub of the area.

This type traffic is typically seasonal; however, it is most unfamiliar with the area roadways.

Summertime congestion is very apparent within this region.

Land Use, Development and Their Effect on Transportation Facilities

Issue for the Department of Transportation

Revised Land Uses (increase density)

Water and Sewer Improvements

Increases traffic on roadways

Revised Land Uses

Taking timberland or farmland property and converting them to multi-unit subdivision. Increasing density.

Several years ago, a large subdivision applying for driveways permits were 200-250 dwelling units, but today most of these subdivisions are 500-7,000 dwelling units. Each one of this dwelling units will generate between 6 and 10 trips per day coming to the roadway system.

This increase in traffic results in an increased demand on our Maintenance and Resurfacing budgets.

Revised Land Uses
(continued)

The Maintenance budget is impacted because there is the need for additional maintenance (potholes/ ditches/higher level of service) and the upgrading of drainage structures (more impervious surface upstream).

The Resurfacing budget is impacted due to the need to increase the structure and width of these roadways.

Funding by gas tax /user fees provide funds after the demand is already in place.

Water and Sewer Improvements

Installation of sewer opens up land uses that were not previously available due to non-perking land.

Developments in rural areas typically will follow the ability of having water and sewer service, even to the extent of putting in the service at their expense.

Utilities are filling up our Right of Ways with utilities (water, sewer, telephone, cable, and/or gas). Most of these roadways are only 60 feet wide.

If the Department plans to widen in the future, we must pay to relocate most of the water and sewer facilities.

Right of way becomes unusable or the cost of roadway improvements increases to move the utilities.

Increases traffic on roadways

Most of the developments are accessing roadways that were designed as Farm to Market roads (Carr Scott Roads) or built through 1989 Trust Fund (paving of unpaved roads). These roadways were not designed to handle the increased loads. Most are of minimal base course and minimal asphalt surface, and were designed to have minimal traffic volumes. They are two lane roadways built on 60 feet of right of way. Any improvement to the roadway above the addition of a turn lane will require additional right of way.

Traffic Impact Analysis of these larger development can note the need of four lane divided facility at full build out, which requires a typical section of ~150 feet.

Increases traffic on roadways
(continued)
(Developer's Impacts)

When several developments occur in the same area, equitable cost sharing (fair proportionate) of needed improvements becomes an issue. Today, DOT has no way of proportioning the required improvements to each. We make the cumulative improvements a requirement of all the developments and encourage the developments to work together for one impact to the roadway or the first one to the plate builds the improvement.

Since the developments don't have power of ~~emanate~~ eminent domain, we may have to limit the size of the development until improvements can be made either by development or by the DOT.

Suggested Improvements

Find ways of generating funds, either by the local approving authority or the development, to assist in improvements to the roadways system. Recognize that the development(s) or the cumulative developments impacts effect more than just at their entrance. The funding source and impacts needs to be identified early in the process.

Develop a way to fairly proportion (equitably assign) impact cost created by multiple developments. Several County governments now have ordinances that allow the original installer of a sewer/water infrastructure to recoup some of the cost as additional taps come on line. There is a large need for this suggestion in areas of rapid growth.

Suggested Improvements

A better tie between local government land use plans and transportation planning. Today the most changes to land use planning takes place with no plan for transportation improvements. That's a Department of Transportation problem. Our access permit is the last permit need in most cases and needed improvements are not known to the development until after our review of their Traffic Impact Analysis.

Developments may also need to be limited in their build-out plan, if the roadway system fails or cannot handle the additional traffic, until the improvements can be made.

Question ?

Allen Pope, PE
Division Engineer
NC Department of Transportation
(910) 251-5724

Municipal and School Transportation Assistance

Addressing School Traffic Issues

- Identifying traffic and pedestrian safety concerns
- Designing more efficient traffic patterns to reduce delays
- Determining ways to reduce peak hour congestion
- Reviewing site plans for adequate student loading designs and operations
- Helping to reduce construction cost

National statistics indicate that less than half of students ride a school bus. This means most students are riding in cars, walking, or riding a bicycle.

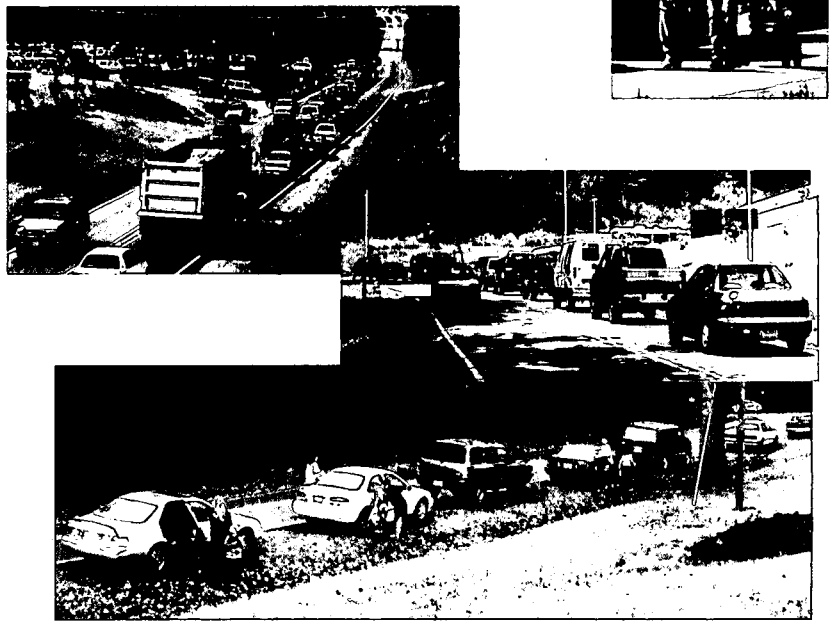
For elementary school children, darting out into the street and walking into the path of a vehicle backing up are two of the highest cause of pedestrian/vehicle crash. To help reduce the opportunity for this type accident to occur on-campus, students should not be permitted to load in undesignated areas.

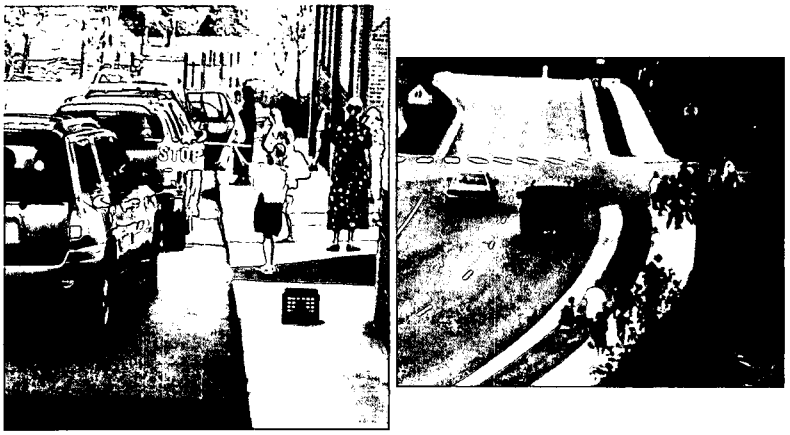
Over the years North Carolina Department of Transportation has been called upon to address traffic concerns at a school campus driveway and/or nearby roadways. In many cases the cause of these concerns have been identified as being related to school traffic operations and/or the student loading process. The Municipal and School Transportation Assistance (MSTA) is a team of engineers who specialize in solving these type traffic-related problems.

When called upon, MSTA will evaluate and provide recommendations to all public and private entities involved in planning and designing schools. By utilizing specialized analysis software, experience and training, including the MSTA School Traffic Calculator, engineers are able to more accurately determine traffic operations and appropriate designs to help maximize safety for pedestrians and motorists on the school campus and adjoining roadways.









For more information please visit our web site at **NCDOT.ORG** and search for **MSTA**

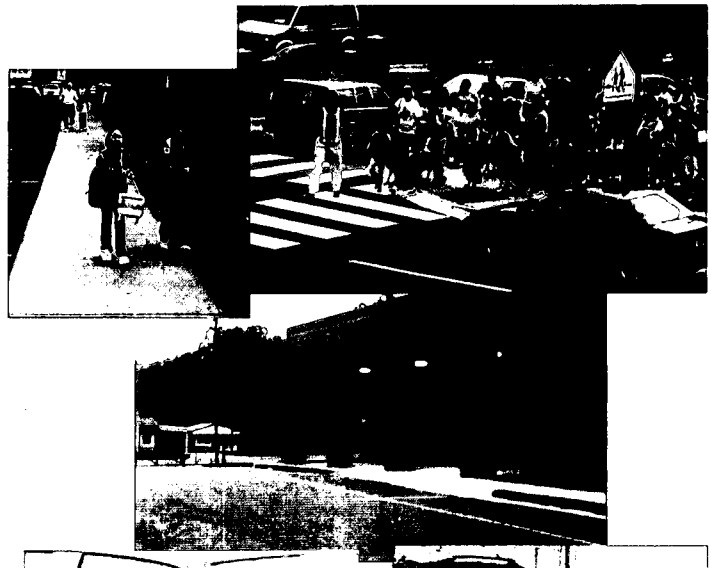
Municipal and School Transportation Assistance

Helping a School Campus SOAR Through the Student Loading Process



Separate pedestrians and vehicle types

Reduce pedestrian/vehicle conflicts by providing sidewalks and crosswalks and designing parking lots for vehicles and pedestrians.



Organize student loading process

Identify the student loading zone and educate everyone involved with the intended process. Utilize an Advanced Loading Process and implement a Student Safety Patrol system. Inform and educate students, parents, and staff of the process and enforce that process.



Assign short term "Visitor" parking

Provide assigned parking beyond the Student Loading Zone for parents requiring additional time to load. This area would identify the location where parents can park and walk to the school building when necessary.



Reduce drivers options

Traffic engineering is very important on-campus and along nearby streets. Limiting driver's options and conflicts (possible crashes) not only reduces delays and frustration in the student loading process it also greatly improves the overall traffic safety.



For more information please visit our web site at **NCDOT.ORG** and search for **MSTA**

Transportation Considerations for School Site Selection

Items to consider

- Where is the school district and where do the students live in relation to the site?
- What choices of modes of transportation will these students have? Walk/bike, parent vehicle, school bus, public transportation
- What routes (roads and pathways) will the students be taking?
- What impact will these pedestrians and vehicles have on the existing roadway system?
- What are the proposed changes to these roadways and how will these changes affect the school routes?
- What impact will future growth in the area have on school traffic and what are the cost to address these impacts?
- Are there ways that peak school traffic congestion can be adjusted to lower the impact on nearby peak hour traffic?

Factors Considered in Site Review Analysis for a new School currently being considered by Municipal and School Transportation Assistance (MSTA)

- ***Annual Average Daily Traffic (AADT)*** – is a measure of the number of vehicles traveling along a given roadway on an average day. Schools with access along roadways with high AADT can experience many problems including difficulty entering and exiting the campus, and an increased possibility of vehicle crashes. It is often easier to manage a "Reduced Speed School Zone" on lower AADT roadways. (AADT in this letter is our most recent obtained in 2002 and 2003).
- **Security** – a site with a perimeter that accommodates natural surveillance with limited access points to reduce possible escape routes for potential offenders is desirable.
- ***Room for Expansion*** – a campus design should provide room for future expansion for both building and transportation needs. The driveway length requirements provided by MSTA are based on conservative traffic volume averages. Variations in the student population, student transportation modes, and loading operations can affect the campus needs. Room for future expansion of parking facilities and driveway lengths should be anticipated and provided for in the selection of a school site and campus design.
- ***Connectivity to local roadway network*** – is important to the school and local commuter traffic. A school site with good connectivity will have traffic access from several local roads and not dependent on one major route. Dispersing school related traffic volumes across multiple routes will not only reduce traffic volumes and congestion throughout the local roadway network but also helps with emergency access to the school site.

  School related traffic (especially buses) can access the site along minor roads without having to travel on a major, high-speed highway (Interstate or US route). Additionally, a well-connected campus may provide increased opportunities for pedestrian access to the campus, sidewalk and greenway construction must be considered.

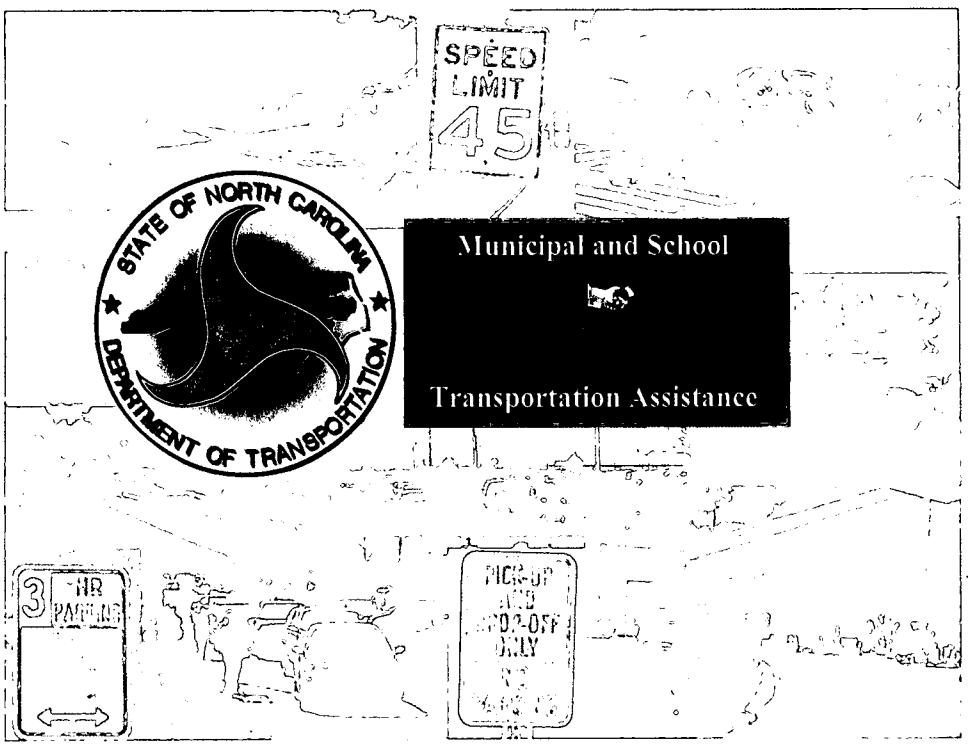
- ***Road Frontage*** – This is a measure of the length of the property border with the adjacent roadway. Ideally, on a school campus, a one-way traffic pattern can be established with separate entrance and exit driveways. This reduces the number of conflict points (potential crashes) at the driveway intersections by separating entering and exiting vehicles. The *NCDOT Policy on Street and Driveway Access to North Carolina Highways* recommends 600 feet between driveways along a roadway, with 400 feet being a minimum.
- ***Proximity to Residential Areas*** – A campus located near residential development(s) is more likely to have students that will walk or bike to school. This promotes good health by increasing students' physical activity and helps reduce the number of vehicles on campus and nearby roadway systems.

Evolving Traffic Safety Concerns

- Request for reduced speed zones in DOT established or proposed major corridors

History of Cost associated with school site improvements

- Traffic signal $130K
- Left turn lane on existing right-of-way $100K, underground utilities affected $40K, incidentals $25K
- $120,000 for 700 foot access road into school and upgrade traffic signal. Does not include the Left turn lanes also added to nearby intersection.
- $50,000 for 500 foot alternate access into school
- $150,000 for turn lane into school
- $227,000 left turn lane built
- $100,000 left turn lane built
- School traffic backed out onto adjacent roadway. Recommended construction of a new driveway with one-way traffic pattern. School constructed a new building on proposed site prohibiting access. A new location was identified for a new driveway but required $150K additional cost to construct turn lanes at an existing intersection. After construction the result was considered a success.
- School System requested access along a dead end road that crossed an active railroad track. Proposed improvements to the intersection would cost over $1M due to acquiring additional right-of-way, crossing signals and gates, and traffic signal with rail preemption. Recommendations included extending road to provide additional access. Site is still under construction.
- Elementary school was constructed along a major route with a short internal driveway. Design prohibited easy driveway extension. Recommendations included constructing a new entrance driveway from a side road and intersection improvements including traffic signal and turn lanes. Approximately 1.2M.



Designing For School Traffic Operations

Working Together To Provide Safe Roads to Safe Schools



Municipal and School
Transportation Assistance

Municipal and School

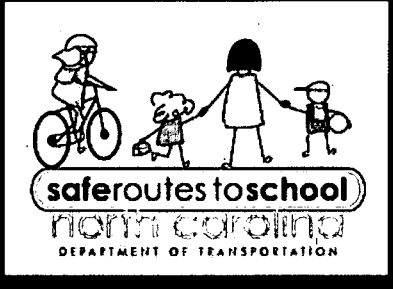


Transportation Assistance

Type School	Locations	Students
Public	2338	1,333,215
Charter	98	32,000
Private	671	94,785
	3107	1,460,000

Nationally, less than half of the students use buses

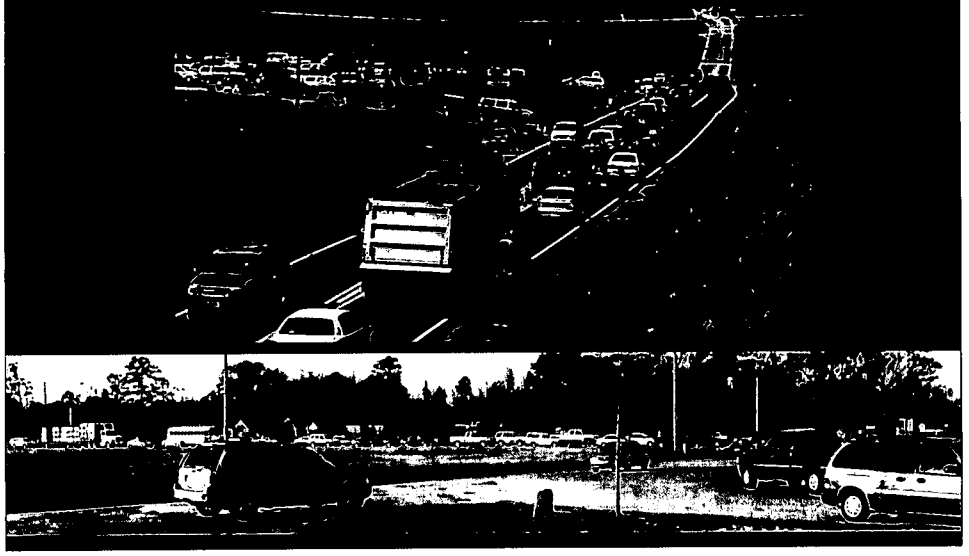
07-08 Information by: NC DPI
NC Division of Non-public Education



A federally funded program under SAFETEA-LU designed to enable and encourage children to walk and bicycle to school.

Safe Routes to School identifies a national concern for school transportation issues.

Do Schools have Traffic Concerns?



Do Schools have Traffic Concerns?

Walk to school is a big worry for parents

It's only a minute from Jane Smith's home, but every morning she walks her son to hi... Smith and other parents who escort their children to ...

Why kids don't walk to school

The harmless adventure of walkin... has turned potentially treacherous, and in many... school is a thing of the past.

School Traffic: 'A hassle'

It's 8:10 a.m., and the line of ... waiting to drop off children for the st... day

Walking to school is for the brave

...ted roads mean even short ... are best attempted in ...

Traffic jams at schools get attention

Growing ... condi...

School officials looking for solutions to traffic problems

A recent traffic accident in front of the El... in which a grandmother wa... children has underscor... the ...

Start of school snarls traffic

State transportation workers today ... traffic delays where clas...

Major Traffic Congestion Plagues Two Schools

...ams occurred on the opening day of ... located in high traffic ...

Traffic jam at school

Cars have lined NC 58 during the school rush this week. Traffic flow problems are spilling out of the school driveway into the entire area surrounding the school. Drivers - who gave up before making it onto the school grounds - parked on the side of the road with their children.

Traffic problems won't go away

Traffic problems in school zones have frustrated teachers. The rural setting of the school causes problems for traffic flowing through the area. The speed of those vehicl... and from ...

Traffic concerns school principal

...lents trying to get to ...ing they can to help

A lot of schools just don't have adequate storage for parent drop-off.

What is the problem?

- School traffic flow designs that fail
- Inadequate student loading designs
- Schools with traffic safety problems along roadways
- Difficult funding for improvements
- No way to ensure implementation of recommendations
  (changes to loading process or school time schedule)
- Often forced to perform studies late in process with critical timelines



What is required of the schools?

Legislation requiring school planers to discuss transportation issues with NCDOT upon acquiring land or beginning construction of a new or existing school.....

Chapter 136.
Roads and Highways.
Article 1.
Organization of Department of Transportation.

§ 136-18. Powers of Department of Transportation.
The said Department of Transportation shall be vested with the following powers:

(29a) To coordinate with all public and private entities planning schools to provide written recommendations and evaluations of driveway access and traffic operational and safety impacts on the State Highway system resulting from the development of the proposed sites. **All public and private entities shall, upon acquiring land for a new school or prior to beginning construction of a new school, relocating a school, or expanding an existing school,** request from the Department a written evaluation and written recommendations to ensure that all proposed access points comply with the criteria in the current North Carolina Department of Transportation 'Policy on Street and Driveway Access'. The Department shall provide the written evaluation and recommendations within a reasonable time, which shall not exceed 60 days. This subdivision **shall not be construed to require the public or private entities planning schools to meet the recommendations** made by the Department, **except those highway improvements that are required for safe ingress and egress to the State highway system**."

DOT will require plans to meet driveway safety recommendations

How can NCDOT help?

Municipal and School



Transportation Assistance

Address school traffic issues on existing campuses and proposed school site plans.

Visit our web site at **NCDOT.ORG** search for **MSTA**

When Reviewing A School MSTA Looks At Two Main Traffic Related Areas

1 - On-campus

Minimum Queue Length

(should include alternative traffic pattern, efficient student loading operations)

2 - Off-campus

Design and Safety of the Driveway(s)

(minimal impact to through traffic, proper sight distance, turn lanes)

On-campus

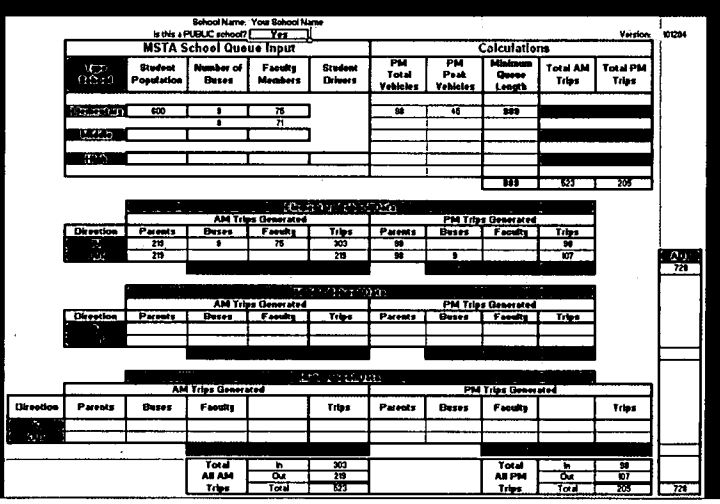
Adequate Driveway Length Analysis



On-campus

MSTA School Traffic Calculator

- School Traffic Volumes
- Minimum driveway queue length for the student loading zone



On-campus

Helping
School
Transportation

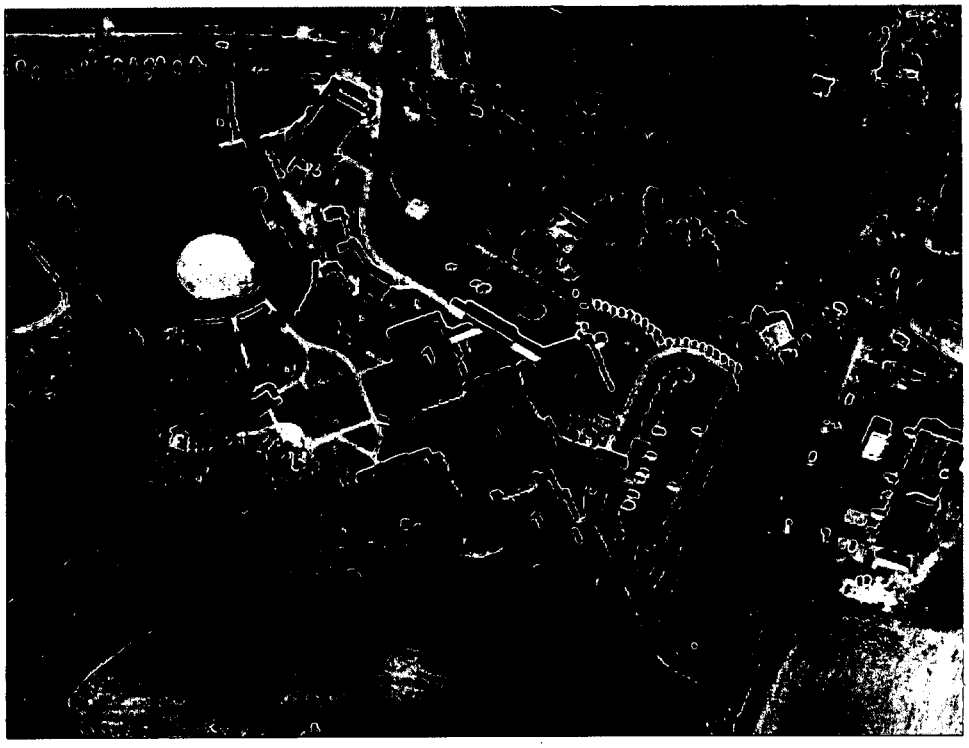


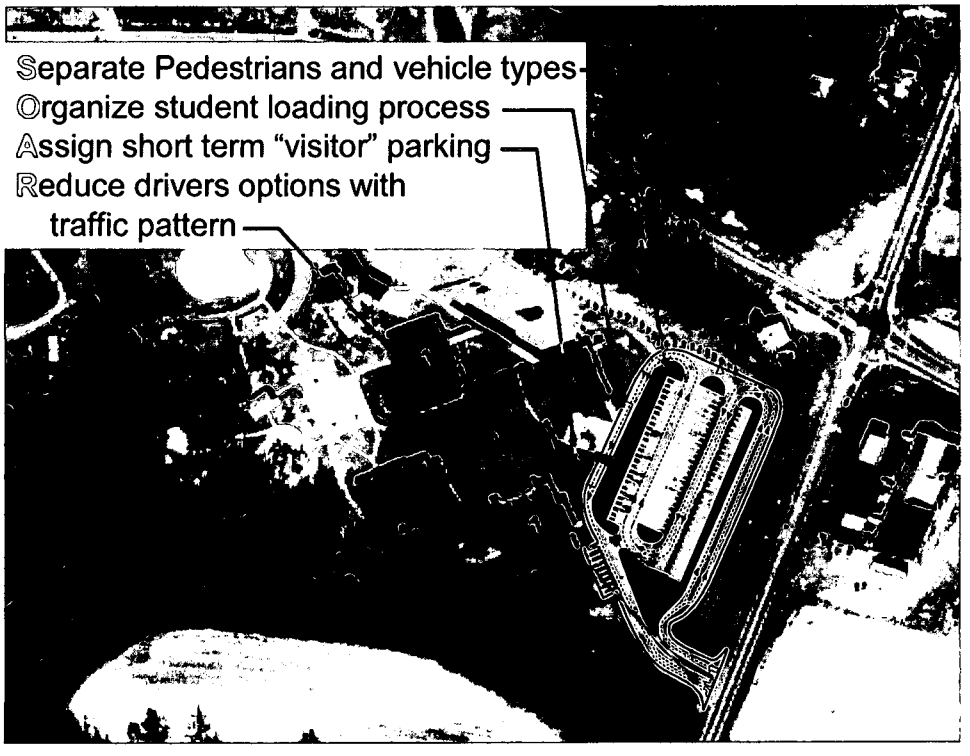
S eparate pedestrians and vehicle types

O rganize student loading process

A ssign short term "Visitor" parking

R educe drivers options





Off-campus

Every school wants a signal



School traffic will rarely meet signal warrants and will likely not address the school traffic safety concerns.

Off-campus

Traffic Directors may not be a safe option



Off-campus

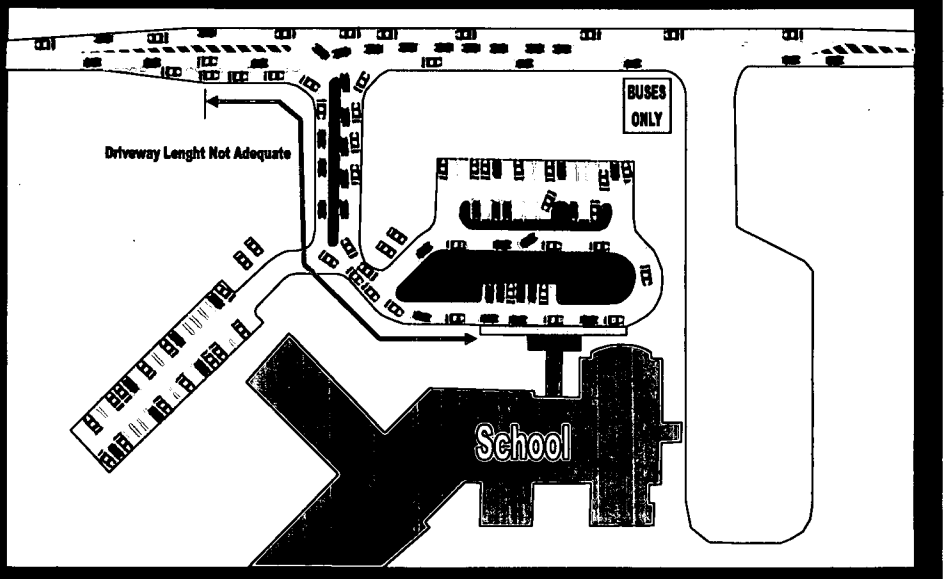
Using specialized software, intersection analysis can be performed



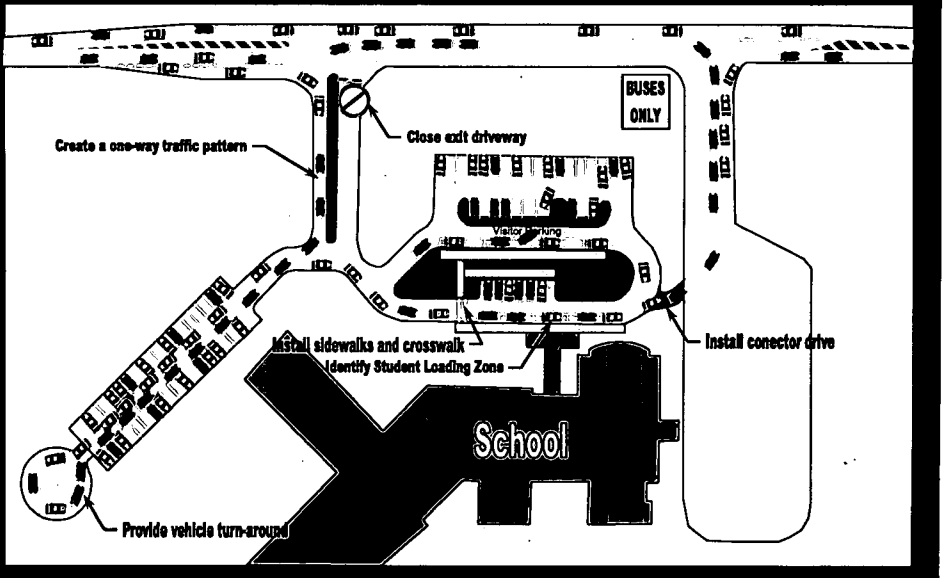
Often design changes to the school traffic pattern and/or design will improve traffic safety.

School Analysis

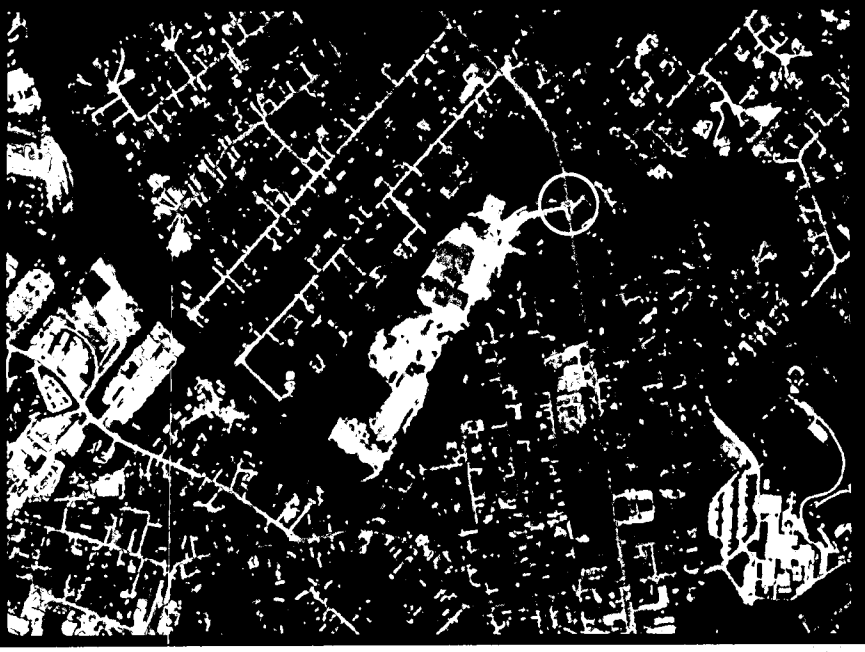
Provide traffic engineering and design assistance



School Analysis



Design for walkability



Some of the cost:

Rural left turn lane	**$30 - 35K**
Urban left turn lane	**$40 - 45K**
(No additional right-of-way cost)	
Driveway widen 12 feet (100 ft)	**$10 - 15K**
with curb and gutter	**$15 - 20K**
Sidewalk installation (100 ft)	**$1,500**

Some of the cost:

Traffic Signal	$130k
Left turn lane on existing right-of-way	$100k
underground utilities	$40k
incidentals	$25k
Turn lane	$150k
Left turn lane	$227k
New driveway and one-way traffic pattern	$150k
New driveway off road with active railroad including right-of-way, crossing signals and gates, and traffic signal	$1.0m
New driveway, intersection improvements including a signal and turn lanes	$1.2m

Current Process (sight plan review)

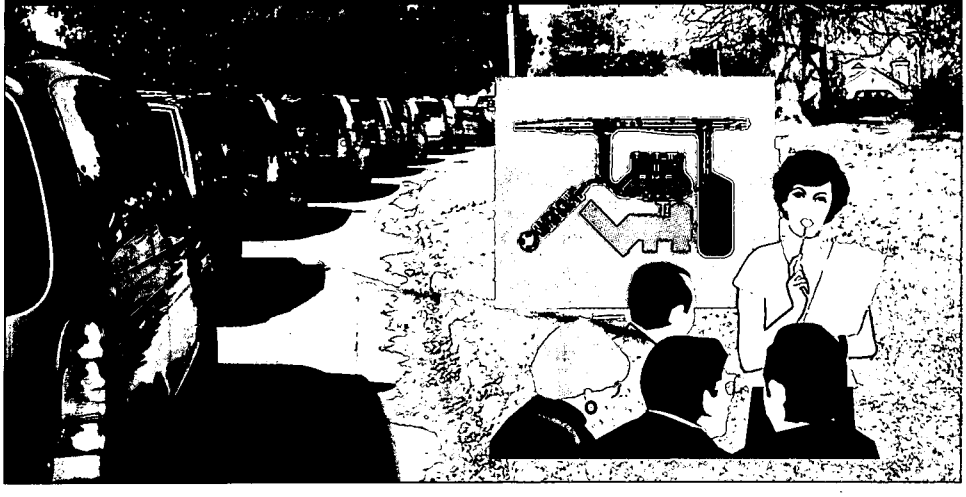
- District Office will review driveway permit
  - –Unnecessary driveways
  - –Safe sight distance
  - –Proper design for turn lane(s)
    (Based on peak roadway traffic not peak school traffic)
- What is not done:
  - –Driveway analysis with school delay
  - –Internal (campus) traffic operations
  - –Student loading operations
  - –Bus loading
  - –Parking lot layout
  - –Design characteristics for pedestrian/bike safety or security

Where does the money come from ?

- **Discretionary funds**
- **Small urban funds**
- **Safety project funds**
- **Roadway maintenance funds**

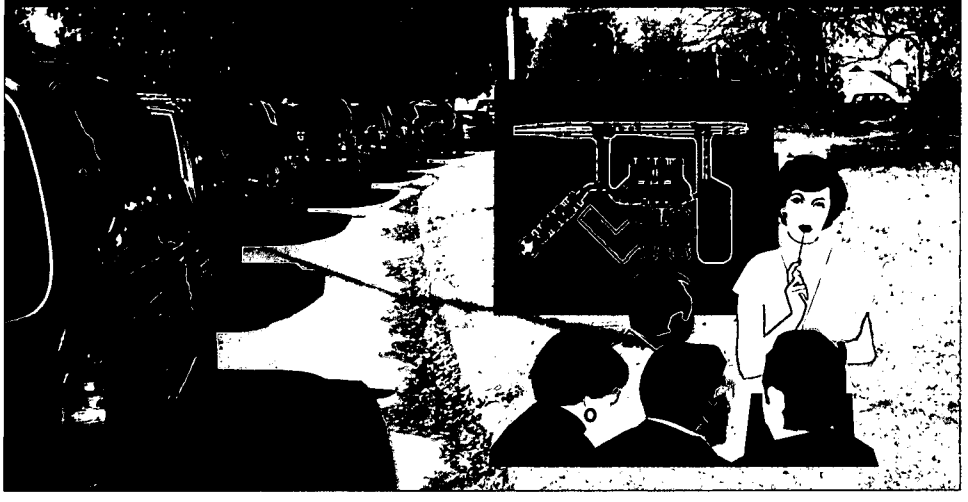
What do we need?

- Input in selecting proper school site location
- Influence in designing site plan
- Dedicated funds for correction measures
- Schools to implement recommendations



What do we need?

- For the Board of Transportation to continue to recognize school pedestrian safety and traffic operations as a priority.



Municipal and School

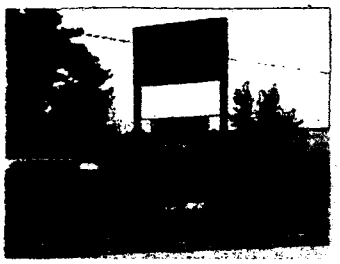
Transportation Assistance

and You

Working Together

To Provide

Safe Roads to Safe Schools

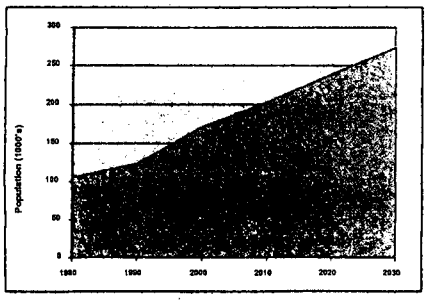


"Integrating Land Use and Transportation Planning to improve mobility in Wilmington"

Presentation Summary

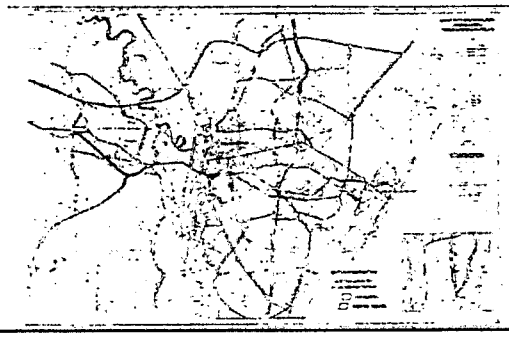
- ☐ Growth and Congestion
- ☐ Scenario Planning
- ☐ Corridor Planning
- ☐ Collector Street Planning

Growth in the Wilmington Urban Area

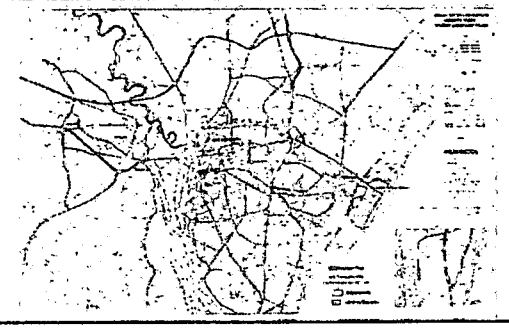


02.21.08, Mike Kozlosky

Congested Roadways 1997



Congested Roadways 2025



National Congestion Issues

The 2005 Urban Mobility Annual Report Texas Transportation Institute (TTI)

Nation's Congestion Continues To Worsen According To Annual Transportation Study;

3.7 Billion Hours Wasted In Traffic Congestion Annually

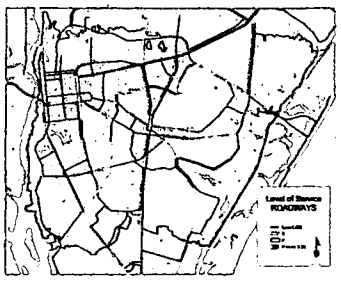
The Reason Foundation

The Number of Congested Lane Miles On Urban Roads Will Increase Over The Next 25 years

To Alleviate Traffic Congestion The Country Needs To Add 104,000 Lane Miles At An Aggregate Cost of $533 Billion Over 25 Years

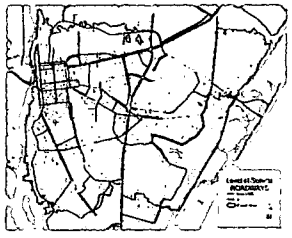
How bad is Wilmington?

Ranked by AAA of the Carolinas for the 8th straight year "as the most dangerous place to drive" in North Carolina



How bad is Wilmington?

- **31%** of all major roads are over capacity
- **78%** of the four main roads are over capacity
  - College
  - Oleander
  - Market
  - Carolina Beach



Descriptions of Poor Planning for Growth

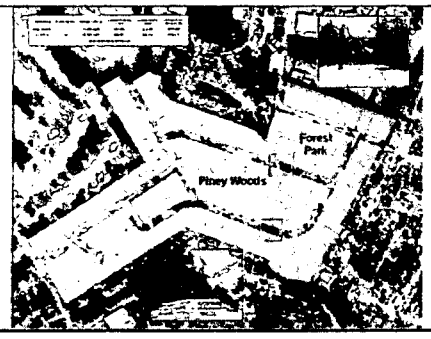
- Strip Commercial development with no inter-connectivity
- Poor Access Management
- Lack of effective Development Regulations



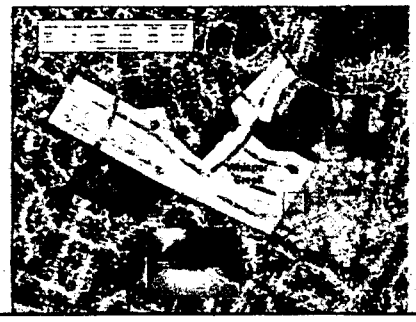
Examples of Poor Access Management and Land Use Planning



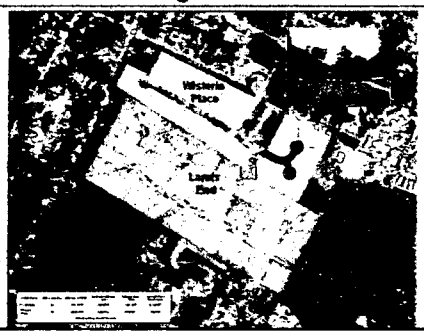
Dead-End Neighborhoods



Dead-End Neighborhoods



Dead-End Neighborhoods

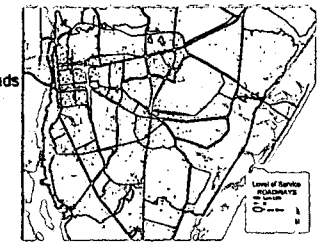


Results of this lack of connectivity.....



How bad will it get?

- 50% of all major roads overcapacity in 2010
- 91% of the four main roads overcapacity in 2010
  - College
  - Oleander
  - Market
  - Carolina Beach



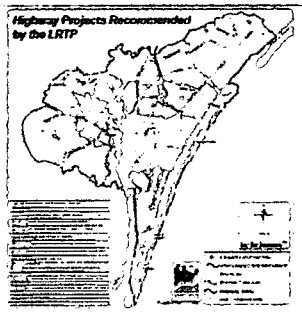
Are we addicted to cars?

For decades we have built our cities for cars with minimal use of mass transit, bicycles and walking

No one should be surprised that the result is traffic congestion – Just like no chain smoker should be surprised to be diagnosed with emphysema.

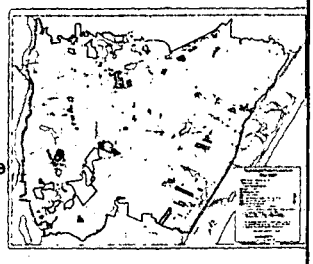


Long Range Transportation Vision



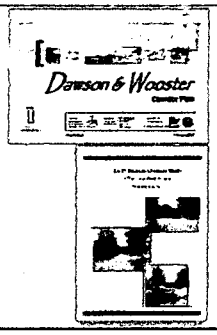
Ways to improve mobility through the planning process.....

- Scenario Planning
  - Evaluating several alternatives to determine the appropriate future land use
  - Helps develop a strategic plan for the future

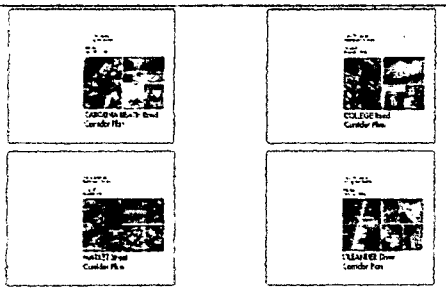


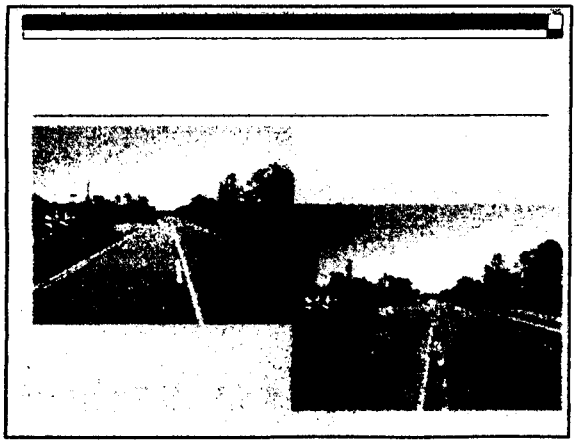
Ways to improve mobility through the planning process.....

- Corridor Studies and Small Area Plans
  - Corridor/Small Area plans are the nexus between the long-range plan and project development
  - Analyze multi-modal facets of transportation
  - Provide recommendations to improve mobility and safety
  - Help develop future CIP and TIP projects



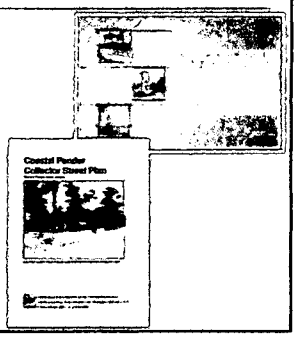
Corridor Plans completed by the City of Wilmington





Ways to improve mobility through the planning process.....

- Collector Street Planning
  - Servers as a guide to help develop future collector street plan
  - Improves mobility by providing alternative accesses
  - Promotes interconnectivity between existing and proposed developments



Example of a Collector Street Plan

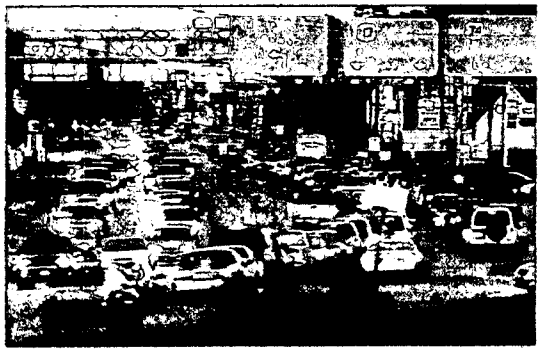


Piner Road/Monkey Junction intersection

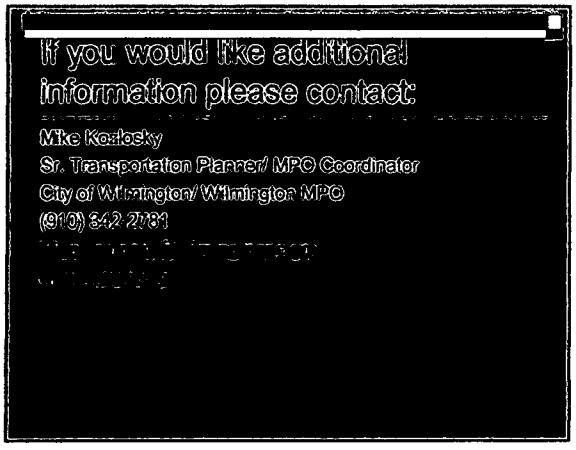


Better Integrating Land Use and Transportation Planning

- Provide resources to develop long range plans for the communities
- Promote better and more efficient land use planning
- Recognize that the land use decisions made at the political level impact capacity and mobility on area roadways



- Questions?


If you would like additional information please contact:
Mike Kozlosky
Sr. Transportation Planner/ MPO Coordinator
City of Wilmington/ Wilmington MPO
(910) 342-2781

MINUTES
21st CENTURY TRANSPORTATION COMMITTEE
INTERGOVERNMENTAL SUBCOMMITTEE

March 24, 2008

The 21st Century Transportation Committee Intergovernmental Subcommittee met at 10:00 a.m. on Monday March 24, 2008 in the Swain Room of the UNC Wilmington Executive Development Center. Chair Jordan Whichard, the Honorable Allen Joines, the Honorable Chuck McGrady and the Honorable George Miller attended. A visitor registration sheet is attached and made part of these minutes.

The Chair opened the meeting and welcomed Members and visitors. Subcommittee Members introduced themselves.

Mr. Whichard reviewed the schedule for the meeting. An agenda is attached and made part of these minutes. He noted the date for the next meeting would be April 24. He reminded Members of two issues the Subcommittee wanted to hear: Federal Funding for transportation in North Carolina and North Carolina's status as a "donor state," additional information about the Federal Funding formula for transportation and best practices of surrounding states for transportation issues.

The Chair recognized John Sullivan, Division Administrator for North Carolina from the Federal Highway Administration for a presentation on federal funding for transportation.

Mr. Sullivan noted he would highlight three areas in his presentation: revenue, equity bonus, and the future of federal funding.

Mr. Sullivan explained that revenue comes from the Federal Gas Tax of 18.4¢, the Federal Diesel Tax of 24.4¢ and the Federal Gasohol Tax of 18.4¢. In addition, the Federal Truck User Taxes including truck sales tax, truck use tax, and tire tax add to revenue to account for the damage to roads caused by trucks. The net Highway Account income for Fiscal Year 2007 was $34.3 billion. Mr. Sullivan then reviewed SAFETEA-LU funding.

Mr. Sullivan continued by explaining equity bonus. The equity bonus is a relative rate of return based on States' contribution to the Highway Account of the Highway Trust. States with certain characteristics will receive a share of apportionments and High Priority Projects. No state is to receive less than a specified percentage of its average annual contribution. Mr. Sullivan stated that only 22,000 miles in North Carolina are eligible for federal funds. There are a total of 103,128 public miles in North Carolina.

The Chair asked a question regarding how North Carolina can rectify its low return.

Mr. Sullivan responded that the funding and apportionment is handled by Congress; two committees determine the formulas.

The Chair asked a second question about alternative federal funding for transportation, for example, military bases and the Department of Defense budget.

Mr. Sullivan responded that Congress has used General Funds for transportation for Coast Guard programs, Defense Access Road programs to improve access and security. Any funding can come through Congress in the Appropriations process.

Representative Miller expressed concern about the proposed solution, saying he was unconvinced that Washington D.C. will look out for the state of North Carolina. Representative Miller questioned how long North Carolina has been a donor.

Mr. Sullivan clarified that it has been since ICETEA and SAFETEA, as well as most of the Southeast.

The Honorable Allen Joines questioned which states are getting the money.

Mr. Smith replied that it was mostly the Northeast.

The Chair asked is all federal funds flow directly to North Carolina and if there were transit authorities competing for federal funds, if so, are there other funds that North Carolina can compete for.

Mr. Smith replied that the funds used to be discretionary programs. In the past, Congress had designated projects. A transit program is different.

The Chair recognized Myron George of Capital Management Engineering. He spoke to the issue of earmark funds.

Mr. Sullivan mentioned that the number of projects has grown. It is one of the things that affects equity bonuses.

The Chair recognized Michael Estes of the Virginia Department of Transportation. His presentation covered the commonwealth, transportation finance and localities, special local programs, locally administered projects and the number of roads eligible. The gas tax is 17.5 cents and has not changed since 1986.

The Honorable Chuck McGrady asked if there was any problems with localities not being able to administer projects.

Mr. Estes replied that yes there have been problems because there are very diverse counties. There has been devolution on activities and locally administered projects.

The Honorable Chuck McGrady asked as to what had caused the devolution.

Mr. Estes replied that it was enabling legislation and a belief that the Virginia DOT should focus more on regional and Interstate. A local focus should be on local issues.

Furthermore, the last two governors pushed to tie land use and transportation. There was expertise on a local level, a local partnership team, guidance, and stewardship.

The Honorable Allen Joines stated that he was intrigued with the Northern Virginia program.

The Honorable Chuck McGrady commented that he had a problem with the Virginia DOT model because he didn't understand what was different. What do the counties in Virginia do that those in North Carolina do or don't do. Also, the funding options: how is the North Carolina system different from what North Carolina has now.

Representative Miller replied that it is incumbent on the members to deal with this issue of being a donor. He recommended calling on the Congressional delegation and recommending to the full committee to pass a resolution based on where North Carolina is and what our state is losing.

The Chair recommended that a set of best practices be created.

There being no further business, Chairman Whichard adjourned the meeting at 11:40 a.m.

Respectfully submitted,

Mr. Jordan Whichard
Presiding Chair

Michelle Hall
Subcommittee Assistant

21st Century Transportation Committee
Intergovernmental Subcommittee Meeting

March 24, 2008
10:00 – 11:30 a.m.
Room 415
Legislative Office Building

Agenda

I. Welcome and Introductory Remarks
Jordan "Jordy" Whichard, III, Subcommittee Chair

II. Federal Funding for Transportation in North Carolina
John Sullivan
Federal Highway Administration
Division Administrator for North Carolina.

III. Virginia Transportation Issues:
Structure, Funding, Division of Responsibilities between State and Local Governments, and Other Current Issues.
Michael A. Estes, P.E.
Director, Local Assistance Division
Virginia Department of Transportation.

IV. Committee Discussion

V. Adjourn

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — **Name of Committee**

March 24, 2008 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Allsbrook	NC Concrete Pavement Assoc.
Battle Whitley	NCDOT - Div. 5
Jim Trogdon	NCAA
Amy Simes	DENR
John Sullivan	FHWA
Mike Estes	Virginia DOT
Russ Dudley	VA. DOT
Jim Humphrey	Charlotte
Deborah Logan Hobbs	Mecklenburg County
Marie Sutton	NCDOT
Reid Simons	NCDA

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — March 24, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mercedes Benton	OSBM
Amy Schilder	MWC
Ed Johnson	NC CAPITAL AREA MPO
DAVID REECE	MANNING FULTON
WHIT WEBB	HNTB
Jeb Pike	NCDOT
Marc Meyer	NCACC
Marc Finlayson	Highway 17 Association
CS Hollis	KCC
BERRY Jenkins	NC GO
Murphy Sullivan	Charlotte chamber

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — March 24, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Laura Padgett	Wilmington City Council / MPO / Nat'l League of Cities Transp. Cte Chair
David Joyner	NCTA
Lin Hollowell	NCDOT
Johanna Reese	DOT

MINUTES
21st CENTURY TRANSPORTATION COMMITTEE
INTERGOVERNMENTAL SUBCOMMITTEE

April 24, 2008

The 21st Century Transportation Committee Intergovernmental Subcommittee met at 10:00 a.m. on Thursday April 24, 2008 in the Swain Room of the UNC Wilmington Executive Development Center. Chair Jordan Whichard, Representative Lorene Coates, the Honorable Allen Joines, the Honorable Chuck McGrady and the Honorable George Miller attended. A visitor registration sheet is attached and made part of these minutes.

The Chair opened the meeting and welcomed Members and visitors. Subcommittee Members introduced themselves.

Mr. Whichard reviewed the schedule for the meeting. An agenda is attached and made part of these minutes.

The Chair recognized Dan Guimond and Carrie Hamblin, from the Office of Innovation Fianance of the Georgia DOT for a presentation on Georgia transportation issues.

The members moved on to discuss the Federal Highway Funds "Donor State" Resolution.

Representative Miller pointed out that there are a dozen whereas(es) such as military construction, seat belt laws, DUI Laws, and strategically located military bases.

The Honorable Allen Joines also mentioned that high growth expectancy should be factored in since it is the 7th largest state.

The Honorable Chuck McGrady was concerned about the resolutions saying that his concerns were that some parts of the state could argue that the gas tax money is not all coming back to the state.

The Honorable Allen Joines moved the adoption as amended.

Representative Coates seconded the motion.

The motion passed unanimously.

The Chair remarked that he was not sure there was a definitive set of best practices. He recommended creating some solid recommendations in the long term.

Representative Coates recommended listing to more people before making any decisions.

The members discussed how to make this a priority and thus more effective and impactful on members of the legislature.

The Honorable Chuck McGrady noted that the committee is struggling to compare the North Carolina system to other systems.

The Chair remarked that the information is good, but the situations from other states are not the same as North Carolina. However, the goal is not to re-invent the wheel.

There being no further business, Chairman Whichard adjourned the meeting at 11:30 a.m.

Respectfully submitted,

Mr. Jordan Whichard
Presiding Chair

Michelle Hall
Subcommittee Assistant

21st Century Transportation Committee
Intergovernmental Subcommittee Meeting

April 24, 2008
10:00 – 11:30 a.m.
Room 415
Legislative Office Building

Agenda

I. Welcome and Introductory Remarks
Jordan "Jordy" Whichard, III, Subcommittee Chair

II. Georgia Transportation Issues:
Structure, Funding, Division of Responsibilities between State and Local Governments, and Other Current Issues

Dan Guimond,
Director, Office of Innovative Finance,
Georgia DOT

Carrie Hamblin,
Office of Innovation Finance
Georgia DOT

III. Discussion and Adoption of
Federal Highway Funds "Donor State" Resolution

IV. Committee Discussion

V. Adjourn

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — April 24, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Willis	Wake County Govt.
Joe Milazzo II	RTA
MYRON GEORGE	CME
H. Isaacs	NCDOT
Marc Sutton	NCDOT
DAVID JOYNER	NCTA
SANFORD L. KORSCHUN	Wayne Co CHAMBER - Logistic Comm.
Jerry Williams	~~NC Rail~~ Railway Assn of NC
Marvin Waters	CCPS
DANIEL BAUM	KENNEDY COVINGTON
Marc Finlayson	Highway 17 association

VISITOR REGISTRATION SHEET

Intergovernmental Subcommittee — April 24, 2008

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Stem	NCAA
John Mallg	Gov office
O Payne	MWC
Steven Waters	WakeUp Wake County
Gordon McLeod	NC Conservation Network.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

U D

BILL DRAFT 2007-RWz-10 [v.7] (04/01)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/7/2008 12:07:30 PM

Sponsors:

Referred to:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS.

Whereas, under the federal Intermodal Surface Transportation Efficiency Act of 1991 the State received an eighty-two and seven tenth percent (82.7%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, under the federal 1998 Transportation Equity Act for the 21st Century (TEA-21) the State received an eighty-nine and two tenth percent (89.2%) return on the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) promised that the State would increase its share of federal highway revenue to ninety-two percent (92%) by the 2008-2009 fiscal year; and

Whereas, under SAFETEA-LU the State has so far received only eighty-nine and seven tenth percent (89.7%) of the federal highway tax revenue it remitted to the federal Highway Trust Fund; and

Whereas, the State has urgent transportation needs that could be addressed if the State received a fair share of the federal highway tax revenue it remitted to the federal Highway Trust Fund each year; Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

SECTION 1. The United States Congress is urged to provide the State with all the federal highway tax funds it was promised under the 2005 federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and to end the State's status as a donor State of federal highway tax

revenues in the next federal transportation reauthorization act, due for enactment by Congress in 2009, by providing that State with one hundred percent (100%) of the federal highway funds it remits to the federal taxes to the federal Highway Trust Fund each year.

SECTION 2. The Secretary of State shall transmit a copy of this joint resolution to each member of the United States Congress representing North Carolina.

SECTION 3. This resolution is effective upon ratification.

Report and Recommendations
21st Century Transportation Committee
Intergovernmental Subcommittee
April 24, 2008

Brief Summary of Subcommittee Proceedings

The Intergovernmental Subcommittee of the 21st Century Transportation Committee met five times from December 2007 to April 2008.

The first meeting of the Subcommittee was an organizational meeting, held December 12, 2007.

At its second meeting on January 16, 2008, the Subcommittee heard presentations from: Calvin Leggett, P.E. Manager, Program Development Branch, North Carolina Department of Transportation, on the current federal, State, and local role in transportation funding; Paul Meyer, Senior Associate General Counsel, North Carolina Association of County Commissioners, on county perspectives on transportation; and Beau Mills, Director of Intergovernmental Relations, NC Metropolitan Coalition, on municipal perspectives on transportation funding.

At its third meeting on February 21, 2008, the Subcommittee heard presentations from: H. Allen Pope, PE, NC DOT Division Engineer, Highway Division 3, and Joel C. Cranford, NC DOT Congestion Management Section, Municipal and School Transportation Asst. Engineer, on land use, development and their effect on transportation facilities in the State; and Mike Kozlosky, Senior Transportation Planner, City of Wilmington, on land use and transportation issues in Wilmington.

At its fourth meeting on March 24, 2008, the Subcommittee heard presentations from John Sullivan, Federal Highway Administration, Division Administrator for North Carolina, on federal funding for transportation in North Carolina; Michael A. Estes, P.E. Director, Local Assistance Division, Virginia Department of Transportation, on Virginia transportation issues, including structure, funding, division of responsibilities between State and local governments, and other current issues.

At its fifth meeting, on April 24, 2008, the Subcommittee heard presentations from: Dan Guimond, Director, Office of Innovative Finance, Georgia DOT and Carrie Hamblin, Office of Innovation Finance, Georgia DOT, on Georgia transportation issues, including structure, funding, division of responsibilities between State and local governments, and other current issues. In addition, the Subcommittee discussed and adopted as it recommendation a resolution concerning the State's status as a donor state for federal highway funds.

Recommended Legislation

The Subcommittee recommends that that the full Committee approve for introduction a Resolution entitled:

A JOINT RESOLUTION URGING CONGRESS TO END NORTH CAROLINA'S STATUS AS A DONOR STATE OF FEDERAL HIGHWAY TAX REVENUES, AND TO RETURN ONE HUNDRED PERCENT OF THE FEDERAL HIGHWAY REVENUES THE STATE REMITS TO THE FEDERAL GOVERNMENT EACH YEAR, IN ORDER FOR THE STATE TO ADDRESS ITS URGENT TRANSPORTATION NEEDS.

Planned Work of the Subcommittee Following the Short Session of the General Assembly

The Subcommittee also reports that it intends to further study topics within its charge, including:

- The effect of municipal and county land use decisions on road construction needs, and the need for additional coordination to protect and preserve existing and future State transportation investments.

- Transportation funding and organizational structures in other states, in order to discover new, innovative, and effective methods for assigning the responsibility of the State, municipalities, and counties for road construction and maintenance in this State.

FINANCE

1) Innovative methods to fund the transportation needs of the State, including an examination of traditional and nontraditional methods of financing transportation infrastructure.
2) Local funding options for transportation.

INTERGOVERNMENTAL

1) Local funding options for transportation.
2) The appropriate division of responsibility for transportation infrastructure between State and local government and any federal role in providing transportation infrastructure needs.

PRIORITIZATION/ BEST PRACTICES/EFFICIENCY

1) Ways to improve the transportation systems of the State in order to promote economic growth and ensure that the State can compete and participate in the global economy.
2) Priorities of the Department of Transportation, including methods to ensure adequate funding for corridors and projects of statewide significance.
3) Methods to use new and innovative technology to improve the transportation system.
4) Methods to spend transportation funds in the most effective and cost efficient manner, including ways to use recycled materials, and reuse and recycle road materials.
5) Ways to maintain the continued safety of the current transportation system, including an analysis of the safety and reliability of bridges in the State.

INTERMODAL WORK

1) An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.
2) A review of public transportation needs in urban areas.
3) Methods to encourage fuel conservation and energy conservation in North Carolina.

2007-2008

21ST CENTURY TRANSPORTATION PRIORITIZATION & EFFICIENCY SUBCOMMITTEE

MINUTES

21st Century Transportation
Prioritization and Efficiency Subcommittee

MEMBERSHIP LIST

Senator Clark Jenkins, Chair
P.O. Box 310
Tarboro, NC 27886
clarkj@ncleg.net

Representative Becky Carney
16 W. Jones Street
Room 1221
Raleigh, NC 27601
Beckyc@ncleg.net

Representative Bill McGee
531 Legislative Office Building
Raleigh, NC 27603
WilliamM@ncleg.net

Mr. Billy Sewell
521 New Bridge Street
Jacksonville, NC 28540
bsewell@platinumcorral.com

Mr. Lanny Wilson
1442 Quadrant Circle
Wilmington, NC 28405
lanny73763@aol.com

Mr. Richard Blackburn
451 Don Walters Road
Jefferson, NC 28640
blackburnrc@skybest.com

STAFF: Jim Trogdon
Room 308-A, LOB
JimT@ncleg.net

CLERK: Dianne Russell
Room 1221, LB
carneyla@ncleg.net

21st Century Transportation
Prioritization and Efficiency Subcommittee
UPDATED (MERGED) MEMBERSHIP LIST

Senator Clark Jenkins, Chair
P.O. Box 310
Tarboro, NC 27886
clarkj@ncleg.net
252-823-7029

Representative Becky Carney
16 W. Jones Street
Room 1221
Raleigh, NC 27601
Beckyc@ncleg.net
919-733-5827

Representative Bill McGee
531 Legislative Office Building
Raleigh, NC 27603
WilliamM@ncleg.net
919-733-5747

Mr. Billy Sewell
521 New Bridge Street
Jacksonville, NC 28540
bsewell@platinumcorral.com
910-548-3971

Mr. Lanny Wilson
1442 Quadrant Circle
Wilmington, NC 28405
lanny73763@aol.com
910-256-9015

Mr. Richard Blackburn
451 Don Walters Road
Jefferson, NC 28640
blackburnrc@skybest.com
336-846-9088

Mr. D. Jordan "Jordy" Whichard
PO Box 1967
Greenville, NC 27834
jwhichard@coxnews.com

Rep. Lorene Coates
633 Legislative Office Building
Raleigh, NC 27603
Lorenec@ncleg.net
919-733-5784

The Honorable Allen Joines
PO Box 2511
Winston Salem, NC 27102
allenj@cityofws.org

The Honorable Chuck McGrady
100 North King Street
Hendersonville, NC 28792
cmcgrady@hendersoncountync.org

The Honorable George W. Miller, Jr.
PO Box 51429
Durham, NC 27717
GWMJr@HDMLLP.com

STAFF: Giles Perry
545 Legislative Office Building
Raleigh, NC 27603
919-733-2578
gilesp@ncleg.net

STAFF: Jim Trogdon
Room 308-A, LOB
JimT@ncleg.net
(919) 715-0654

STAFF: Wendy Graf Ray
201HH Legislative Office Building
Raleigh, NC 27603
919-733-2578
wendyg@ncleg.net

CLERK: Tazra Mitchell
Room 1221, LB
carneyla@ncleg.net
(919) 733-5827

ATTENDANCE - 2008

21st Century Transportation Prioritization & Efficiency Subcommittee

Member	1/09/08	1/16/08	02/06/08	2/21/08	3/05/08	4/24/08	
Sen. Clark Jenkins, Co-Chair	X	X	X	X	X	X	
Rep. Becky Carney	X	X	X	X	E	X	
Rep. Bill McGee	X	X	X	X		X	
Mr. Billy Sewell	X		X	X	X	X	
Mr. Lanny Wilson	X	X	X	X	X	X	
Mr. Richard Blackburn	X	X	X	X	X	X	
Rep. Cole					X		

ATTENDANCE - 2008

21st Century Transportation Prioritization & Efficiency Subcommittee

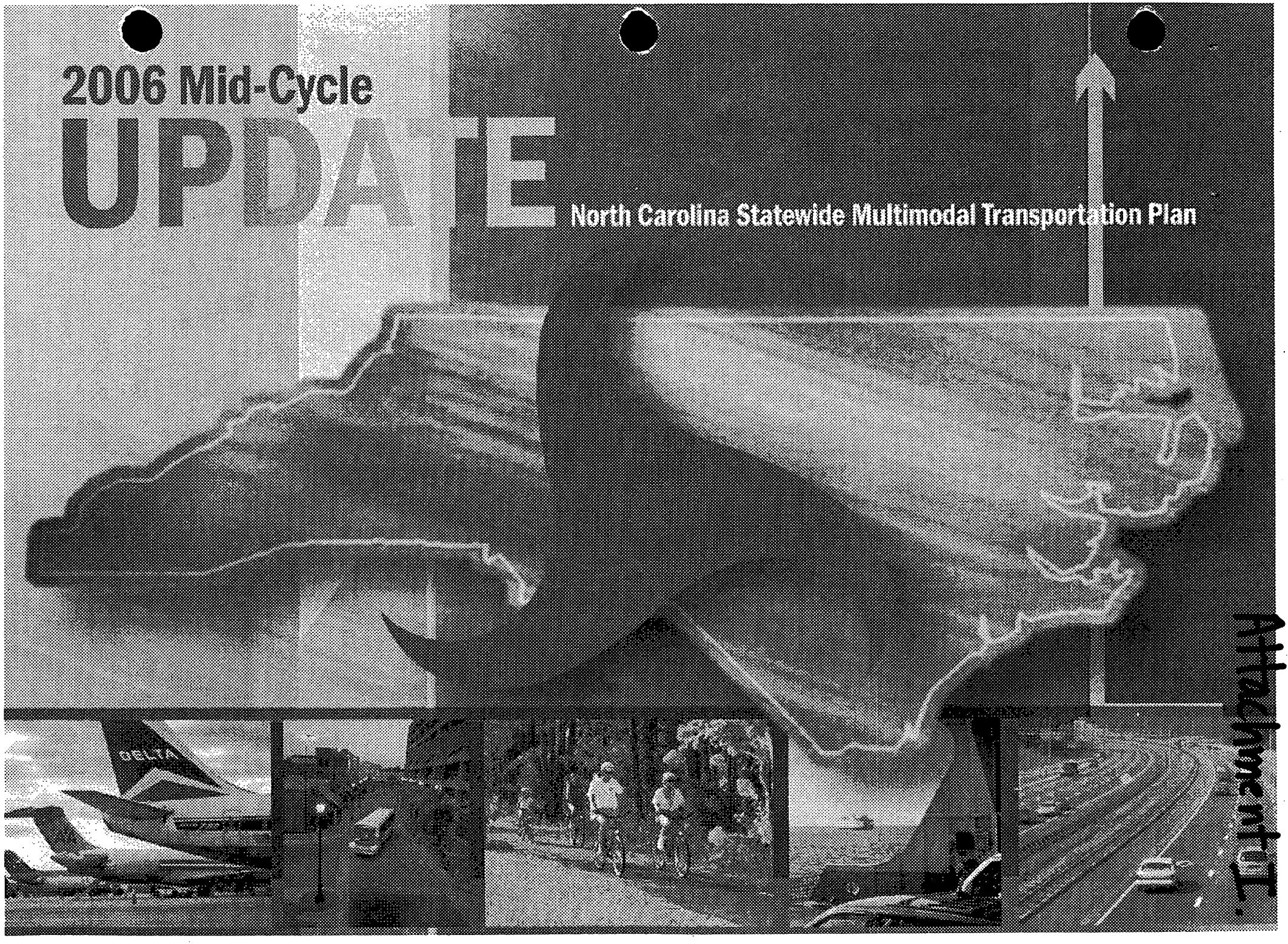
Member	9/11/08	11/5/08	11/19/08				
Sen. Clark Jenkins, Co-Chair		X					
Rep. Becky Carney	X	X	X				
Rep. Lorene Coates	X	X	X				
Rep. Bill McGee	X	X					
Honorable Allen Joines			X				
Honorable Chuck McGrady	X	X	X				
Honorable George Miller, Jr.			X				
Mr. Richard Blackburn	X	X	X				
Mr. Billy Sewell	X	X	X				
Mr. Jordan Whichard	X	X	X				
Mr. Lanny Wilson	X	X	X				

21st Century Transportation
Prioritization and Efficiency Subcommittee
January 9th
10:00-12:30
Legislative Office Building Room 421

Chairs' Comments	Senator Clark Jenkins
NC Long Range Transportation Plan and Needs	Mr. Alpesh Patel NCDOT Dale Jamik and Jeff Carol Wilbur Smith & Assoc.
NCDOT Project Delivery Study	Mr. Gene Conti PBS&J
Discussion	

2006 Mid-Cycle UPDATE

North Carolina Statewide Multimodal Transportation Plan



Draft

Acknowledgements



NCDOT gratefully acknowledges the commitment, cooperation, and professional contributions of the following:

North Carolina
Department of Transportation
Secretary **Lyndo Tippett**

Alpesh G. Patel, ***Project Manager***

Board of Transportation:

- Stan M. White
- Marvin K. Blount, III*
- Cameron (Cam) W. McRae*
- Lanny T. Wilson
- Louis W. Sewell, Jr.
- Thomas A. Betts, Jr.
- Kenneth Spaulding
- Nina S. Szlosberg
- D. M. Campbell, Jr.
- J. Douglas Galyon
- G. R. Kindley
- Nancy W. Dunn**
- Andrew M. Perkins, Jr.*
- Marion A. Cowell, Jr.*
- Larry S. Helms
- Arnold Lakey
- Robert (Bob) A. Collier, Jr.*
- Alan Thornburg
- Conrad Burrell

Statewide Transportation Plan Senior Management Team:

- Susan Coward
- Steve Varnedoe
- Calvin Leggett
- John Sullivan
- Mike Bruff
- Debbie Barbour
- Len Sanderson
- Roberto Canales
- Greg Thorpe
- Mark Foster

NCDOT Staff Contributions from:

- Division of Highways

Divisions of:

- Public Transportation
- Rail
- Ferry
- Bicycle and Pedestrian Transportation
- Aviation

Additional Contributions from:

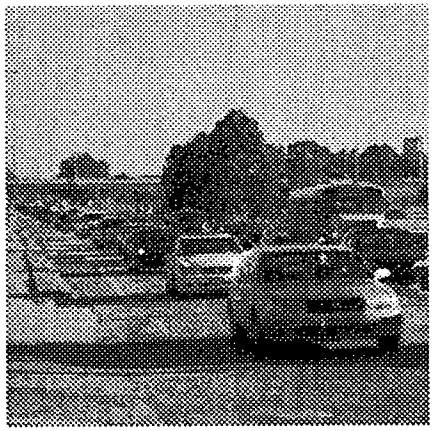
- NC State Ports Authority
- Federal Highway Administration (NC Division)

Consultant:

- Wilbur Smith Associates

** Statewide Transportation Plan Committee ** Chair, Statewide Transportation Plan Committee*

Table of Contents



Acknowledgements 1

A Message from the Secretary on the Statewide Transportation Plan 3

Executive Summary 4

Transportation System Investment Needs 6

Multimodal Transportation Needs Comparison between 2004 STP and 2006 STP Mid-Cycle Update 8

Future Funding Levels 10

Highways, Bridges, and ITS 11

Intelligent Transportation Systems 13

Public Transportation 14

Passenger Rail 15

Freight Rail 16

Ferries 17

Bicycle and Pedestrian System. 18

Aviation 19

Ports 20

A Message from the Secretary on the Statewide Transportation Plan



The North Carolina Department of Transportation (NCDOT) affects the lives of citizens every day. The Department serves as a caretaker of a sizeable transportation system, including 79,000 miles of roadway, 74 public airports, public transportation in all 100 counties, 2 major passenger train routes, statewide bicycle routes and ferry service along 7 coastal routes. Our highway and ferry systems are the nation's second largest and the Bicycle and Pedestrian Division is the oldest of its kind in the country.

In support of Governor Easley's vision for One North Carolina, NCDOT strives to bring safe, effective and efficient transportation within reach of all its citizens. Continuing to serve our citizens while simultaneously preparing to meet future needs is a challenging task. This challenge underscores the importance of the state's Long-Range Statewide Multimodal Transportation Plan, simply referred to as the Statewide Transportation Plan, which was adopted by the N.C. Board of Transportation in September 2004, and serves as a virtual blueprint to help us plan the future. This report serves as both an implementation item and data update of that plan. The results clearly show that over the past few years our transportation needs continue to vastly outpace our funding.

A quality transportation system is crucial to North Carolina's economic prosperity and the safe and efficient movement of our citizens. It will take partnership, commitment and determination to work toward opportunities that bridge the growing funding gap and help North Carolina address its future transportation needs. Together we can build a world class transportation system that keeps pace with the demands of the 21st century and enhances the quality of life for all of our citizens for many years to come.

Lyndo Tippett

Secretary of Transportation

Executive Summary

The North Carolina Department of Transportation (NCDOT) is committed to supporting a safe and integrated transportation system that enhances the well being of the state. Over a four-year process from 2000-2004, NCDOT took a "first step" in better understanding the challenges, needs, and resources required to provide such a transportation system for a growing and economically diverse state. Starting in 2001, NCDOT first identified a 25-year infrastructure estimate (to the year 2025, in 2001 dollars) of both transportation needs ($84 billion) and available revenue ($55 billion) that was the basis for a multi-year public policy conversation with NC's citizens and stakeholders on establishing transportation priorities. This effort culminated in the adoption and recommendation of a new, long-term investment policy highlighted in the Statewide Transportation Plan in September 2004.

This 2006 Statewide Transportation Plan (STP) Mid-Cycle Update represents both an implementation item of and data refresh to the 2004 STP. The 25-year estimate covered by this update is to the year 2029, with both transportation needs and revenue estimates in 2005 dollars, thereby representing a 4-year analysis change to the previous STP. The updated estimates in this report are a reflection of economic changes, increasing travel demand, and rising operational costs, all of which affect NCDOT's ability to address current and future needs.

Since 2003, North Carolina has experienced unprecedented construction cost increases. Construction prices for concrete, steel and asphalt have increased by 45 percent, making it more costly for NCDOT to complete needed projects. In addition, construction costs are expected to continue to rise in the near future.

The right investment mix to address preservation, maintenance, modernization and expansion of the transportation system is required if NCDOT wants to build upon the efforts of the 2004 STP recommendations and address the updated information in this 2006 STP Mid-Cycle Update. Finding ways to maximize operational efficiency, leveraging the use of technology, and seeking to be strategic with how and where transportation dollars are invested creates safety, congestion relief and mobility benefits (across all modes) paramount to managing North Carolina's sizeable transportation system. The purchasing power of revenue from user fees such as the motor fuels tax is declining, which has major implications on the NCDOT transportation capital program. In many ways, the transportation system is the lifeblood of the North Carolina economy and an important component of quality of life for all residents.

System Needs

Over the past year, NCDOT staff have worked to update the multimodal transportation needs and determine future transportation revenues to 2030. Overall, the multimodal transportation investment needs identified in the 2006 STP Mid-Cycle Update total $124 billion compared to $84 billion from the 2004 STP. This is an increase of $40 billion, or 48 percent. The 2006 STP Mid-Cycle Update also identified the following:

- Highway needs (roadways, bridges and intelligent transportation systems (ITS) needs have increased by 43 percent;
- Public transportation needs have increased by 68 percent;
- Passenger and freight rail needs have increased by 20 percent;
- Ferry needs have increased by 28 percent;
- Bicycle and pedestrian needs have increased by 47 percent; and
- Aviation needs have increased by 69 percent.

The multimodal transportation needs are categorized by improvement type (expansion, modernization, preservation and maintenance) and by the North Carolina Multimodal Investment Network (NCMIN). The NCMIN organizes all transportation facilities by interest, travel function, role, and use into three tiers – Statewide, Regional, and Subregional. Based on these categories:

- 42 percent are on the Statewide Tier;
- 15 percent are on the Regional Tier;
- 43 percent are on the Subregional Tier;
- 38 percent are expansion needs;
- 23 percent are modernization needs; and
- 39 percent are preservation and maintenance needs.

Future Revenues

The amount of funding available to NCDOT for transportation improvements over the next 25 years is challenging to accurately predict. However, based on conservative assumptions concerning revenue growth and adjusting for inflation, NCDOT estimates that a total of $59 billion (in 2005 dollars) will be available for transportation investment over the next 25 years. This figure does not include any local revenue; only state and federal sources were identified.

Funding Gap

Comparing the needs against the available funding revenues identifies a funding gap of $65 billion.

Due to the many competing priorities for government funds and slow growing dedicated revenue sources compared to rapidly rising construction costs, it is not surprising that funding for transportation improvements has not kept pace with the growing multimodal transportation demands nor the growing needs of an aging system. As with all state DOTs, NCDOT is faced with a growing challenge of meeting the high demands and expectations with limited dollars and NCDOT cannot solve these funding challenges alone.

To counteract the widening gap between multimodal transportation needs and anticipated revenues, NCDOT must continue to develop key policies and initiatives. To date, the Governor and General Assembly have implemented several policies and initiatives that will help bridge the gap between multimodal transportation needs and revenues. These include the creation of the North Carolina Turnpike Authority, which will provide additional revenue for capital and at the same time, expedite the completion date for various projects; the approval to use GARVEE bonds and the NC Moving Ahead program; and repayment of approximately $200 million included in the FY 2007 State Budget. This repayment is a partial accounting for the multi-year transfer of transportation dollars from the state's Highway Trust Fund to the state's General Fund (originally done to help stabilize the fund's solvency). This is a positive, commendable policy step toward keeping transportation monies for transportation project needs and may lead to future such decisions. Additionally, recent legislation to increase statewide motor vehicle licenses and fees will generate almost $160 million more per year to meet transportation needs in North Carolina.

These policies and initiatives will certainly assist in bridging the funding gap between needs and revenues. However, since the motor fuels tax revenue stream is eroding, more policies and initiatives must be identified to ensure the multimodal transportation system is preserved, maintained, modernized, and expanded to meet the needs of a fast growing state.

Implications

If the growing gap between multimodal transportation needs and available revenue is not addressed, North Carolina may experience consequences, such as a:

- Reduced ability to recruit and maintain industries;
- Decline in access to higher paying jobs;
- Decline in employment;
- Decline in state and local tax revenues;
- Decline in tourism;
- Decline in safety; and an
- Increase in traffic congestion.

The consequences of not addressing the growing gap between transportation needs and revenues may:

- Increase the cost of production;
- Increase the cost of distribution;
- Increase personal cost of travel;
- Decrease home values;
- Weaken state, regional and local economies;
- Weaken the tourism industry; and
- Decrease the mobility of people and goods.

Transportation System Investment Needs

To identify the true transportation needs throughout the state, the 2006 STP Mid-Cycle Update examined all transportation modes. "Mode" refers to the facilities associated with transportation systems, such as highway, public transportation, bicycle and pedestrian facilities, etc. The 2006 STP Mid-Cycle Update identified investment needs on the multimodal transportation system to the year 2030. During the development of the 2004 STP, the North Carolina Multimodal Investment Network (NCMIN) was developed to classify the type of travel served by a combination of modes. The three NCMIN Tiers are Statewide, Regional and Subregional. Transportation investment needs for each mode are categorized into one of these three tiers.

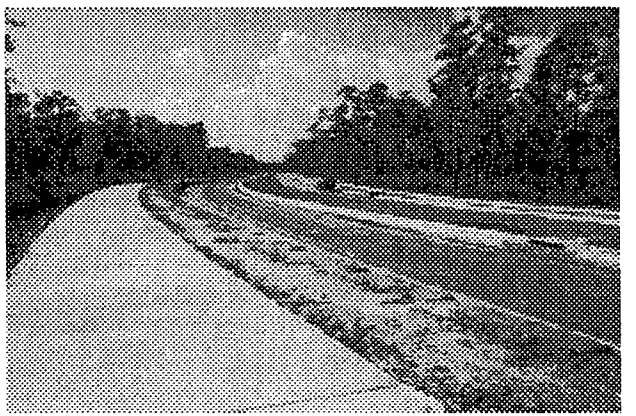
Determining Needs

In order to identify needs, inventory data using the North Carolina Highway Performance Monitoring System (HPMS) database were compared to "minimum tolerable conditions" (MTC) and "design standards" considered acceptable by NCDOT. MTC's are based on judgment regarding levels at which congestion, safety risk, physical, and structural deterioration are expected to adversely affect system performance and the public interest. Facilities falling below the specified "minimum tolerable conditions" in any given period are identified as a need.

Highway and bridge needs were identified by using industry standard time-based modeling programs. NCDOT data (2005) were inputted into these programs to ensure an accurate representation of the needs were identified.

Non-highway mode needs were estimated using a combination of NCDOT data, reports, and input from NCDOT Division staff. These needs include capital and operating costs associated with continuing and improving the particular non-highway mode, as well as the costs associated with providing new services and/or facilities.

Based on this process, a total of $124 billion (2005 dollars) of multimodal transportation needs were identified during the 2006 STP Mid-Cycle Update. Analyzing needs by NCMIN Tiers reveals that there are $52 billion of needs on the Statewide Tier, $19 billion of needs on the Regional Tier and $53 billion on the Subregional Tier.



Improvement Types

The transportation investment needs are categorized into four improvement types:

Expansion – Activities focused on adding capacity or new facilities/services, including:

- Adding new highway lanes;
- Reconstruction with more lanes;
- New highways;
- New transit vehicles and related equipment;
- Facilities for new regional rail or bus rapid transit; and
- New passenger rail sets (and signals, track, yard facilities, stations, new ferry service including boats and terminals).

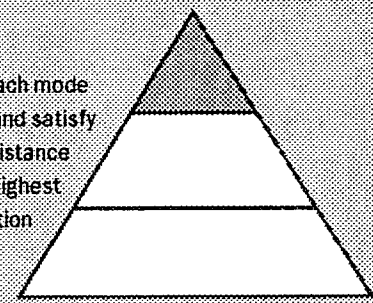
Modernization – Improvements related to upgrading the safety, functionality, and overall operational efficiency of a facility or service without adding major physical capacity:

- Minor widening of narrow lanes;
- Bridge widening, rehabilitation, and replacement;
- Access management / traffic flow /safety improvements;
- Railroad/highway grade crossings, track and signal upgrades; and
- Most ITS improvements.

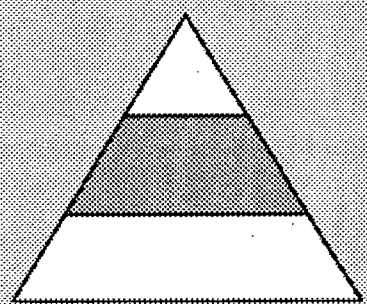
Preservation – Activities that protect the infrastructure and extend service life such as:

North Carolina Multimodal Investment Network

NCMIN is a tool to organize, manage, and analyze the facilities in our transportation system as one broad network. Some facilities serve statewide movements, others are more regional in terms of the service they provide, while still others are more localized or subregional. Each type of facility is important, and the NCMIN acknowledges the different functions of each type of facility.

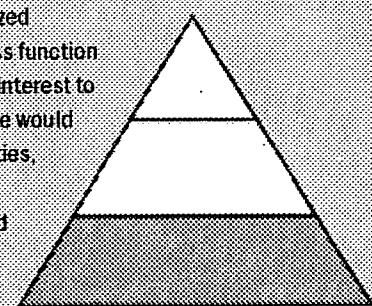


The Statewide Tier includes facilities in each mode that provide the most statewide benefits and satisfy statewide criteria: those that serve long-distance trips, connect regional centers, have the highest usage, and provide mostly a mobility function (as opposed to a land access function).



The Regional Tier connects major population centers and serves a mixture of functions. Some of the Regional Tier facilities can be viewed as serving statewide transportation criteria, but they usually provide an unmistakable localized function. They are equally important to a particular region of the state and also provide some land access.

The Subregional Tier facilities serve localized movements. They provide more of an access function than mobility, and are typically of a higher interest to cities and counties than the state. The state would have responsibility for many of these facilities, but the state's interest would be small. Therefore, state investment probably would focus on maintenance/preservation as opposed to expansion.



- Roadway resurfacing;
- Pavement markings;
- Signal maintenance;
- Guardrail/joint replacement;
- Bridge painting;
- Bridge expansion joint replacement;
- Minor bridge deck repairs;
- Transit bus replacement;
- Maintenance facility repairs/upgrades;
- Intelligent Transportation Systems (ITS) components;
- Ferry boats replacements; and
- Terminal repairs.

Maintenance - Regular, routine roadway and bridge treatments that sustain the highway's condition (mowing, lighting, shoulder/guardrail repair, patching, etc.). Roadway maintenance needs for each NCMIN Tier were provided by NCDOT staff. Maintenance applies only to the highway mode because similar "sustaining" activities for non-highway modes are classified as preservation improvements.

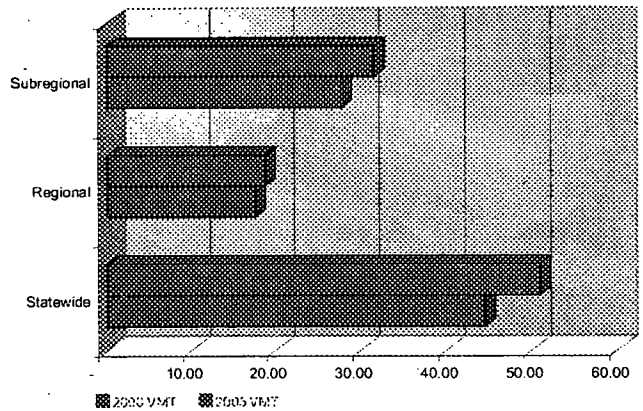
Of the $124 billion in multimodal transportation investment needs, $47 billion (38%) are identified as expansion needs; $29 billion (23%) are modernization needs; and $48 billion (39%) are maintenance and preservation needs.

Multimodal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update

North Carolina is rapidly growing. The population grew from 5 million in 1970 to 8.5 million in 2004, and is expected to grow to over 12 million people in the next 25 years. Vehicle miles traveled (VMT) more than tripled from 30 billion in 1970 to 101 billion in 2005, and VMT is expected to increase 50 percent more by 2020 due to increases in the number of registered motor vehicles and licensed drivers, and sprawling patterns of land development. Truck freight hauled in North Carolina is projected to increase to 808 million tons by 2020, a 190 percent increase since 1998[1]. While this growth is good, it places a tremendous strain on the transportation system.

Since the 2004 STP (based on 2001 data) was completed, multimodal transportation needs have changed due to the age of the system, growth in population , VMT, and land-use. Between 2000 and 2005, VMT in North Carolina has increased 13 percent on state-maintained roadways[2]. Based on NCMIN Tiers as shown in the following figure, the Statewide Tier VMT increased by 15 percent, which can be attributed to more Interstate and Expressway travel; Regional Tier VMT increased by 7 percent and the Subregional Tier VMT increased by 14 percent. These increases have added tremendous strain to North Carolina roadways.

VMT Comparison, 2000 and 2005, by NCMIN Tier (miles in millions)



Transportation Investment Needs

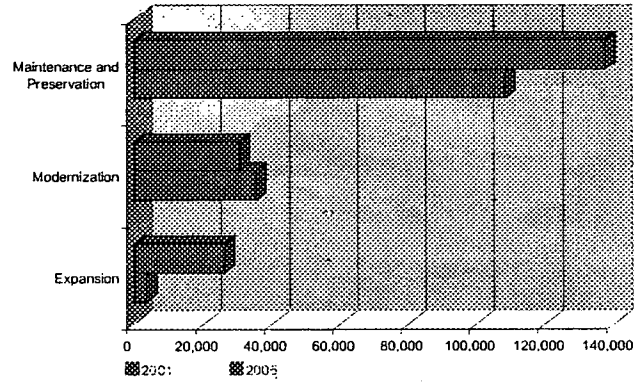
The multimodal transportation investment needs identified in the 2006 STP Mid-Cycle Update total $124 billion, which is an increase of $40 billion (48%) from the 2004 STP. As shown in the table to the right, all multimodal needs increased significantly. As noted earlier, population and VMT increase are one of the main reasons for the increase in needs. However, construction cost inflation and significant increases in energy costs have reduced the purchasing power of motor fuel tax. Over the last five years, North Carolina has realized unprecedented construction cost increases. Since 2003, construction prices for concrete, steel and asphalt have increased by 45 percent, making it more costly for NCDOT to complete needed projects and construction costs are still rising. In fact, construction lettings have declined approximately 70 percent since 2002.

The figures on the next page illustrate the differences in the multimodal transportation needs between the 2004 STP and the 2006 STP Mid-Cycle Update. The large increase in highway expansion needs is attributed partially to the growth in population and VMT, but a change in how roadway capacity (how many cars a roadway can handle) is calculated occurred in 2002 and this produced more roadway expansion needs.

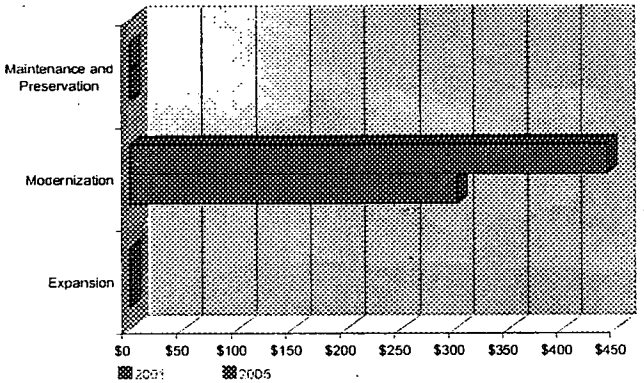
	2004 STP 2001 - 25 (Billion Dollars)	2006 Mid-Cycle Update 2005 - 30 (Billion Dollars)	Dollar Change	Percent Change
Highway (includes ITS)	$60.77	$80.96	$19.83	32.6%
Bridges	$6.90	$16.43	$9.53	138.1%
Public Transportation	$10.60	$17.77	$7.17	67.6%
Rail	$4.04	$4.86	$0.82	20.2%
Ferries	$1.06	$1.36	$0.30	28.0%
Bicycle & Pedestrian	$0.30	$0.44	$0.14	46.7%
Aviation	$1.02	$1.72	$0.70	68.7%
TOTAL	$84.69	$123.54	$38.85	45.9%

[1] NCDOT
[2] FHWA Highway Statistics. 2000 and 2005

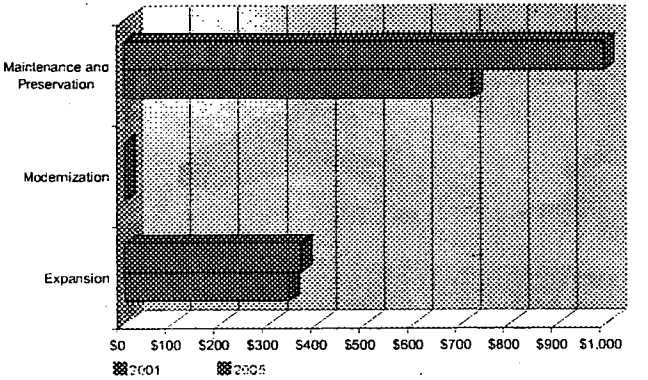
Total Needs in Miles, 2001 vs. 2005



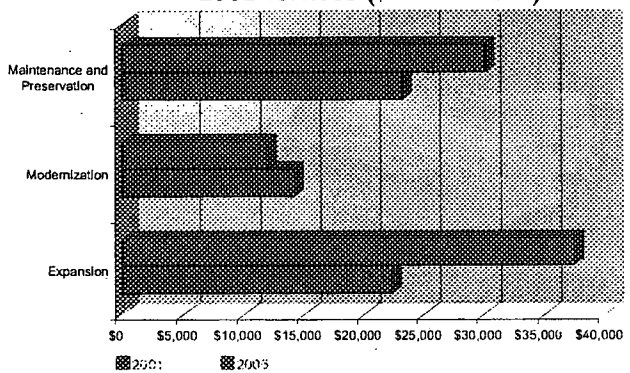
Total Bicycle and Pedestrian Needs, 2001 vs. 2005 ($ in millions)



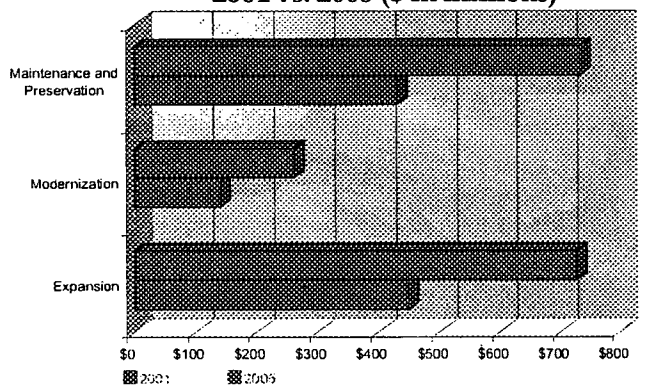
Total Ferry Needs, 2001 vs. 2005 ($ in millions)



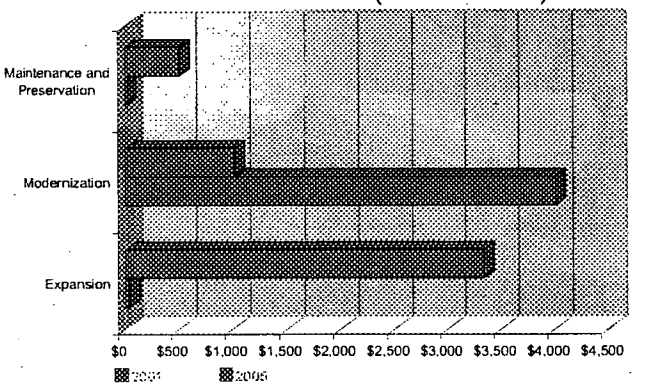
Total Highway Needs, 2001 vs. 2005 ($ in millions)



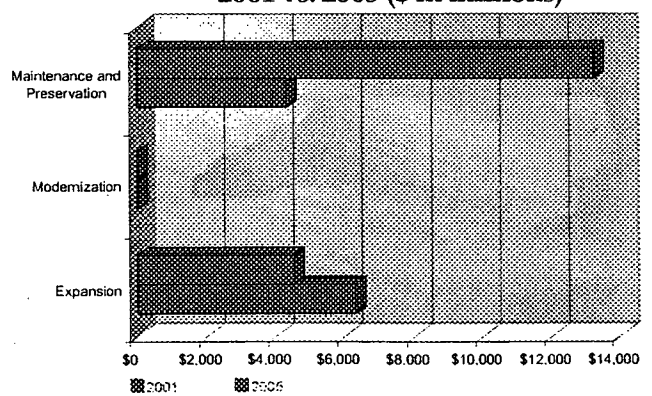
Total Aviation Needs, 2001 vs. 2005 ($ in millions)



Total Passenger and Freight Rail Needs, 2001 vs. 2005 ($ in millions)



Total Public Transportation Needs, 2001 vs. 2005 ($ in millions)

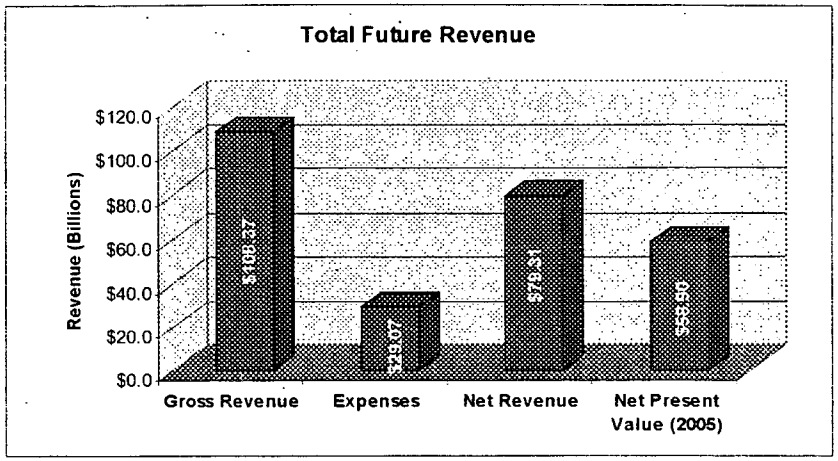


Future Funding Levels

Updating the STP requires an assessment not only of needs, but also of the revenue to meet those needs. While this update does not address local revenues used for transportation, it does:

- Identify current state and federal taxes and fees used to fund transportation improvements;
- Assume how things might change in the future in order to estimate future revenues;
- Compare assumptions used and forecasts produced in the 2004 STP with those of this update; and
- Coordinate with the North Carolina Cash Forecasting Model.

The bottom line is an estimated $59 billion (in 2005 dollars) from Fiscal Year (FY) 2005 through FY 2029 (25-year projection) for NCDOT to fund transportation improvements. This estimate was derived based on producing estimates of state and federal revenue, deducting NCDOT expenses, and calculating the net present value of net revenue. The forecasting methodology does not include any local or toll revenue, or the issuance of any new bonds.



Gross Revenue

Gross revenue totals $108 billion and includes estimates of both state and federal revenue sources. The key state sources can be grouped into two major categories: (1) motor fuel taxes; and (2) licenses and fees, with a relatively small percentage of revenue in a third category of investment income. Motor fuel taxes will account for 53 percent of all future state revenue, with licenses and fees accounting for 47 percent. Investment income will be less than 1 percent of the total. The Highway Fund will receive 63 percent of future state revenue and the Highway Trust Fund will receive the remaining 37 percent.

The existing annual state revenue is $2.7 billion. Based on increases due to population growth and other factors, it is anticipated that the average annual state revenue for the 25-year planning period will be $3.3 billion, for a total of $84 billion.

Estimates of future federal aid were produced by increasing by 3 percent the level of federal-aid funding received by NCDOT for each authorization period. This is a conservative assumption since the increases in funds from previous authorization periods have been greater. Based on the anticipated federal-aid receipts that NCDOT will receive from SAFTEA-LU, the resulting 25-year estimate of federal aid is $24.7 billion.

Net Revenue

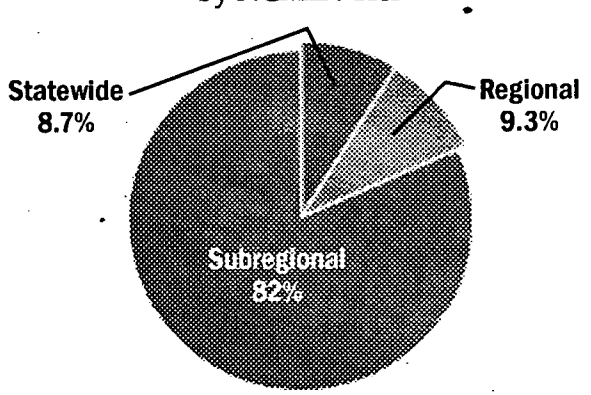
Costs to administer NCDOT as well as transfers to other state agencies and the General Fund, state aid to municipalities, debt service, and other miscellaneous programs must be deducted from gross revenue. The result is $79 billion in net revenue. The net revenues are in year of expenditure dollars and need to be brought back to their net present value (NPV) in 2005. A discount rate of 2.5 percent was used to determine the NPV of $59 billion.

Highways, Bridges, and ITS

There is a total of 103,104 miles of public roadway in North Carolina. Of this total, NCDOT maintains 79,009 miles, making the North Carolina system the second-largest state-maintained roadway network in the U.S. The majority (82%) of state-maintained roadways are classified as secondary routes, with "marked" routes accounting for only 18 percent of the mileage maintained by NCDOT. The vast majority (93%) of the state-maintained roadway mileage is paved, though there is a significant amount (7%) of unpaved mileage in rural areas. NCDOT also maintains a total of 13,629 bridges (excludes culverts).

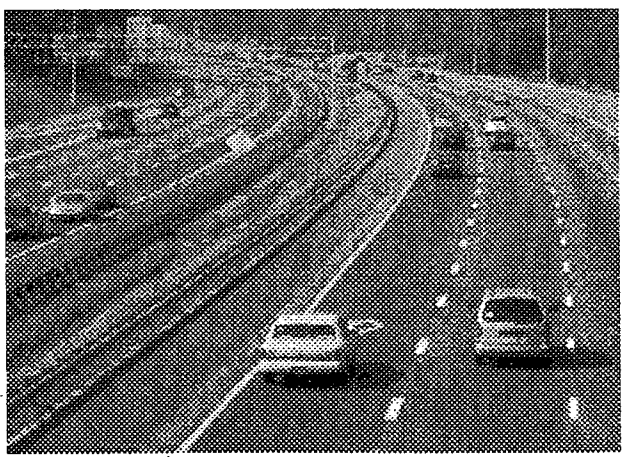
As illustrated in the figure below, the Statewide Tier contains nearly 9 percent of the State-maintained roadway miles, but approximately 50 percent of the vehicle miles traveled (VMT) on State-maintained roadways can be attributed to Statewide Tier roadways. Likewise, the Regional Tier contains 9 percent of the system mileage, but 15 percent of the vehicle miles traveled are on these roadways. The Subregional Tier contains 82 percent of the system mileage, but only 35 percent of the vehicle miles traveled.

State Maintained Roadway Miles by NCMIN Tier



Needs

Preserving, maintaining, modernizing, and expanding the second largest transportation system in the nation is no simple task. During the next 25 years, nearly 137,000 miles of roadway will have preservation needs totaling $15 billion and; nearly 30,000 miles of roadway and over 11,000 bridges will have modernization needs totaling $13 billion and $14 billion, respectively. Over 26,000 miles of roadway will have expansion needs totaling $38 billion; and routine maintenance needs (mowing/ditch cleaning/rest area, ITS IMAP, and bridges) total $17 billion. A total of $97 billion of needs were identified on North Carolina highways (roadways, bridges and ITS).



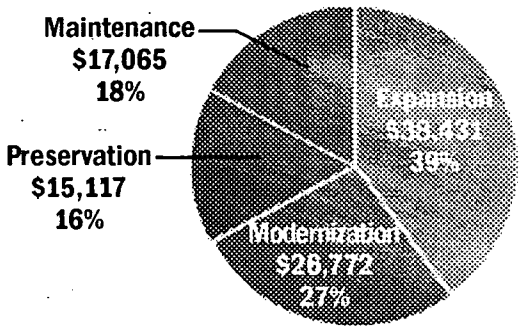
- Analyzing the total highway needs by improvement type shows:
  - Preservation improvements represent 16 percent, or $15 billion;
  - Maintenance improvements represent 18 percent, or $17 billion;
  - Modernization improvements represent 27 percent, or $27 billion; and
  - Expansion improvements represent 39 percent, or $38 billion.
- Analyzing the total needs by NCMIN Tiers shows:
  - Statewide Tier improvements represent 49 percent, or $48 billion;
  - Regional Tier improvements represent 12 percent, or $11 billion;
  - Subregional Tier improvements represent 39 percent, or $38 billion; and
  - The greatest Statewide Tier need is expansion ($34 billion); the Regional Tier is modernization ($5 billion); and the Subregional Tier is maintenance and preservation ($24 billion).

- Analyzing the total highway needs shows:
  - Roadway improvements represent 81 percent, or $79 billion;
  - Bridge improvements represent 17 percent,
    or over $16 billion; and
  - ITS improvements represent 2 percent, or nearly $2 billion.

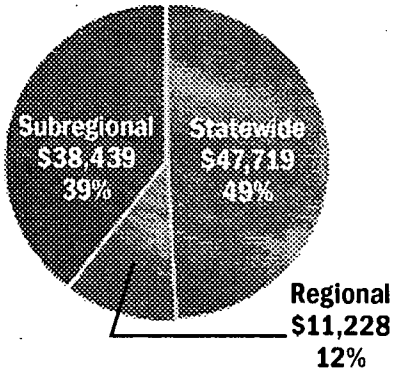
Based on NCMIN Tiers, 77 percent of the Statewide Tier needs are accruing (future); 64 percent of the Regional Tier are accruing; and 61 percent of the Subregional Tier needs are accruing.

Effectively maintaining North Carolina's transportation system results in a safer and more efficient system and a well-maintained transportation system which supports economic development opportunities throughout the state.

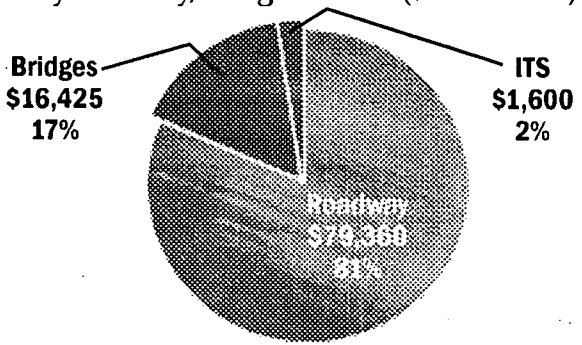
Highway Needs
by Improvement Type ($ in millions)



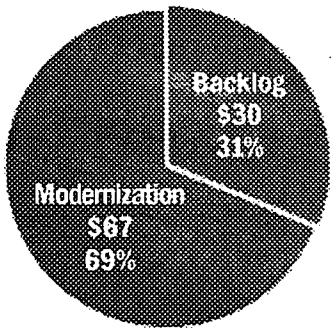
Total Roadway Needs
by NCMIN Tier ($ in millions)



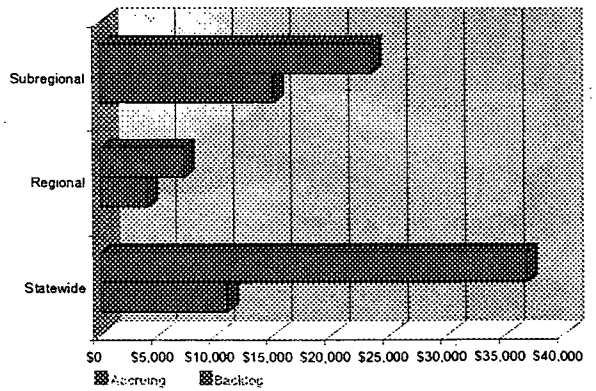
Highway Needs
by Roadway, Bridge and ITS ($ in millions)



Roadway Needs
by Backlog and Accruing ($ in billions)



Highway Needs
by NCMIN Tier and
Backlog and Accruing ($ in millions)



Intelligent Transportation Systems

Like many other regions across our nation, many areas in North Carolina are facing a growing congestion problem. Growth in traffic volumes in the many regions are outpacing new road construction, resulting in more vehicles trying to squeeze into less space. Adding lane capacity and building new highways has traditionally been the remedy for congestion. However, an alternative to traditional capacity-adding projects is integrating Intelligent Transportation Systems (ITS) solutions to improve traffic operations on existing roadways as well as enhance public transportation services. Capital infrastructure such as roadways, intermodal ports, airports and transit facilities are extremely vital components of North Carolina's transportation system. In order to manage these resources more efficiently, ITS are being deployed statewide in North Carolina.

There are nine ITS Statewide Strategic Deployment areas throughout the state. Although relatively new, there are several ITS deployments that are either fully functional, in construction, or in the planning stages throughout the state. The key component in every ITS Deployment Plan was to develop a central database of traveler information to be disseminated to motorists throughout the region.

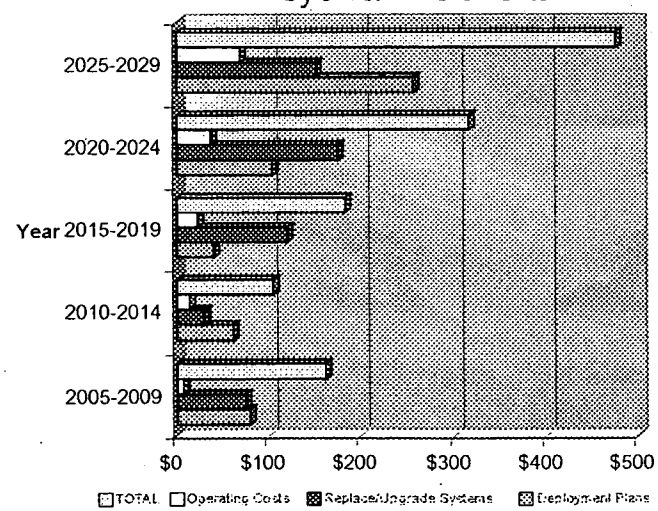


Statewide ITS Strategic Deployment Plan Regional Map

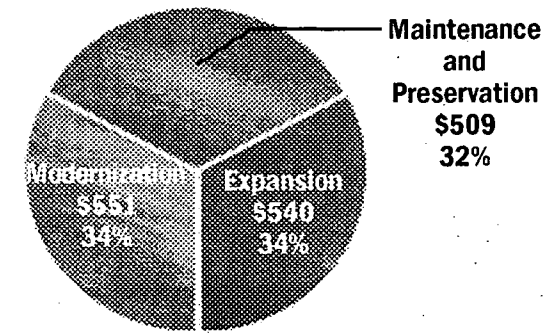
Needs

As shown in the figures to the right, the 25-year ITS needs total nearly $2 billion. Deployment plans (expansion) represent 34 percent of the future needs and over 92 percent are located on the Regional Tier. Replacing and upgrading systems (modernization) represent 34 percent of the future needs and over 98 percent are located on the Regional Tier. Operating costs (maintenance and preservation) represent 32 percent of the needs and 100 percent are located on the Statewide Tier. The Regional Tier accounts for 65 percent of all ITS needs and the remaining 35 percent is on the Statewide Tier. The Subregional Tier does not have any ITS needs over the next 25 years.

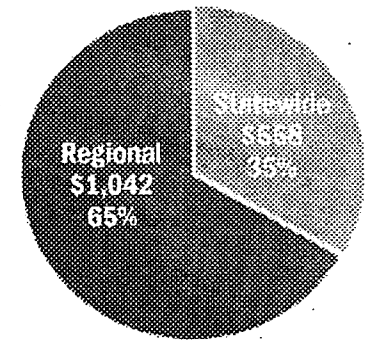
Intelligent Transportation Systems Needs by 5-Year Increments



25-Year ITS Needs by Improvement Type ($ in millions)



25-Year ITS Needs by NCMIN Tier ($ in millions)





Regional transit agencies team with social services organizations to share transportation for all citizens.

Public Transportation

More than 100 public transportation systems serve millions of North Carolinians in every county. The NCDOT Public Transportation Division assists the state's public transit systems in providing mobility options through technical assistance and funding. The NCDOT helps local transit agencies operate more safely and efficiently by combining limited federal and state resources with local communities and transportation providers. The actual buses, trains or vans are operated directly by local transit systems.

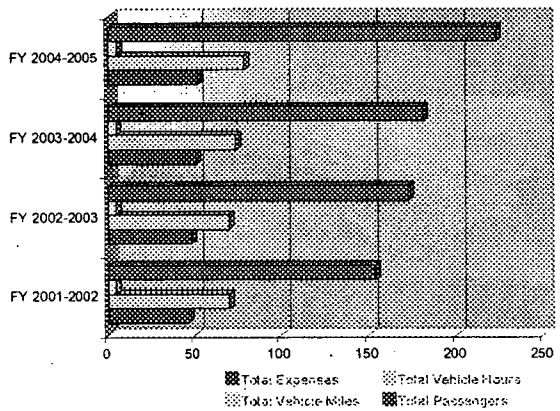
Six types of public transportation systems operate in North Carolina include:

- Human service transportation;
- Community transportation;
- Urban transit;
- Regional transit;
- Vanpool and carpool programs; and
- Intercity buses.

Public transportation serves several statewide functions:

- Provides mobility to persons without automobiles and to those who do not drive;
- Links rural communities to metropolitan areas; and
- Reduces traffic congestion and air pollution.

Public Transportation Operating Statistics



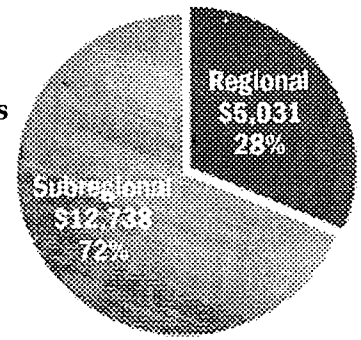
In 2005, the passengers totaled over 51 million, vehicle miles traveled totaled over 79 million, vehicle hours totaled nearly 5 million and expenses totaled over $222 million.

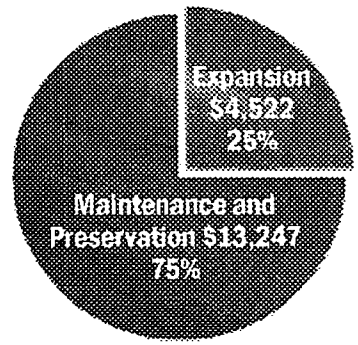
The figure above shows key statistics for the 105 transit systems in North Carolina between 2001 to 2005. Total vehicle hours, total passengers, total vehicle miles, and total vehicle hours grew proportionally by 12 to 13 percent. However, total expenses during the same time period grew by 45 percent.

Needs

The 25-year public transportation needs total nearly $18 billion. Based on improvement types, 75 percent ($13 billion) are maintenance and preservation needs and the remaining 25 percent ($5 billion) are expansion needs. Based on tiers, 72 percent ($13 billion) are located in the Subregional Tier and the remaining 28 percent ($5 billion) are on the Regional Tier. The Statewide Tier does not have any identified public transportation needs. Ninety percent ($5 billion) of the Regional Tier needs are for expansion while the remaining 10 percent ($500 million) are maintenance and preservation needs.

25-Year Transit Needs by NCMIN Tier
($ in millions)





25-Year Transit Needs by Improvement Type
($ in millions)

4,182 public crossings
2,404 are equipped with protective devices
1,845 with gates and flashing light signals
559 with flashing light signals only
9 with traffic signal tie-ins only (at adjacent railroad intersections)
3,148 private at grade crossings
53 pedestrian at grade crossings
829 public grade separations
21 private grade separations
21 pedestrian grade separations

Passenger Rail

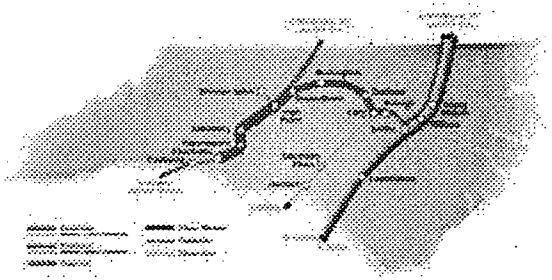
NCDOT has long recognized the need for alternative transportation as part of a comprehensive transportation system. The state's rail policy has emphasized enhancing and growing passenger rail services, preserving existing rail lines for future use, improving infrastructure to support and enhance passenger and freight service, and extending passenger rail service in the state.

North Carolina's passenger rail facilities serve a statewide transportation function. In FY 2005, the six intercity train services (operated by Amtrak) carried 520,698 passengers. The state subsidizes two intercity routes.

In 2005, Amtrak served 16 cities. Overall, ridership increased statewide by 7 percent between 2004 and 2005. Southern Pines, Hamlet, Rocky Mount and High Point experienced large ridership increases at 24, 39, 49, and 68 percent respectively. Raleigh continues to have the highest ridership among the 16 cities served by Amtrak with its 2005 ridership totaling over 115,000 passengers.

As North Carolina's population and traffic grow, development of rail transportation becomes increasingly important as an alternative to auto and air transport for both freight and passengers.

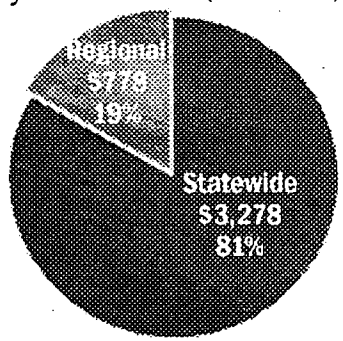
Needs



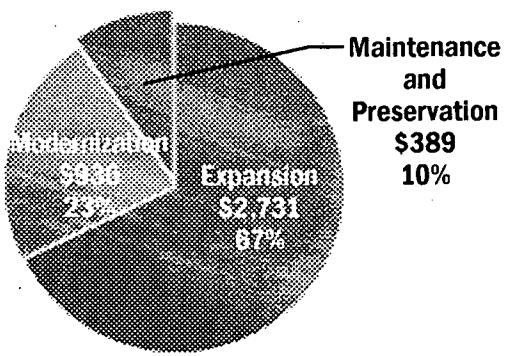
As shown in the figures to the right, the 25-year passenger rail needs total $4 billion. Existing corridor needs represent 81 percent of the future needs and 100 percent are located on the Statewide Tier. New corridor needs represent 19 percent of the future needs and 100 percent are located on the Regional Tier. The Subregional Tier does not have any passenger rail needs.

Based on improvement type, 67 percent ($3 billion) are expansion needs, 23 percent ($900 million) are modernization needs and the remaining 10 percent ($400 million) are maintenance and preservation needs. Based on tiers, 59 percent ($2 billion) of the Statewide Tier needs are for expansion, 29 percent ($900 million) for modernization and 12 percent ($400 million) for maintenance and preservation. One hundred percent ($800 million) of the Regional Tier needs are identified as expansion. One hundred percent of the modernization ($900 million) and maintenance and preservation ($389 million) needs are located on the Statewide Tier, while 72 percent ($2 billion) of expansion needs are located on the Statewide Tier. The remaining 28 percent ($800 million) are located on the Regional Tier.

25-Year Passenger Rail Needs by NCMIN Tier ($ in millions)



25-Year Passenger Rail Needs by Improvement Type ($ in millions)



Freight Rail

Freight rail is an important component of the North Carolina transportation system and plays a vital role in economic development throughout the State. Rail provides three basic types of freight service: bulk unit train, mixed carload, and intermodal (container, trailer, and automobile). In 2004, over 177 million tons originated in, terminated in, or passed through North Carolina, representing an increase of approximately 1.5 percent since 2000. On a parallel basis, the number of carloads increased by nearly 5 percent during the same five-year period.

North Carolina's existing railroad network consists of 3,250 main line miles of track with the majority of the track owned and operated CSX Corporation and Norfolk Southern Corporation. There are no regional railroads in North Carolina, but there are 13 local railroads and eight switching and terminal railroads.

The NCDOT's role in freight is generally limited to the Rail Industrial Access Program (RIAP) and the Short Line Infrastructure Assistance Program (SIAP); however, the improvements made for passenger rail also provide benefits to freight movements in the state. The RIAP funds rail investments required by new or expanded business to encourage economic development. The RAIP has invested more than $7 million of state funds into constructing or refurbishing tracks required by a new or expanded industry to encourage economic development.

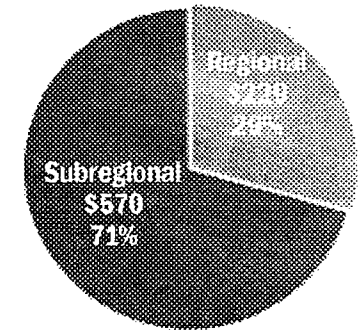
Maintaining and upgrading track throughout North Carolina is vital because the tracks are critical to the long-term success of freight movement throughout the state. Over the last five years (2001 to 2005), the NCDOT invested over $30 million to improve the busy Raleigh to Charlotte North Carolina Railroad corridor operated by Norfolk Southern.

Needs

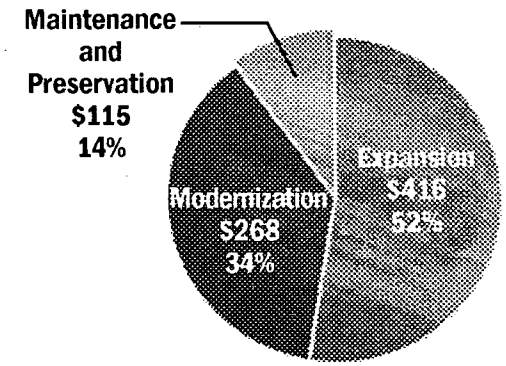
The 25-year freight rail needs total $800 million. Improvements to track used by Class I railroads represent two-thirds of the future needs and 56 percent are located on the subregional tier. Short line rail improvements represent 24 percent of the future needs and 100 percent are on the subregional tier.

As shown in the figures to the right, based on improvement types, 52 percent ($416 million) are expansion needs; 34 percent ($268 million) are modernization needs; and 14 percent ($115 million) are maintenance and preservation needs. Based on tiers, 71 percent ($570 million) of the needs are on the Subregional Tier while the remaining 29 percent ($229 million) are on the Regional Tier. The Statewide Tier does not have any identified freight rail needs. One hundred percent ($229 million) of the Regional Tier needs are for expansion, while on the Subregional Tier, 66 percent ($375 million) are for expansion; 20 percent ($115 million) are for maintenance and preservation; and 14 percent ($80 million) are for modernization.

25-Year Freight Rail Needs by NCMIN Tier ($ in millions)



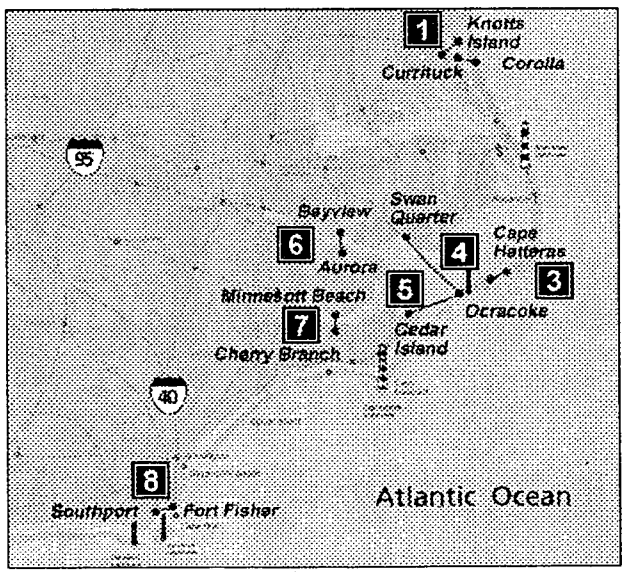
25-Year Freight Rail Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $799 million



Ferries

Currently, NCDOT's Ferry Division extends over 7 routes, has 21 ferries and employs over 400 workers. Each year, North Carolina ferries transport over 1 million vehicles. In 2005 they transported more than 2.3 million passengers across 5 separate bodies of water - the Currituck and Pamlico sounds and the Cape Fear, Neuse and Pamlico rivers. Between 2001 and 2005, the highest passenger year was 2002 where a total of 2.6 million passengers were transported by ferry. Ferries also carry essential goods to water-locked communities. Many residents depend on the ferries for transportation to school, work, and other needed services. The majority of the ferry routes were operating at 50 to 75 percent of maximum capacity during the peak months in the year 2005. The Hatteras - Ocracoke route continues to operate at or over capacity between June and August.

The figure to the right provides the existing ferry routes in North Carolina.



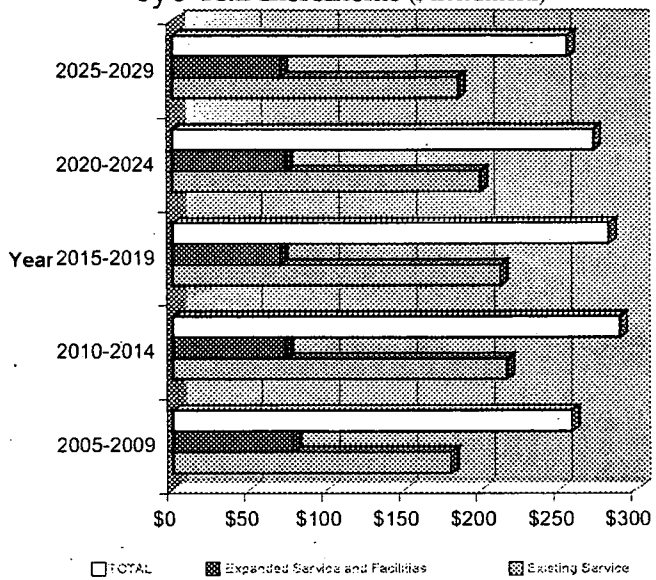
Needs

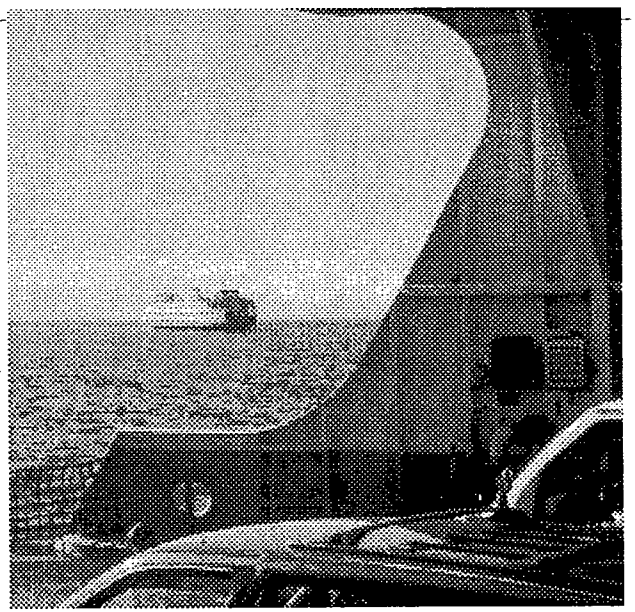
In the next 10 years, the following routes are expected to exceed capacity:

- Hatteras - Ocracoke - 25 percent increase in passengers resulting in over-capacity conditions (10% - 154%) by April - September; and
- Ocracoke - Swan Quarter - 48 percent increase in passengers resulting in over capacity (101%) conditions in peak month of July.

As shown in figures below, the total 25-year ferry needs are over $1 billion. The needs reflected below are the subsidies (total costs less ferry toll revenue) required to meet projected passenger demands. The cost to add capacity and improve terminal facilities (expansion) is estimated to cost $365 million and the preserving the existing ferry system is estimates to cost $992 million over the next 25 years.

Ferry Needs
by 5-Year Increments ($ in millions)





Bicycle and Pedestrian System

Bicycle and pedestrian planning in North Carolina is considered as part of any transportation project, not as an afterthought. Current spending on independent projects is $6 million annually, approximately $4.8 million on bicycle projects and $1.2 million for independent Transportation Improvement Program (TIP) projects. Additionally, $1.4 million is dedicated for pedestrian projects ($100,000/division).

Bicycling

NCDOT has designated a cross-state system of Bicycling Highways based on nine routes covering 3,000 miles. These routes generally parallel the major highways along which cyclists often wish to travel, but offer a more lightly traveled alternative than the busy major roads that are familiar to most people. NCDOT has developed printed guides of each route, which includes segment maps and information on terrain, road conditions, services and points of interest. The nine routes are:

- Carolina Connection - NC Bike Route 1;
- Mountains to Sea - NC Bike Route 2;
- Ports of Call - NC Bike Route 3;
- North Line Trace - NC Bike Route 4;
- Cape Fear Run - NC Bike Route 5;
- Piedmont Spur - NC Bike Route 6;
- Ocracoke Option - NC Bike Route 7;
- Southern Highlands - NC Bike Route 8; and
- Sandhills Sector - NC Bike Route 9.

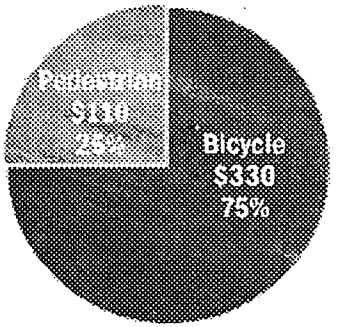
Pedestrian

Construction of most pedestrian facilities occurs at the municipal level. However, NCDOT currently has a statewide allocation for constructing pedestrian facilities totaling $1.4 million. This total is divided equally among the state's 14 NCDOT divisions, which each receive $100,000 annually for small scale pedestrian improvements. NCDOT currently receives an annual allocation of $275,000 for the advancement of pedestrian safety. To receive maximum benefit, NCDOT has focused its efforts on statewide or regional demonstration projects, initiatives, or programs to encourage pedestrian safety and to develop walkable communities.

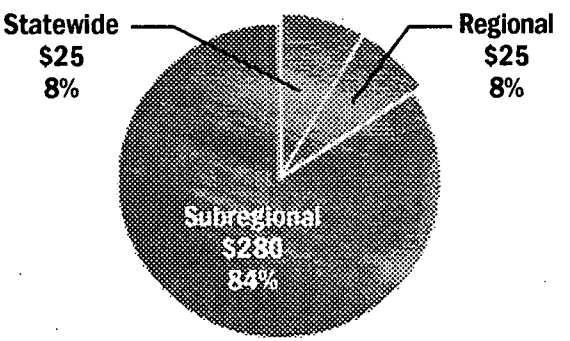
Needs

As shown in the figures to the right, the 25-year bicycle and pedestrian needs total $440 million. Bicycle needs represent 75 percent of the future needs and over 84 percent are located on the Subregional Tier. Pedestrian needs represent 25 percent of the future needs and over 72 percent are located on the Subregional Tier. All bicycle and pedestrian needs are categorized as modernization needs and combined together 9 percent are on the Statewide Tier, 9 percent are on the Regional Tier and 82 percent are on the Subregional Tier.

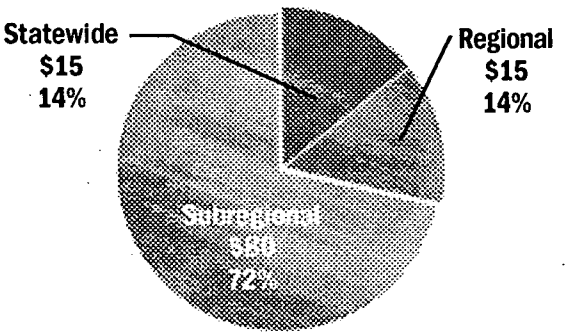
Bicycle and Pedestrian Improvements ($ in millions)



Bicycle Improvements



Pedestrian Improvements



Aviation

There are 74 publicly owned, public use airports in North Carolina and 11 have scheduled service while the remaining 63 are classified as general aviation. The NCDOT Division of Aviation administers the State Aid to Airports Program.

North Carolina's most recent statewide aviation planning study was completed in 2004. This study, referred to as the *North Carolina General Aviation Airport Development Plan*, focuses on publicly-owned and operated general aviation airports throughout the state. This plan evaluated the needs of the general aviation airports and sets minimum state standards for their development. Through this process, airport needs were identified and prioritized.

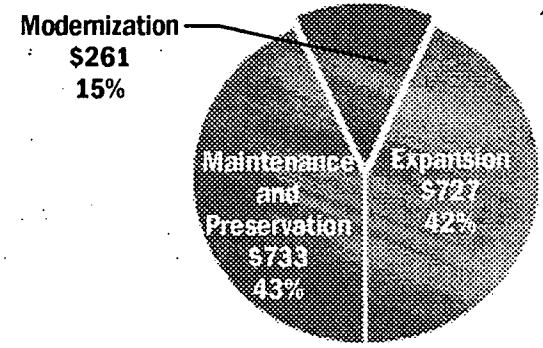
An Economic Impact Study of Aviation was conducted by the Division in 2006. The study, encompassing all 74 publicly owned airports in the state, identified economic impacts of at least $9.5 billion annually statewide. General aviation is the fastest growing element of aviation in the state, with annual economic impacts exceeding $1.8 billion statewide, compared with annual results of $168 million from a similar study done in 1995.

Needs

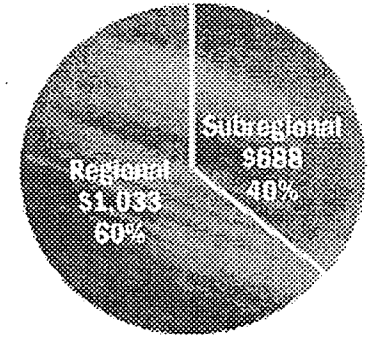
As shown in the figures below, the 25-year aviation funding needs are estimated to total nearly $2 billion and 42 percent are for expansion needs; 15 percent for modernization needs; and 43 percent are for maintenance and preservations needs. Based on tiers, 60 percent of the aviation needs are identified on the Regional Tier, while the remaining 40 percent are on the Subregional Tier.



Aviation Needs by Improvement Type ($ in millions)



Aviation Needs by Tier ($ in millions)



Ports

Under the jurisdiction of the Department of Commerce, the North Carolina ports system includes the Ports of Wilmington, Morehead City and the inland container consolidation centers at Charlotte (CIT) and Piedmont Triad (PTIT), all operated under the jurisdiction of the North Carolina State Ports Authority (NCSPA). The NCSPA receives no appropriated operating funds or dedicated capital funding, but it has received state funding for large capital improvement and major maintenance projects.

The *2006 Economic Impact Study of the North Carolina State Port Authority* indicated that in 2005:

- 84,833 jobs in the State of North Carolina are in some way related to the maritime activity at the Port of Wilmington and Morehead City;
- Marine cargo and vessel activity at the public and private marine terminals generated $5.6 billion of total economic activity in North Carolina;
- Port business activity created $3 billion of personal wage and salary income in the State of North Carolina; and
- A total of $300 million of state and local tax revenue was generated by maritime activity at the NCSPA public terminals at Wilmington and Morehead City, and the private owned terminals in Wilmington.
- The port service providers generated $84.1 million, while the $215 million balance was generated by the related port users.

North Carolina's ports generate a great deal of economic benefit throughout the state, and are an integral part of the transportation system in the state. In FY 2005, 3 million tons of cargo were handled at the NCSPA marine terminal at Wilmington, 2.4 million tons at Morehead City, and nearly 3 million tons of cargo moved via the private terminals in Wilmington.

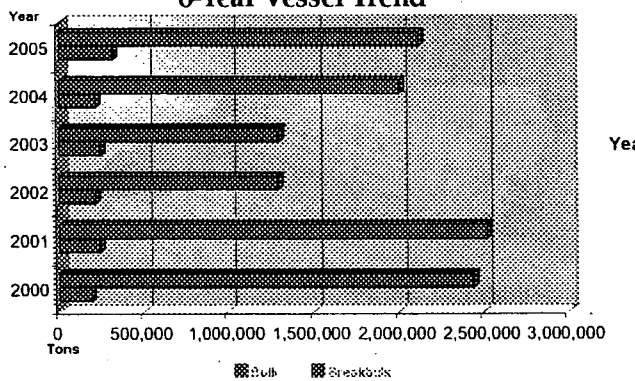
Planned New Port

In April 2006, the NCSPA purchased 600 acres of riverfront property in Brunswick County. The property is 9 miles from the ocean, while Wilmington is 26 miles. The site is adjacent to the Military Ocean Terminal at Sunny Point, which supports Department of Defense strategic initiatives. The NCSPA plans to build a new port terminal, the North Carolina International Port (NCIP) to coincide with the projected doubling of the North American container market between now and 2015.

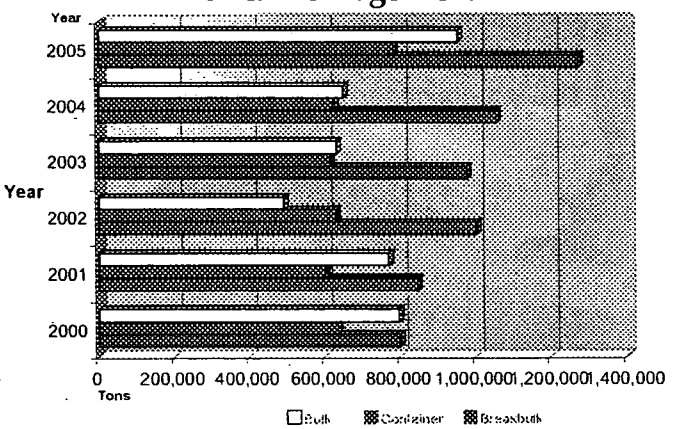
Needs

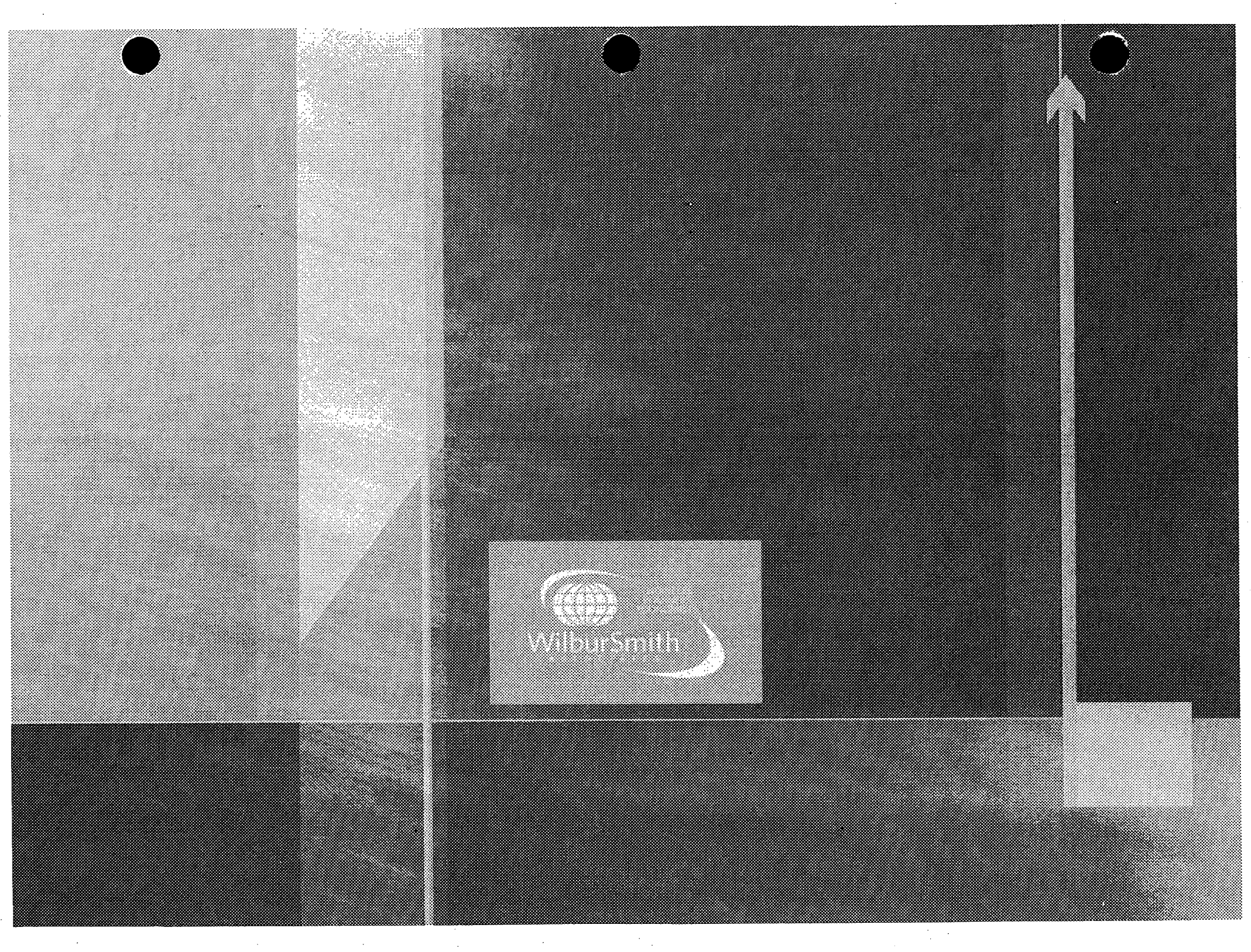
In order to ensure that all transportation needs are addressed, the NCSPA coordinates with NCDOT on a regular basis. Most of the highway related needs associated with accessing North Carolina's ports are captured in the Highway and Bridges needs. The 2006 STP Mid-Cycle Update identifies numerous "last mile" highway related needs in accessing the Port of Wilmington, Morehead City and the new North Carolina International Port. Many of these projects are already planned and programmed due to the close working relationship that exists between these two state partners.

Port of Morehead City
6-Year Vessel Trend



Port of Wilmington
6-Year Tonnage Trend




Wilbur Smith

Acknowledgements

NCDOT gratefully acknowledges the commitment, cooperation, and professional contributions of the following:

North Carolina Department of Transportation
Secretary **Lyndo Tippett**

Alpesh G. Patel, *Project Manager*

Board of Transportation

- Stan M. White
- Marvin K. Blount, III*
- Cameron (Cam) W. McRae*
- Lanny T. Wilson
- Louis W. Sewell, Jr.
- Thomas A. Betts, Jr.
- Kenneth Spaulding
- Nina S. Szlosberg
- D. M. Campbell, Jr.
- J. Douglas Galyon
- G. R. Kindley
- Nancy W. Dunn**
- Andrew M. Perkins, Jr.*
- Marion A. Cowell, Jr.*
- Larry S. Helms
- Arnold Lakey
- Robert (Bob) A. Collier, Jr.*
- Alan Thornburg
- Conrad Burrell

Statewide Transportation Plan Senior Management Team:

- Susan Coward
- Steve Varnedoe
- Calvin Leggett
- John Sullivan
- Mike Bruff
- Debbie Barbour
- Len Sanderson
- Roberto Canales
- Greg Thorpe
- Mark Foster

NCDOT Staff Contributions from:

- Division of Highways

Divisions of:

- Public Transportation
- Rail
- Ferry
- Bicycle and Pedestrian Transportation
- Aviation

Additional Contributions from:

- NC State Ports Authority
- Federal Highway Administration (NC Division)

Consultant:

- Wilbur Smith Associates

* Statewide Transportation Plan Committee

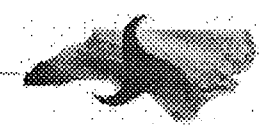
** Chair, Statewide Transportation Plan Committee

Table of Contents

Chapter 1. Introduction 1
Chapter 2. Multi-modal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update 3
2.1 Transportation Investment Needs 3
Chapter 3. Transportation System Needs 5
3.1 Technical Approach 5
3.2 Inventory Data 6
3.3 Technical Methodology 7
3.3.1 Highway Tool 7
3.3.2 Traffic Growth Rates 8
3.3.3 Highway Methodology 10
3.3.4 Bridge Tool 14
3.3.5 Bridge Methodology 15
3.3.6 Non-Highway Methodology 15
3.3.7 New Roadway and Bridge Methodology 15
3.4 Need Categories 16
3.4.1 North Carolina Multi-modal Investment Network (NCMIN) 16
3.4.2 Investment Type 19
3.4.3 NCDOT Divisions 21
3.4.4 Backlog and Accruing Needs 21
3.4.5 Five-Year Funding Period 22
3.5 Estimating Improvement Costs 23
3.6 Estimating Right-of-Way Costs 24
Chapter 4. Highways, Bridges and ITS 25
4.1 Existing Highway Conditions 25
4.2 Highway Needs by Improvement Type 27
4.2.1 Highway Needs by NCMIN Tiers 30
4.2.1.1 Statewide Tier Needs 32
4.2.1.2 Regional Tier Needs 34
4.2.1.3 Subregional Tier Needs 36
4.2.2 NCDOT Division Needs 38
4.2.3 Backlog and Accruing 40
4.2.4 Five-Year Funding Periods 45
4.2.4.1 2006 to 2010 47
4.2.4.2 2011 to 2015 48
4.2.4.3 2016 to 2020 49
4.2.4.4 2021 to 2025 50
4.2.4.5 2026 to 2030 51
Chapter 5. Bridge Needs 52
5.1 Existing Conditions 52
5.2 Bridge Needs by Improvement Types 53
5.2.1 Bridge Needs by NCMIN Tier 53
5.2.2 Bridge Needs by NCDOT Division 55



5.2.3 Backlog and Accruing Bridge Needs 56
5.2.4 Bridge Needs by Five-Year Funding Periods 62
5.2.4.1 2006 to 2010 62
5.2.4.2 2011 to 2015 63
5.2.4.3 2016 to 2020 63
5.2.4.4 2021 to 2025 63
5.2.4.5 2026 to 2030 64
Chapter 6. Intelligent Transportation System (ITS) 65
6.1 Existing Conditions 65
6.2 ITS Technologies 65
6.2.1 Advanced Transportation Management Systems 66
6.2.2 Advanced Public Transportation Systems 67
6.2.3 Advanced Traveler Information Systems 67
6.3 Regional ITS Multi-modal Strategic Deployment Plans 67
6.3.1 Asheville Region 68
6.3.2 Eastern (Coastal) Region 69
6.3.3 Fayetteville Region 70
6.3.4 Metrolina Region 71
6.3.5 Piedmont Region 72
6.3.6 Triad Region 72
6.3.7 Triangle Region 73
6.3.8 Western Region 74
6.3.9 Wilmington Region 75
6.4 I-95 Corridor 76
6.5 ITS Needs 76
Chapter 7. Non-Highway Needs 80
7.1 Public Transportation 80
7.1.1 Human Service Transportation 83
7.1.2 Community Transportation 84
7.1.3 Urban Transit 84
7.1.4 Regional Transit 85
7.1.5 Vanpool and Carpool Programs 85
7.1.6 Intercity Buses 86
7.1.7 Public Transportation Needs 86
7.2 Passenger Rail 90
7.2.1 Existing Passenger Rail Service System 91
7.2.2 Station Improvements Program 93
7.2.3 Future Station Improvements 94
7.2.4 Future Rail Passenger Service 94
7.2.5 High Speed Rail 95
7.2.6 Expanding Service to Southeastern North Carolina 96
7.2.7 Expanding Service to Western North Carolina 96
7.2.7.1 Improving Travel Time 96
7.2.7.2 Commuter Services 97
7.2.8 Passenger Rail Needs 97



7.3 Rail Freight 102
7.3.1 Rail Safety 109
7.3.2 Rail Access to Ports 110
7.3.3 Rail Relocation 111
7.3.4 Economic Development 112
7.3.5 Future Rail Freight Growth 112
7.3.6 Southeast Rail Operations Study (SEROps) 112
7.3.7 Freight Rail Needs 112
7.4 Ferries 115
7.4.1 Existing Conditions 116
7.4.2 Future Conditions 117
7.4.3 Ferry Needs 117
7.5 Bicycle and Pedestrian System 121
7.5.1 Existing Facilities 121
7.5.1.1 Statewide Survey on Bicycling and Walking, 2000 122
7.5.2 Bicycling Highways 123
7.5.3 Pedestrian Facilities 123
7.5.4 Current Levels of Bicycling and Walking 124
7.5.5 Bicycle and Pedestrian Safety 124
7.5.6 Recent Accomplishments 125
7.5.7 Bicycle and Pedestrian Needs 126
7.6 Aviation 129
7.6.1 Existing Conditions 129
7.6.2 Aviation System Plan 129
7.6.3 Aviation Economic Impact 129
7.6.4 Aviation Needs 130
7.7 Ports 133
7.7.1 Existing Facilities 133
7.7.1.1 Port of Wilmington 134
7.7.1.2 Future Port of Wilmington Expansion 136
7.7.1.3 Port of Morehead City 137
7.7.1.4 Future Port of Morehead City Expansion 138
7.7.1.5 Charlotte Inland Terminal (CIT) 140
7.7.1.6 Piedmont Triad Inland Terminal (PTIT) 140
7.7.2 Planned New Port 140
7.7.2.1 Planned North Carolina International Port 140
7.7.3 Future Port Needs 141
7.7.4 Future Cargo Growth 142
7.7.4.1 Access Needs to the Port of Wilmington 142
7.7.4.2 I-73 and I-74 Improvements 143
7.7.4.3 Access Needs to Port of Morehead City 145
7.7.4.4 Port Corridor Improvements 148
7.7.4.5 Critical Last Mile Needs 149
7.7.4.6 Rail Access to Ports 149
7.7.5 NCDOT and NCSPA Coordination 150



7.7.5.1 Port of Wilmington 150
7.7.5.2 Port of Morehead City 150
7.7.5.3 Ports Authority Revenues 150
Chapter 8. Approach for Updating the Next Statewide Transportation Plan 152

List of Tables

Table 1 - Multi-modal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update ($ in billions) 4
Table 2 - Estimated 2005 AADT 10
Table 3 - Minimum Tolerable Conditions 12
Table 4 - Design Standards 13
Table 5 - Roadway Improvement Type 19
Table 6 - Unit Cost by Improvement Types ($ in thousands) 23
Table 7 - Backlog and Accruing Needs by NCMIN Tier ($ in millions) 41
Table 8 - 25-YEAR ITS Needs ($ millions) 77
Table 9 - 25-YEAR ITS Needs by NCMIN Tier ($ in millions) 78
Table 10 - 25-YEAR ITS Needs by Improvement Type ($ in millions) 78
Table 11 - 25-Year Public Transportation Needs by 5-Year Increments ($ in millions) 87
Table 12 - 25-Year Public Transportation Needs by NCMIN Tier ($ in millions) 88
Table 13 - Public Transportation Needs by Improvement Type ($ in millions) 89
Table 14 - 25-Year Passenger Rail Needs by 5-Year Increments ($ in millions) 98
Table 15 - 25-Year Passenger Rail Needs by NCMIN Tier ($ in millions) 99
Table 16 - 25-Year Passenger Rail Needs by Improvement Type ($ in millions) 101
Table 17 - Miles of Railroad by Carrier 104
Table 18 - 25-Year Freight Rail Needs by 5-Year Increments ($ in millions) 113
Table 19 - 25-Year Freight Rail Needs by NCMIN Tier ($ in millions) 113
Table 20 - 25-Year Freight Rail Needs by Improvement Type ($ in millions) 114
Table 21 - Ferry Statistics 117
Table 22 - Ferry Needs by 5-Year increments ($ in millions) 118
Table 23 - Ferry Needs by NCMIN Tier ($ in millions) 119
Table 24 - Ferry Needs by Improvement Type ($ in millions) 120
Table 25 - Bicycle and Pedestrian Needs by 5-Year Increments ($ in millions) 126
Table 26 - Bicycle and Pedestrian Needs by NCMIN Tier ($ in millions) 127

List of Figures

Figure 1 - Multi-modal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update ($ in billions) 4
Figure 2 - Technical Approach Flow Chart 6
Figure 3 - Ownership of Roadway Network 25

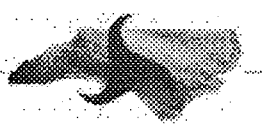
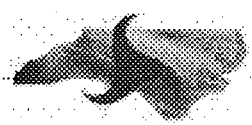


Figure 4 - State-Maintained Roads by Route Designation 26
Figure 5 - State-Maintained Paved and Unpaved Roadways 26
Figure 6 - Roadway Needs by Improvement Type ($ in millions) 28
Figure 7 - VMT Comparison, 2000 and 2005, by NCMIN Tier 29
Figure 8 - NCMIN Tier Roadway Mileage Breakdown 31
Figure 9 - Roadway Needs by NCMIN Tier ($ in millions) 32
Figure 10 - Statewide Tier Roadway Needs by Improvement Type ($ in millions) 33
Figure 11 - Statewide Tier Roadway Needs by Improvement Type 34
Figure 12 - Regional Tier Roadway Needs by Improvement Type ($ in millions) 35
Figure 13 - Regional Tier Roadway Needs in Miles by Improvement Type 36
Figure 14- Subregional Tier Roadway Needs by Improvement Type ($ in millions) 37
Figure 15 - Subregional Tier Roadway Mile Needs by Improvement Type 37
Figure 16 - NCDOT Divisions 38
Figure 17 - Highway and Bridge Needs by Division 39
Figure 18 - Total Needs by Division ($ in millions) 40
Figure 19 - Roadway Backlog and Accruing Needs by Dollars 41
Figure 20- Roadway Backlog and Accruing Needs by Miles 42
Figure 21 - Roadway Backlog Needs by Improvement Type 43
Figure 22 - Roadway Accruing Needs by Improvement Type 43
Figure 23 - Total Backlog and Accruing Needs by NCMIN Tier 44
Figure 24 - Total Backlog and Accruing Needs (Miles) by NCMIN 45
Figure 25 - Five-Year Funding Period by Improvement Type 46
Figure 26 - Five-Year Funding Periods 47
Figure 27 - Number of Bridges by NCMIN Tier 52
Figure 28 - Total Bridge Needs by Improvement Type 53
Figure 29 - Total Bridge Needs by NCMIN Tier 54
Figure 30 - Total Bridge Needs by NCMIN Tier and Improvement Type 55
Figure 31- Bridge Needs by NCDOT Division ($ in thousands) 55
Figure 32 - Backlog Bridge Needs by Improvement Type 56
Figure 33 - Backlog Bridge Needs by NCMIN Tier 57
Figure 34 - Backlog Bridge Needs by Improvement Type and NCMIN Tier 58
Figure 35 - Backlog Bridge Needs by Improvement Type and Tier 58
Figure 36- Accruing Bridge Needs by Improvement Type ($ in millions) 59
Figure 37 - Accruing Bridge Needs by NCMIN Tier 60
Figure 38 - Accruing Bridge Needs by NCMIN Tier and Improvement Type 61
Figure 39 - Accruing Bridge Needs by NCMIN Tier and Improvement Type 61
Figure 40 - Five-Year Funding Period by Improvement Type 62
Figure 41 - Statewide ITS Strategic Deployment Plan Regional Map 68
Figure 42- 25-Year ITS Needs 77
Figure 43 - ITS Needs by Improvement Type 79
Figure 44 - Statewide and Regional Tier ITS Needs by Improvement Type ($ in millions) 79
Figure 45 - North Carolina Public Transportation Operating Statistics (units in millions) 83
Figure 46 - 25-Year Public Transportation Needs by 5-Year Increments ($ in millions) 87
Figure 47 - 25-Year Public Transportation Needs by NCMIN Tier ($ in millions) 88
Figure 48 - Maintenance and Preservation Public Transportation Needs by NCMIN Tier 89
($ in millions) 89



Figure 49 – Transportation Needs by Improvement Type ($ in millions) 90
Figure 50 – North Carolina Amtrak Routes 92
Figure 51 – Amtrak 2004 and 2005 Ridership by City 92
Figure 52 – Current and Future Passenger Rail Service 95
Figure 53 – Raleigh-Charlotte Travel Time in Minutes 97
Figure 54 – 25-Year Passenger Rail Needs by 5-Year Increments ($ in millions) 99
Figure 55 – 25-Year Passenger Rail Needs by NCMIN Tier ($ in millions) 100
Figure 56 –Passenger Rail Needs by Improvement Type ($ in millions) 100
Figure 57 –Passenger Rail Needs by Improvement Type ($ in millions) 101
Figure 58 –Passenger Rail Needs by NCMIN Tier ($ in millions) 102
Figure 59 – RIAP Grants Awarded by Year (1994 to 2005) 105
Figure 60 – Total Tons of Freight Carried, 2000 to 2004 107
Figure 61 – Total Carloads of Freight Carried, 2000 to 2004 107
Figure 62 – Originating Tons by Commodity 108
Figure 63 – Terminating Tons by Commodity 108
Figure 64 – Railroad Grade-Crossing Statistics, 2000 to 2004 110
Figure 65 – 25-Year Freight Rail Needs by NCMIN Tier ($ in millions) 114
Figure 66 – Freight Rail Needs by Improvement Type ($ in millions) 115
Figure 67 – Existing Ferry Routes 116
Figure 68 – Ferry Needs by 5-Year Increments 118
Figure 69 – Ferry Needs by NCMIN Tier ($ in millions) 119
Figure 70 – Ferry Needs by Improvement Type 120
Figure 71 – Ferry Needs by Improvement Type ($ in millions) 121
Figure 72 – Bicycle and Pedestrian Needs by 5-Year Increments ($ in millions) 127
Figure 73 – Bicycle and Pedestrian Needs Comparison by NCMIN Tier ($ in millions) 128
Figure 74 – Bicycle and Pedestrian Needs by NCMIN Tier ($ in millions) 128
Figure 75 – Aviation Needs by NCMIN Tier ($ in millions) 131
Figure 76 –Aviation Needs by NCMIN Tier ($ in millions) 131
Figure 77 – Aviation Needs by Improvement Type ($ in millions) 132
Figure 78 – Aviation Needs by Improvement Type 132
Figure 79 – Port of Wilmington 6-Year Tonnage Trends 135
Figure 80 - Port of Wilmington 6-Year Vessel Trends 136
Figure 81 – Port of Morehead City 6-Year Tonnage Trends 137
Figure 82 – Port of Morehead City 6-Year Vessel Trends 138
Figure 83 – I-140 Extension and the Cape Fear Skyway 143
Figure 84 – I-73 and I-74 Corridors 144
Figure 85 – US 70 Corridor Improvements 146



Executive Summary

The North Carolina Department of Transportation (NCDOT) is committed to supporting a safe and integrated transportation system that enhances the well-being of the state. Over a four-year process from 2000-2004, NCDOT took a "first step" in better understanding the challenges, needs, and resources required to provide such a transportation system for a growing and economically diverse state. Starting in 2001, NCDOT first identified a 25-year infrastructure estimate (to the year 2025, in 2001 dollars) of both transportation needs ($84 billion) and available revenue ($55 billion) that was the basis for a multi-year public policy conversation with NC's citizens and stakeholders on establishing transportation priorities. This effort culminated in the adoption and recommendation of a new, long-term investment policy highlighted in the Statewide Transportation Plan in September 2004.

Since the approval of the 2004 Statewide Transportation Plan (STP), multi-modal transportation needs have changed due to:

- The continued aging of the system (i.e., stress on pavements, shorter lifecycle of bridges, etc.);
- Growth in population;
- Growth in vehicle miles traveled (VMT);
- Changes in land-use patterns;
- Increased gasoline/diesel prices;
- Increased use of hybrid vehicles; and
- Construction cost inflation and significant increases in energy costs reducing the purchasing power of motor fuel taxes.

Since 2003, North Carolina has experienced unprecedented construction cost increases. Construction prices for concrete, steel, and asphalt have increased by 45 percent, making it more costly for NCDOT to complete needed projects. In addition, construction costs are expected to continue to rise in the near future.



The right investment mix to address preservation, maintenance, modernization and expansion of the transportation system is required if NCDOT wants to build upon the efforts of the 2004 STP recommendations and address the updated information in the report. Finding ways to maximize operational efficiency, leveraging the use of technology, and seeking to be strategic with how and where transportation dollars are invested create safety, congestion relief and mobility benefits (across all modes) that are paramount to managing North Carolina's sizeable transportation system. The purchasing power of revenue from user fees such as the motor fuels tax is declining, which has major implications on the NCDOT transportation capital program. In many ways, the transportation system is the lifeblood of the North Carolina economy and an important component of quality of life for all residents.

System Needs

Over the past year, NCDOT staff has worked to update the multi-modal transportation needs and determine future transportation revenues to 2030. Overall, the multi-modal transportation investment needs identified in the 2006 STP Mid-Cycle update total $124 billion (in 2005 dollars) compared to $84 billion from the 2004 STP. This is an increase of $40 billion, or 48 percent. The 2006 STP Mid-Cycle update also identified the following:

- Highway needs (roadways, bridges and intelligent transportation systems (ITS) needs) have increased by 43 percent;
- Public transportation needs have increased by 68 percent;
- Passenger and freight rail needs have increased by 20 percent;
- Ferry needs have increased by 28 percent;
- Bicycle and pedestrian needs have increased by 47 percent; and
- Aviation needs have increased by 69 percent.

The highway transportation needs are categorized in the 2006 STP Mid-Cycle update by:

- North Carolina Multi-modal Investment Network (NCMIN);
  - Statewide;
  - Regional; and
  - Subregional.



- Improvement Type;
  - Expansion;
  - Modernization;
  - Preservation; and
  - Maintenance.
- The 14 NCDOT Divisions[1];
- Backlog (existing) and Accruing (future)[2];
- Five Funding Periods;
  - 2006-2010;
  - 2011-2015;
  - 2016-2020;
  - 2021-2025; and
  - 2026-2030.

The following provides a summary of the $124 billion transportation investment needs identified in the 2006 STP Mid-Cycle update:

- 42 percent are on the Statewide Tier;
- 15 percent are on the Regional Tier;
- 43 percent are on the Subregional Tier;
- 38 percent are expansion needs;
- 23 percent are modernization needs;
- 39 percent are preservation and maintenance needs;
- 31 percent are backlog needs; and
- 69 percent are accruing needs.

[1] Non-highway needs are not categorized by NCDOT Division.
[2] All non-highway needs are considered accruing needs.



Chapter 1. Introduction

The Federal government requires that each state develop, maintain, and update a Statewide Transportation Plan (STP). These requirements are outlined in 23 CFR 450.212 and 450.214. Within NCDOT, the Transportation Planning Branch (TPB) is responsible for preparing the STP. The goals for this 2006 STP Mid-Cycle update are the same as those identified in the 2004 STP.

This technical report describes the current needs associated with updating the existing highway system, bridges, and the non-highway needs in North Carolina, as well as projected future needs to the year 2030. A variety of analysis techniques were used to develop a comprehensive assessment of needs related to North Carolina's roadway and bridge network and the non-highway modes. The following sections describe the current highway system and non-highway modes in North Carolina and explain the current and future highway, bridge and non-highway improvement needs.

Preserving, modernizing, expanding and maintaining the second largest transportation system in the nation is no simple task. During the next 25 years, multi-modal transportation needs in North Carolina, total $124 billion.

- Over 137,000 lane miles of roadway will have preservation and maintenance needs totaling $32.2 billion or 26 percent;
- Over 30,000 lane miles of roadway and over 11,000 bridges will have modernization needs totaling $26.7 billion or 22 percent;
- Over 26,000 lane miles of roadway will have expansion needs totaling $38.4 billion or 31 percent; and
- Non-highway mode needs total $26.1 billion or 21 percent.

Analyzing the total needs by the North Carolina Multi-modal Investment Network (NCMIN) Tiers reveals that:

- $52.0 billion or 42 percent are on the Statewide Tier;
- $18.6 billion or 15 percent on the Regional Tier; and
- $52.8 billion or 43 percent on the Subregional Tier.



A total of $97.4 billion of needs were identified on North Carolina highways (including roadways, bridges and ITS).

- Preservation and maintenance needs total $32.2 billion or 33 percent;
- Expansion needs total $38.4 billion or 39 percent; and
- Modernization needs total $26.7 billion or 39 percent.

Analyzing the total highway needs by NCMIN Tiers reveals that:

- $47.7 billion or 49 percent are on the Statewide Tier;
- $11.2 billion or 12 percent are on the Regional Tier; and
- $38.4 billion or 39 percent are on the Subregional Tier.

The greatest Statewide Tier need is expansion ($33.8 billion) compared to modernization on the Regional Tier ($4.8 billion) and preservation on the Subregional Tier ($23.6 billion).

A total of $26.1 billion of non-highway needs (public transportation, passenger rail, freight rail, ferry, aviation and bicycle and pedestrian systems) were identified.

- Preservation and maintenance needs represent 59 percent;
- Expansion needs represent 34 percent; and
- Modernization needs represent 7 percent.

Analyzing the total non-highway needs by NCMIN Tiers reveals that:

- $4.4 billion or 17 percent are on the Statewide Tier;
- $7.4 billion or 28 percent on the Regional Tier; and
- $14.3 billion or 55 percent on the Subregional Tier.

While the challenge of preserving, maintaining, modernizing and expanding a complex, multi-modal transportation system is significant, so to is the reward for making the hard choices and serious investments required to maintain the system in competitive condition. Maintaining North Carolina's transportation system results in a safer and more efficient system and these improvements support economic development opportunities throughout the state.



Chapter 2. Multi-modal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update

North Carolina is rapidly growing. The population grew from 5 million in 1970, to 8.5 million in 2004 and is expected to grow to over 12 million people in the next 25 years. Vehicle miles traveled (VMT) more than tripled from 30 billion in 1970 to 101 billion in 2005, and VMT is expected to increase 50 percent more by 2020 due to increases in the number of registered motor vehicles and licensed drivers, and sprawling patterns of land development. Truck freight hauled in North Carolina is projected to increase to 808 million tons by 2020, a 190 percent increase since 1998[1]. While this growth is good, it places a tremendous strain on the transportation system.

Since the 2004 STP (used 2001 data) was completed, multi-modal transportation needs have changed due to the age of the system, growth in population, VMT, and land use. Between 2000 and 2005, VMT in North Carolina has increased 13 percent on state-maintained roadways[2]. Based on NCMIN Tiers, the Statewide Tier VMT increased by 15 percent; Regional Tier VMT increased by 7 percent and the Subregional Tier VMT increased by 14 percent. These increases have added a tremendous strain to North Carolina roadways and bridges as noted in this report.

2.1 Transportation Investment Needs

The multi-modal transportation investment needs identified in the 2006 STP Mid-Cycle update total $124 billion, which is an increase of $40 billion (48%) from the 2004 STP. As shown in **Table 1**, all multi-modal needs increased. As noted earlier, population and VMT increases are one of the main reasons for the increase in needs. However, construction cost inflation and significant increases in energy costs have reduced the purchasing power of the motor fuel tax. Over the last five years, North Carolina has realized unprecedented construction cost increases. Since 2003, construction prices for concrete, steel and asphalt have increased by 45 percent making it more costly for NCDOT to complete needed projects and construction costs are still rising. In fact, construction lettings have declined approximately 70 percent since 2002.

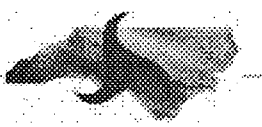
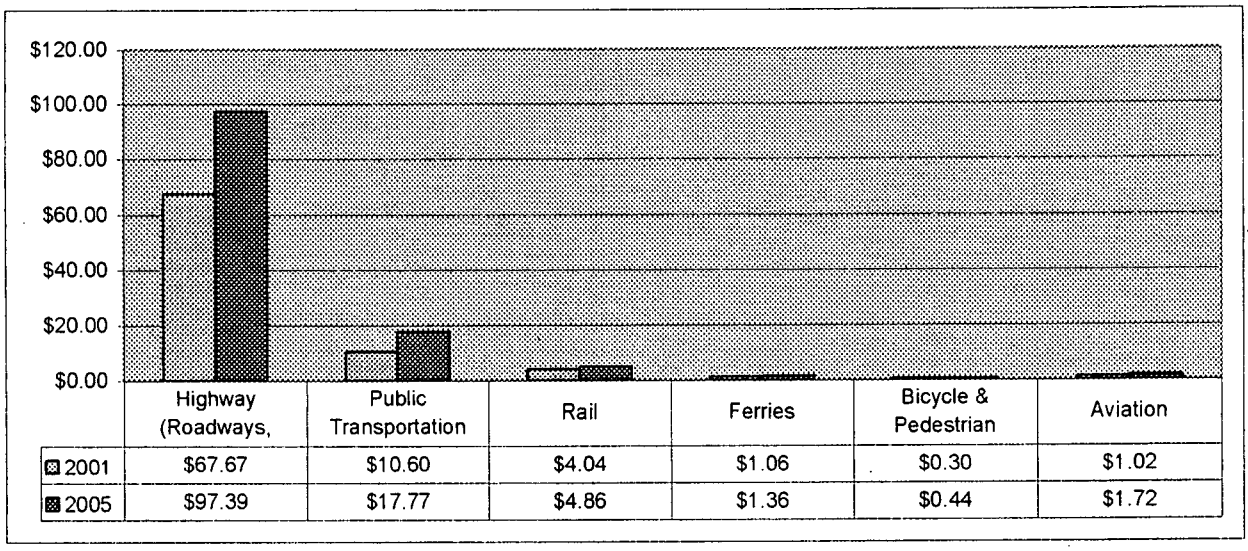


Figure 1 illustrates the differences in the multi-modal transportation needs between the 2004 STP and the 2006 STP Mid-Cycle Update. The large increase in highway expansion needs is attributed partially to the growth in population and VMT, but a change in how roadway capacity (how many cars a roadway can handle) is calculated occurred in 2002 and this along with factors described later in the Technical Approach produced more roadway expansion needs.

Table 1 – Multi-modal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update ($ in billions)

	2004 STP 2001 – 25 (Billion Dollars)	2006 Mid-Cycle Update 2005 - 30 (Billion Dollars)	Dollar Difference	Percent Change
Highway (includes ITS)	$60.77	$80.96	$20.19	33.2%
Bridges	$6.90	$16.43	$9.53	138.1%
Public Transportation	$10.60	$17.77	$7.17	67.6%
Rail	$4.04	$4.86	$0.82	20.2%
Ferries	$1.06	$1.36	$0.30	28.0%
Bicycle & Pedestrian	$0.30	$0.44	$0.14	46.7%
Aviation	$1.02	$1.72	$0.70	68.7%
TOTAL	**$84.69**	**$123.53**	**$38.84**	**45.9%**

Figure 1 – Multi-modal Transportation Needs Comparison between 2004 STP and the 2006 STP Mid-Cycle Update ($ in billions)



Chapter 3. Transportation System Needs

3.1 Technical Approach

The 2006 STP Mid-Cycle update was prepared using existing transportation databases maintained by NCDOT. This approach minimized the need for costly new data collection, maintained consistency with existing plans and programs, maximized the resources devoted to analysis, and supports future STP updates using these same data sources and plans.

The overall needs analysis is a very complex process and the 2006 STP Mid-Cycle update included both industry standard quantitative tools supported by FHWA, plus quantitative assessment by the consultant team and NCDOT staff. The 2006 STP Mid-Cycle update used more sophisticated analysis tools to identify highway and bridge needs than was used in the 2004 STP and this, along with other factors such as population and VMT growth, change in minimum tolerable conditions (MTCs), design standards and construction and right-of-way (ROW) cost escalation, identified needs more accurately. **Figure 2** shows a flow chart of the Technical Approach and the following sections detail the Technical Approach that was employed to complete the 2006 STP Mid-Cycle update, which identifies highway, bridge, and non-highway needs over the next 25 years.

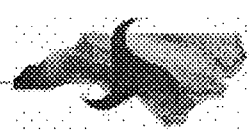
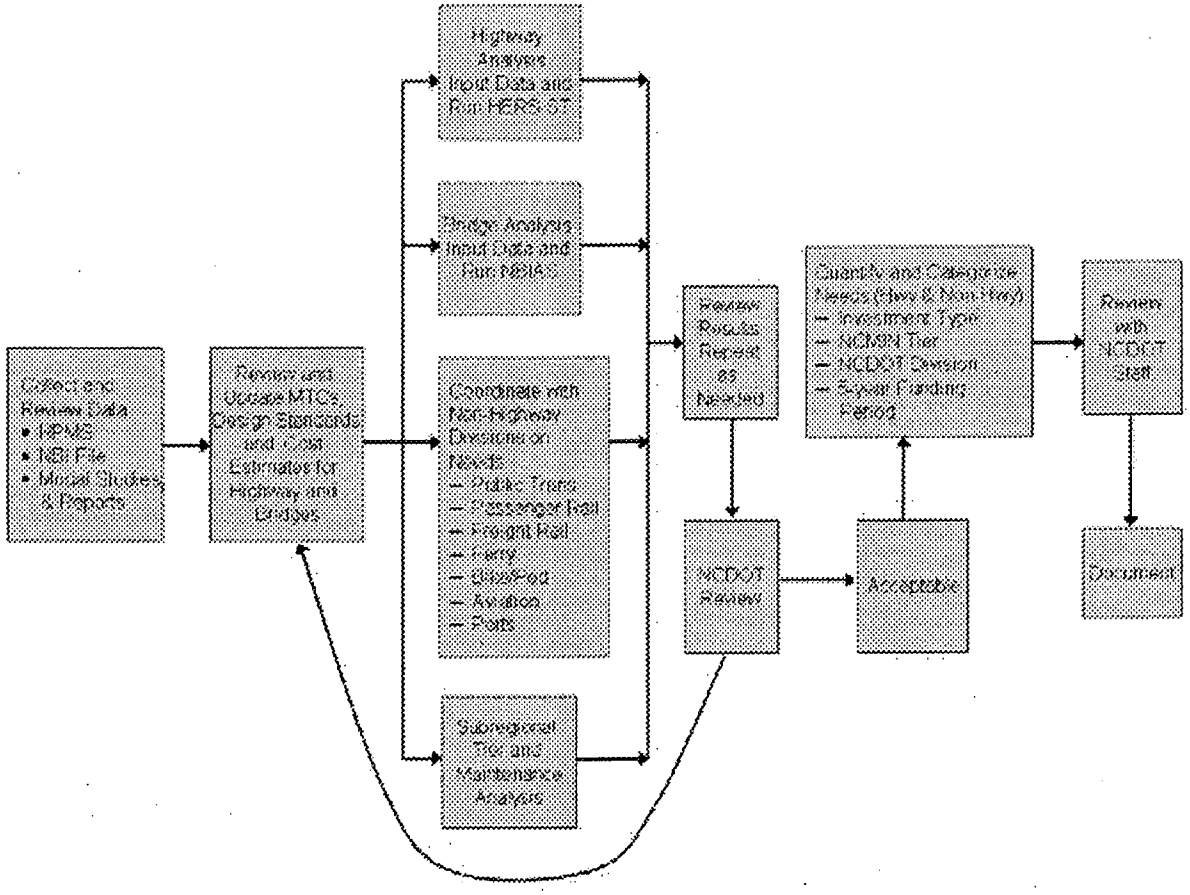


Figure 2 - Technical Approach Flow Chart



3.2 Inventory Data

A sound technical needs analysis must be based on valid data describing important features of the transportation system. Therefore, the analysis entails substantial efforts to ensure the quality and quantity of data needed to achieve a rigorous assessment of highway needs.

- **Highway** - NCDOT maintains, on a continuous basis, inventory data for all highways under its jurisdiction. A single database was used for the study of state roadways. The Highway Performance Monitoring System (HPMS) utilizes physical and traffic characteristics, identification data and information about the pavement type, history, and present condition of all roads under state jurisdiction. The 2004 HPMS database was the starting point for the highway analysis.

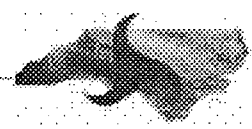
- **Bridges** – As mandated by the Federal government, NCDOT maintains and regularly updates the National Bridge Inventory (NBI file), an extensive database concerning all state bridges. Bridges under state jurisdiction were analyzed to estimate bridge needs based on the 2005 NBI file. The NBI file has various bridge physical, operational and condition characteristics that can be used by bridge management systems to forecast bridge conditions and needs. The base year data in the NBI file includes an assessment of the current bridge conditions.
- **Non-Highway modes** – Public Transportation, Passenger Rail, Freight Rail, Ferry, Bicycle and Pedestrian and Aviation facilities and systems play a vital role in moving people and goods in North Carolina. The non-highway needs analysis did not utilize databases and models to identify multi-modal needs, rather the qualitative analysis included close coordination and consultation with NCDOT staff to identify future needs by North Carolina Multi-modal Investment Network (NCMIN), investment type and five-year funding periods. Most of the NCDOT non-highway Divisions recently completed detailed studies, which identify future needs. These studies and reports were reviewed and the results were coordinated with NCDOT staff and documented in the 2006 STP Mid-Cycle update.

3.3 Technical Methodology

During the 2006 STP Mid-Cycle update process, two new analytical tools were used to identify existing and future highway and bridge needs. The new tools are fully described in this section and ***both analysis tools flag deficiencies and identify an improvement type based upon a prescribed NCDOT design standard that is based on unit cost per mile (highway) or unit cost per square foot (bridge) of improvement, which provides a dollar value of need.***

3.3.1 Highway Tool

In determining North Carolina highway needs, emphasis was placed on ensuring detailed and statistically valid data were utilized to provide credible results. Furthermore, appropriate methods and tools were employed to ensure a rigorous analytical approach yielding sound



results for quantifying and understanding needs. To meet these objectives, the highway needs analysis utilized HERS-ST – Highway Economics Requirements System – State Version.

The HERS-ST model (version 4) developed by the Federal Highway Administration (FHWA) is currently used by 20 state DOTs to assess state highway investment needs[3]. At the national level, HERS has been used by FHWA's Office of Legislation and Strategic Planning for nearly ten years to develop future National-level highway investment levels, to either improve the Nation's highway system or maintain user cost levels on the system. HERS provides cost estimates for achieving economically optimal program structures. HERS can also predict system condition and user cost levels resulting from a given level of investment. These estimates provide benchmarks from which Congress considers the highway budget. In the same way, HERS-ST entails assessment of expected changes in physical system conditions, as well as economic cost behavior determining highway economic requirements at the state level. The analysis is based on an application of engineering, economic and statistical methods to a standard sample of HPMS data. Since HERS-ST does not capture new roadway location, urban loops and railroad and highway grade crossings needs, these needs were identified by examining the NCDOT 2007-2013 State Transportation Improvement Program (STIP).

3.3.2 Traffic Growth Rates

As noted earlier, the HPMS database used in the 2006 STP Mid-Cycle update is based on the 2004 FHWA submittal. Since the 2006 STP Mid-Cycle update base year is 2005, the HPMS sample section average annual daily traffic (AADT) needed to be updated from 2004 to 2005. To accomplish this, NCDOT provided HPMS sample sections submitted to FHWA from the year 2000 to 2004. Using these samples, compound annualized growth rates (CAGR) were computed for each roadway functional classification and applied to the 2004 HPMS sample segments by functional class to arrive at estimated 2005 AADT.

Compound annual growth rate is a well-documented method of assessing the average growth of a value over time. To calculate CAGR, one must solve the equation:

---

[3] Ten other state DOTs are currently evaluating using HERS-ST in identifying their highway needs.



$$r = (E / B)^{(1/T)} - 1$$

where r = percentage annual growth rate

where E = the ending value, in this case 2004 AADT is used.

where B = the beginning value, in this case 2000 AADT is used.

where T = the time passed in years, in this case 5 years have passed.

Example: Estimating 2005 AADT for Rural Interstates

$E = 39{,}207$

$B = 36{,}499$

$T = 5$

$r = (39{,}207 / 36{,}499)^{(1/5)} - 1$

$r = 0.014417515$

$r = 1.4417515\%$

Annual AADT one year growth (2004 to 2005) = 39,207 x 0.014417515

Annual AADT one year growth = 565

2005 Rural Interstate estimated AADT = 39,207 + 565

2005 Rural Interstate estimated AADT = 39,772

As shown in **Table 2**, the estimated 2005 AADT were determined for the remaining functional classifications used in the HERS-ST analysis. Regardless of length, the growth rates were applied by functional class for all HPMS sample segments (3,664 or 2.5%) to estimate 2005 AADT before needs were analyzed in HERS-ST.

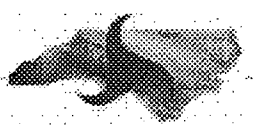


Table 2 – Estimated 2005 AADT

Functional Class	Average AADT Per Segment (Standard Sample) 2000	2001	2002	2003	2004	Compound Annual Growth Factor (2000-2004)	Estimated 2005 AADT
Rural Interstate	36,499	37,741	38,903	38,206	39,207	*1.014417515*	39,772
Rural Principal Arterial	12,476	12,711	13,076	13,383	13,799	*1.020358092*	14,080
Rural Minor Arterial	7,711	7,991	8,184	8,304	8,396	*1.017172419*	8,540
Rual Major Collector	4,419	4,557	4,709	4,745	4,786	*1.016110811*	4,863
Urban Interstate	72,884	74,451	76,348	75,567	77,410	*1.012120064*	78,348
Urban Freeway	35,583	36,923	36,731	37,373	37,857	*1.012464950*	38,329
Urban Principal Arterial	19,083	19,472	19,804	19,636	19,956	*1.008978333*	20,135
Urban Minor Arterial	10,271	10,473	10,538	10,571	10,687	*1.007965334*	10,772
Urban Collector	5,072	5,240	5,250	5,254	5,315	*1.009410095*	5,365

3.3.3 Highway Methodology

The process to analyze highways using HERS-ST began with NCDOT staff determining the minimum tolerable conditions (MTCs), which identified highway needs and determining design standards, which identified the condition of the roadway after improvement. NCDOT staff also provided improvement costs and ROW costs per mile for each HERS-ST improvement type by functional classification, based on historical costs. The MTCs, design standards and improvement plus ROW cost tables were updated based on these changes and imported into HERS-ST. ***HERS-ST was programmed to provide full engineering needs analysis, over a 25-year period, so the final results provided actual highway needs not withstanding budget levels.***

The sample HPMS database, which consists of approximately 2.5 percent of state-maintained roadways was provided by NCDOT and is consistent with other state DOTs sample sizes. The HPMS sample was representative of the Statewide and Regional Tiers, which is described more fully later in this section, but the database was inconclusive when determining the needs of Subregional Tier roadways. ***Subregional Tier roadway needs were identified through coordination with NCDOT staff and a trend analysis using the HPMS database and the NCDOT Existing Mileage by Type of Road Tables NC 600 SR and NC 700 SM.*** HPMS database improvements have been identified and once integrated in future HPMS submittals by NCDOT staff, it is anticipated that HERS-ST will be used to identify Subregional Tier needs in future STP updates. ***In addition, NCDOT staff decided to use the highway maintenance needs derived from the 2006 NCDOT Annual Maintenance Report because they were more accurate than needs***

identified in HERS-ST. The dollars in this report were discounted 10 percent to establish 2005 dollars. The maintenance needs provided by NCDOT included Statewide Programs, such as weigh stations, rest area renovation, traffic signal optimization and replacement, etc; and Routine Maintenance, such as rest area maintenance, snow and ice control, roadway lighting, unpaved road maintenance, etc. Intelligent Transportation System (ITS) needs were provided by NCDOT staff and while included in the total highway needs, ITS needs are examined further in the 2006 STP Mid-Cycle update.

In order to identify highway needs, inventory data using the North Carolina HPMS database were compared to MTCs considered acceptable by NCDOT. MTCs are based on judgment regarding levels at which congestion, safety risk, physical and structural deterioration are expected to adversely affect system performance and the public interest. Facilities falling below the specified MTC's in any given funding period are understood as needs for improvement in the time horizon of the plan. Design standards provide engineering details on how the facility should be improved once a need is identified. **Tables 3 and 4** provide the MTC's and design standards, respectively, used during the 2006 STP Mid-Cycle update. MTCs are defined for different types of facilities based on their functional classification, traffic volume, and location (as defined by terrain and rural/urban characteristics). ***Any roadway condition below a specified "minimum tolerable" criterion is classified as a deficiency or need.*** Existing deficiencies (backlog in 2005) are identified under these criteria, as are accruing (future) needs expected to emerge to the year 2030, given assumptions about physical deterioration, changing system conditions and traffic growth. National default MTCs were used for the volume-to-capacity (V/C) ratio; however all other MTCs and design standards were provided by NCDOT staff.

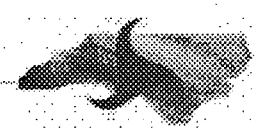


Table 3 - Minimum Tolerable Conditions

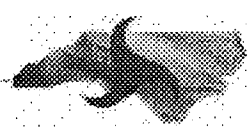
Roadway Type/ Functional Class Group	Terrain	PSR (1)	Lane Width (Feet)	V/C Ratio (2)	Right Shoulder Width (Feet)
Rural Interstate	Flat	3.3	12.0	0.7	8
	Rolling	3.3	12.0	0.8	8
	Mountainous	3.3	12.0	0.9	8
Rural Principal Arterial (AADT > 6,000)	Flat	3.0	11.0	0.7	8
	Rolling	3.0	11.0	0.8	8
	Mountainous	3.0	11.0	0.9	8
Rural Principal Arterial (AADT < 6,000)	Flat	3.0	11.0	0.7	4
	Rolling	3.0	11.0	0.8	4
	Mountainous	3.0	11.0	0.9	4
Rural Minor Arterial (AADT > 2,000)	Flat	3.0	11.0	0.7	4
	Rolling	3.0	11.0	0.8	4
	Mountainous	3.0	11.0	0.9	4
Rural Minor Arterial (AADT < 2,000)	Flat	2.8	11.0	0.7	2
	Rolling	2.8	11.0	0.8	2
	Mountainous	2.8	11.0	0.9	2
Rural Major Collector (AADT > 1,000)	Flat	3.0	11.0	0.7	2
	Rolling	3.0	11.0	0.8	2
	Mountainous	3.0	11.0	0.9	2
Rural Major Collector (AADT > 400)	Flat	2.8	11.0	0.95	2
	Rolling	2.8	11.0	0.95	2
	Mountainous	2.8	11.0	0.95	2
Rural Major Collector (AADT < 400)	Flat	2.5	10.0	1.0	2
	Rolling	2.5	10.0	1.0	2
	Mountainous	2.5	10.0	1.0	2
Urban Roads	Interstate	3.3	12.0	0.9	8
	Freeway	3.0	12.0	0.9	8
	Principal Arterial	3.0	11.0	0.9	4
	Minor Arterial	3.0	11.0	0.9	2
	Collector	2.8	11.0	0.9	2

Notes:
(1) PSR = Present Serviceability Rating
(2) V/C Ratio = Volume to Capacity Ratio. National default value was used in this analysis



Table 4 – Design Standards

Roadway Type/ Functional Class Group	Terrain	PSR	Lane Width (Feet)	Right Shoulder Width (Feet)
Rural Interstate	Flat	5	12	12
	Rolling	5	12	10
	Mountainous	5	12	8
Rural Principal Arterial (AADT > 6,000)	Flat	5	11	10
	Rolling	5	11	10
	Mountainous	5	11	8
Rural Principal Arterial (AADT < 6,000)	Flat	5	11	10
	Rolling	5	11	10
	Mountainous	5	11	8
Rural Minor Arterial (AADT > 2,000)	Flat	5	11	8
	Rolling	5	11	8
	Mountainous	5	11	8
Rural Minor Arterial (AADT < 2,000)	Flat	5	11	8
	Rolling	5	11	8
	Mountainous	5	11	6
Rural Major Collector (AADT > 1,000)	Flat	5	11	8
	Rolling	5	11	8
	Mountainous	5	11	6
Rural Major Collector (AADT > 400)	Flat	5	11	4
	Rolling	5	11	4
	Mountainous	5	11	4
Rural Major Collector (AADT < 400)	Flat	5	10	2
	Rolling	5	10	2
	Mountainous	5	10	2
Urban Roads	Interstate	5	12	10
	Freeway	5	12	10
	Principal Arterial	5	11	10
	Minor Arterial	5	11	9
	Collector	5	11	8



3.3.4 Bridge Tool

Like the highway analysis, the bridge analysis was conducted using modeling techniques to provide a complete assessment of needs related to bridges in North Carolina. The NBI file is a compilation of data supplied by the state DOTs to the FHWA as required by the National Bridge Inspection Standards for bridges located on public roads. NCDOT is responsible for conducting bridge inspections and preparing the NBI in North Carolina.

A separate software package and model - National Bridge Investment Analysis System (NBIAS) - used the NBI file to determine statewide bridge improvement and replacement needs. ***Overall bridge maintenance needs were determined by reviewing the 2006 Annual Maintenance Report, which was used because it was determined by NCDOT staff that the internal derived needs were more accurate than identified in NBIAS.***

NBIAS helps forecast bridge performance on more than 50 measures of effectiveness over a multi-year period. A bridge replacement need is recognized when one of three conditions is met:

- Bridge has an improvement need that is considered infeasible for the structure's design type;
- Bridge has multiple improvement needs; or
- Benefit/ cost ratio for replacement is greater than that for improvement.

The NBIAS is similar to the HERS-ST in that it is a time-based model used for estimating future improvement needs. However, because the HERS-ST does not address bridges, the NBIAS model fills this void and estimates improvement needs for existing bridges. Like HERS-ST, the ***NBIAS model uses a set of minimum tolerable conditions to determine when improvements are necessary and a set of design standards to determine the costs associated with the needed improvements.*** These parameters were specified by input from NCDOT staff, so that actual practices were reflected in the analysis.



3.3.5 *Bridge Methodology*

The process to analyze bridges began with verifying the number of bridges and the corresponding bridge data. The NBI file, provided by NCDOT, contains only state-maintained bridges and culverts on various roadway functional classifications. The improvement cost estimations were removed from the NBI file before the file was loaded into the FHWA bridge program NBIAS so existing and future bridge improvement costs could be determined by the updated unit cost information input to NBIAS. ***NCDOT staff, in consultation with FHWA NC Division bridge staff, agreed to use $232 per square foot to replace a bridge in NBIAS.*** NCDOT and FHWA Division staff reviewed the default NBIAS MTCs and design standards, and determined that the defaults reflected North Carolina bridge policies adequately. To perform a full engineering needs analysis, a $1 billion per year budget was programmed in NBIAS. A sufficiency rating replacement rule of 40 percent was also applied to capture all bridges that fell below this standard automatically each year. NBIAS was programmed to identify the most economical solution to the bridge deficiencies and not allow borrowing from other funding years. This analysis provided a realistic examination of bridge needs in North Carolina over the next 25 years. The bridge maintenance needs provided in this report include Reoccurring Programs, such as culverts, bridge inspections, approach slabs, etc.; and Performance Based Activities, such as railings, bridge decks, expansion joints and superstructures and substructures. Total cost for these maintenance programs are provided, but the number of bridges are not included in the Annual Maintenance Report and thus are not reported in the 2006 STP Mid-Cycle update.

3.3.6 *Non-Highway Methodology*

As noted earlier, no technical tools were used to develop the non-highway needs. The non-highway needs were captured by reviewing existing specific modal studies and reports completed by NCDOT and NCDOT staff categorized multi-modal needs by NCMIN Tier, investment type and five-year funding periods.

3.3.7 *New Roadway and Bridge Methodology*

HERS-ST and NBIAS do not identify new location roadway and bridge needs. To capture these needs, the NCDOT 2007-2013 STIP was examined to account for the following needs:



- New location roadways;
- Urban loops;
- New roadway bridges; and
- New railroad and highway grade crossings.

To identify each of these needs, specific programmed STIP projects were identified. NCDOT staff reviewed each project before it was included as a need in the 2006 STP Mid-Cycle update. Once these needs were identified, they were categorized by NCMIN Tier, five-year funding period and NCDOT Division.

3.4 Need Categories

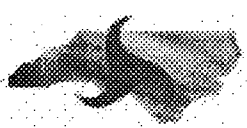
To assist NCDOT decision-making, highway, bridge and non-highway needs are categorized by NCMIN Tier, investment type and five-year funding periods. This provides detailed needs information, which identifies where the needs are located, the type of needs and when the needs should be addressed.

The "needs" that were examined include the following types of improvements:

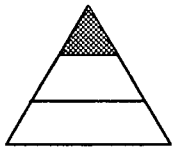
- Existing roadway network preservation;
- Bridge preservation;
- Existing network modernization;
- Bridge widening, rehabilitation, and replacement;
- Railroad / highway grade crossings;
- Existing roadway capacity expansion;
- Bridge expansion;
- New location roadway needs; and
- Completion of the urban loops system.

3.4.1 North Carolina Multi-modal Investment Network (NCMIN)

The North Carolina Multi-modal Investment Network (NCMIN) is a tool to organize, manage, and analyze facilities in the transportation system as one broad network. The NCMIN was developed during the 2004 STP and, for comparison purposes, the 2006 STP Mid-Cycle update

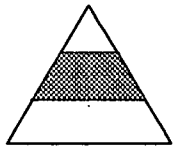


identifies needs for each of the three tiers. Some transportation facilities serve statewide movements, while others serve Regional or more localized (subregional) movements. Each type of facility is important and the NCMIN represents a way to acknowledge the different functions of each type of facility.



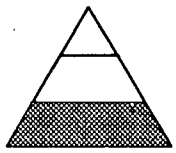
The Statewide Tier includes facilities in each mode that provide the most statewide benefits and satisfy statewide criteria: those that serve long-distance trips, connect regional centers, have the highest usage, and provide mostly a mobility function (as opposed to a land access function).

Example Routes: I-40, I-95, US 501, US 421, US 158 US 74, and US



The Regional Tier connects major population centers and serves a mixture of functions. Some of the Regional Tier facilities can be viewed as serving statewide transportation criteria, but they usually provide an unmistakable localized function. They are equally important to a particular region of the State and provide some land access.

Example Routes: US 301, US 21, US 15, NC 801, and NC 109.



The Subregional Tier facilities serve localized movements. They provide more of an access function than mobility and are typically of a higher interest to cities and counties than the state. The State would have responsibility for many of these facilities, but the State's interest would be small. Therefore, state investment probably would focus on maintenance/preservation as opposed to expansion.

The NCMIN also allows NCDOT to identify which transportation resources are most critical for the efficient movement of passengers and freight across all modes. Logically, the NCDOT has primary interest in those facilities that move freight and passengers on a statewide or regional basis; that is, longer trips between major metropolitan areas or regions, through-state traffic, or trips serving intermodal terminals.



All transportation facilities are included in the NCMIN. Each facility is classified into one of three tiers; each tier has distinct features that define how facilities function, the type of travel they serve, and other measures like connectivity and usage. The Statewide Tier has the fewest facilities, the Regional Tier has more facilities, and the Subregional Tier has the most facilities. The NCMIN is a planning tool. It does not represent a recommended State-owned transportation system, nor is it intended to identify limits on future State investments.

Determining roadway needs by NCMIN Tier began with the use of GIS. The road segments were coded to overlay on a cataloged road shapefile produced during the 2004 STP. Most roadways corresponded to this overlay and their NCMIN Tier was easily identified. However, some roadway segments from the HPMS database were more problematic in identifying their NCMIN Tier. For these roadway segments, the NCMIN Tier designation criteria were used to determine NCMIN Tier classification. The NCMIN designation criteria were applied to the entire HPMS database to obtain a NCMIN Tier classification for any road without a grouping, as well as to check NCMIN Tiers identified by using GIS. Any discrepancies between the GIS and the designation criteria was flagged and manually reviewed. Once the final NCMIN Tier classification was determined, the HPMS database was divided into three separate databases based on NCMIN Tiers. Each database was separately analyzed by HERS-ST to determine the percentage it represented of the entire system HERS-ST run based on all segments. Since the Subregional Tier was not represented adequately in the HPMS database, a trend analysis was completed using the HPMS database and the NCDOT Existing Mileage by Type of Road Tables NC 600 SR and NC 700 SM. Once the modernization and preservation needs were identified, unit costs were updated by NCDOT staff and were used to determine the overall needs on the Subregional Tier.

Determining bridge needs by NCMIN Tier was completed similar to the roadway needs discussed above. The bridge point locations were compared to the GIS road layer and coded with a corresponding NCMIN Tier. A similar NCMIN designation criterion was applied to the bridges in a second task. At this point, all bridges had a NCMIN Tier classification and any discrepancies were reviewed on an individual basis. The NCMIN Tier code was entered into an



existing NBI field that would not jeopardize the NBIAS results and the entire revised NBI file was analyzed in NBIAS. The final NBIAS results were then easily segmented into the three NCMIN Tiers.

3.4.2 Investment Type

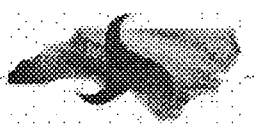
HERS-ST defines nine types of roadway improvements. For summary purposes, these improvements are grouped into the four categories of Preservation, Maintenance, Modernization and Expansion, as shown in **Table 5** on the next page. Roadway and bridge maintenance needs were derived from the 2006 Annual Maintenance Report.

Table 5 - Roadway Improvement Type

HERS-ST Roadway Improvements	Improvement Category	Improvement Type
Reconstruction - High-Cost Lanes	Major Widening	Expansion
Reconstruction - Normal-Cost Lanes	Major Widening	Expansion
Reconstruction - Widen Lanes	Minor Widening	Modernization
Reconstruction	Reconstruction	Modernization
Resurface - High-Cost Lanes	Major Widening	Expansion
Resurface - Normal-Cost Lanes	Major Widening	Expansion
Resurface - Widen Lanes	Minor Widening	Modernization
Resurface - Shoulder Improvements	Reconstruction	Modernization
Resurface	Resurfacing	Preservation

Based on the types of deficiencies and the years in which the deficiencies occur, improvements required to resolve deficiencies are identified as needs. Existing deficiencies account for the base year 2005 "backlog" needs (i.e., the deficiency already exists in 2005), while those which address future deficiencies are denoted as "accruing" needs (2006 to 2030). Improvements were based on standards identified by NCDOT for each functional classification, the traffic volume it will serve 25 years in the future (design-year), and its location characteristics.

The 2006 STP Mid-Cycle update highway, bridge and non-highway needs are classified into one of four improvement type categories:



Preservation – Activities that protect the infrastructure and extend service life such as:

Roadway resurfacing; Pavement markings; Signal maintenance; Guardrail/joint replacement; Bridge painting; Bridge expansion joint replacement; Airport obstruction removal;	Minor bridge deck repairs; Transit bus replacement; Maintenance facility repairs/upgrades; Intelligent Transportation Systems (ITS) components; Ferry boats replacements and Terminal repairs.

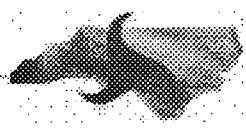
Modernization– Improvements related to upgrading the safety, functionality, and overall operational efficiency of a facility or service without adding major physical capacity:

Minor widening of narrow lanes; Bridge widening, rehabilitation and replacement; Access management/traffic flow/safety improvements;	New runway approach lighting system; Railroad/highway grade crossings, track and signal upgrades; and Most ITS improvements.

Expansion – Activities focused on adding capacity or new facilities/services, including:

Adding new highway lanes; Reconstruction with more lanes; New highways; New transit vehicles and related equipment; New airport construction; Runway lengthening;	Runway pavement strengthening; Facilities for new regional rail or bus rapid transit; and New passenger rail sets (and signals, track, yard facilities, stations, new ferry service including boats and terminals).

Maintenance – Activities focused on regular, routine roadway, ITS and bridge treatments that sustain the highway's condition (mowing, lighting, shoulder/guardrail repair, patching, IMAP etc.). Roadway and bridge maintenance needs are identified from the 2006 Annual Maintenance



Report. Maintenance applies only to the highway mode because similar "sustaining" activities for non-highway modes are classified as preservation improvements.

3.4.3 NCDOT Divisions

There are 14 NCDOT Divisions in the state and identifying highway and bridge needs by division will reveal specific geographic conditions and needs. Segmenting needs by the 14 NCDOT Divisions occurred differently for roadways and bridges. Both the HPMS database and the NBI file have county information contained in one of its fields. For bridge results, the NBI file was processed using Microsoft Access to determine the number of bridges by NCMIN Tier and NCDOT Division. The total dollar amounts within each NCMIN Tier were then proportionally subtracted out based on the number of bridges in that tier for each division.

To determine NCDOT Division roadway needs, the "unexpanded" improvement totals from the HPMS sample within HERS were separated into improvement types and further categorized by each funding period and division within the HPMS database. Each of the 14-segmented totals was expanded and normalized based on the total improvement and lane mile figures from the overall HERS-ST results. The improvement types were grouped into the reporting categories for comparison and planning purposes. ***This method provided a representation of the improvements needed within each division for all five funding periods.***

3.4.4 Backlog and Accruing Needs

Another critical aspect of the needs assessment process is identifying between backlog (existing) and accruing (future) needs. The 2006 STP Mid-Cycle update provides detailed backlog information for highways and bridges, however non-highway backlog needs for were not reported by NCDOT staff because these types of existing needs are difficult to measure.

The backlog portions of the highway and bridge analyses were obtained in different ways. HERS-ST (version 4.0)[4] does not directly report backlog needs (miles improved and improvement costs) in its output. Determining roadway backlog needs required manual

[4] HERS-ST version 4.1, which was released in January 2007, does report backlog needs.



calculations. This was completed by comparing the initial conditions report and the condition report after the first funding period (2005 to 2010). This analysis determined the proportion of the total improvement costs from the first funding period that actually belong in the backlog (existing 2005 deficiency). HERS-ST is programmed to complete all backlog needs within the first funding period (five-year) time frame. Thus, determining roadway backlog needs only applies to the first funding period of improvement costs and lane miles improved.

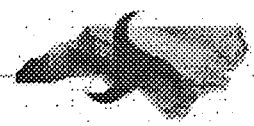
NBIAS provided bridge backlog needs (number of bridges and improvement costs) in its output so the bridge backlog needs could easily be subtracted from the total needs and reported.

3.4.5 Five-Year Funding Period

The 2006 STP Mid-Cycle update identifies multi-modal transportation needs over a 25-year planning horizon (2005 to 2030). To assist the decision-making process, needs were segmented into the following five distinct funding periods:

- 2006 to 2010;
- 2011 to 2015;
- 2016 to 2020:
- 2021 to 2025; and
- 2026 to 2030.

Since HERS-ST and NBIAS are time sensitive models, highway and bridge needs were segmented into the five funding periods based on the models output. Segmenting needs into these five funding periods provides information of when certain needs will arise and allows NCDOT an opportunity to prepare to address these needs, rather than reacting once the needs occur. Non-highway and ITS needs were divided into the five funding periods based on information provided by NCDOT staff. Needs identified through examining the 2007-2013 STIP, such as new location roadways, urban loops, bridge expansion, were included based upon available programming year information.



3.5 Estimating Improvement Costs

Estimating improvement costs is extremely important to ensure an accurate dollar estimate is provided to cover the cost of improving the need to the design standards established by NCDOT. The cost of each selected highway improvement shown in **Table 6** was estimated using unit costs provided by NCDOT staff that reflect market rate for materials, recent cost escalation factors, quarterly reports, and composite practices in North Carolina for each functional class of highway. Since 2003, construction prices in North Carolina have increased by 45 percent due to the increased market rate for materials. Unit costs used in the 2006 STP Mid-Cycle update are reported in constant 2005 dollars and reflect these increases.

Table 6 - Unit Cost by Improvement Types ($ in thousands)

$ in thousands/mile			Reconstruction		Resurface		Shoulder	Add Lanes		Alignment	
			Lane Widening	Pavement	Lane Widening	Pavement	Improvements	Normal Cost	High Cost	Normal Cost	High Cost
Rural	Interstate	Flat	$1,322	$533	$968	$189	$35	$1,555	$1,960	$1,960	$8,071
		Rolling	$1,537	$547	$1,153	$202	$58	$1,759	$2,463	$2,463	$8,529
		Mountainous	$2,063	$633	$1,624	$223	$89	$2,441	$5,579	$3,139	$9,591
	Principal Arterials	Flat	$1,124	$465	$849	$166	$26	$1,345	$1,741	$1,741	$7,123
		Rolling	$1,330	$479	$1,022	$184	$43	$1,526	$2,129	$2,129	$7,626
		Mountainous	$1,504	$543	$1,159	$202	$67	$1,797	$5,045	$9,647	$9,647
	Minor Arterials	Flat	$787	$392	$548	$137	$28	$964	$1,275	$1,275	$6,403
		Rolling	$967	$423	$705	$148	$42	$1,143	$1,658	$1,658	$7,327
		Mountainous	$1,312	$484	$1,015	$163	$63	$1,579	$4,629	$8,576	$8,576
	Major Collectors	Flat	$787	$392	$547	$136	$28	$964	$1,240	$1,240	$6,203
		Rolling	$913	$398	$662	$144	$37	$1,050	$1,551	$1,551	$7,099
		Mountainous	$1,237	$451	$957	$157	$59	$1,423	$4,246	$7,974	$7,974
Urban	Interstates/ Expressways	Small Urban	$2,919	$1,527	$2,451	$370	$68	$3,480	$10,564	$6,524	$15,465
		Small Urbanized	$3,084	$1,540	$2,511	$438	$90	$3,737	$11,477	$7,063	$17,295
		Large Urbanized	$4,495	$2,521	$3,498	$588	$339	$5,774	$21,459	$11,340	$32,419
	Principal Arterials	Small Urban	$2,490	$995	$2,235	$238	$53	$2,819	$7,434	$4,802	$10,486
		Small Urbanized	$2,593	$1,006	$2,291	$282	$70	$2,969	$7,970	$5,118	$11,566
		Large Urbanized	$3,268	$1,475	$2,881	$354	$227	$3,874	$11,193	$6,304	$13,171
	Arterials/ Collectors	Small Urban	$1,792	$877	$1,601	$204	$45	$2,079	$6,059	$3,790	$9,395
		Small Urbanized	$1,853	$887	$1,611	$231	$55	$2,163	$6,356	$3,965	$10,462
		Large Urbanized	$2,313	$1,187	$2,011	$284	$149	$2,795	$8,609	$5,294	$11,631

Bridge costs were computed by NBIAS and NCDOT staff in coordination with FHWA NC Division bridge staff, reviewed the default NBIAS improvement costs and determined that the national defaults reflected North Carolina bridge costs adequately expect for bridge replacement. As mentioned earlier, NCDOT and NC Division bridge staff agreed to use $232 per square foot to replace a bridge in NBIAS.



3.6 Estimating Right-of-Way Costs

The cost of acquiring ROW for roadway projects is significant. The ROW costs used in the 2006 STP Mid-Cycle update are reflective of historical North Carolina ROW costs and recent inflation factors. To ensure reliable costs were used, NCDOT staff provided ROW costs from a variety of recent projects and geographic differences throughout the state. The costs were analyzed and then updated in HERS-ST to ensure costs accurately reflected the cost of acquiring ROW for each roadway improvement identified in HERS-ST. NCDOT staff approved ROW costs, which are based on a per mile basis.

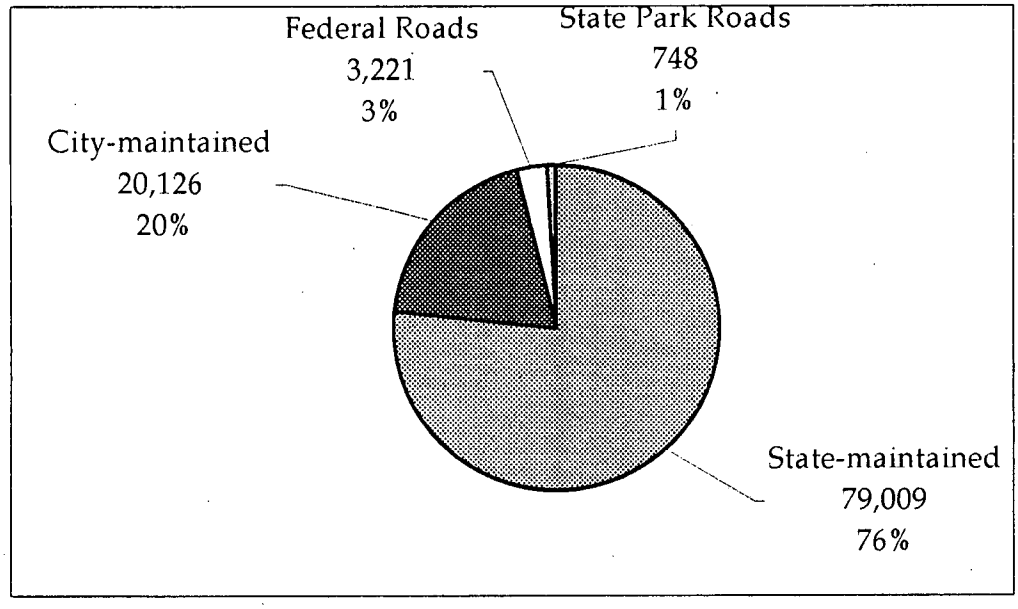


Chapter 4. Highways, Bridges and ITS

4.1 Existing Highway Conditions

There are 103,104 total centerline miles of public roadway in North Carolina (**Figure 3**). Of this total, NCDOT maintains 79,009 centerline miles of roadway, making the North Carolina system the second-largest state-maintained roadway network in the U.S. Over three-quarters of the public roadways in North Carolina is owned and maintained by NCDOT[5], with most of the remaining mileage maintained by municipalities. The majority (82%) of state-maintained roadways are classified as secondary routes, high order facilities (NC, U.S. and Interstates) account for only 18 percent of the centerline mileage maintained by NCDOT (**Figure 4**). The vast majority (93%) of the state-maintained roadway mileage is paved, though there is a significant amount (7%) of unpaved mileage in rural areas (**Figure 5**). NCDOT also maintains 13,629 total bridges and nine (9) ITS Statewide Strategic Deployment areas.

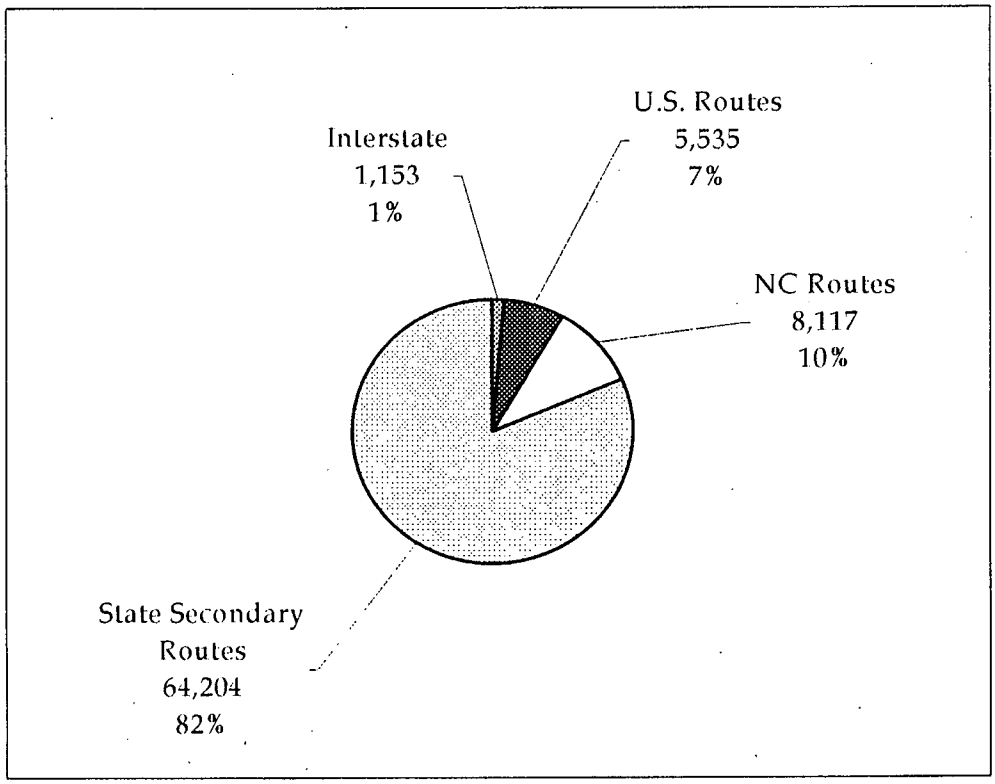
Figure 3 – Ownership of Roadway Network
TOTAL CENTERLINE MILES = 103,104



Source: NCDOT

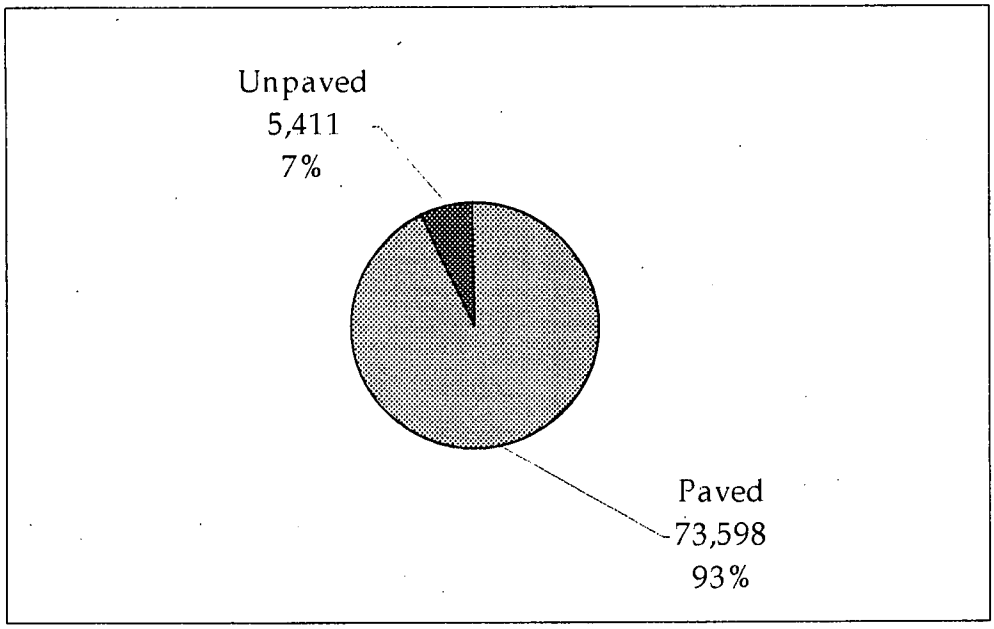
[5] The 2006 STP Mid-Cycle Update analyzes 79,009 centerline miles maintained by NCDOT.

Figure 4 – State-Maintained Roads by Route Designation
TOTAL CENTERLINE MILES = 79,009



Source: NCDOT

Figure 5 – State-Maintained Paved and Unpaved Roadways
TOTAL CENTERLINE MILES = 79,009



Source: NCDOT

4.2 Highway Needs by Improvement Type

Preserving, maintaining, modernizing, and expanding the second largest transportation system in the nation is no simple task. As shown in **Figure 6,** on the next page, over the next 25 years, a total of $97.4 billion in highway (includes ITS) and bridge needs have been identified through this planning process.

- Nearly 137,000 lane miles of roadway will have preservation needs totaling $14.6 billion;
- Nearly 30,000 lane miles of roadway and over 11,000 bridges will have modernization needs totaling $26.8 billion;
- Over 26,000 lane miles of roadway will have expansion needs totaling $38.4 billion; and
- Routine maintenance needs (mowing/ditch cleaning/rest area, ITS IMAP, and bridges) total $17.6 billion.

As explained earlier, the four major improvement types are expansion, modernization, preservation and maintenance. The first three improvement types for roadways and bridges are generated for the most part by HERS-ST and NBIAS respectively. The only exceptions are for new location roadways, urban loops and railroad and highway grade crossings. To identify these improvements, the NCDOT 2007 - 2013 STIP was reviewed and projects meeting these types of improvements were identified and added to the overall improvement type needs generated by HERS-ST or NBIAS. NCDOT staff also provided maintenance needs for highways and bridges and Subregional Tier needs were determined based on manual trend analysis.

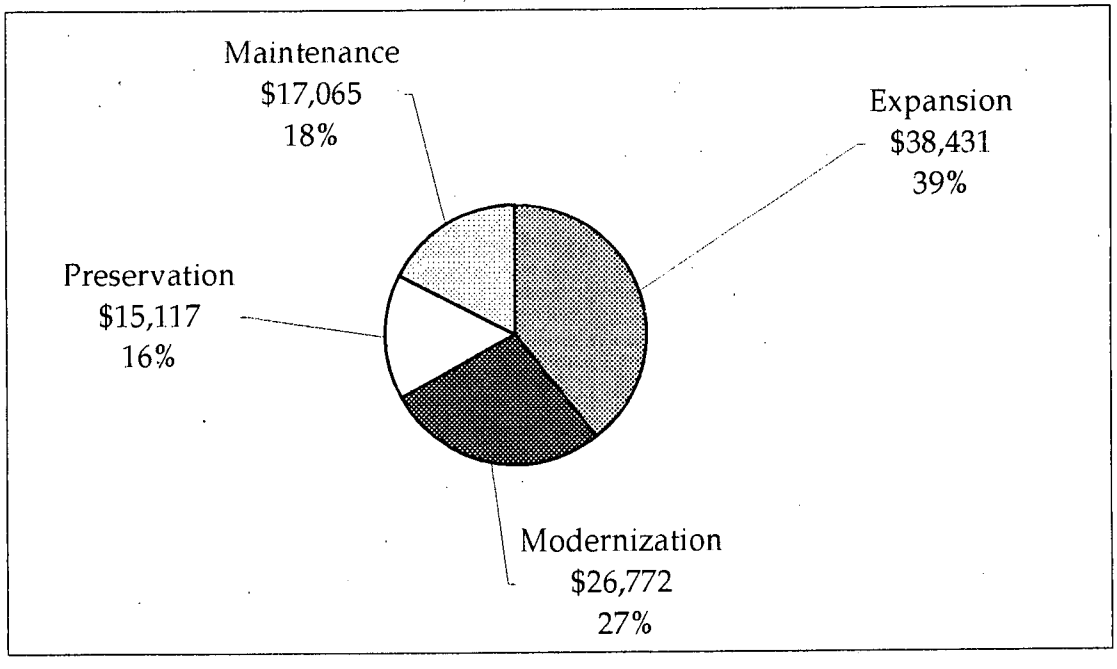
Roadway maintenance consists of work activities associated with the maintenance and upkeep of the roadway. Highway and bridge maintenance needs total over $17 billion and were derived from the NCDOT Annual Maintenance Report, which divides routine roadway maintenance work activities into two separate categories:

- Recurring Programs, consists of rest area and welcome center maintenance, roadway hazard removal, traffic signal maintenance, roadway lighting, sign lighting, municipal agreements, plant beds and unpaved roads. The overall expenditures of these programs are approximately $2.8 billion.



- Performance Based activities consist of maintenance to pavements, shoulders and ditches, drainage, mowing, litter, guardrail, signs, pavement markings, vegetation, etc. The overall expenditures of these programs are approximately $10 billion.
- The Report also identified:
  - Nearly $2 billion for the Pavement Preventive Maintenance Program (New Programs);
  - $222 million for Statewide Programs, such as weigh stations;
  - $1.6 billion for Bridge maintenance;
  - $341 million for debt repayment; and
  - $197 million in maintenance backlog needs.

Figure 6 – Roadway Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $97.4 billion



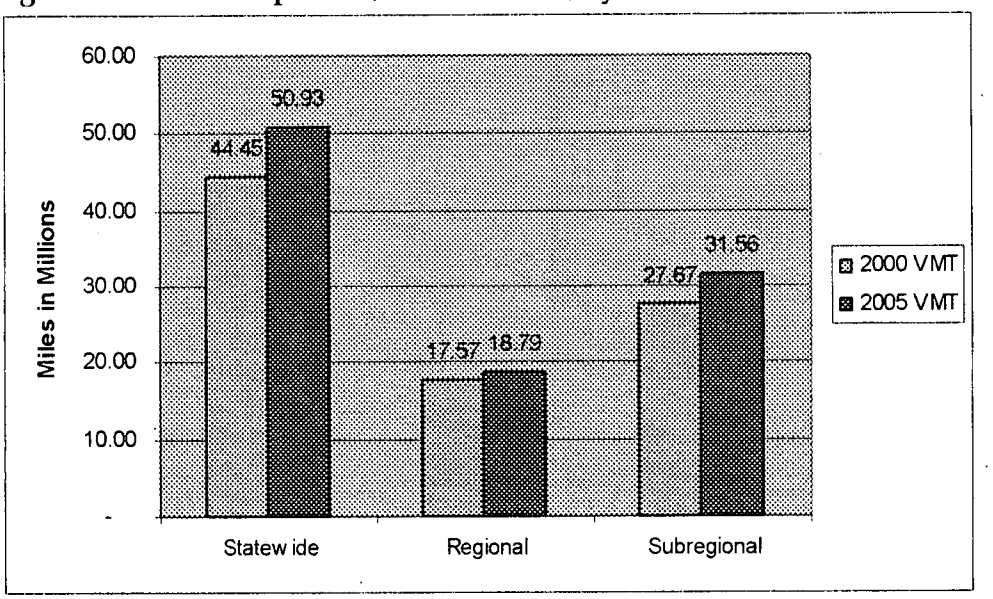
There are several reasons why the expansion needs are much greater in the 2006 STP Mid-Cycle update than previously identified in the 2004 STP. Due to changes in how the Highway Capacity Manual (HCM) defines congestion/capacity, expansion needs are much greater in the 2006 STP Mid-Cycle update than previously identified in the 2004 STP. Capacity levels

contained in the 2004 HPMS database reflect the HCM capacity level changes that were included the 2002 HPMS database. ***Expansion needs also increased because a large share of North Carolina's rural principal arterials and interstates are located in urbanizing areas,*** thus the volume-capacity relationship in these areas may generate more statewide rural expansion needs than would otherwise be typical for rural areas in other states.

ROW costs for rural Principal Arterials and Interstates may be more representative of urban areas than rural areas on other states, given land use pressures and densities close to "rural" highways in North Carolina. ***Freight movement is projected to increase dramatically in the future and this will also place more demands on the existing highway system.***

Between 2000 and 2005, VMT in North Carolina increased 13 percent on state-maintained roadways.[6] Based on NCMIN Tiers and shown in **Figure 7**, the Statewide Tier VMT increased by 15 percent, which can be attributed to greater Interstate and Expressway travel; Regional Tier VMT increased by 7 percent and the Subregional Tier VMT increased by 14 percent, which can be attributed to more Local roadway travel. The increase in VMT was also another determinant in identifying additional capacity needs.

Figure 7 - VMT Comparison, 2000 and 2005, by NCMIN Tier



Based on these factors, lower minimum tolerable traffic levels were assigned in HERS-ST on rural Interstates and Principal Arterials, which resulted in additional rural expansion needs. Through consultation with NCDOT staff, rural ROW costs were increased between two-thirds and three-quarters the costs in urban areas and expansion needs were reported for the Statewide and Regional Tiers as "add lanes only" and "add lanes with modernization"[7] to indicate how much modernization is expected to be covered by rural expansion costs. Based on these changes, more expansion needs were identified in the 2006 STP Mid-Cycle update.

Analyzing the total highway needs shows:

- Roadway improvements represent 81 percent, or $79.4 billion;
- Bridge improvements represent 17 percent, or over $16.4 billion; and
- ITS improvements represent 2 percent, or $1.6 billion.

4.2.1 Highway Needs by NCMIN Tiers

The concept of organization by tiers (as part of the NCMIN) was developed during the 2004 STP and it is a central component of the needs analysis for highways as well as other modes in the 2006 STP Mid-Cycle update. As noted earlier in the Technical Approach section, roadways are classified into NCMIN Tiers using the following general criteria:

- **Statewide Tier:** Interstate Highways, Intrastate system, major US and NC routes based on traffic levels and connectivity, such as I-40, I-95, US 501, US 421, US 158 US 74, and US 17.
- **Regional Tier:** US, NC, and secondary routes providing regional connectivity with lower traffic levels than Statewide Tier facilities such as US 301, US 21, US 15, NC 801, and NC 109.
- **Subregional Tier:** NC routes providing limited connectivity; all remaining secondary routes.

[6] FHWA Highway Statistics. 2000 and 2005

[7] Expansion needs are reported in two HERS-ST categories: reconstruction with additional lanes and adding lanes without modernization.

As shown in **Figure 8**, approximately 82 percent or 64,800 miles of the State-maintained roadway mileage in North Carolina falls into the Subregional Tier. The remaining 18 percent is split evenly between the Regional Tier (9% or 7,349 miles) and the Statewide Tier (9% or 6,860 miles). As illustrated in **Figure 9**, the total highway needs by NCMIN Tiers shows:

- Statewide Tier improvements represent 49 percent, or $47.7 billion;
- Regional Tier improvements represent 12 percent, or $11.2 billion; and
- Subregional Tier improvements represent 39 percent, or $38.4 billion.

The greatest Statewide Tier need is expansion ($33.7 billion), the Regional Tier is modernization ($4.8 billion), and the Subregional Tier is maintenance and preservation ($23.6 billion).

Figure 8 – NCMIN Tier Roadway Mileage Breakdown
TOTAL CENTERLINE MILES = 79,009

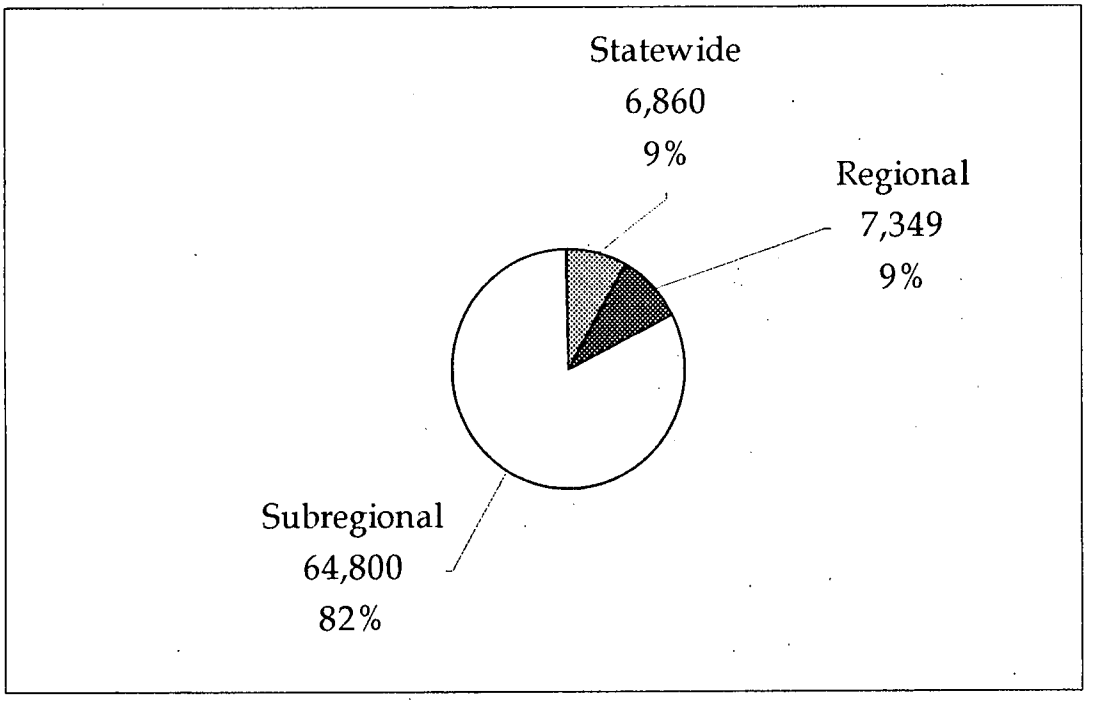
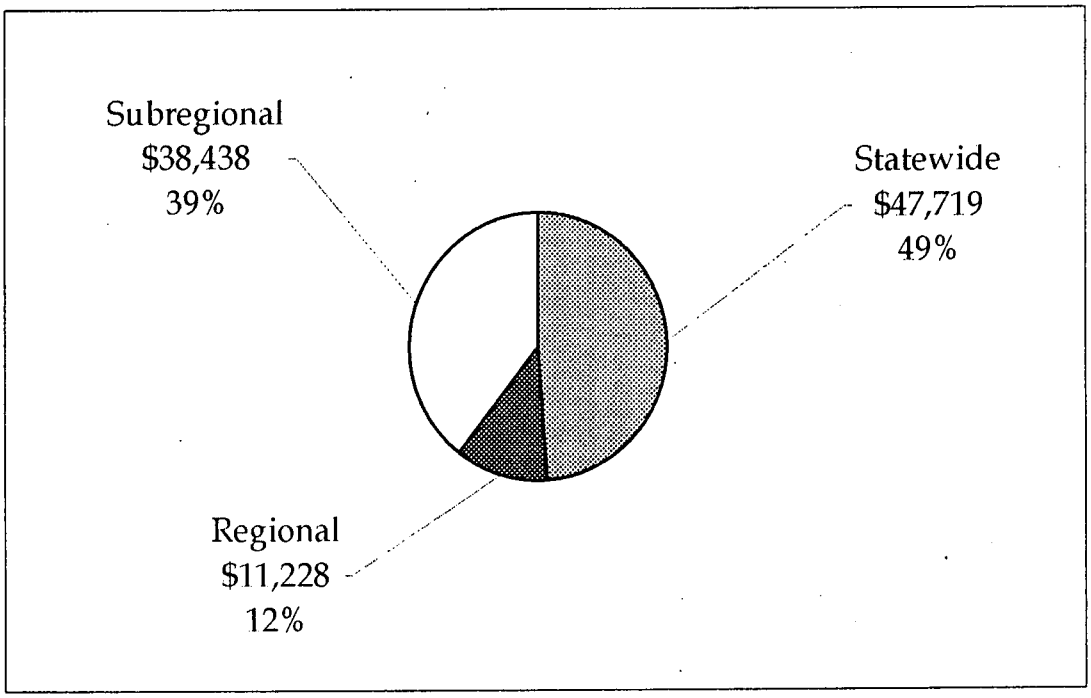


Figure 9 – Roadway Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $97.4 billion



Although the Statewide Tier contains only 9 percent of the state-maintained roadway miles, approximately 50 percent of the VMT on state-maintained roadways can be attributed to Statewide Tier roadways. Likewise, the Regional Tier contains 9 percent of the system mileage, but 15 percent of the vehicle miles traveled are on these roadways. The Subregional Tier contains 82 percent of the system mileage, but carries only 35 percent of the vehicle miles traveled.

Likewise, as the Statewide Tier represents only 9 percent of the total system mileage, almost half (49% or $47.7 billion) of the projected 25-year needs occur on these roadways. The large Subregional Tier network includes most of the remaining needs (39% or $38.4 billion), with the Regional Tier representing only 12 percent ($11.2 billion) of the needs. Just as in the 2004 STP, the needs by NCMIN Tier are similar to the percentages of VMT that occur on each tier.

4.2.1.1 Statewide Tier Needs

As shown in **Figures 10**, the total highway needs (includes bridge and ITS) associated with Statewide Tier highways total $47.7 billion. The majority of the Statewide Tier needs, in terms of

cost, are associated with expansion projects, which provide additional roadway capacity. Expansion needs are projected to cost $33.8 billion, which is 71 percent of the total Statewide Tier needs. As shown in **Figure 11**, over 20,600 lane miles of Statewide Tier roadways (49%) were identified as needing capacity improvements and 16 percent or 3,252 lane miles are on the Interstate system. Preservation needs account for over 11,000 miles (27%) of the total 42,137 miles in Statewide Tier needs and are projected to cost $2.9 billion, which is 6 percent of the total Statewide Tier needs. Modernization needs represent over 10,000 miles (24%) of projected Statewide Tier needs and are projected to cost $7.1 billion, which is 15 percent of the total Statewide Tier needs. Maintenance needs are projected to cost $3.8 billion, which is 8 percent of the total Statewide Tier needs. The maintenance dollar estimate was generated by NCDOT through review of the 2006 Annual Maintenance Report. Maintenance mileage needs are not provided in the Annual Maintenance Report as these needs occur throughout the entire system and are not directly comparable with the extent of other types of improvements.

Figure 10 - Statewide Tier Roadway Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $47.7 billion

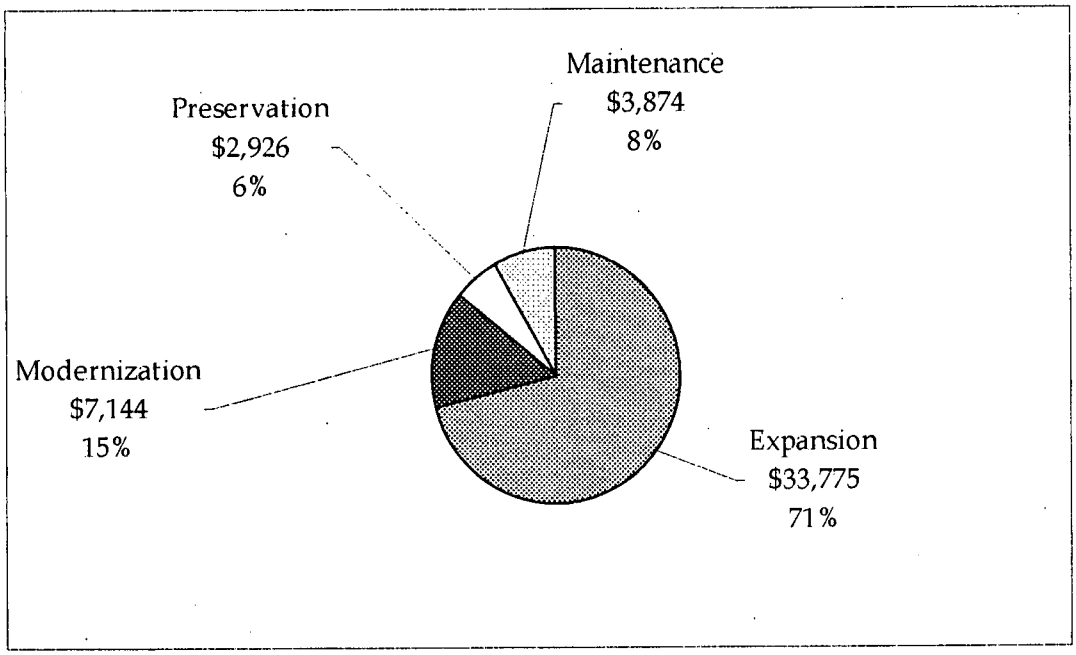
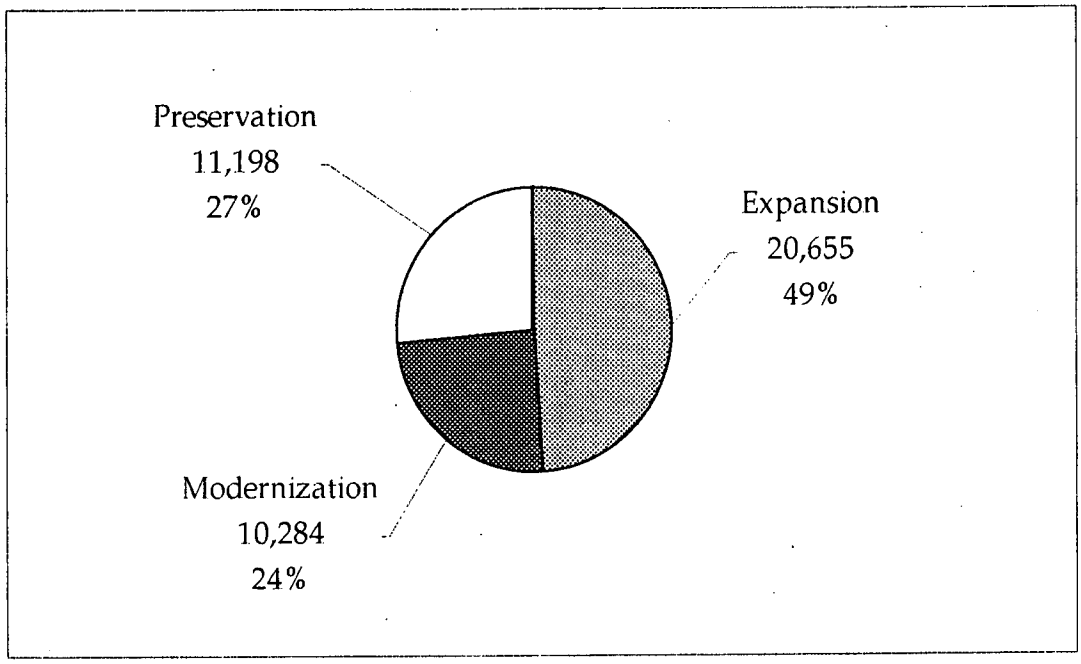


Figure 11 – Statewide Tier Roadway Needs by Improvement Type
TOTAL CENTERLINE MILES = 42,137



The majority of the preservation needs (78%) are categorized as accruing needs, indicating that the Statewide Tier highway network is generally in good condition. Approximately 2,500 miles (36%) of the 6,860-mile Statewide Tier network has preservation needs now (backlog needs). However, 8,699 miles of accruing preservation needs are projected over the next 25 years. The fact that the projected mileage associated with accruing needs is greater than the total Statewide Tier roadway mileage indicates that some roadways will require multiple resurfacing during the 25-year planning period due to high traffic volumes and the increased truck freight movement.

4.2.1.2 Regional Tier Needs

As shown in **Figure 12**, Regional Tier highway needs (includes bridges and ITS) total $11.2 billion or 12 percent of the total needs and a total of over 18,000 miles were identified. In terms of cost, modernization needs are projected to cost $4.8 billion or 43 percent, while 41 percent or $4.7 billion are categorized as expansion needs. Maintenance needs account for 13 percent or $1.5 billion, and preservation needs account for the remaining 3 percent or $282 million.

Based on miles, **Figures 13** shows that most Regional Tier needs are modernization and expansion needs. Modernization needs represent over 10,000 miles (55%) of the total 18,456 miles in Regional Tier needs, while expansion needs represent nearly 5,500 miles (30%) of the projected needs. Preservation needs represent only 3 percent of the needs in terms of cost, but 15 percent of the needs in terms of mileage.

Approximately, 650 miles of the 7,349-mile network have preservation needs now, indicating that the Regional Tier highway network is in excellent condition. However, 2,154 miles of accruing preservation needs and 4,384 miles of accruing expansion needs are projected, indicating that 88 percent of the Regional Tier roadways (some roadways may be resurfaced more than once) will undergo resurfacing or expansion before the year 2030.

Figure 12 - Regional Tier Roadway Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $11.2 billion

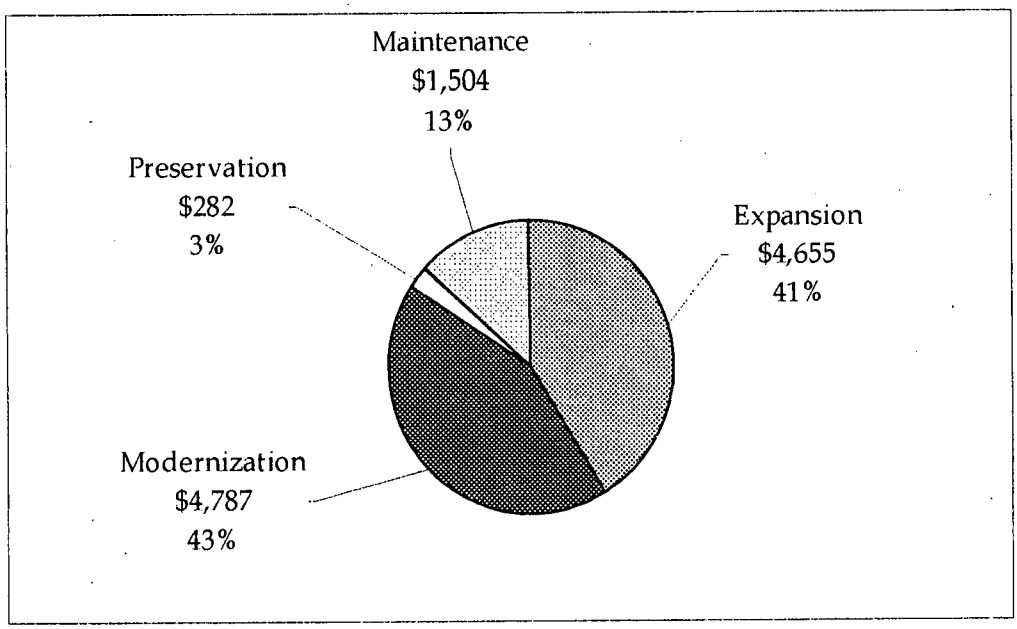
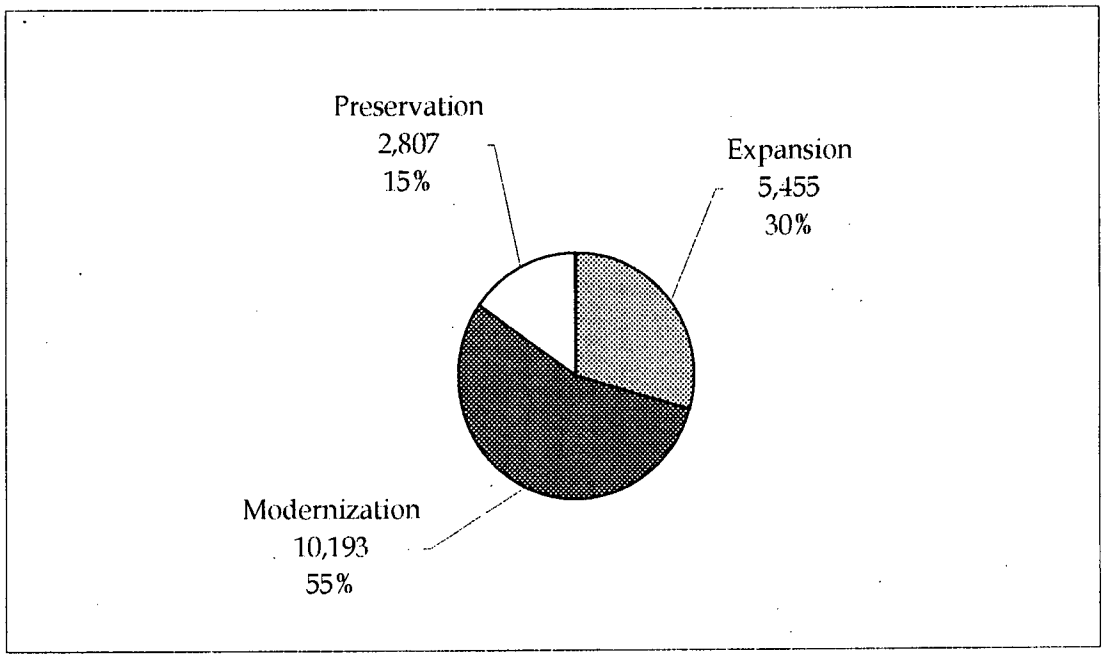


Figure 13 – Regional Tier Roadway Needs in Miles by Improvement Type
TOTAL CENTERLINE MILES = 18,456



Note: Maintenance miles are not a reported metric.

4.2.1.3 Subregional Tier Needs

As shown in **Figure 14**, the total highway needs (includes bridge and ITS) associated with the Subregional Tier total $38.4 billion.

- Modernization needs total $14.8 billion or 38 percent;
- Maintenance needs total $12.2 or 32 percent;
- Preservation needs total $11.4 billion or 30 percent; and
- No expansion needs were identified on the Subregional Tier.

Figure 15 illustrates the Subregional Tier needs classified by type of improvement. Although modernization needs are greater than preservation needs in terms of cost, the lower cost of preservation needs results in a much higher percentage of preservation needs when examined in terms of mileage (maintenance needs are not shown in terms of mileage). Preservation needs account for 123,350 or 93 percent of the total 133,239 Subregional Tier miles, but as noted above, preservation needs only account for 30 percent of the total cost.

Figure 14– Subregional Tier Roadway Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $38.4 billion

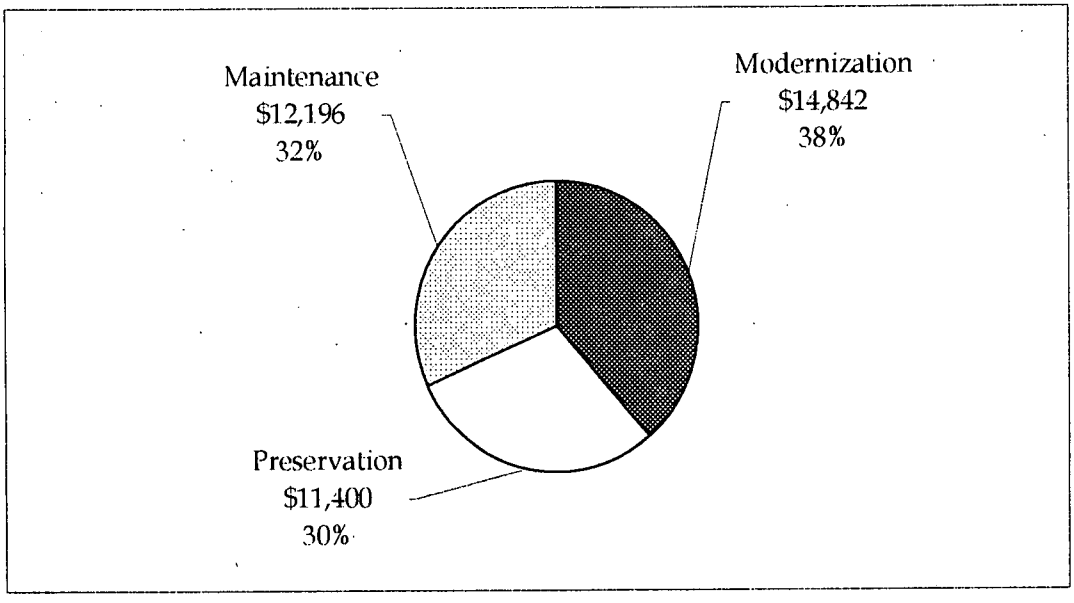
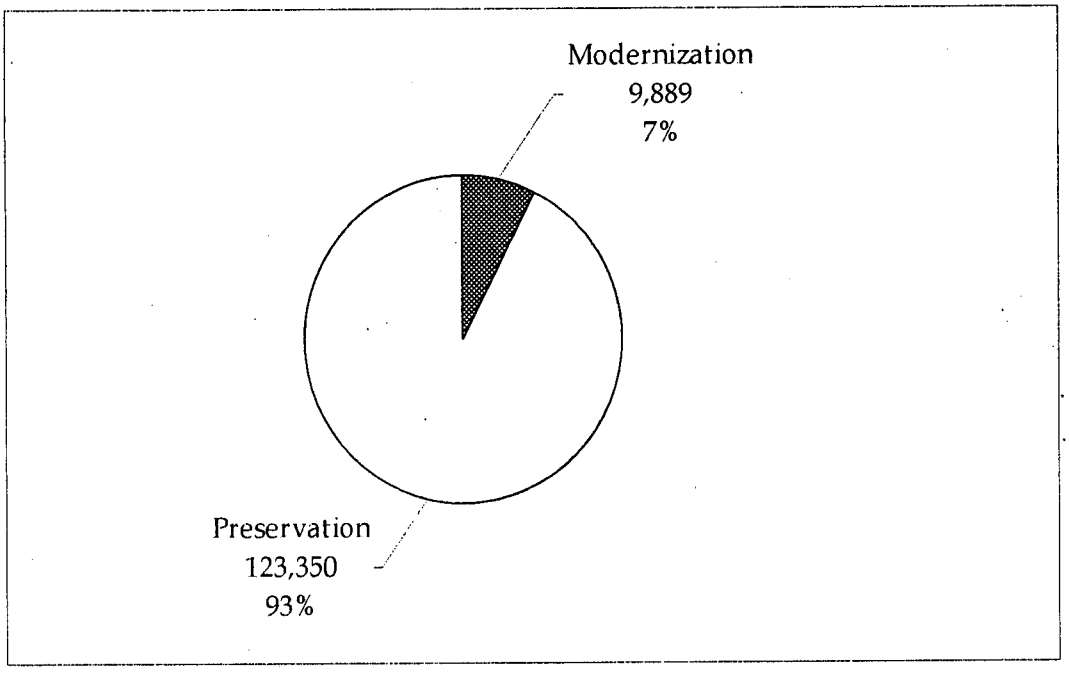


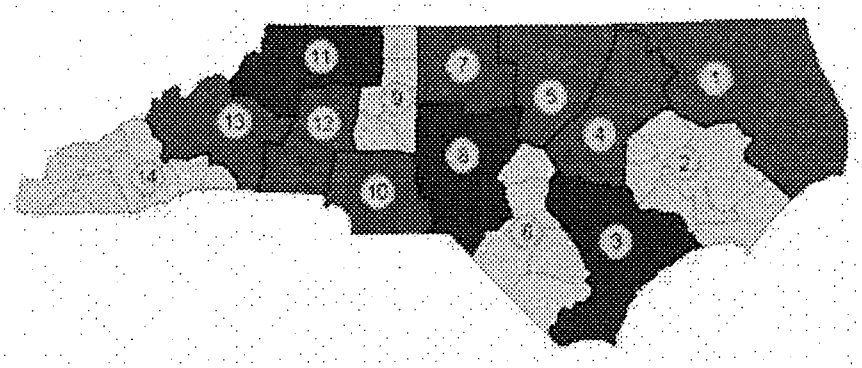
Figure 15 – Subregional Tier Roadway Mile Needs by Improvement Type
TOTAL CENTERLINE MILES = 133,239



4.2.2 NCDOT Division Needs

As shown in **Figure 16**, NCDOT has 14 Divisions that are organized by county boundaries. In this section, needs for roadways and bridges are identified by each Division. Non-highway and ITS needs were not reported by Division and thus are not represented in this section.

Figure 16 – NCDOT Divisions



Source: NCDOT

Figure 17 shows the breakdown of NCDOT Division needs by improvement type. The total of $95.8 billion is consistent with the total roadway and bridge needs reported earlier of $97.4, after removing $1.6 billion in ITS needs.

Figure 17 - Highway and Bridge Needs by Division
TOTAL DOLLARS = $95.8 billion

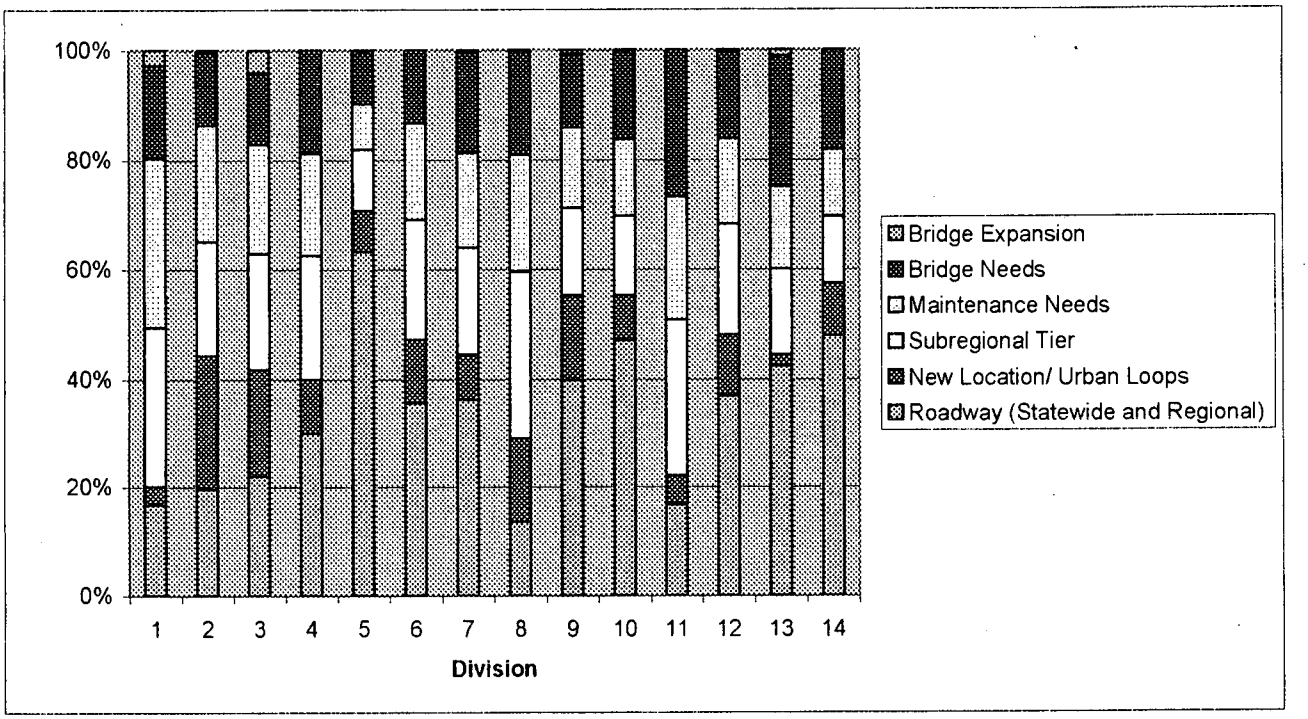
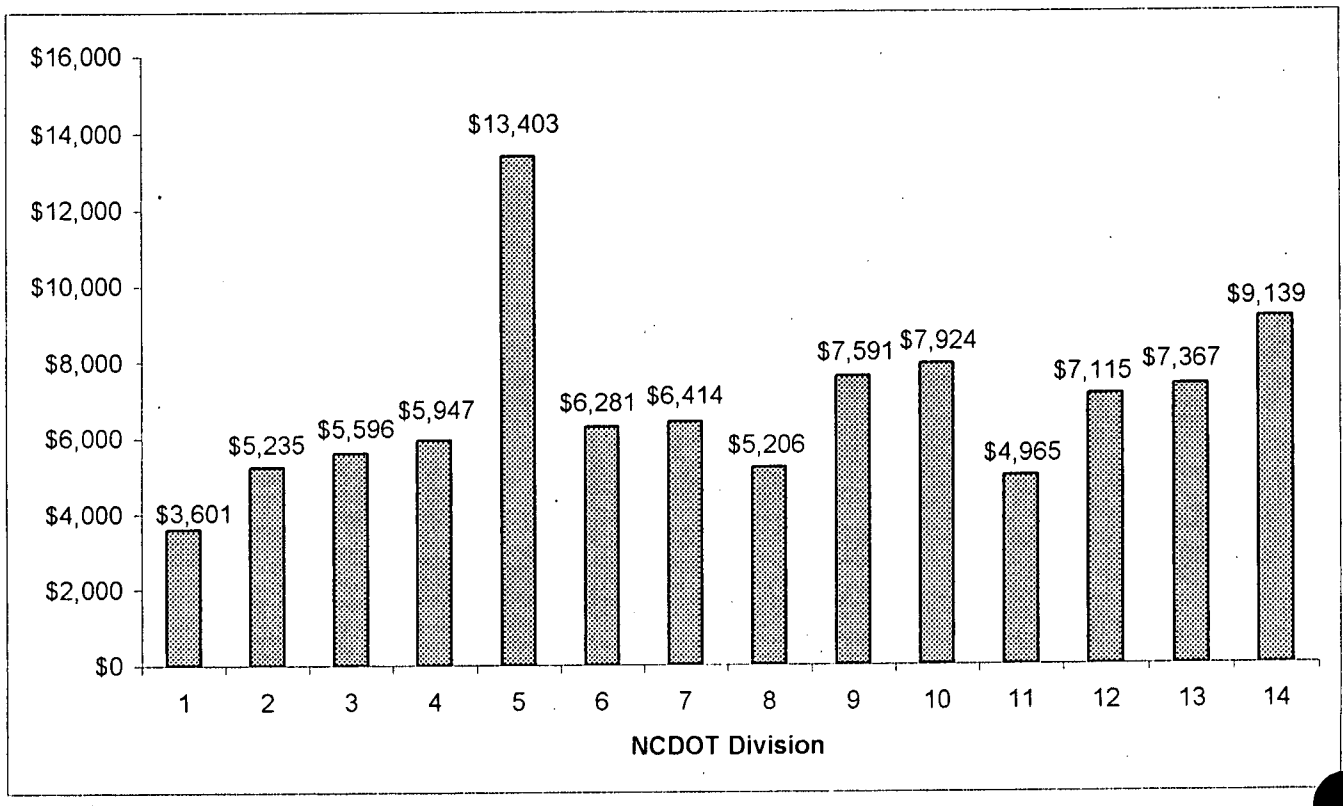


Figure 18, on the next page, shows the total $95.8 billion of needs by NCDOT Division. Division 5, serving the people of Durham, Granville, Franklin, Person, Vance, Wake and Warren Counties has the largest need ($13.4 billion, or 14%). The large amount of needs in Division 5 is associated with improving roadways and bridges in Raleigh, Durham and Chapel Hill. Division 14, serving Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Swain, Transylvania and Polk Counties has the second highest needs ($9.1 billion or 10%). Division 14 needs are associated with the high cost of expanding, modernizing, preserving and maintaining roadways in very mountainous terrain. Construction costs are 2.5 times higher in mountainous terrain than in flat/coastal terrain. Division 10, serving Anson, Cabarrus, Mecklenburg, Stanly and Union Counties, has the third highest roadway and bridge needs ($7.9 billion or 8%). Needs in Division 10 are largely associated with improving roadways and bridges in the Charlotte metropolitan area.

Figure 18 – Total Needs by Division ($ in millions)
TOTAL DOLLARS = $95.8 billion



4.2.3 Backlog and Accruing

During the development of the 2006 STP Mid-Cycle update, existing or backlog and future or accruing needs were identified. A need was considered backlog if the minimum tolerable condition was deficient before 2005 and accruing if the minimum tolerable conditions threshold was exceeded in years 2005 to 2030. **Table 7** provides a summary illustrating the backlog and accruing needs by tier for each of the categories of highway improvements for roadways, bridges and ITS. The highway needs total $97.4 billion over the next 25-years and **Figure 19** shows that $30 billion (31%) are backlog needs and the remaining $67.4 billion (69%) are accruing needs. However, in terms of mileage, backlog needs total 26 percent and accruing deficiencies represent 74 percent of the total needs as shown in **Figure 20**.

Table 7 - Backlog and Accruing Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $97.4 billion

	Statewide		Regional		Subregional		Total		GRAND TOTAL
	Backlog	Accruing	Backlog	Accruing	Backlog	Accruing	Backlog	Accruing	
Expansion	**$6,803**	**$26,973**	**$1,486**	**$3,169**	**$0**	**$0**	**$8,289**	**$30,142**	**$38,431**
New Location/ Urban Loop	$0	$10,016	$0	$0	$0	$0	$0	$10,016	$10,016
Interstate Widening	$752	$6,305	$0	$0	$0	$0	$752	$6,305	$7,057
Reconstruction with additional lanes	$106	$148	$36	$42	$0	$0	$143	$190	$332
Adding lanes without modernization	$5,945	$9,962	$1,450	$2,629	$0	$0	$7,395	$12,591	$19,986
New Bridges	$0	$500	$0	$0	$0	$0	$0	$500	$500
Intelligent Transportation Systems	$0	$41	$0	$499	$0	$0	$0	$540	$540
Modernization	**$3,388**	**$3,755**	**$2,376**	**$2,411**	**$12,469**	**$2,373**	**$18,233**	**$8,539**	**$26,772**
Widen narrow lanes / safety	$180	$401	$379	$1,025	$5,394	$0	$5,953	$1,426	$7,379
Resurface / improve shoulders	$709	$1,448	$321	$749	$0	$0	$1,030	$2,196	$3,227
Pavement reconstruction	$64	$17	$56	$94	$1,023	$0	$1,143	$112	$1,255
Bridge replacements, widening and strengthening	$2,435	$1,881	$1,620	$0	$6,052	$2,373	$10,107	$4,254	$14,361
Intelligent Transportation Systems	$0	$8	$0	$543	$0	$0	$0	$551	$551
Preservation	**$703**	**$2,732**	**$105**	**$177**	**$2,272**	**$9,128**	**$3,080**	**$12,037**	**$15,117**
Preservation - highway resurfacing	$703	$2,223	$105	$177	$848	$3,793	$1,656	$6,193	$7,849
Rural Local Roads / Secondary Roads	$0	$0	$0	$0	$1,424	$5,335	$1,424	$5,335	$6,759
Intelligent Transportation Systems	$0	$509	$0	$0	$0	$0	$0	$509	$509
Maintenance	**$88**	**$3,277**	**$49**	**$1,454**	**$260**	**$11,937**	**$397**	**$16,668**	**$17,065**
NCDOT Maintenance	$17	$2,793	$18	$1,239	$162	$11,272	$197	$15,304	$15,501
Bridge Maintenance (NCDOT) not NBIAS	$71	$484	$31	$215	$98	$665	$200	$1,364	$1,564
TOTAL	$10,982	$36,737	$4,016	$7,211	$15,001	$23,438	$29,999	$67,386	
GRAND TOTAL	$47,719		$11,228		$38,439		$97,385		$97,385

Figure 19 - Roadway Backlog and Accruing Needs by Dollars
TOTAL DOLLARS = $97.4 billion

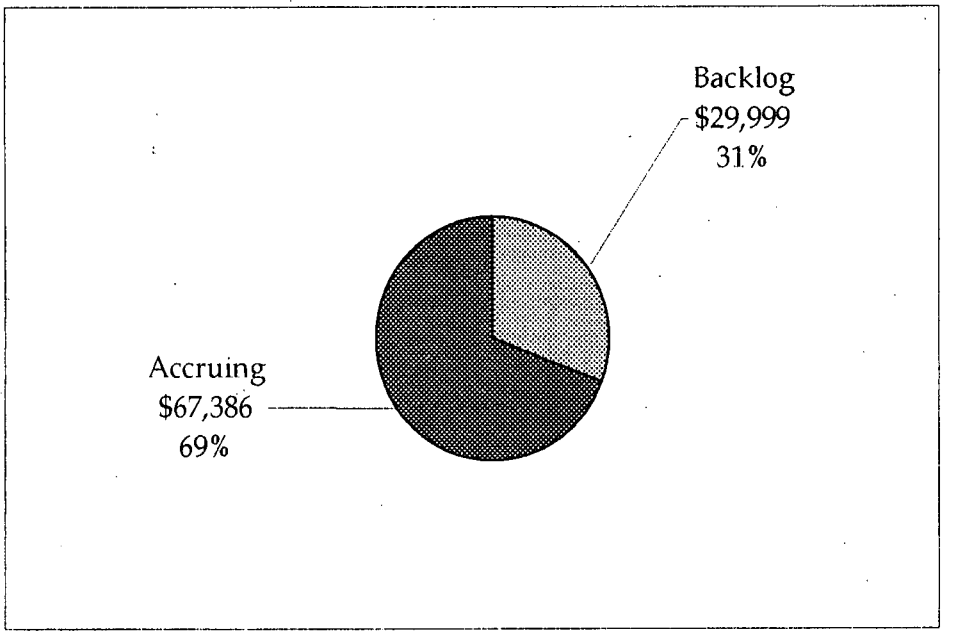


Figure 20– Roadway Backlog and Accruing Needs by Miles
TOTAL CENERTLINE LANE MILES = 193,831

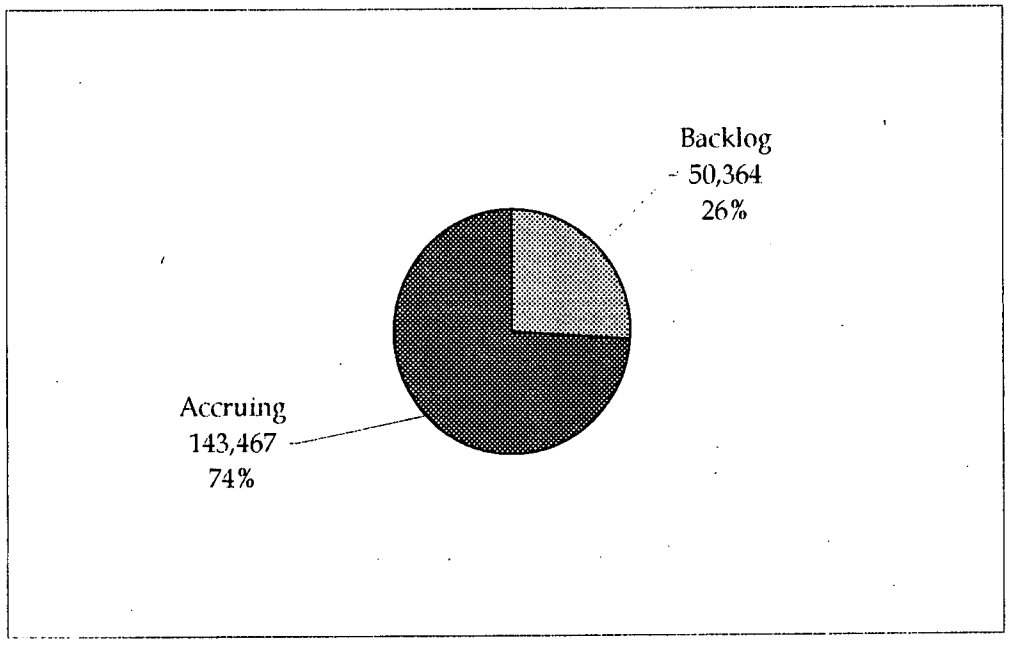


Figure 21 shows a breakdown of the backlog needs (dollars) by improvement type. Over $18 billion (61%) of modernization needs were identified followed by $8.3 billion (28%) of expansion needs, $3.1 billion (10%) of preservation needs and $397 million (1%) of maintenance needs. **Figure 22** shows a breakdown of the accruing needs (dollars) by improvement type. Over the next 25 years, $30.1 billion (45%) of expansion needs were identified followed by $16.6 billion in maintenance needs, $12 billion (18%) in preservations needs, and $8.5 billion (13%) of modernization needs.

Figure 21 - Roadway Backlog Needs by Improvement Type
TOTAL DOLLARS = $30 billion

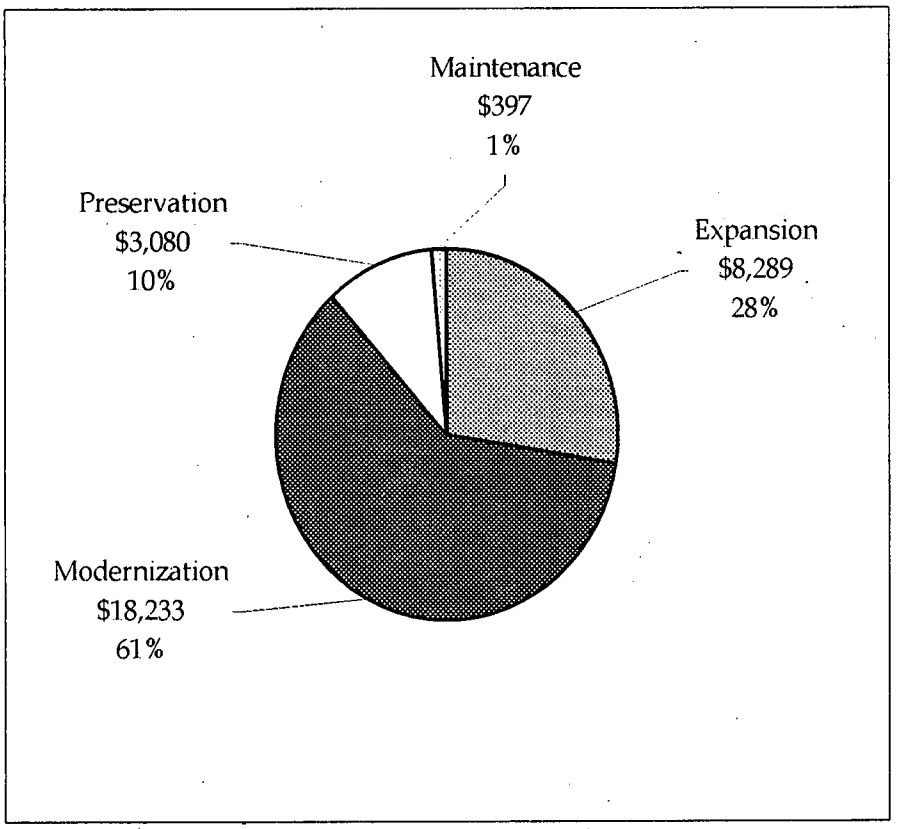
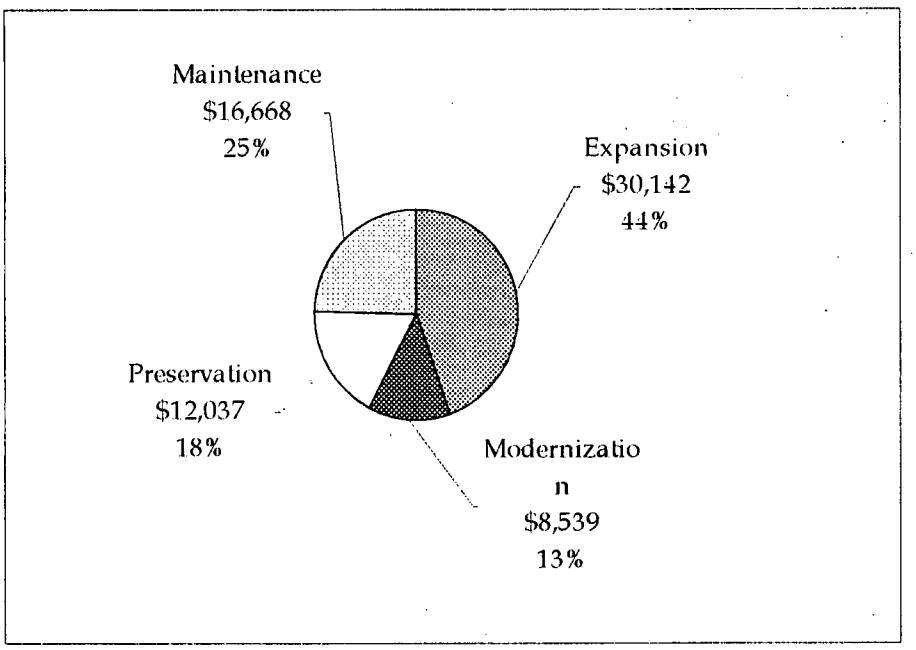
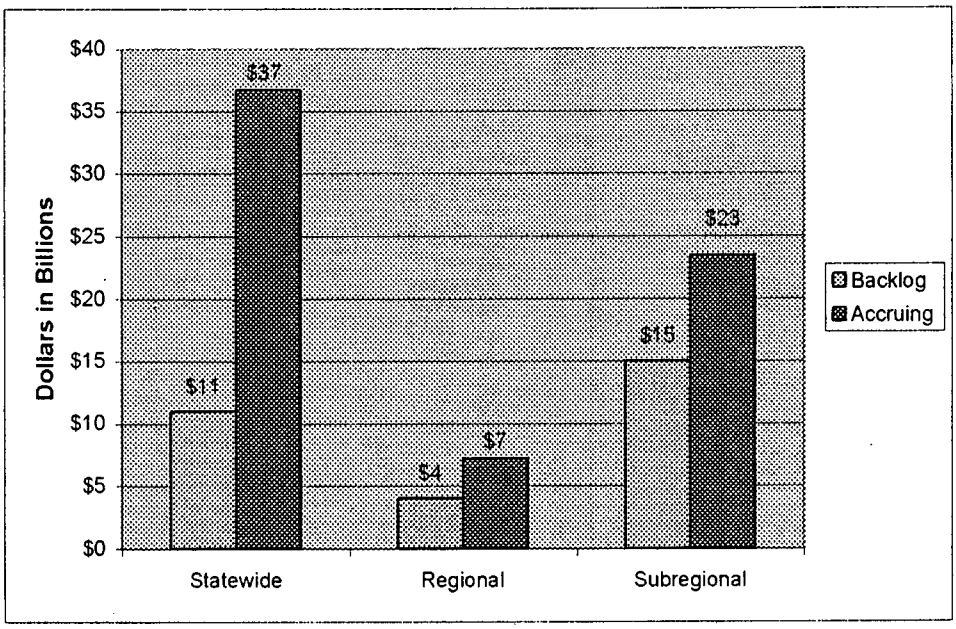


Figure 22 - Roadway Accruing Needs by Improvement Type
TOTAL DOLLARS = $67.4 billion



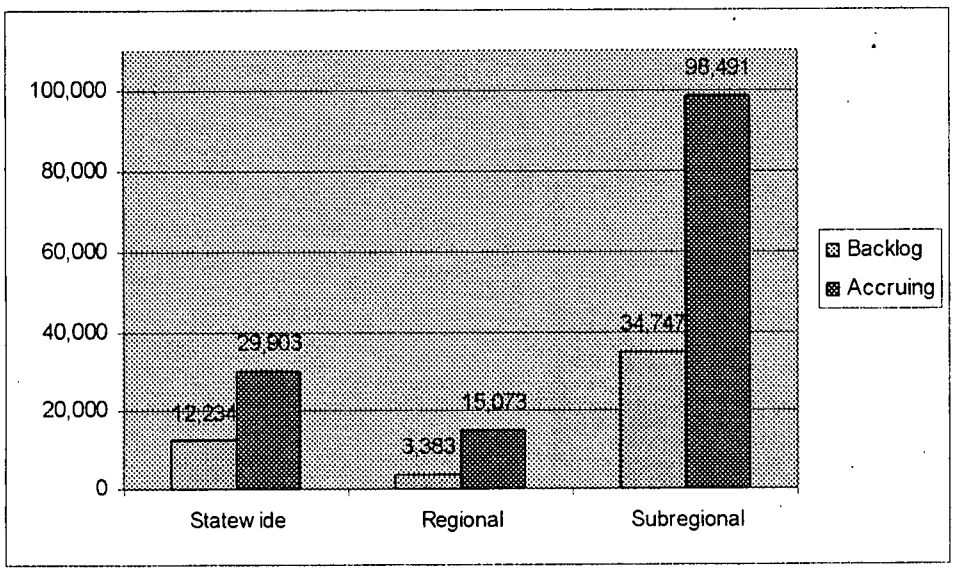
Based on NCMIN Tiers, **Figure 23** shows that $36.7 billion (77%) of the Statewide Tier needs are accruing; $7.2 billion (64%) of the Regional Tier are accruing; and $23.4 billion (61%) of the Subregional Tier needs are accruing.

Figure 23 – Total Backlog and Accruing Needs by NCMIN Tier
TOTAL DOLLARS = $97.4 billion



In terms of mileage, **Figure 24** shows a comparison between backlog and accruing needs and nearly 30,000 lane miles (71%) of the Statewide Tier needs are accruing; over 15,000 lane miles (82%) of the Regional Tier needs are accruing; and 98,491 lane miles (74%) of the Subregional Tier needs are accruing. While nearly 50 percent of the total needs, based on cost, are identified on the Statewide Tier, only 22 percent of the total needs, based on miles, are identified on the Statewide Tier. Conversely, while only 39 percent of the total needs, based on cost, are identified on the Subregional Tier, 69 percent of the total needs, based on miles, are identified on the Subregional Tier. The major difference between cost and miles between the Statewide and Subregional Tiers is that the majority of the Statewide Tier needs are more costly expansion needs, while the majority of the Subregional Tier needs are less expensive preservation needs.

Figure 24 – Total Backlog and Accruing Needs (Miles) by NCMIN
TOTAL CENTERLINE MILES = 193,831



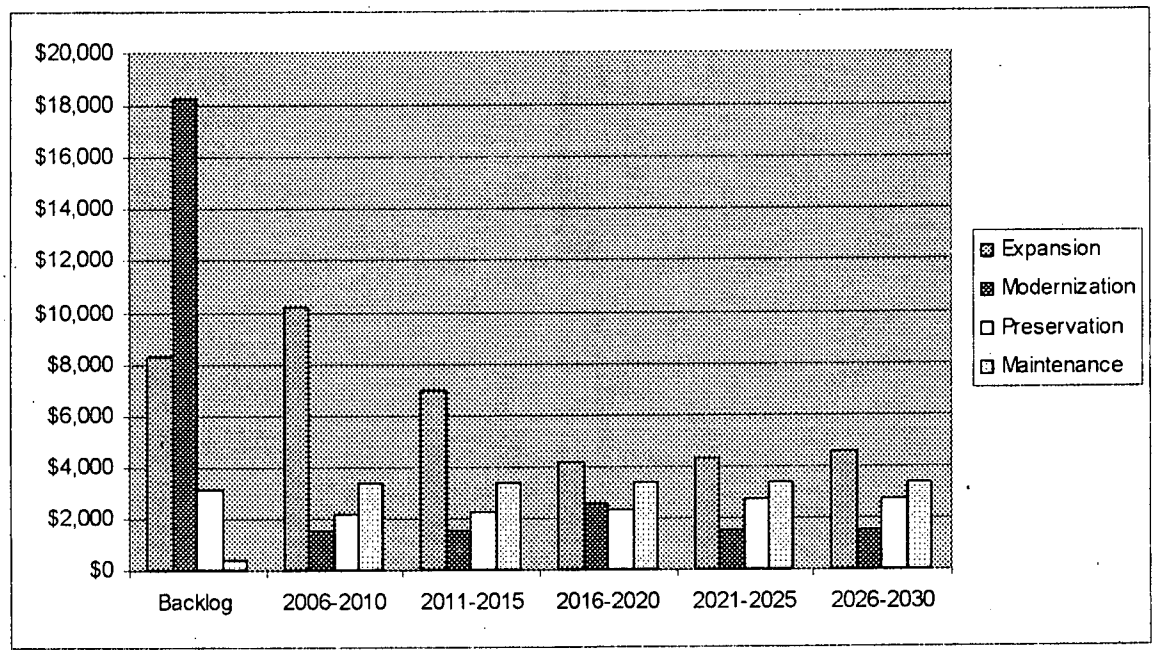
4.2.4 Five-Year Funding Periods

The 2006 STP Mid-Cycle update identifies highway and non-highway needs over a 25-year planning horizon. While the needs provide decision-makers with a comprehensive look at needs across improvement type, NCMIN Tier, and NCDOT Divisions, this section identifies needs in five-year funding periods. This analysis provides NCDOT insight into when needs will occur and the associated cost.

A total of $97.4 billion of highway needs have been identified over the 25-year planning horizon. **Figure 25** shows a break down of this total for the following funding periods by the four improvement types:

- Backlog (2005);
- 2006 to 2010;
- 2011 to 2015;
- 2016 to 2020;
- 2021 to 2025; and
- 2026 to 2030.

Figure 25 – Five-Year Funding Period by Improvement Type
TOTAL DOLLARS = $97.4 billion

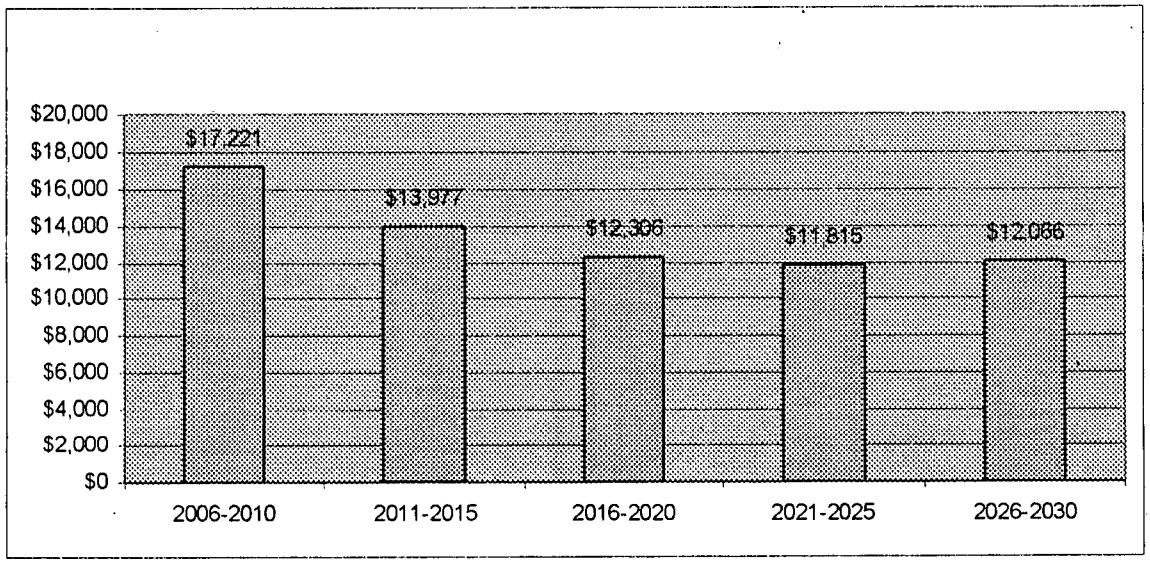


As noted in the previous section, backlog highway needs (includes bridges and ITS) total $30 billion. **Figure 26**, on the next page, shows the accruing needs, which total $67.4 billion, categorized into the five funding periods. Based on the highway and bridge analysis as well as input from NCDOT staff, funding period 2006 – 2010 has the highest amount of accruing need at $17.2 billion. During this time period, $10.2 billion (34%) are identified as expansion needs. The amounts of accruing need for the other funding periods are as follows:

- 2011 – 2015 totals $14 billion;
- 2016 – 2020 totals $12.3 billion;
- 2021 – 2025 totals $11.8 billion; and
- 2026 – 2030 totals $12 billion.

Based on improvement type, expansion are the highest needs in each of the five-funding periods. During funding period 2016 – 2020, modernization needs total $2.5 billion and the majority of these needs are due to bridge replacements or improvements, such as strengthening and widening.

Figure 26 – Five-Year Funding Periods
TOTAL DOLLARS = $67.4 billion



4.2.4.1 2006 to 2010

During the first funding period, there is a total of $17.2 billion in needs identified. The following provides a break down of those needs:

- NCMIN Tier;
  - 65 percent are on the Statewide Tier;
  - 10 percent are on the Regional Tier; and
  - 25 percent are on the Subregional Tier.
- Improvement Type;
  - 59 percent are expansion needs;
    - 20 percent are new location or urban loops;
    - 32 percent are interstate widening;
    - 45 percent are adding lanes;
    - 3 percent are new bridges;
    - 1 percent of new ITS;
  - 9 percent are modernization needs;
    - 22 percent are widen narrow lanes;
    - 54 percent are improve shoulders and resurface;



- 7 percent are pavement reconstruction;
- 11 percent are bridge replacements, widening and strengthening;
- 5 percent are ITS;

- 12 percent are preservations needs;
  - 45 percent are highway resurfacing;
  - 50 percent are rural local roads / secondary roads resurfacing;
  - 5 percent ITS;
- 19 percent are maintenance needs;
  - 92 percent Roadway maintenance; and
  - 8 percent bridge maintenance.

4.2.4.2 2011 to 2015

During the second funding period, there is a total of $14 billion in needs identified. The following provides a break down of those needs:

- NCMIN Tier;
  - 54 percent are on the Statewide Tier;
  - 12 percent are on the Regional Tier; and
  - 34 percent are on the Subregional Tier.
- Improvement Type;
  - 49 percent are expansion needs;
    - 29 percent are new location or urban loops;
    - 13 percent are interstate widening;
    - 1 percent are reconstruction with additional lanes;
    - 53 percent are adding lanes;
    - 3 percent are new bridges;
    - 1 percent of new ITS ;
  - 11 percent are modernization needs;
    - 31 percent are widen narrow lanes;
    - 27 percent are improve shoulders and resurface;
    - 39 percent are bridge replacements, widening and strengthening;



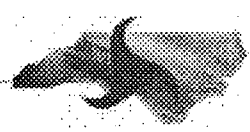
- 2 percent are ITS;

- 16 percent are preservations needs;
  - 47 percent are highway resurfacing;
  - 48 percent are rural local roads / secondary roads resurfacing;
  - 5 percent ITS;
- 24 percent are maintenance needs;
  - 92 percent Roadway maintenance; and
  - 8 percent bridge maintenance.

4.2.4.3 2016 to 2020

During the third funding period, there is a total of $12.3 billion in needs identified. The following provides a break down of those needs:

- NCMIN Tier;
  - 46 percent are on the Statewide Tier;
  - 8 percent are on the Regional Tier; and
  - 46 percent are on the Subregional Tier.
- Improvement Type;
  - 34 percent are expansion needs;
    - 48 percent are new location or urban loops;
    - 13 percent are interstate widening;
    - 1 percent are reconstruction with additional lanes;
    - 37 percent are adding lanes;
    - 1 percent of new ITS;
  - 21 percent are modernization needs;
    - 7 percent are widen narrow lanes;
    - 7 percent are improve shoulders and resurface;
    - 82 percent are bridge replacements, widening and strengthening;
    - 5 percent are ITS;
  - 19 percent are preservations needs;
    - 49 percent are highway resurfacing;



- 47 percent are rural local roads / secondary roads resurfacing;
- 4 percent ITS;

– 27 percent are maintenance needs;

- 92 percent roadway maintenance; and
- 8 percent bridge maintenance.

4.2.4.4 2021 to 2025

During the fourth funding period, there is a total of $11.8 billion in needs identified. The following provides a break down of those needs:

- NCMIN Tier;

  – 51 percent are on the Statewide Tier;

  – 12 percent are on the Regional Tier; and

  – 37 percent are on the Subregional Tier.

- Improvement Type;

  – 37 percent are expansion needs;

  - 46 percent are new location or urban loops;
  - 18 percent are interstate widening;
  - 1 percent are reconstruction with additional lanes;
  - 33 percent are adding lanes;
  - 1 percent of new ITS;

  – 13 percent are modernization needs;

  - 21 percent are widen narrow lanes;
  - 31 percent are improve shoulders and resurface;
  - 37 percent are bridge replacements, widening and strengthening;
  - 12 percent are ITS;

  – 23 percent are preservations needs;

  - 56 percent are highway resurfacing;
  - 40 percent are rural local roads / secondary roads resurfacing;
  - 4 percent ITS;

  – 28 percent are maintenance needs;



- 92 percent Roadway maintenance; and
- 8 percent bridge maintenance.

4.2.4.5 2026 to 2030

During the fifth funding period, there is a total of $12 billion in needs identified. The following provides a break down of those needs:

- NCMIN Tier;
  - 52 percent are on the Statewide Tier;
  - 12 percent are on the Regional Tier; and
  - 36 percent are on the Subregional Tier.
- Improvement Type;
  - 38 percent are expansion needs;
    - 44 percent are new location or urban loops;
    - 19 percent are interstate widening;
    - 1 percent are reconstruction with additional lanes;
    - 30 percent are adding lanes;
    - 6 percent of new ITS;
  - 12 percent are modernization needs;
    - 9 percent are widen narrow lanes;
    - 21 percent are improve shoulders and resurface;
    - 60 percent are bridge replacements, widening and strengthening;
    - 10 percent are ITS;
  - 22 percent are preservations needs;
    - 57 percent are highway resurfacing;
    - 39 percent are rural local roads / secondary roads resurfacing;
    - 4 percent ITS;
  - 28 percent are maintenance needs;
    - 92 percent roadway maintenance; and
    - 8 percent bridge maintenance.



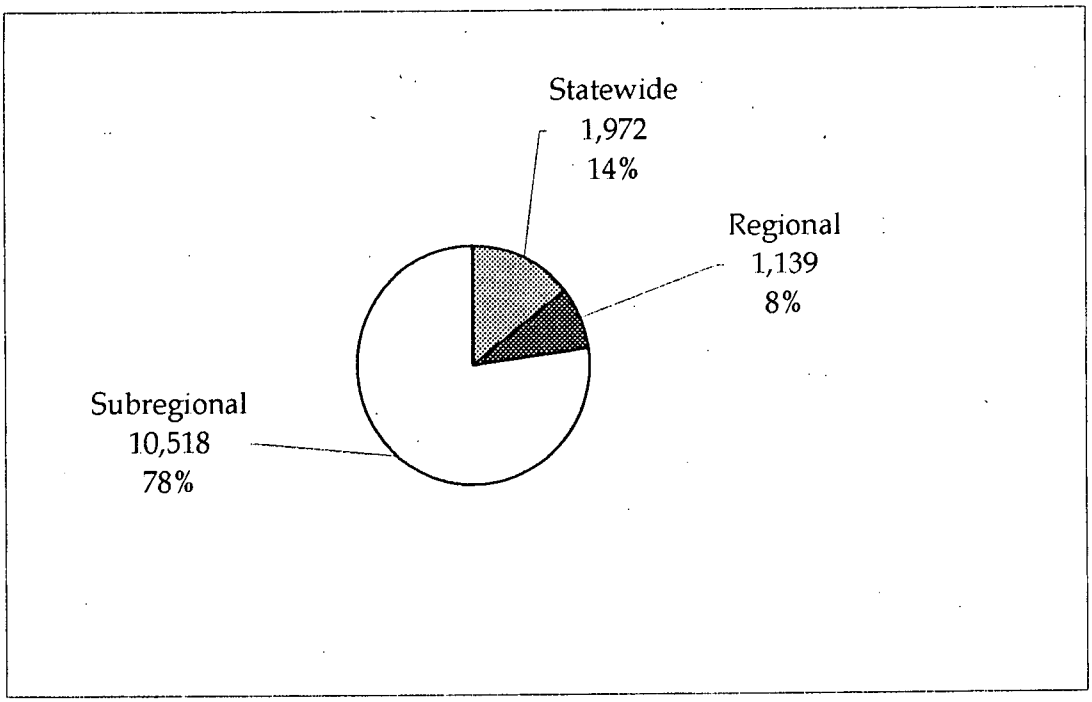
Chapter 5. Bridge Needs

Bridge needs were included in the Highway Needs section above, however since bridges play a vital role in the transportation system, bridge needs are further clarified by improvement type, NCMIN Tier, NCDOT Division, Backlog and Accruing, and five-year funding period in this section.

5.1 Existing Conditions

As shown in **Figure 27**, there are 13,629 state-maintained bridges in North Carolina with nearly 2,000 (14%) in the Statewide Tier, over 1,100 (8%) in the Regional Tier and over 10,500 (78%) in the Subregional Tier.

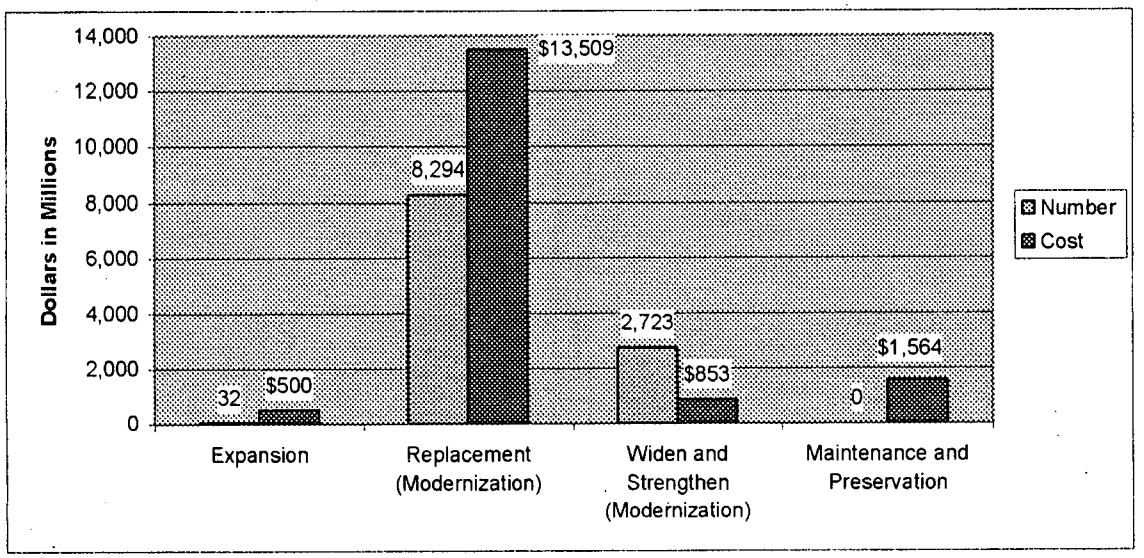
Figure 27 – Number of Bridges by NCMIN Tier
TOTAL NCDOT BRIDGES = 13,629



5.2 Bridge Needs by Improvement Types

Figure 28 shows a comparison between the number and cost of bridges by improvement type. Over the next 25 years, bridge needs total $16.4 billion and 14.4 billion (87%) and over 11,000 bridges are categorized as modernization needs, which are a combination of replacement and improvement (strengthening and widening), $1.6 billion (10%) are maintenance and preservation needs and the remaining $500 million (3%) are expansion needs. Since, NBIAS does not identify bridge expansion needs, the 2007-2013 NCDOT STIP was reviewed and 32 new bridge expansion projects, such as railroad grade separations and new river crossing bridges, were identified.

Figure 28 - Total Bridge Needs by Improvement Type
TOTAL BRIDGES = 11,049
TOTAL DOLLARS = $16.4 billion



5.2.1 Bridge Needs by NCMIN Tier

In the 25-year planning period, 11,049 state-maintained bridges (81%) will require some type of improvement. **Figure 29** shows a comparison between the number of bridge needs and the cost of bridge needs by NCMIN Tier. Ten percent (1,071 bridges) of the bridge needs will be on the Statewide Tier and since these bridges are generally wider and longer they represent 33 percent ($5.4 billion) of the total bridge need costs. Five percent (606 bridges) of the bridge needs will be on the Regional Tier and they represent 11 percent ($1.9 billion) of the total bridge need costs. The remaining 85 percent (9,372 bridges) will be on the Subregional Tier and since these bridges

are usually narrow and shorter, they represent 56 percent ($9.2 billion) of the total bridge need costs.

Figure 29 – Total Bridge Needs by NCMIN Tier
TOTAL BRIDGES = 11,049
TOTAL DOLLARS = $16.4 billion

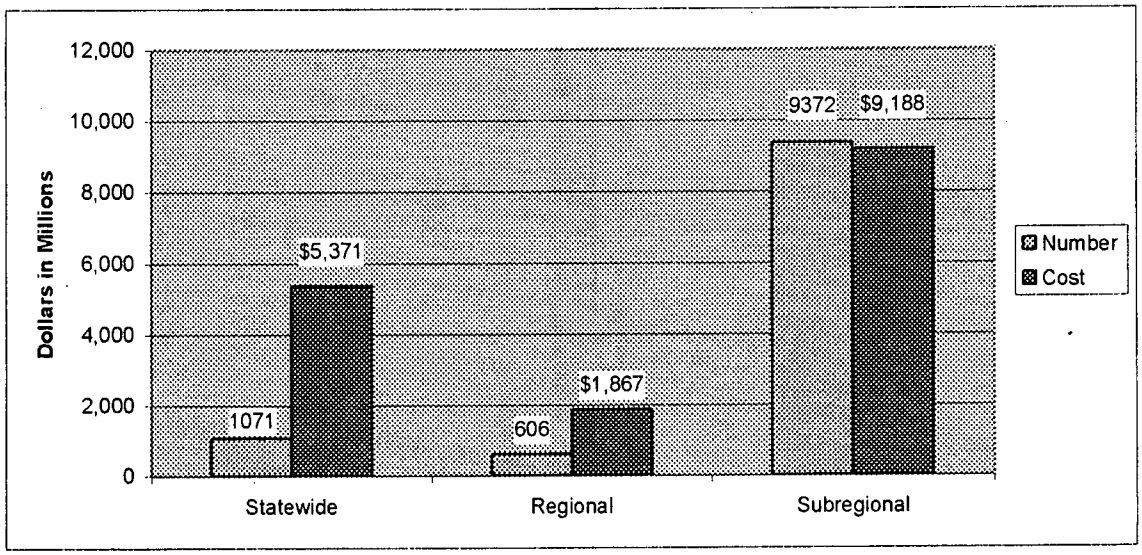
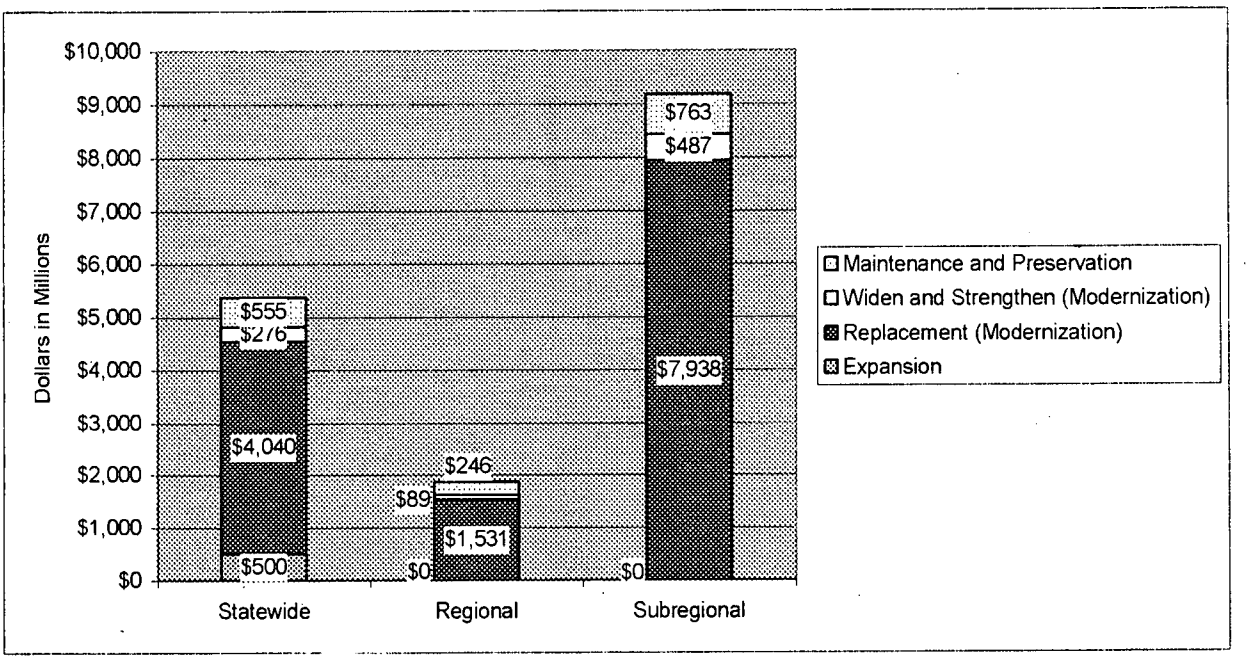


Figure 30 shows the total bridge needs by NCMIN Tier and by improvement type. Of the $5.4 billion in Statewide Tier bridge needs, $4.3 billion are modernization needs, $500 million are expansion needs and the remaining $555 million are maintenance and preservation needs. Of the $1.9 billion in Regional Tier needs, $1.6 billion are modernization needs and $246 million are maintenance and preservation needs. Of the $9.2 billion, Subregional Tier needs, $8.4 billion are modernization needs and $763 million are maintenance and preservation needs.

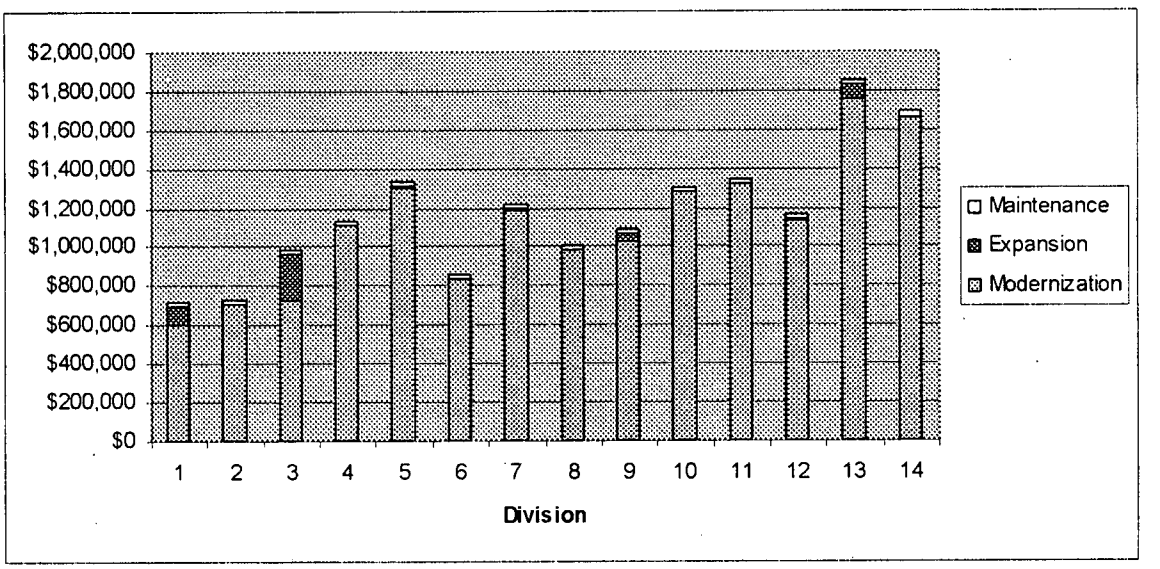
Figure 30 - Total Bridge Needs by NCMIN Tier and Improvement Type
TOTAL NEEDS = $16.4 billion



5.2.2 Bridge Needs by NCDOT Division

NCDOT has 14 Divisions that are organized by county boundaries. **Figure 31** shows the total $16.4 billion in bridge modernization, expansion and maintenance needs by each Division.

Figure 31- Bridge Needs by NCDOT Division ($ in thousands)

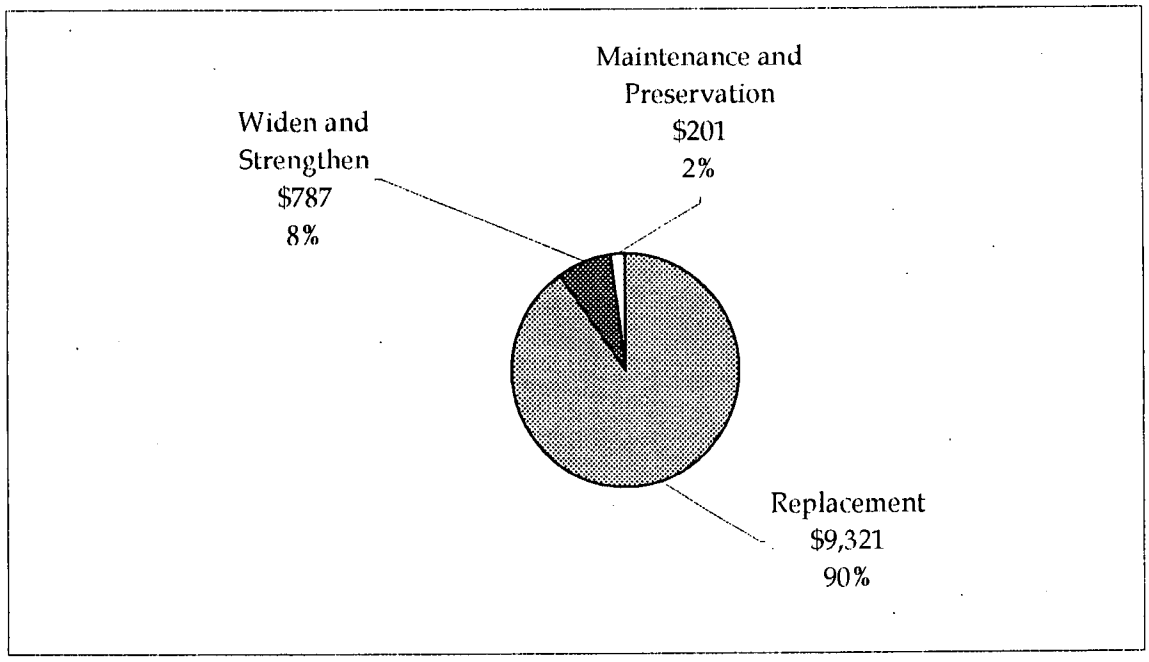


Overall, Divisions 13 and 14 have the largest bridge needs among the 14 Divisions, $1.8 and $1.7 billion respectively. The high cost of bridge improvements can be attributed to both Divisions located in very mountainous terrain. In contrast, Division 2, which is located on the coast, has a total of $732 million in bridge needs. Modernization needs, which include replacement, widening and strengthening, are by far the largest need across all Divisions. Based on consultation with NCDOT staff, $21 million of bridge maintenance needs were identified for Divisions 1 through 13 and $28.3 million for Division 14. Since NBIAS does not identify new bridges, bridge expansion needs were determined by reviewing the 2007-2013 NCDOT STIP. Based on this review, Divisions 1, 3, 9 and 13 had the most bridge expansions.

5.2.3 Backlog and Accruing Bridge Needs

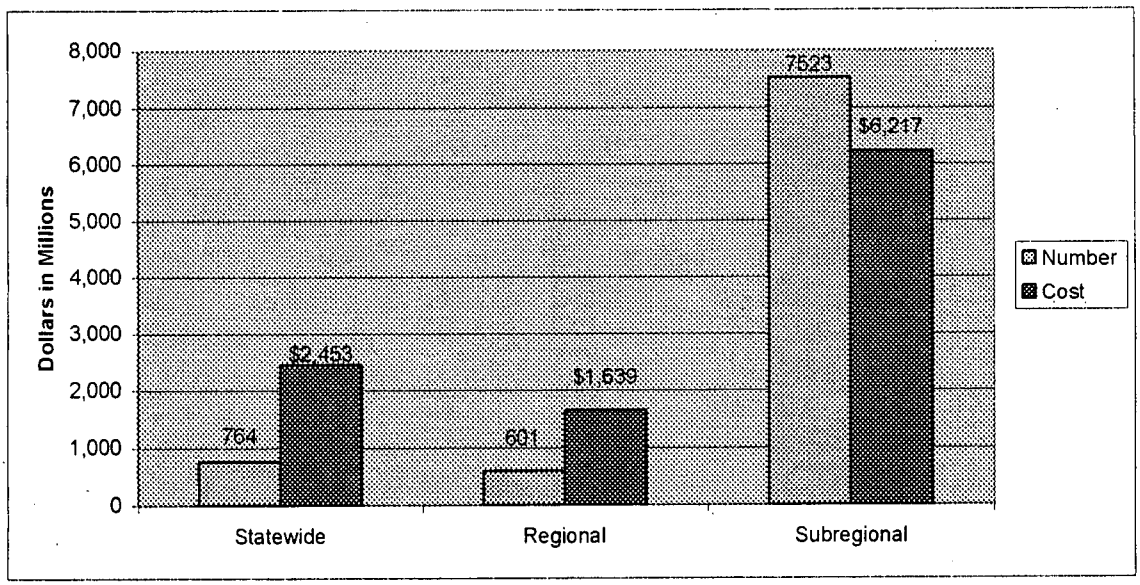
Currently (2005), there are 8,888 (65% of total state-maintained) bridges that need improvement (replacement, widening and strengthening). The cost of addressing the backlog needs total $10.3 billion. Based on cost, 98 percent of the backlog bridge needs are categorized as modernization, which include replacements, widening and strengthening, while the remaining 2 percent address maintenance and preservation needs (**Figure 32**).

Figure 32 - Backlog Bridge Needs by Improvement Type
TOTAL BRIDES = 8,888
TOTAL COST = $10.3 billion



As shown in **Figure 33**, 9 percent (764) of the backlog bridges are on the Statewide Tier, but in terms of cost it represents 24 percent ($2.5 billion); 7 percent (601) are on the Regional Tier, but in terms of cost it represents 16 percent ($1.6 billion); and 84 percent (7,523) are on the Subregional Tier, but in terms of cost it represents 60 percent ($6.1 billion).

Figure 33 - Backlog Bridge Needs by NCMIN Tier
TOTAL BRIDGES = 8,888
TOTAL DOLLARS = $10.3 billion



Figures 34 shows the number of bridge backlog improvement type needs by NCMIN Tier, while **Figure 35** illustrates the bridge backlog cost by improvement type needs for each NCMIN Tier.

- Based in number of bridges, the Subregional Tier has 10 times more bridge needs than the Statewide Tier and 12 times more bridge needs than the Regional Tier.
- Based on cost, the Subregional Tier has 2.5 times more dollars needs than Statewide Tier bridges and 4 times more needs than the Regional Tier.

Figure 34 – Backlog Bridge Needs by Improvement Type and NCMIN Tier
TOTAL BRIDGES = 8,888

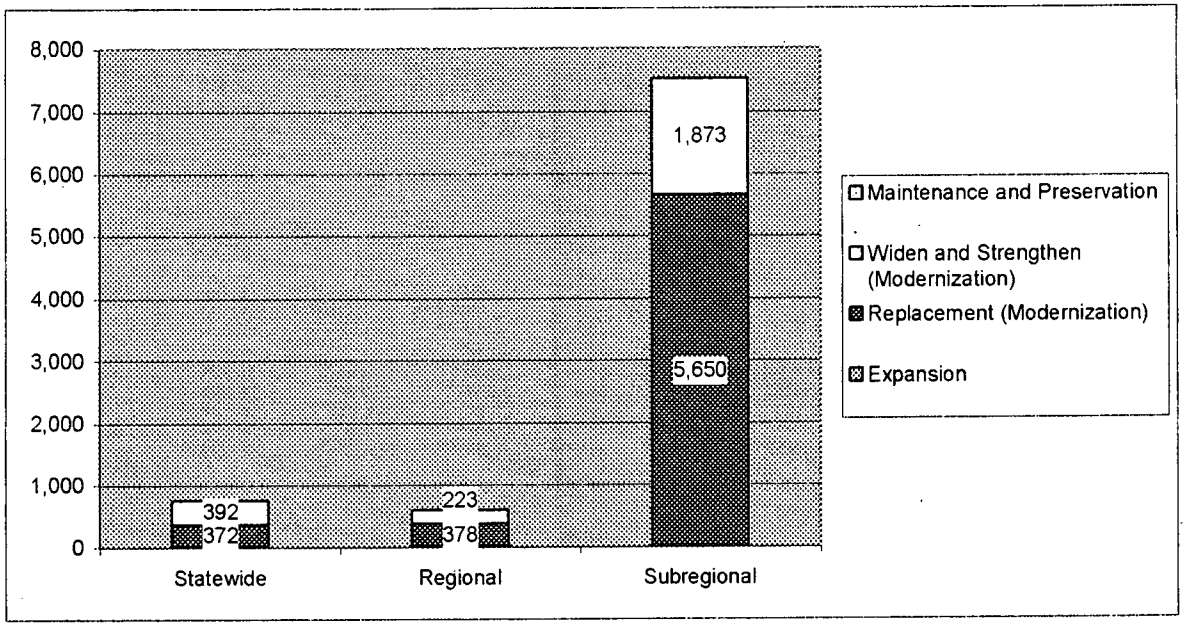
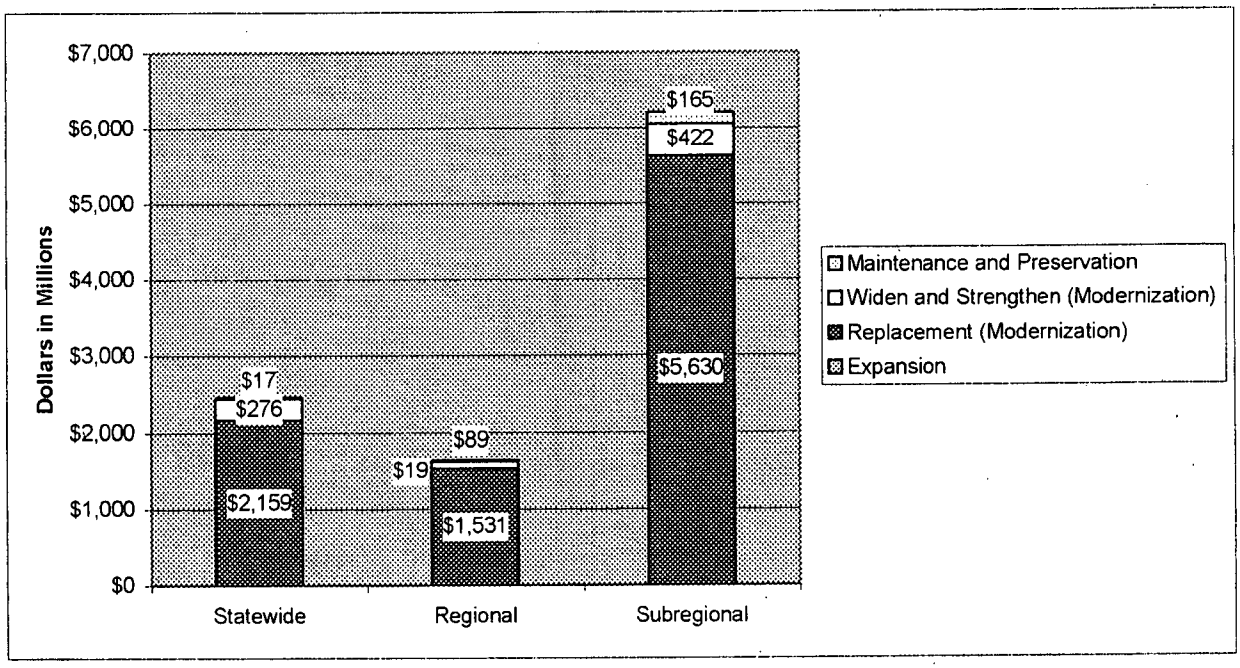


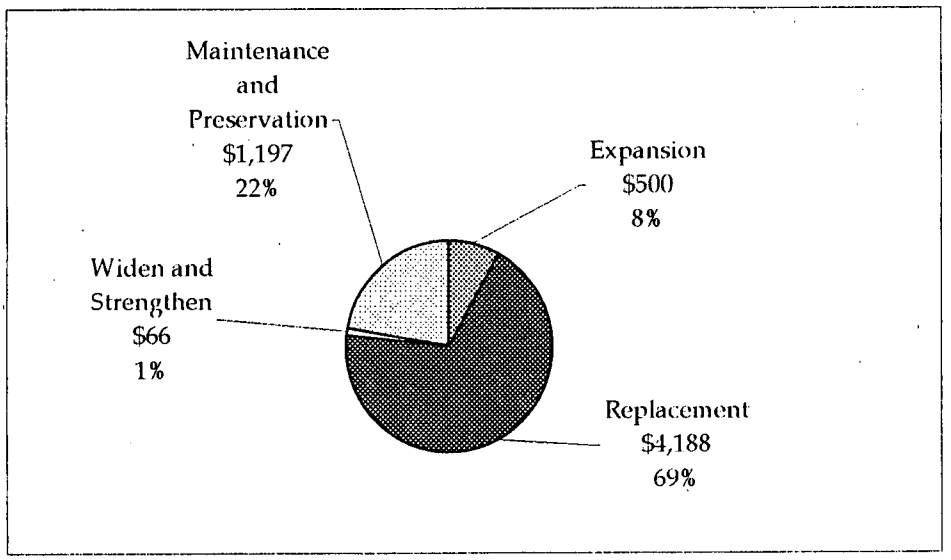
Figure 35 – Backlog Bridge Needs by Improvement Type and Tier
TOTAL DOLLARS =$10.3 billion



As shown in **Figure 36**, over the next 25 years, 70 percent (nearly $4.3 billion) of the accruing bridge needs are categorized as modernization (replacement, widen and strengthen), 22 percent

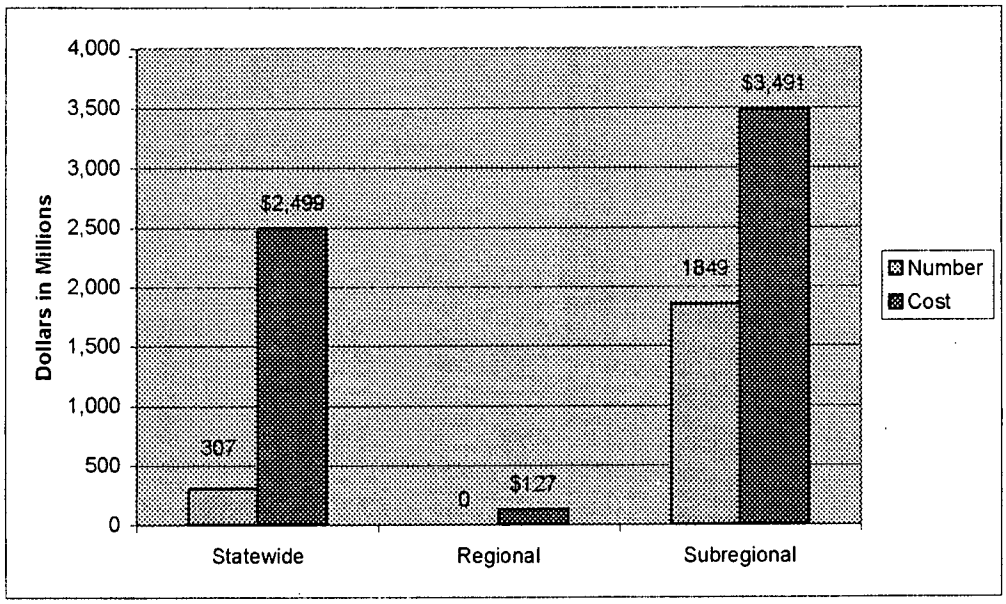
($1.2 billion) will address maintenance and preservation needs and the remaining 1 percent ($500 million) will entail expansion.

Figure 36- Accruing Bridge Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $6.1 billion



As shown in **Figure 37**, approximately 2,161 (16%) of state-maintained bridges will need improvement (replacement, widening and strengthening) over the next 25 years. The improvement costs will total $6.1 billion, with 14 percent (307) identified on the Statewide Tier and 86 percent (1,849) are on the Subregional Tier. NBIAS did not identify any future replacements, widenings, or strengthenings on Regional Tier bridges, which means that backlog improvements, as well as the existing design of the bridge, will adequately serve traffic until the year 2030. In terms of cost, 41 percent ($2.5 billion) are located on the Statewide Tier, 2 percent ($127 million) on the Regional Tier and 57 percent ($3.5 billion) on the Subregional Tier. Rather than using the NBIAS produced maintenance dollar needs for bridges, the total cost for bridge maintenance (number of bridges were not identified) was provided by NCDOT.

Figure 37 - Accruing Bridge Needs by NCMIN Tier
TOTAL BRIDGES = 2,161
TOTAL DOLLARS = $6.1 billion



Figures 38 shows the number of bridge accruing improvement type needs by NCMIN Tier, while **Figure 39** illustrates the bridge accruing cost by improvement type needs for each NCMIN Tier.

- Based in number of bridges, the Subregional Tier will have 4 times more bridge replacement needs than Statewide Tier bridges.
- Based on the cost, the Subregional Tier will have 1.2 times more dollars needs than Statewide Tier bridges.
  - 39 percent ($2.4 billion) of the total $6.1 billion bridge needs are for bridge modernization needs (replacements, widenings and strengthening) on the Subregional Tier;
  - 31 percent ($1.9 billion) are for bridge modernization needs (replacements, widenings and strengthening) on the Statewide Tier;
  - 18 percent ($1.1 billion) are for bridge maintenance and preservation needs on the Subregional Tier;
  - 2 percent ($118 million) are for bridge maintenance and preservation needs on the Statewide Tier;

- 2 percent ($127 million) are for bridge maintenance and preservation needs on the Regional Tier; and
- 8 percent ($500 million) are for bridge expansion needs on the Statewide Tier.

Figure 38 - Accruing Bridge Needs by NCMIN Tier and Improvement Type
TOTAL BRIDGES = 2,161

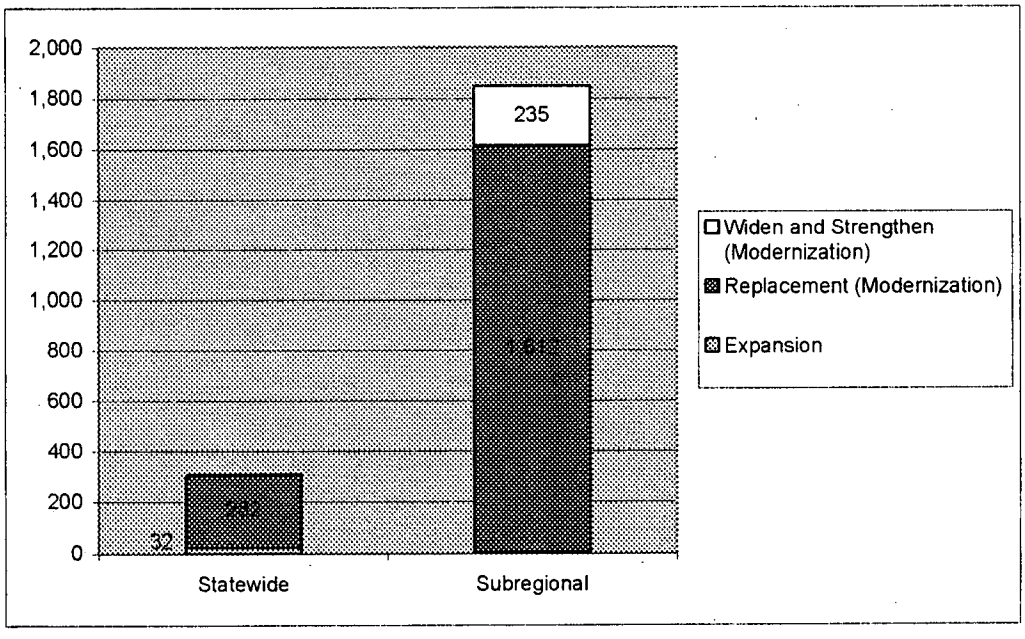
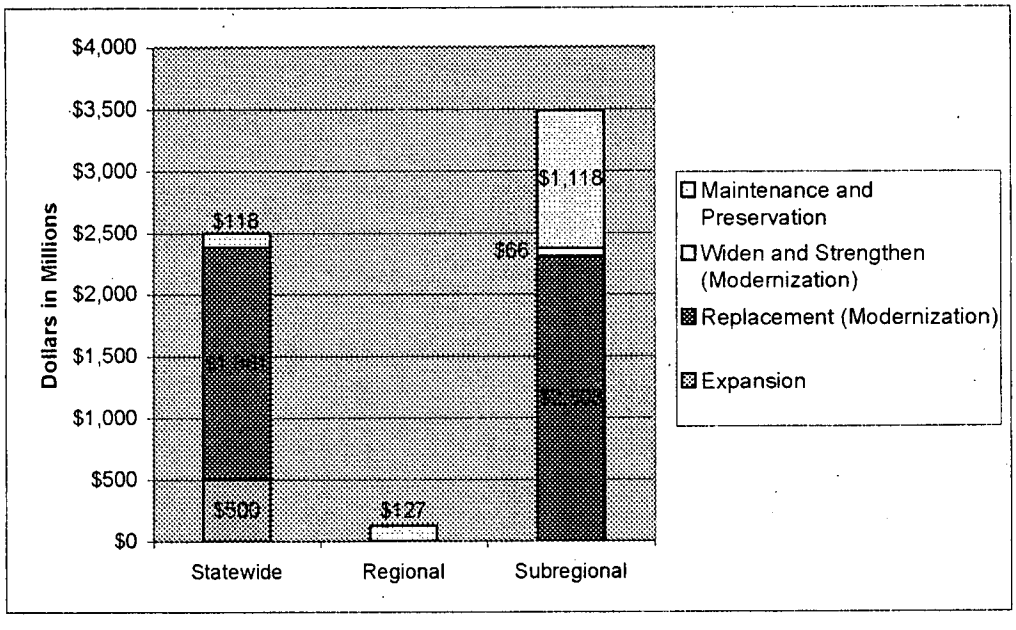


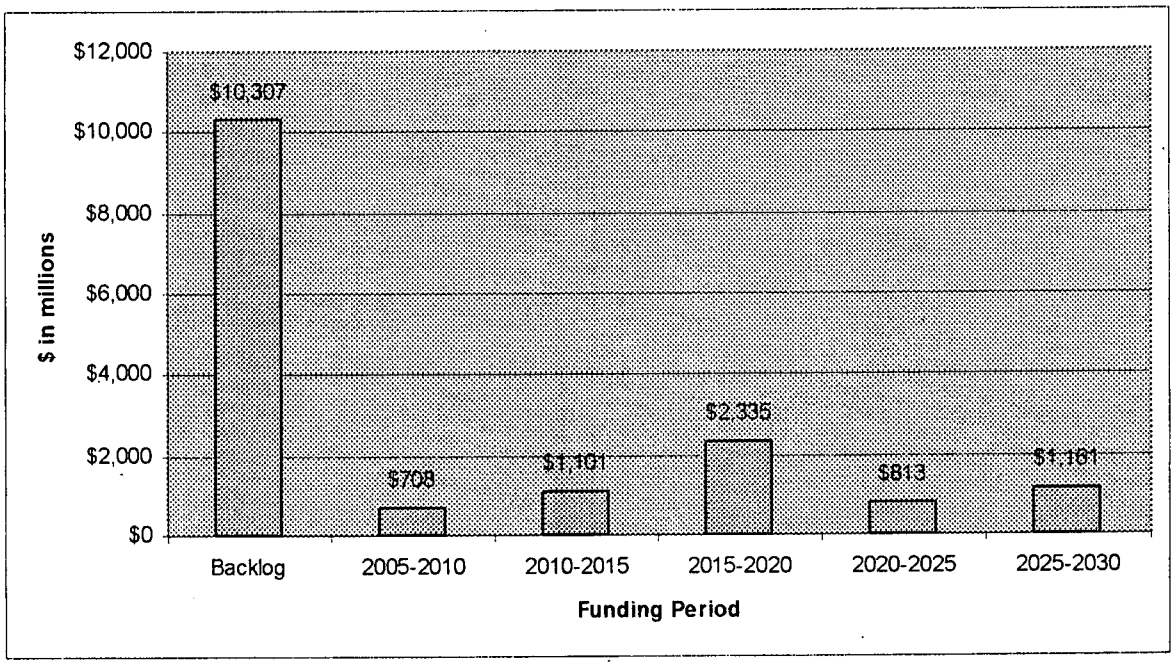
Figure 39 - Accruing Bridge Needs by NCMIN Tier and Improvement Type
TOTAL NEEDS = $6.1 billion



5.2.4 Bridge Needs by Five-Year Funding Periods

A total of $16.4 billion of bridge needs have been identified. As noted earlier in this section, $10.3 billion of the bridges needs are existing or backlog needs, while the remaining $6.1 billion are future needs. Based on the technical analysis provided by NBIAS and consultation with NCDOT and FHWA NC Division staff, **Figure 40** shows the bridges needs by backlog and the five funding periods.

Figure 40 – Five-Year Funding Period by Improvement Type
TOTAL DOLLARS = $16.4 billion



5.2.4.1 2006 to 2010

During the first funding period, there is a total of $708 million in needs identified. The following provides a break down of those needs.

- NCMIN Tier;
  - 62 percent are on the Statewide Tier;
  - 6 percent are on the Regional Tier; and
  - 32 percent are on the Subregional Tier.
- Improvement Type;
  - 37 percent are for new bridges (expansion);

- 24 percent are for replacements, widening and strengthening; and
- 39 percent are for maintenance.

5.2.4.2 2011 to 2015

During the first funding period, there is a total of $1.1 billion in needs identified. The following provides a break down of those needs.

- NCMIN Tier;
  - 37 percent are on the Statewide Tier;
  - 4 percent are on the Regional Tier; and
  - 59 percent are on the Subregional Tier.
- Improvement Type;
  - 21 percent are for new bridges (expansion);
  - 54 percent are for replacements, widening and strengthening; and
  - 25 percent are for maintenance.

5.2.4.3 2016 to 2020

During the first funding period, there is a total of $2.3 billion in needs identified. The following provides a break down of those needs.

- NCMIN Tier;
  - 31 percent are on the Statewide Tier;
  - 2 percent are on the Regional Tier; and
  - 67 percent are on the Subregional Tier.
- Improvement Type;
  - 88 percent are for replacements, widening and strengthening; and
  - 12 percent are for maintenance.

5.2.4.4 2021 to 2025

During the first funding period, there is a total of $813 million in needs identified. The following provides a break down of those needs.

- NCMIN Tier;



- 60 percent are on the Statewide Tier;
- 5 percent are on the Regional Tier; and
- 35 percent are on the Subregional Tier.

* Improvement Type;
  - 66 percent are for replacements, widening and strengthening; and
  - 34 percent are for maintenance.

6.2.4.5 2026 to 2030

During the first funding period, there is a total of $1.2 billion in needs identified. The following provides a break down of those needs.

* NCMIN Tier;
  - 69 percent are on the Statewide Tier;
  - 4 percent are on the Regional Tier; and
  - 27 percent are on the Subregional Tier.
* Improvement Type;
  - 77 percent are for replacements, widening and strengthening; and
  - 23 percent are for maintenance.



Chapter 6. Intelligent Transportation System (ITS)

6.1 Existing Conditions

Currently, there are nine ITS Statewide Strategic Deployment areas in North Carolina. Although relatively new, there are several ITS deployments that are either fully functional, in construction, or in the planning stages throughout the state. The key component in every ITS Deployment Plan was to develop a central database of traveler information to be disseminated to motorists throughout the region.

Managing traffic and public transportation with ITS technologies allows the Department and its partners to respond to congestion and incidents by alerting travelers using a variety of methods. ITS related tools assist in managing public transportation services and traffic flow in North Carolina. The hub of where the information is sent and delivered is at a Traffic Management Center (TMC). The TMC is one type of Intelligent Transportation System. Currently there are three TMC's in North Carolina located in Charlotte, Raleigh and Greensboro.

Like many other regions across the nation, many areas in North Carolina are facing a growing congestion problem. Growth in traffic volumes in many regions is outpacing new road construction, resulting in more vehicles trying to squeeze into less space. Adding lane capacity and building new highways has traditionally been the remedy for congestion. However, an alternative to traditional capacity-adding projects is integrating Intelligent Transportation Systems (ITS) solutions to improve traffic operations on existing roadways and enhance public transportation services. Capital infrastructure such as roadways, intermodal ports, airports and transit facilities are extremely vital components of North Carolina's transportation system. In order to manage these resources more efficiently, ITS solutions are being deployed statewide.

6.2 ITS Technologies

ITS can be roughly grouped into the following seven categories in North Carolina:

- Signal Systems;



- Traveler Information;
- Incident Management;
- Transportation Management Centers (TMCs);
- Commercial Vehicle Operations;
- Transit Management; and
- Emergency Management Devices.

Managing traffic and public transportation with ITS technologies allows the Department and its partners to respond to congestion and incidents by alerting travelers using a variety of methods. All of these ITS related tools assist in managing public transportation services and traffic flow in North Carolina. The hub of where the information is sent and delivered is at a TMC. The TMC is one type of Intelligent Transportation System. Currently there are three TMC's in North Carolina located in Charlotte, Raleigh and Greensboro.

North Carolina has deployed a variety of intelligent transportation systems to address some of the transportation needs outlined in the regional ITS Strategic Deployment Plans. Listed below are some of the system types that are either partially installed requiring expansion, upgrade or are currently under construction.

6.2.1 Advanced Transportation Management Systems

- Fiber-optic cables communicate information between monitoring devices and Traffic Management Centers (TMC's);
- Sensors along roadways provide average traffic speed and volume to TMC's;
- Closed-circuit cameras located along roadways, major interchanges and intersections provide live traffic flow information to TMC's;
- Roadway Weather Information Systems - allow for real-time notification to the traveling public of adverse weather conditions such as snow, ice, fog, and high winds that affect travel;
- Integration of regional/urban traffic signal systems; and



- Toll-free cellular call-in systems routed to the TMC's or the North Carolina Highway Patrol for immediate incident response.

6.2.2 Advanced Public Transportation Systems

- Bus Arrival Vehicle Information Systems;
- Transit Dispatching, Demand Forecasting, and Automatic Passenger Counting Systems;
- Rideshare Matching Software and Web Access Systems;
- Smart Card Technology; and
- Regional Transit Traveler Information Systems.

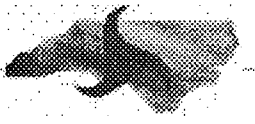
6.2.3 Advanced Traveler Information Systems

- Dynamic message signs provide motorists information on incidents, travel time, and alternate route options;
- Highway Advisory Radio (HAR) signs equipped with lights that flash when there is new traffic information; and
- Traveler Information website.

6.3 Regional ITS Multi-modal Strategic Deployment Plans

In January 2001, FHWA published a rule, and FTA published a companion policy, to implement section 5206(e) of TEA-21. This Rule/Policy seeks to foster regional integration by requiring that all ITS projects funded from the Highway Trust Fund be in conformance with the National ITS Architecture and appropriate standards. Conformance with the National ITS Architecture is defined in the final Rule/Policy as using the National Architecture to develop a regional architecture that would be tailored to address the local situation and ITS investment needs.

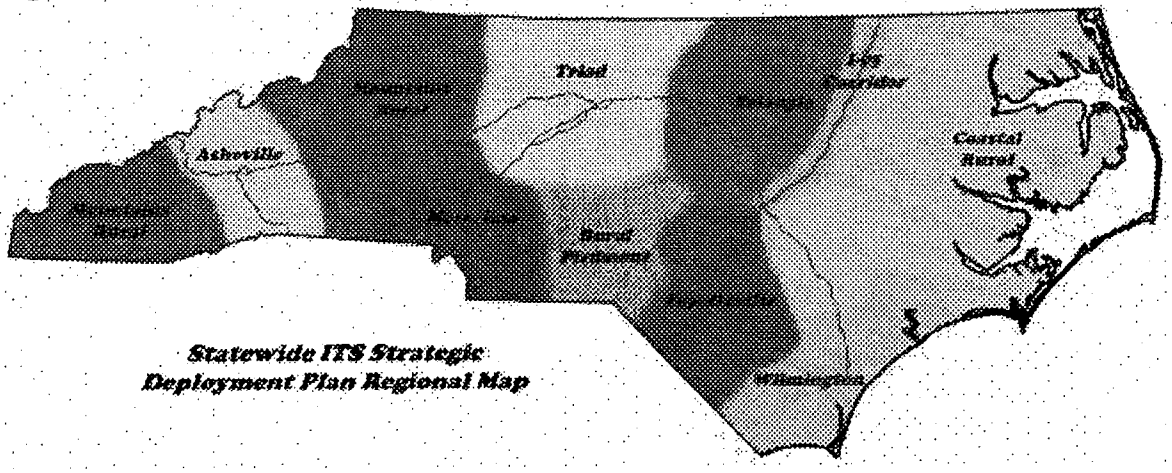
To meet this requirement, NCDOT retained a private Engineering firm in 1998 to assist in the development of nine Regional ITS Multi-model Strategic Deployment Plans (i.e. regional architectures).



The first step was to establish a stakeholder coalition to develop the vision and define the goals and objectives of the plan, as well as to identify any problems. The stakeholder-input process involved multiple meetings and forums with key persons and agencies.

The map in **Figure 41** shows the nine ITS Statewide Strategic Deployment areas and a summary of each is provided. Although relatively new, there are several ITS deployments that are either fully functional, in construction, or in the planning stages throughout the state. The key component in every ITS Deployment Plan was to develop a central database of traveler information to be disseminated to motorists throughout the region.

Figure 41 - Statewide ITS Strategic Deployment Plan Regional Map



Source: NCDOT

6.3.1 Asheville Region

The Asheville Region includes parts of Buncombe and Henderson Counties. Major cities in this region are Asheville, Black Mountain, Fairview, Weaverville, Woodfin, and Hendersonville. Based on stakeholder input, the ITS Strategic Deployment Plan process identified 30 transportation needs. These needs were ranked and the most pressing issues were identified, which in turn, led to the development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traveler and tourist



information, and weather and road conditions were the most urgent issues. Short and long-term project plans were then determined from the needs.[8]

Asheville Region Top 10 Ranking Identified Needs:

1. Traveler Information Kiosks (at rest areas, hotels, Super K, malls, other locations);
2. Lack of real-time traffic information;
3. Lack of traveler information - via message signs;
4. Lack of pre-trip tourist information;
5. Real-time weather information, fog detection, and early warning of reduced visibility;
6. Information on construction, weather, road conditions;
7. Public transportation, pedestrian to bus, rail to bus, and bike to bus needs;
8. Improve commercial vehicle weight operations and law enforcement;
9. Communication links to TNDOT; and
10. Communications including e-mail to CVO providers, dispatchers, trucks in transit, etc.

6.3.2 Eastern (Coastal) Region

The Eastern (Coastal) Region includes the Jacksonville, Greenville and Goldsboro, Mount Olive, New Bern, Havelock, Morehead City, Newport, Kinston, Clinton, Washington, Warsaw, Tarboro. Based on stakeholder input, the ITS Strategic Deployment Plan process identified 53 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that hurricane evacuation, traveler information, and tourist information were the most urgent issues. Short- and long-term project plans were then determined from the needs.[9]

Eastern Region Top 10 Ranking Identified Needs:

1. Traffic Hot Spots and safety improvement corridors (I-95, I-40, US 70, US 17, US 64, US 264, NC 12, NC 24);

---

[8] Asheville Regional ITS Deployment Plan
[9] Eastern Regional ITS Deployment Plan



2. Hurricane evacuation plan and procedures;
3. Real-time weather information, fog detection, and early warning of inclement weather;
4. Dynamic Message Signs;
5. CCTV links to Web;
6. Reduce delays and secondary incidents;
7. Transit dispatching Demand Forecasting and Automatic Passenger Counting;
8. Traveler Information Kiosks;
9. Internet Traveler Information; and
10. New/revised maintenance measures for ITS technologies.

6.3.3 Fayetteville Region

The Fayetteville Region includes parts of Cumberland and Harnett Counties. Major cities in this region are Fayetteville, Fort Bragg, Hope Mills, Spring Lake, Buies Creek, Angier, and Lillington. Based on stakeholder input, the ITS Strategic Deployment Plan process identified 29 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traffic control, en-route driver information, pre-trip travel information, and route guidance were the most urgent issues. Short and long-term project plans were then determined from the needs.[10]

Fayetteville Region Top 10 Ranking Identified Needs:

1. Lack of real-time traffic information;
2. There is a need for increased interagency communication;
3. Lack of traveler information about incidents while driving;
4. Effective safety devices for work zones;
5. Truckers should have access to traffic information;
6. HARs are not as effective as they should be;
7. Emergency vehicle preemption;
8. Lack of Traveler information – DMS;

[10] Fayetteville Regional ITS Deployment Plan



9. Lack of route guidance for getting around incidents; and
10. Special Event Traffic Management.

6.3.4 Metrolina Region

The Metrolina Region includes the five county areas surrounding the city of Charlotte, NC. Cities in the Metrolina region include Charlotte, Gastonia, Concord, Kannapolis, Monroe, Matthews, Mint Hill, Mount Holly, Stanley, Cherryville, Bessemer City, Lowell, Belmont, Weddington, Wingate and Mooresville. Based on the stakeholder input, the ITS Strategic Deployment Plan process identified 32 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traffic control, public transportation management, archived data function, and pre-trip travel information were the most urgent issues. Short and long-term project plans were then determined from the needs.[11]

Metrolina Region Top 10 Ranking Identified Needs:

1. Peak hour freeway congestion;
2. Lack of high-speed communications between traffic management centers for real-time information sharing; and
3. Too few operational dynamic message signs with current traveler information.

Lack of incentives to use public transportation:

1. Poor signal progression;
2. Lengthy traffic delays and accidents caused by "rubber-necking" during incident removal;
3. Poor traffic control at major trip generators and highway access points;
4. Lack of real-time transit information, including travel times, pre-trip and at bus stops;
5. Poor bus schedule adherence and travel times; and
6. Lack of real-time transit vehicle location for schedule adherence and routing.

[11] Metrolina Regional ITS Deployment Plan



6.3.5 Piedmont Region

The Piedmont Region includes the area surrounding the cities of Asheboro, Salisbury, Pinehurst, Oxford, Henderson and Laurinburg. Based on stakeholder input, the ITS Strategic Deployment Plan process identified 73 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traveler information, truck safety, and commuter traffic were the most urgent issues. Short and long-term project plans were then determined from the needs.[12]

Piedmont Region Top 10 Ranking Identified Needs:

1. Congestion on commuter routes;
2. Congestion around large developments, major interchanges;
3. Information on conditions on alternate routes, managing traffic on local roads and streets;
4. Emissions reduction, managing peak hour traffic;
5. Real-time weather information, fog detection, and early warning of reduced visibility;
6. Regional traveler information on the Net, NCSmartLink website;
7. Information on park-and-ride, rideshare facilities;
8. Information on construction, weather, road conditions;
9. Areas prone to truck accidents; and
10. Interagency coordination and communications.

6.3.6 Triad Region

The Triad Region of North Carolina encompasses Guilford, Forsyth, Davidson and Alamance Counties, as well as part of Randolph County. Major cities in the area include Greensboro, Winston-Salem, High Point, and Burlington-Graham. This region has one of the more mature levels of existing, ITS deployment in the state, including multiple Transportation Management Centers (TMCs). Based on stakeholder input, the ITS Strategic Deployment Plan process

[12] Piedmont Regional ITS Deployment Plan

identified 36 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traffic control, public transportation management, archived data function, and pre-trip travel information were the most urgent issues. Short and long-term project plans were then determined from the needs.[13]

Triad Region Top 10 Ranking Identified Needs:

1. Lack of 24 hour, real-time alternate route information;
2. Additional DMS with current traveler information;
3. Provide real-time or near real-time video of traffic conditions;
4. Advance warning of work zones and better traffic control for work zones;
5. Improve Signal progression (including adding new signal coordination) to reduce travel time for commuters;
6. Develop additional maintenance measures for ITS technologies;
7. Arterial Congestion;
8. Lack of 24-hour, accurate, location-specific pre-trip and en-route traveler information (route guidance);
9. Lack of current and historical traffic data sharing between agencies for improved traffic management and planning; and
10. Centralized information clearinghouse with current traveler and road conditions information (weather, visibility-fog).

6.3.7 Triangle Region

The Triangle Region encompasses Wake, Durham, and Orange Counties as well as part of Johnston County. The major cities in this region are Raleigh, Cary, Garner, Apex, Wake Forest, Durham, Chapel Hill, Carrboro, and Clayton. Based on the stakeholder input, the ITS Strategic Deployment Plan process identified 65 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the

[13] Triad Regional ITS Deployment Plan



development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traffic control, public transportation management, and pre-trip travel information were the most urgent issues. Short- and long-term project plans were then determined from the needs.[14]

Triangle Region Top 10 Ranking Identified Needs:

1. Need to reduce freeway congestion;
2. Improve Signal progression (including adding new signal coordination) to reduce travel time for commuters;
3. Need improved traffic flow on freeway;
4. Too many single occupancy vehicles;
5. Need to allow transit vehicles on HOV lanes;
6. Need concentrated ITS Deployment on corridors, including traffic surveillance;
7. Need ability to monitor system flow in real-time;
8. Need access to traveler and transit information at work and public areas;
9. Need better integration of transit with other modes (school, commuter, park & ride); and
10. Increase incentives to use public transit.

6.3.8 Western Region

The Western Region includes the area surrounding the cities of Hickory, Boone, Forest City and Waynesville. Based on stakeholder input, the ITS Strategic Deployment Plan process identified 62 transportation needs. These needs were ranked by the regional transportation leaders to identify the most pressing issues, which in turn, led to the development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that traveler information, truck safety, and tourist information were the most urgent issues. Short and long-term project plans were then determined from the needs.[15]

Western Region Top 10 Ranking Identified Needs:

---

[14] Triangle Regional ITS Deployment Plan
[15] Western Regional ITS Deployment Plan



1. Real-time weather information, fog detection, and early warning of reduced visibility;
2. Information on conditions on alternate routes;
3. Real-time, continuously, maintained traffic and roadway conditions database;
4. Closed Loop Signal Systems, other isolated signals (e.g., US 321 in Watauga and Avery Co., Bryson City, other locations);
5. Traffic Hot Spots (US 421/SR105, US 321 W. of Boone, US 421/SR105, Apts. On SR 105 Bypass, SR107/Bus. 23, SR107 to WCU, SR107 to Cashiers, etc.);
6. Information on construction, weather, road conditions;
7. Link local, regional websites to NCSmartLink;
8. Higher frequency for HAR, tourist information on HARs;
9. Balance between HARs and DMSs; and
10. Interagency coordination and communications.

6.3.9 Wilmington Region

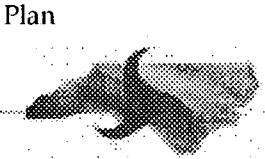
The Wilmington Region includes parts of New Hanover, Brunswick, and Columbus Counties. Major cities in this region are Wilmington, Carolina Beach, Wrightsville Beach, Castle Hayne, Shallotte, Long Beach, and Whiteville. Based on the stakeholder input, the ITS Strategic Deployment Plan process identified 30 transportation needs. These needs were ranked and the most pressing issues were identified, which in turn, led to the development of a regional ITS deployment plan and architecture that addressed these needs. From this process, it was determined that hurricane evacuation, en-route driver information, pre-trip travel information, route guidance, and truck safety were the most urgent issues. Short and long-term project plans were then determined from the needs.[16]

Wilmington Region Top 10 Ranking Identified Needs:

1. Reversible lanes for evacuation routes;
2. Too few dynamic message signs with current traveler information;
3. Lack of traveler information;
4. Lack of traveler information through kiosks and television;

---

[16] Wilmington Regional ITS Deployment Plan



5. Lack of traveler information at rest areas and welcome centers;
6. Lack of automated commercial vehicle compliance enforcement, including non-point of entry locations, with weigh in motion and CCTV surveillance;
7. Slow moving trucks;
8. Need CVO transit vehicle operation status/safety monitoring devices;
9. Need to reduce number of crashes involving commercial vehicles; and
10. Need better commercial vehicles weight detection and enforcement.

6.4 I-95 Corridor

A formal plan has not been developed for this corridor. Through meetings with regional stakeholders, advanced transportation management systems and advanced public transportation management systems have been identified.

6.5 ITS Needs

As shown in **Tables 8 through 10** and **Figures 42 through 44**, the 25-year ITS needs total $1.6 billion. Due to the nature of ITS solutions, needs are only identified on Statewide and Regional NCMIN roadways. The following summarizes the ITS needs:

- Deployment plans (expansion) represent 34 percent ($540 million) of the future needs, with over 92 percent ($499 million) located on the Regional Tier.
- Replacing and upgrading systems (modernization) represent 34 percent ($551 million) of the future needs, with over 98 percent ($543 million) located on the Regional Tier.
- Operating costs (maintenance and preservation) represent 32 percent ($509 million) of the needs and 100 percent are located on the Statewide Tier.
- The Regional Tier accounts for 65 percent ($1.04 billion) of all ITS needs, with the remaining 35 percent ($558 million) on the Statewide Tier.
- The Subregional Tier does not have any ITS needs over the next 25 years.

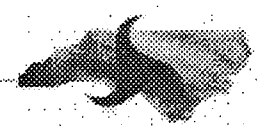


Table 8 - 25-YEAR ITS Needs ($ millions)
TOTAL DOLLARS = $1.6 billion

Need Category	5-Year Increments					
	2005-2009	2010-2014	2015-2019	2020-2024	2025-2029	TOTAL
Capital						
Deployment Plans	$79	$61	$40	$104	$256	**$540**
Replacement/Upgrading of Systems	$74	$30	$120	$175	$152	**$551**
Subtotal Capital	$153	$91	$160	$279	$408	**$1,091**
Operating Costs	$102	$102	$102	$102	$101	**$509**
TOTAL	**$255**	**$193**	**$262**	**$381**	**$509**	**$1,600**

Figure 42– 25-Year ITS Needs
TOTAL DOLLARS = $1.6 billion

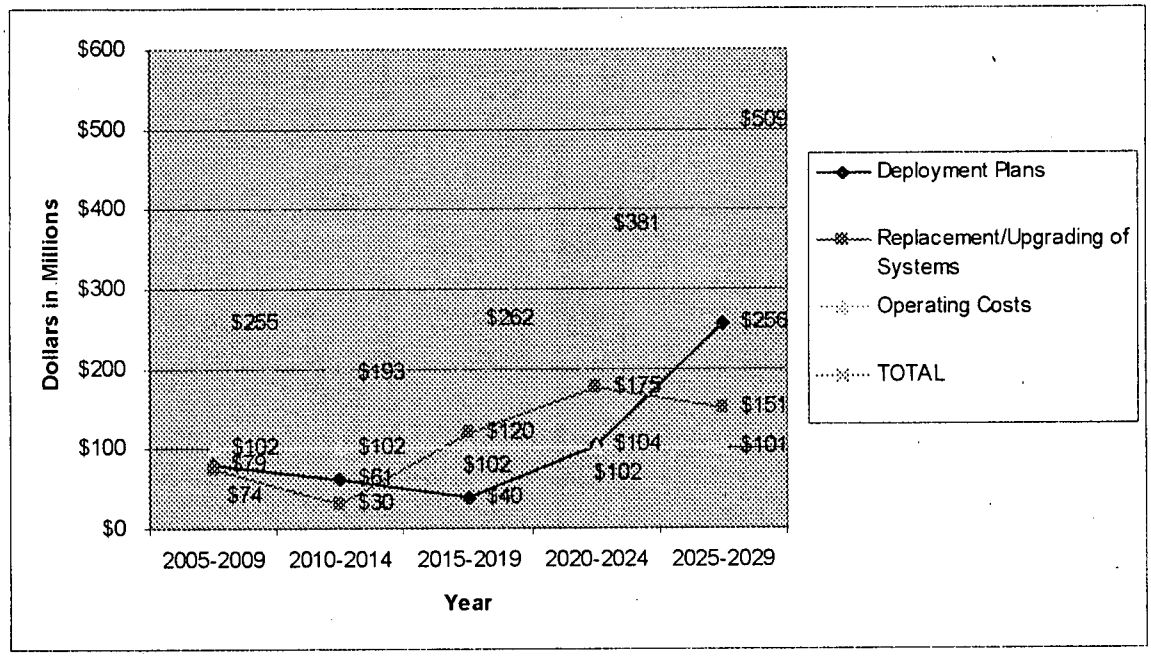


Table 9 – 25-YEAR ITS Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $1.6 billion

Need Category	NCMIN Tier			
	Statewide	Regional	Subregional	TOTAL
Capital				
Deployment Plans	$41	$499	$0	$540
Replacement/Upgrading of Systems	$8	$543	$0	$551
Subtotal Capital	**$49**	**$1,042**	**$0**	**$1,091**
Operating Costs (1) (2)	$509	$0	$0	$509
TOTAL	**$558**	**$1,042**	**$0**	**$1,600**

All O&M cost are included in the maintenance estimate from Asset Management for R-4049, which is included in the roadway needs.
R-4049 Operating Costs Total $509M and includes New Devices O&M cost, New IMAP personnel and equipment O&M cost, and New TMC Operations personnel, equipment, etc. O&M cost.

Table 10 – 25-YEAR ITS Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $1.6 billion

Need Category	Improvement Type			
	Preservation	Modernization	Expansion	TOTAL
Capital				
Deployment Plans	$0	$0	$540	$540
Replacement/Upgrading of Systems	$0	$551	$0	$551
Subtotal Capital	**$0**	**$551**	**$540**	**$1,091**
Operating Costs	$509	$0	$0	$509
TOTAL	**$509**	**$551**	**$540**	**$1,600**



Figure 43 – ITS Needs by Improvement Type
TOTAL DOLLARS = $1.6 billion

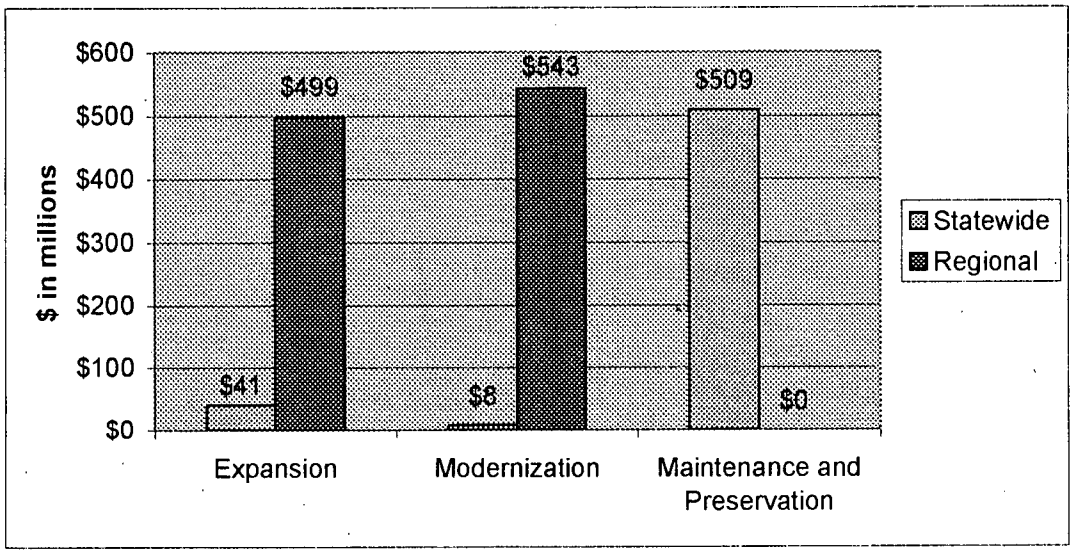
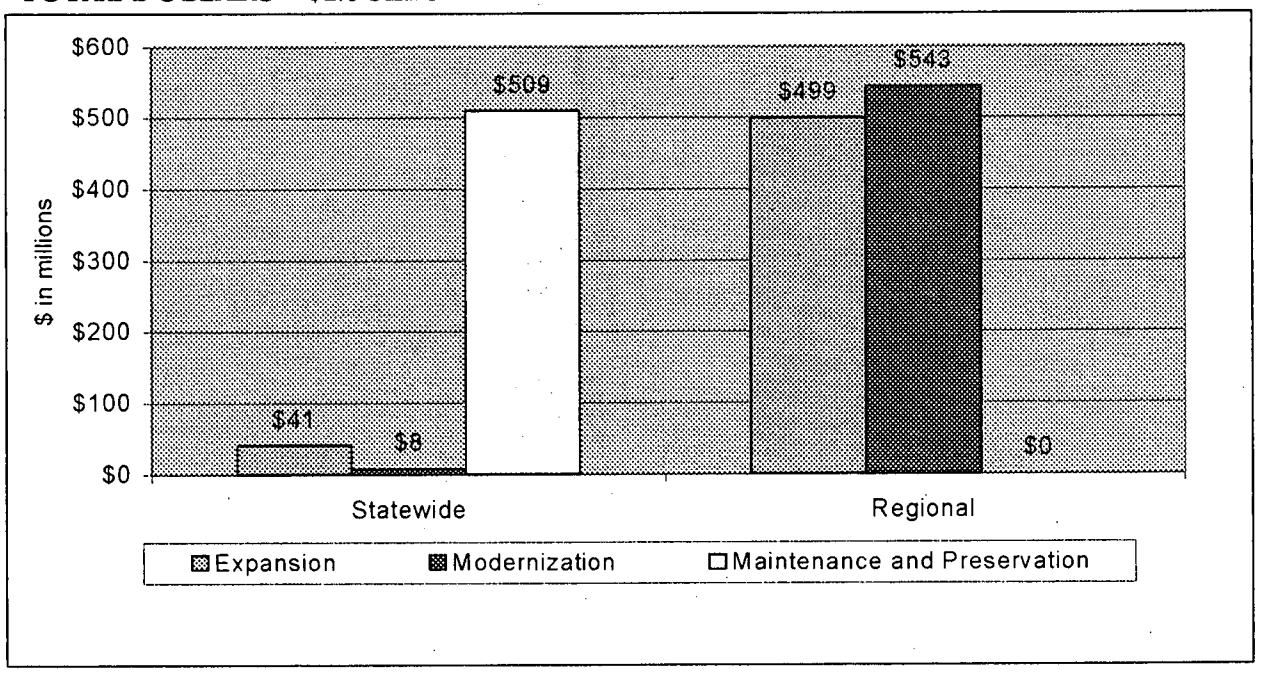


Figure 44 – Statewide and Regional Tier ITS Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $1.6 billion



Chapter 7. Non-Highway Needs

In this section, the following non-highway needs are addressed:

- Public Transportation;
- Passenger Rail;
- Freight Rail;
- Ferry;
- Bicycle and Pedestrian;
- Aviation; and
- Ports.

NCDOT staff provided future expansion, modernization and preservation needs for each of the non-highway modes, while port needs were determined through consultation with NCPA staff. Non-highway needs are categorized by NCMIN Tier and five-year funding period. Due to the lack of data, non-highway needs are not categorized by backlog and accruing and by NCDOT Division.

7.1 Public Transportation

More than 100 urban and rural public transportation systems serve millions of North Carolinians in every county. The NCDOT Public Transportation Division assists North Carolina public transit systems in providing mobility options through technical assistance and funding. The Department helps local transit agencies operate safer and more efficiently by combining limited federal and state resources with local communities and transportation providers. The actual buses, trains or vans are operated directly by local transit systems.

Many of the more than 52 million annual trips provided by public transportation systems in North Carolina serve citizens who have limited mobility caused by a variety of circumstances. Human service transportation systems work with local human service agencies to transport clients for medical, educational, employment, or recreational needs.



There are 83 community transit systems in North Carolina. They operate as either single-county systems or multi-county systems. Some community transportation systems that operate in urbanized areas receive state funding instead of federal grant funds.

The Department assists North Carolina's 17 urbanized areas and 3 of the state's small urban areas with the planning, funding and operating of public transportation services. Currently there are 22 urban, regional and small urban transit systems in these areas.

The N.C. Rural Vanpool Program began operations in FY 2001, and was originally designed to provide transportation for low-income individuals, as well as citizens who lack reliable transportation to and from work. USDOT Federal Transit Administration and state funds, along with passenger fares and employer contributions, support the service. There are currently 28 vanpool operators in North Carolina.

Public transportation services are an integral part of the overall North Carolina transportation network and serve several different statewide functions, which:

- Provide mobility to persons without access to an automobile and to those who do not drive;
- Provide important links between rural communities and metropolitan areas; and
- Reduce traffic congestion and pollution in urban and rural areas by providing an alternative to the single occupant vehicle.

The majority of passenger travel in North Carolina takes place by automobile. However public transportation provides an important alternative for those individuals who cannot or choose not to drive or do not have access to an automobile. North Carolina is served by a variety of local, regional, and intercity public transportation services that connect people to employment centers, schools, shopping centers, government offices, medical complexes, and other destinations. In addition to these general services, North Carolina has various services for "transit-dependent" populations, such as the elderly, disabled, and economically disadvantaged.



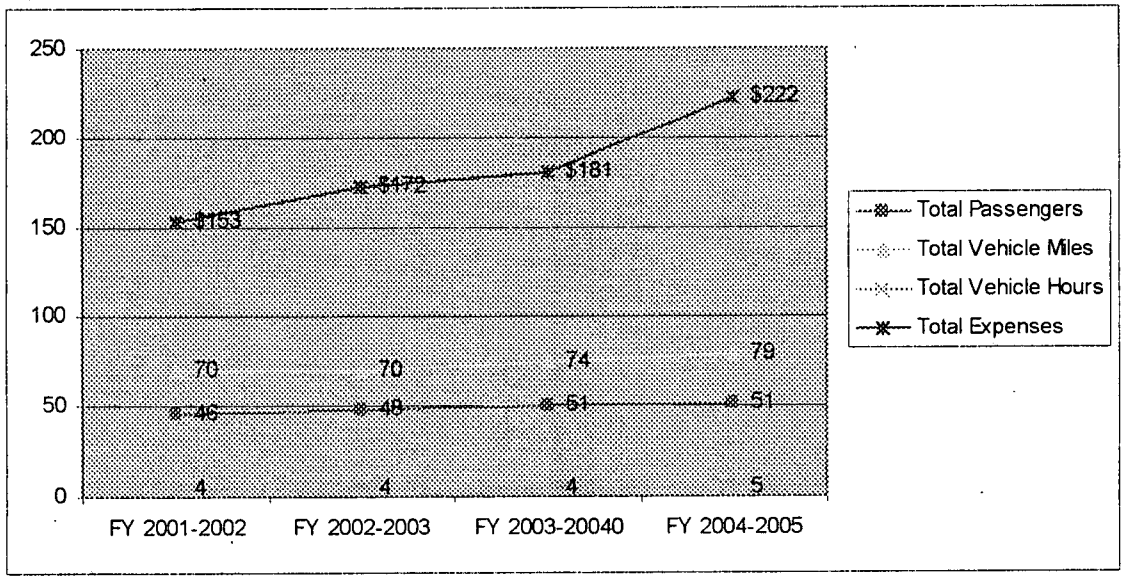
During the mid to late 1990's, the trend for all urban and rural transit systems combined was a slight decrease. Starting in the late 1990's and continuing into the 2000's, ridership has been growing. Transit ridership statewide has increased 29 percent since 1999, due in part to the implementation of four urban transit systems in cities that were without public transportation (Cary, Concord, Goldsboro and Jacksonville), the creation of a regional transit system in the Piedmont Triad, significantly expanded service in a number of cities and fare free service initiated in Chapel Hill. The ridership growth period has coincided with the regular growth in the amount of state operating assistance for rural and urban area systems. The majority of the rural systems report that there would not have been service expansion without the additional operating assistance. The cities with existing transit systems that implemented significant service expansions include Chapel Hill, Charlotte, Durham, Greensboro and Wilmington. Many urban areas have increased the level of services, many of which now provide expanded weekend and night service. Ridership increases also have coincided with an increasing interest in transit among both elected officials and the business sector due to its role in maintaining mobility and mitigating air quality degradation, its role in supporting a positive economic development climate and its role in providing an alternative for growing numbers of elderly and disabled citizens.

Charlotte is the largest transit system in the state by far. In the late 1990's, Charlotte adopted a 2025 plan that called for significant increases in transit services as part of a comprehensive plan that included related highway and land use goals. In response to the plan, Mecklenburg County voters approved a half-percent sales tax to fund the transit service increases. Since that time, the Charlotte transit system has been expanding transit services significantly. Ridership has increased significantly also. In 2005, passengers totaled over 51 million, vehicle miles traveled totaled over 79 million, vehicle hours totaled nearly 5 million and total expenses totaled over $222 million.



Figure 45 on the next page, shows key public transportation statistics for the 105 public transportation systems in North Carolina between the years 2001 to 2005[17]. As illustrated, total passengers, total vehicle miles and total vehicle hours, grew proportionally at a rate of 12 or 13 percent. However, total expenses during the same time period grew by 45 percent.

Figure 45 – North Carolina Public Transportation Operating Statistics (units in millions)



There are currently six types of public transportation systems operating in North Carolina:

7.1.1 Human Service Transportation

Many of the more than 51 million annual trips provided by public transportation systems in North Carolina serve citizens who have limited mobility caused by a variety of circumstances. Human service transportation systems work with local human service agencies to transport clients for medical, educational, employment, or recreational needs. They do not serve the general public directly. There are currently four human service transportation systems in North Carolina.

[17] In FY 2002 - 2003, there were a total of 104 public transportation systems.

7.1.2 Community Transportation

Community transportation systems provide transportation for human service agency clients and members of the general public. Because these systems receive federal grant funds for rural transit, SAFETEA-LU requires them to offer services for general public riders, as well as human service agency clients. These systems integrate the two types of services using the same fleet of vehicles. There are 83 community transit systems in North Carolina. They operate as single-county systems or multi-county systems. Some community transportation systems that operate in urbanized area counties receive state funding instead of federal grant funds.

7.1.3 Urban Transit

Urban transit systems in North Carolina provide fixed-route and dial-a-ride services. Three urban transit systems also coordinate vanpool services. Fixed-route service typically uses buses and operates on a set schedule determined by the system's management with input from community leaders and citizens. Dial-a-ride service requires prospective riders to request service in advance by calling to schedule a specific pickup location, boarding time and destination within the system's service area. The Department assists North Carolina's 18 urbanized areas and three of the state's small urban areas with the planning, funding and operating of public transportation services. Currently there are 22 urban, regional and small urban transit systems in these areas.

In September 2003, the North Carolina Department of Administration entered into an agreement with Capital Area Transit (CAT) that would allow state employees to use transit services at no cost to the employee. Program marketing and enhancement opportunities were identified and implemented.

Chapel Hill Transit was the first system to offers free transit services. AppalCART, the transit system that serves the Town of Boone, including Appalachian State University, began offering fare free transit this fiscal year on its fixed route buses. Asheville Transit has implemented a 3-month fare free program as an incentive for residents to try transit versus driving alone.



7.1.4 Regional Transit

The Research Triangle Regional Public Transit Authority, which operates, as Triangle Transit Authority (TTA), and the Piedmont Authority for Regional Transportation (PART) currently are the only urban regional transit systems operating in North Carolina. TTA operates fixed-route bus service within the Research Triangle metropolitan region to connect Raleigh, Durham, Cary, Chapel Hill and nearby suburbs with Research Triangle Park and Raleigh-Durham International Airport. TTA also operates commuter shuttle services within Research Triangle Park and from Durham and Chapel Hill into Raleigh. TTA bus routes connect with the region's three urban transit systems operated by Raleigh, Durham and Chapel Hill. PART began operating fixed-route bus service within the Triad region in 2003, connecting transit systems in Greensboro, High Point and Winston-Salem. PART also provides service to the major medical centers in Durham and Chapel Hill.

7.1.5 Vanpool and Carpool Programs

The N.C. Rural Vanpool Program began operations in FY2001 and was originally designed to provide transportation for low-income individuals and citizens without reliable transportation to travel to work. USDOT Federal Transit Administration and state funds, along with passenger fares and employer contributions, support the service. There are currently 28 operations. Several employers subsidize the cost of the fare for carpool riders.

NCDOT funded the implementation of a web-based rideshare matching software program, ShareTheRideNC.org in FY2005. This program allows individuals to enter information online regarding their address, work location/hours, and to instantly receive a list of persons who might be potential matches for carpooling, vanpooling or biking. The software also links to transit services in the area and allows local TDM programs to generate reports. Transit systems have seen an increase in services through this unique marketing tool and the number of vanpools in operation by Charlotte Area Transit Systems, Triangle Transit Authority and the Piedmont Authority for Regional Transportation has increased substantially since fall 2005. Both Charlotte and TTA have waiting lists for vanpools.



7.1.6 Intercity Buses

Intercity bus service is one of a few remaining examples of privately owned and operated public transportation in North Carolina. The recent restructuring of service by Trailways and Greyhound over the past year has left many rural areas void of intercity bus service. These route provided connectivity to the state's urban areas. The Department provides federal and state operating assistance to the City of Asheville to operate two intercity routes (Black Mountain and Woodfin); Western Carolina Community Action, Inc. for a route that operates from Hendersonville to Asheville; and to the Piedmont Authority for Regional transportation for two routes that serve Greensboro to Boone and Mt. Airy to Winston-Salem. Four Travelers' Aid programs around the state also receive approximately $40,000 in federal funds each year to match 50 percent local funding to purchase intercity bus tickets for travelers in need.

Amtrak and state-owned intercity passenger trains and state-operated passenger ferries also compliment public transportation in many areas. These systems are discussed in other modal chapters.

7.1.7 Public Transportation Needs

As shown in the **Tables 11 through 13** and **Figures 46 through 49**, the 25-year public transportation needs total $17.8 billion. Based on improvement types, 75 percent ($13.3 billion) are maintenance and preservation needs and the remaining 25 percent ($4.5 billion) are expansion needs. Based on tiers, 72 percent ($12.8 billion) are located in the Subregional Tier and the remaining 28 percent ($5 billion) are in the Regional Tier. The Statewide Tier does not have any identified public transportation needs. Ninety percent ($4.5 billion) of the Regional Tier needs are for expansion while the remaining 10 percent ($500 million) are maintenance and preservation needs.

Existing public transportation service needs ($13.3 billion) will grow between 19 and 25 percent every five years and over the next 25 years; overall, existing public transportation needs will grow 134 percent total. Every five years, the new public transportation service needs ($4.5 billion) will fluctuate between $531 million (2015-2019) and $1.6 billion (2010-2014).



Table 11 – 25-Year Public Transportation Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $17.8 billion

	5-Year Increments					
Need Category	2005-2009	2010-2014	2015-2019	2020-2024	2025-2029	TOTAL
Existing Services						
Urban						
Capital	$336	$261	$324	$399	$496	$1,816
Operating	$871	$1,133	$1,423	$1,774	$2,215	$7,416
Total	$1,207	$1,394	$1,747	$2,173	$2,711	$9,232
Rural	$469	$607	$763	$962	$1,213	$4,014
Subtotal Existing	**$1,676**	**$2,001**	**$2,510**	**$3,135**	**$3,924**	**$13,246**
New Starts Services						
Capital	$782	$1,378	$63	$203	$18	$2,444
Operating	$30	$271	$468	$576	$733	$2,078
Subtotal New	$812	$1,649	$531	$779	$751	$4,522
TOTAL	**$2,488**	**$3,650**	**$3,041**	**$3,914**	**$4,675**	**$17,768**

Figure 46 – 25-Year Public Transportation Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $17.8 billion

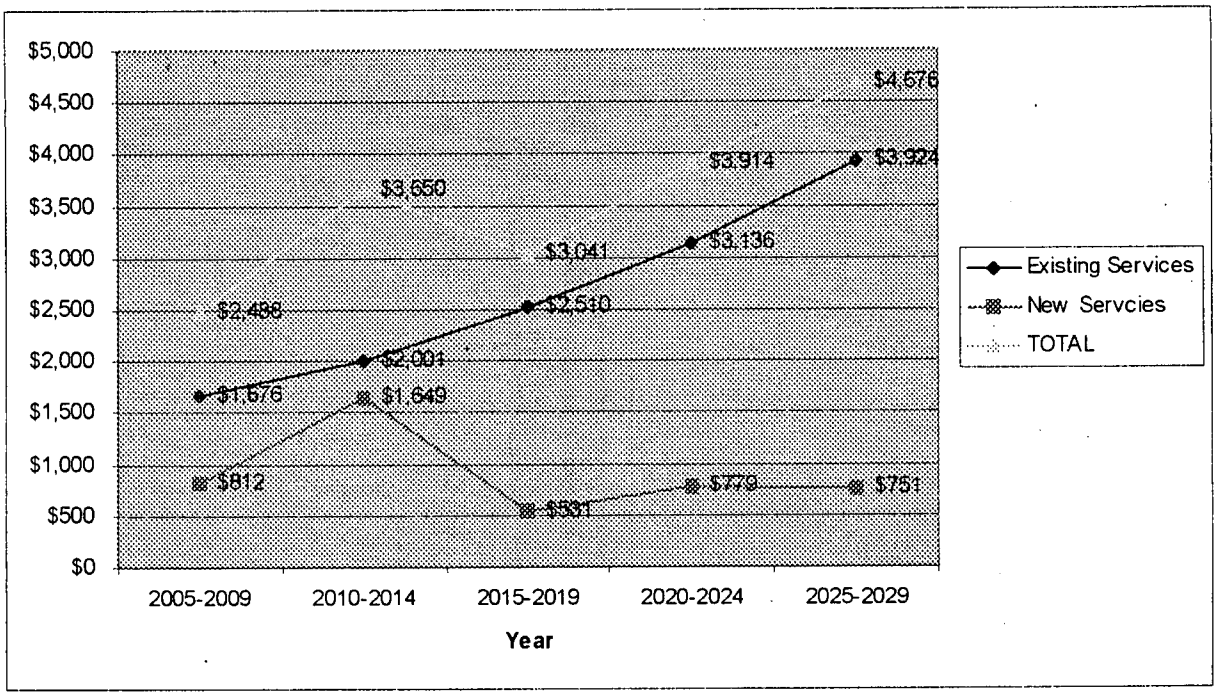


Table 12 – 25-Year Public Transportation Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $17.8 billion

Need Category	NCMIN Tier			
	Statewide	**Regional**	**Subregional**	**TOTAL**
Existing Services				
Urban				
Capital	$0	$0	$1,816	$,1816
Operating	$0	$0	$7,416	$7,416
Total	**$0**	**$0**	**$9,232**	**$9,232**
Rural	$0	$509	$3,506	$4,105
Subtotal Existing	**$0**	**$509**	**$12,738**	**$13,247**
New Starts				
Capital	$0	$2,445	$0	$2,445
Operating	$0	$2,077	$0	$2,077
Subtotal New	$0	**$4,522**	$0	**$4,522**
TOTAL	**$0**	**$5,031**	**$12,738**	**$17,769**

Figure 47 – 25-Year Public Transportation Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $17.8 billion

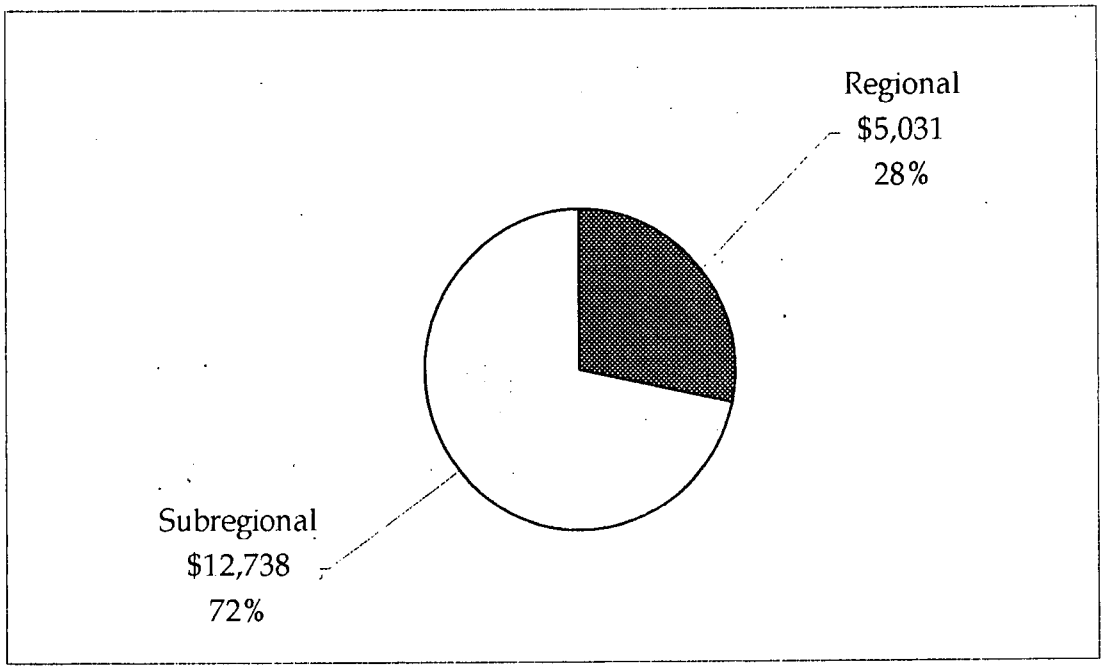


Figure 48 – Maintenance and Preservation Public Transportation Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $13.2 billion

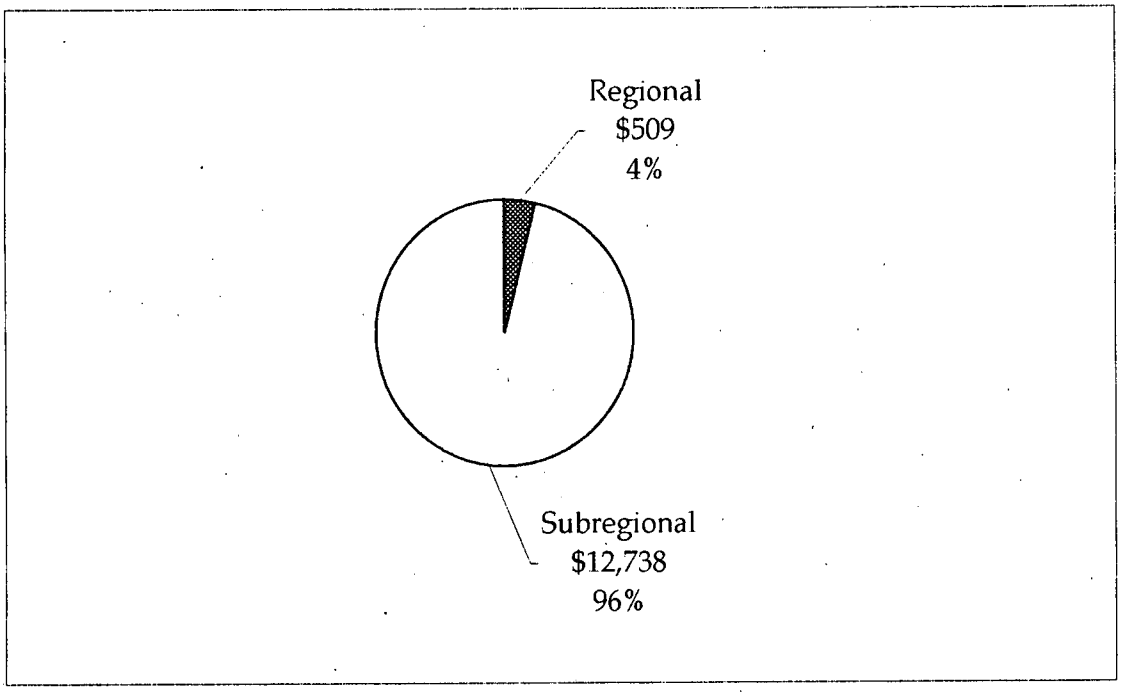
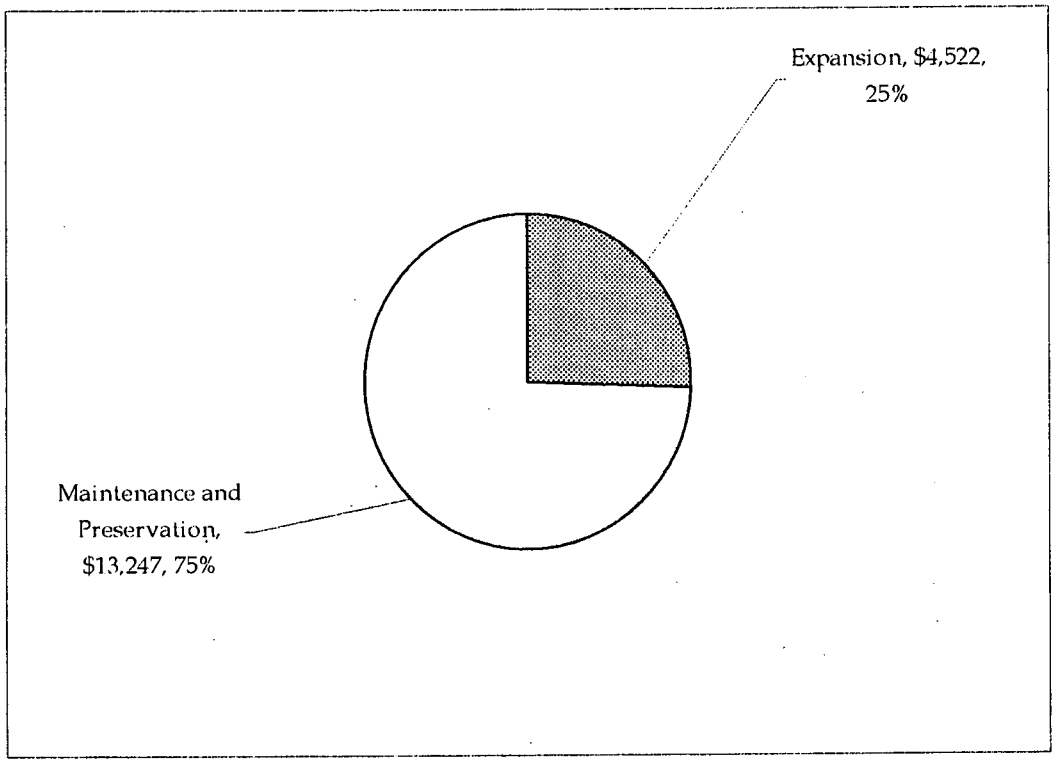


Table 13 – Public Transportation Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $17.8 billion

Need Category	Improvement Type			
	Preservation	Modernization	Expansion	TOTAL
Existing Services				
Urban				
Capital	$1,816	$0	$0	$1,816
Operating	$7,416	$0	$0	$7,416
Total	$9,232	$0	$0	$9,232
Rural	$4,015	$0	$0	$4,015
Subtotal Existing	**13,247**	**$0**	**$0**	**13,247**
New Starts Services				
Capital	$0	$0	$2,445	$2,445
Operating	$0	$0	$2,077	$2,077
Subtotal New	**$0**	**$0**	**$4,522**	**$4,522**
TOTAL	**13,247**	**$0**	**$4,522**	**17,769**

Figure 49 – Transportation Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $17.8 billion



7.2 Passenger Rail

NCDOT has long recognized the need for alternative transportation as part of a comprehensive transportation system. The state's rail policy has emphasized enhancing and growing passenger rail services, preserving existing rail lines for future use, improving infrastructure to support and enhance passenger and freight service, and extending passenger rail service in the state[18]. This policy supports the Department's Commitment "to development and improvement of its infrastructure through maximization of existing resources, and through continual process improvements.". Since rail transport is more energy efficient than highway, the policy also supports the Commitment to "reducing congestion while protecting and improving the state's natural resources."[19]

---

[18] *Southeastern North Carolina Passenger Rail Study*
[19] *North Carolina Department of Transportation Mission and Commitment http://www.ncdot.org/about/ncdot/mission.html*

7.2.1 Existing Passenger Rail Service System

North Carolina's passenger rail facilities serve a statewide transportation function. In FY 2005, the six intercity train services (operated by Amtrak) carried 520,698 passengers. The state subsidizes two intercity routes:

- ***Carolinian*** – Service between Charlotte and Rocky Mount, continuing north to New York City; and
- ***Piedmont*** – Service between Raleigh and Charlotte with stops in Cary, Durham, Burlington, Greensboro, High Point, Salisbury, and Kannapolis.

Amtrak also operates four long-distance trains in the state:

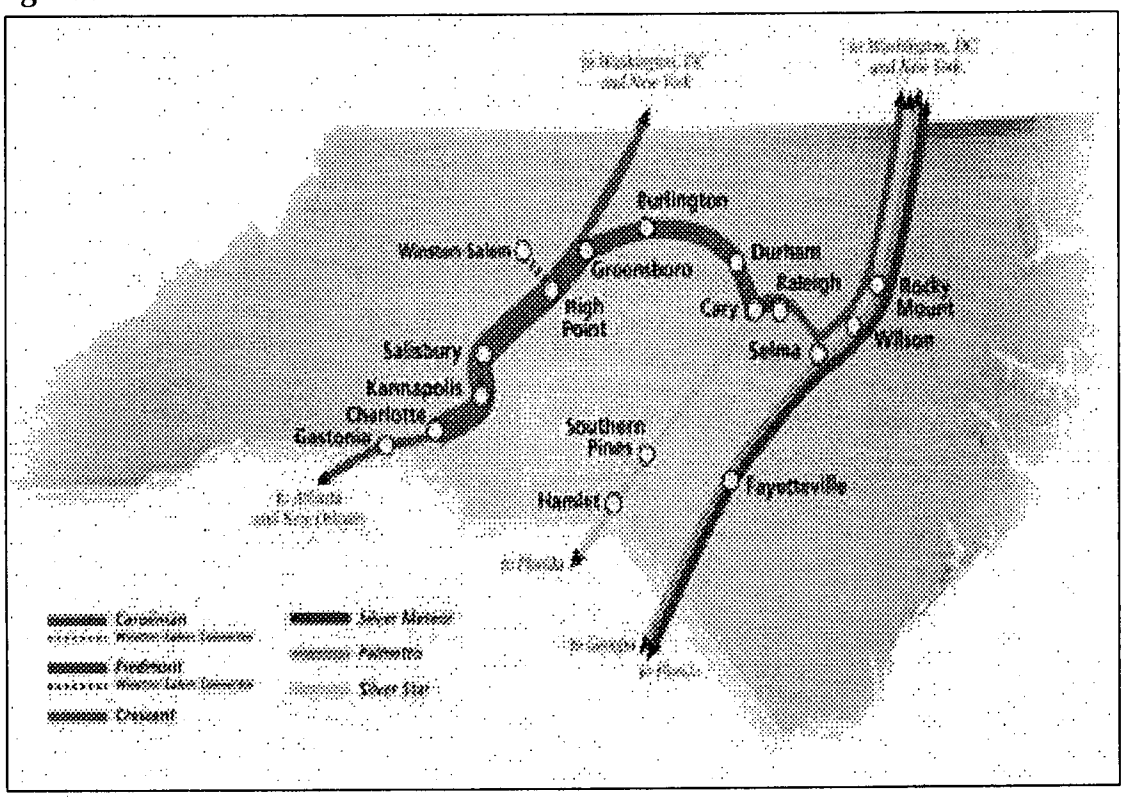
- ***Crescent*** – Service between New York and New Orleans with stops in Greensboro, High Point, Charlotte, and Gastonia;
- ***Silver Star*** – Service between New York and Miami with stops in Rocky Mount, Raleigh, Cary, Southern Pines, and Hamlet;
- ***Silver Meteor*** – Service between New York and Miami with stops in Rocky Mount and Fayetteville; and
- ***Palmetto*** – Service between New York and Miami with stops in Rocky Mount, Wilson, Selma and Fayetteville.

Figure 50 shows the Amtrak routes through North Carolina and **Figure 51** compares the 2004 and 2005 total station usage for each of the 16 North Carolina cities serviced by Amtrak. ***Overall, ridership increased statewide by 7 percent between 2004 and 2005.*** Southern Pines, Hamlet, Rocky Mount and High Point experienced large ridership increases at 24, 39, 49, and 68 percent respectively. ***Raleigh continues to have the highest ridership among the 16 cities served by Amtrak with its 2005 ridership totaling over 115,000 passengers.***

October 2005 through June 2006 ridership and revenue totals have continued to increase as gas prices climb. Ridership for the Carolinian is up 19 percent and the Piedmont totals are up 25 percent. Enhanced revenue management has increased fare-box recovery by about one-third over the period.

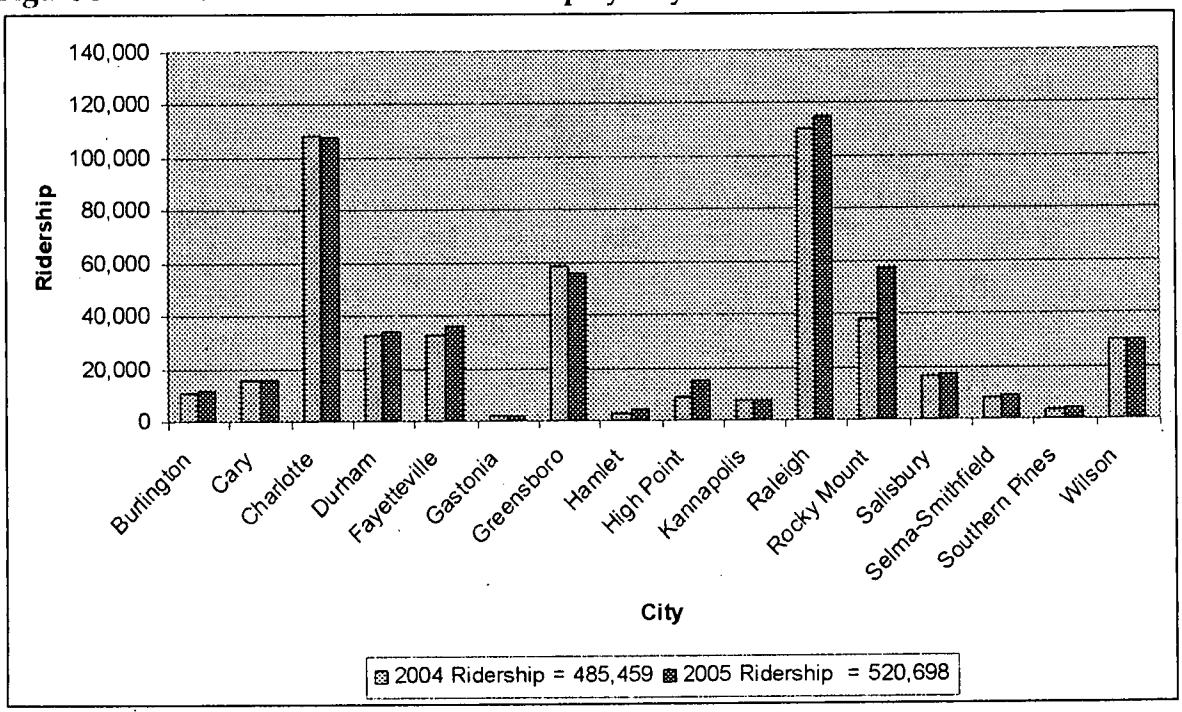


Figure 50 - North Carolina Amtrak Routes



Source: NCDOT Rail Division

Figure 51 - Amtrak 2004 and 2005 Ridership by City



Source: Amtrak

Amtrak operates the *Piedmont* between Charlotte and Raleigh under contract with the state of North Carolina. The state also contracts with Amtrak to operate the *Carolinian*. In late 2004, the *Carolinian* was re-equipped with newly renovated Capstone train sets. In addition, between 30 and 45 minutes was cut from the total trip length due to the elimination of mail and express service and track improvements over the state-owned North Carolina Railroad between Selma and Charlotte.

7.2.2 Station Improvements Program

The State of North Carolina, in partnership with Amtrak, has taken the initiative to rebuild many of its historic train stations. The station improvements program is funded with a combination of federal, state, and local funds. The station improvement program has spurred significant economic development and revitalization of areas around the stations, as well as preserving an important part of North Carolina's history. The average return on investment for station projects was evaluated in a study in June of 2003. Of the seven stations analyzed, the study determined that the average return on station investments was $1.47 for each dollar invested.

Below are some examples of station improvement and enhancements in the past five years:

- Cary: A new platform, funded by the state and town, allowed the *Silver Star* to stop in Cary starting in April 2006. This was an addition to the existing *Carolinian* and *Piedmont* service available in Cary.
- Greensboro: The 1927 Southern Railway station in downtown Greensboro, closed since 1979, has reopened for passenger services as the J. Douglas Galyon Depot, serving passenger rail and local and intercity bus passengers. The project was completed in October 2005, and now serves six Amtrak intercity trains daily.
- Hamlet: The former Seaboard station, built in 1900, was rededicated on October 29, 2004, completing an extensive relocation and restoration project.
- High Point: The High Point passenger station was restored by the City of High Point and reopened for passenger service on December 9, 2003. Southern Railway originally constructed the station in 1907.
- Kannapolis: A new, downtown, station opened December 17, 2004.



- Southern Pines: This station has been renovated to its 1948 appearance. The waiting room reopened on December 17, 2004, with the completed project dedicated on February 22, 2005.

7.2.3 Future Station Improvements

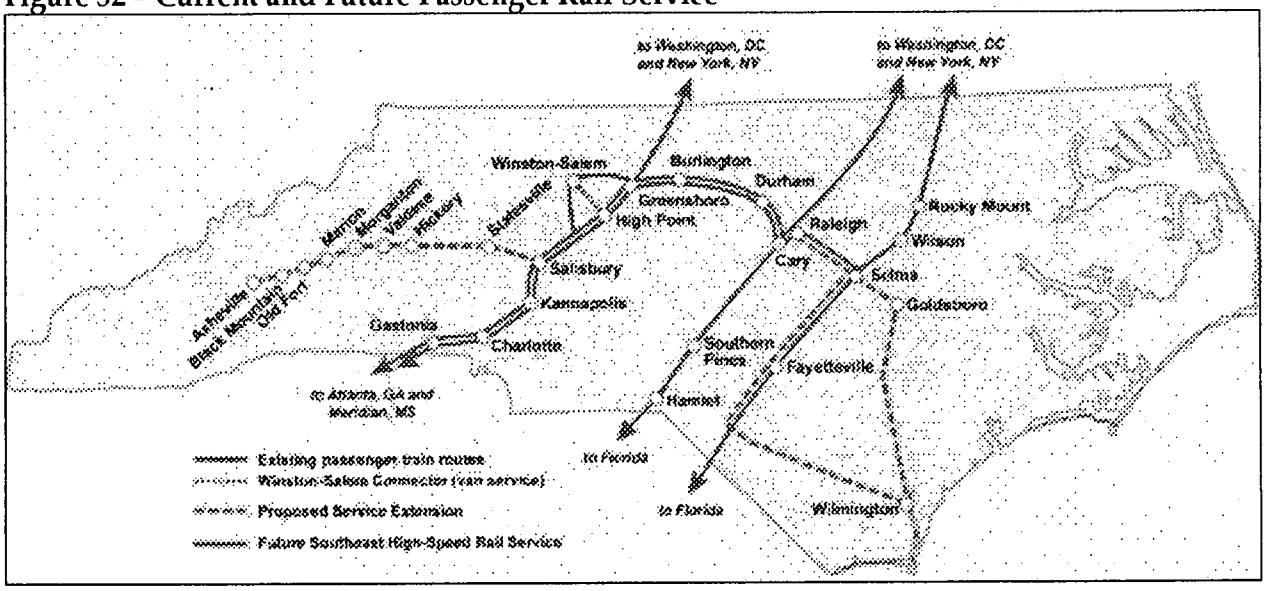
New multi-modal stations are planned for the Raleigh to Charlotte route at Raleigh, Durham, and Charlotte. All the stations are planned to house local, regional, and intercity bus services, taxis, and intercity and commuter rail services. The Charlotte Multi-modal station will be located downtown, will provide service for all the modes mentioned above, and be the main station for the Lynx light rail commuter service. The station site has attracted significant redevelopment interest in the area even before groundbreaking. In addition to the station, significant track work will be required to improve the efficiency and safety of rail lines adjacent to the station that will be carrying freight, intercity passenger and commuter rail services.

7.2.4 Future Rail Passenger Service[20]

As North Carolina's population and traffic grow, development of rail transportation becomes increasingly important as an alternative to auto and air transport for both freight and passengers. The Department works with local communities and host railroads to plan for future services that will meet these growing transportation needs. **Figure 52** shows the Department's future plans for passenger rail service throughout the state, as well as current service routes.

[20] http://www.bytrain.org/future/

Figure 52 - Current and Future Passenger Rail Service



Source: NCDOT Rail Division

7.2.5 High Speed Rail[23]

In 1992, the U.S. Department of Transportation designated five national high-speed rail corridors across the country. The original Southeast High Speed Rail Corridor (SEHSR) - extending from Washington, D.C. through Richmond and Raleigh to Charlotte - has been identified as the most economically viable high-speed rail corridor in the country. The USDOT has since extended the corridor to Atlanta and Macon, GA, Columbia, S.C. and Jacksonville, FL. In October 2002, the North Carolina and Virginia transportation departments completed a Tier I Environmental Impact Statement (EIS) for the Washington, DC to Charlotte, NC portion of this corridor. This study took an extensive look at potential impacts along nine possible routes and identified the preferred route. The second study phase - Tier II - includes specific analysis along the preferred route and is underway for the portion of the preferred corridor between Richmond, VA and Raleigh, NC.

The Georgia, South Carolina and North Carolina Departments of Transportation are continuing to evaluate the overall suitability and costs of developing high-speed passenger train service

between Charlotte, NC and Macon, GA. A USDOT-Volpe analysis of the feasibility for high speed is in progress.

7.2.6 Expanding Service to Southeastern North Carolina

In May 2001, the Department released results of a feasibility study that indicated interest in passenger rail service to/from Wilmington. In July 2005, the Department released the results of more detailed studies that identified costs and some needed improvements for re-establishing service to southeastern North Carolina. The study demonstrated that re-establishing passenger rail service to the southeastern part of the state was feasible and recommended implementing passenger rail service from Raleigh to Wilmington via Fayetteville and Goldsboro in phases as funding becomes available. Other recommendations included investigating the possibility of commuter service between Selma and Raleigh, and working with the North Carolina State Port Authority to define benefits and investments needed to reestablish freight service between Goldsboro and Wilmington.

7.2.7 Expanding Service to Western North Carolina

In March 2001, the Department adopted a phased plan to extend passenger rail service to Asheville and western North Carolina via Salisbury. The plan includes renovating or building train stations that incorporate other uses. Current budgetary constraints have prompted NCDOT to delay the return of passenger rail service to the mountains. In the meantime, the Department will continue to work with communities on station renovations and rail safety improvements.

7.2.7.1 Improving Travel Time

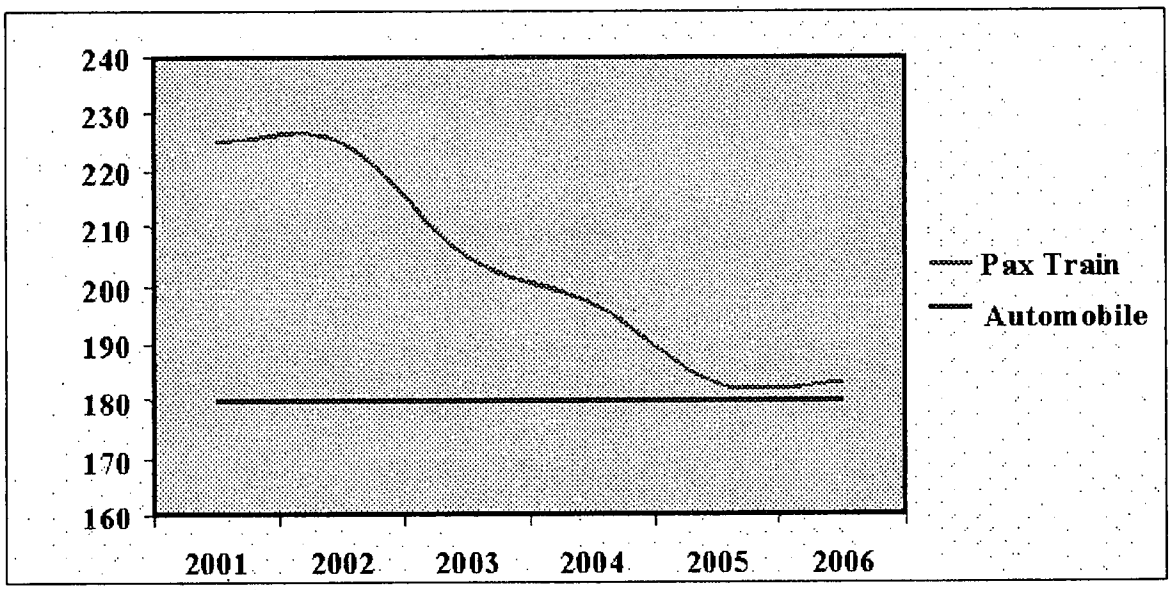
To reduce travel time for both freight and passenger trains along the existing passenger rail corridor, the Department has partnered with the North Carolina Railroad and Norfolk Southern to improve the busy Raleigh to Charlotte rail corridor. Construction began in 2001 to modify portions of track and install a new train control system. Projects consisting of lengthening and adding passing sidings, straightening and banking curves, closing crossings, building bridges at crossings, adding double track, and installing train control and crossing signals have reduced

[21] http://www.bytrain.org/highspeed/



the passenger train travel time between Raleigh and Charlotte by 30 minutes, making it car competitive, as shown in **Figure 53**.

Figure 53 - Raleigh-Charlotte Travel Time in Minutes



7.2.7.2 Commuter Services

At the local level, the Department is working with area transit authorities to plan commuter rail services for the greater Charlotte, Triangle and Triad regions.

7.2.8 Passenger Rail Needs

As shown in the **tables 14 through 16** and **figures 54 through 58**, the 25-year passenger rail needs total $4.1 billion. Existing corridor needs represent 81 percent of the future needs and 100 percent are located on the Statewide Tier. New corridor needs represent 19 percent of the future needs and 100 percent are located on the Regional Tier. The Subregional Tier does not have any passenger rail needs.

Based on improvement type, 67 percent ($2.7 billion) are expansion needs, 23 percent ($936 million) are modernization needs and the remaining 10 percent ($389 million) are maintenance and preservation needs. Based on tiers, 59 percent ($1.9 billion) of the Statewide Tier needs are for expansion, 29 percent ($936 million) for modernization and 12 percent ($389 million) for

maintenance and preservation. One-hundred percent ($778 million) of the Regional Tier needs are identified as expansion. One-hundred percent of the modernization ($936 million) and Maintenance and Preservation ($389 million) needs are located on the Statewide Tier, while 72 percent ($1.9 billion) of expansion needs are located on the Statewide Tier, while the remaining 28 percent ($778 million) are located on the Regional Tier.

Table 14 – 25-Year Passenger Rail Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $4.1 billion

	5-Year Increments					
Need Category	**2005-2009**	**2010-2014**	**2015-2019**	**2020-2024**	**2025-2029**	**TOTAL**
Existing Corridor						
Capital	$387	$1,070	$565	$397	$531	$2,950
Operating	$54	$64	$70	$70	$70	$328
Subtotal Existing	**$441**	**$1,134**	**$635**	**$467**	**$601**	**$3,278**
New Corridors						
Western NC						
Capital	$2	$85	$162	$0	$0	$249
Operating	$0	$0	$8	$20	$20	$48
Total	**$2**	**$85**	**$170**	**$20**	**$20**	**$297**
Southeastern NC						
Capital	$5	$0	$380	$0	$0	$385
Operating	$0	$0	$16	$40	$40	$96
Total	**$5**	**$0**	**$396**	**$40**	**$40**	**$481**
Other Areas in NC	$0	$0	$0	$0	$0	$0
Capital	$0	$0	$0	$0	$0	$0
Operating	$0	$0	$0	$0	$0	$0
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Subtotal New	**$7**	**$85**	**$566**	**$60**	**$60**	**$778**
TOTAL	**$448**	**$1,219**	**$1,201**	**$527**	**$661**	**$4,056**



Figure 54 – 25-Year Passenger Rail Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $4.1 billion

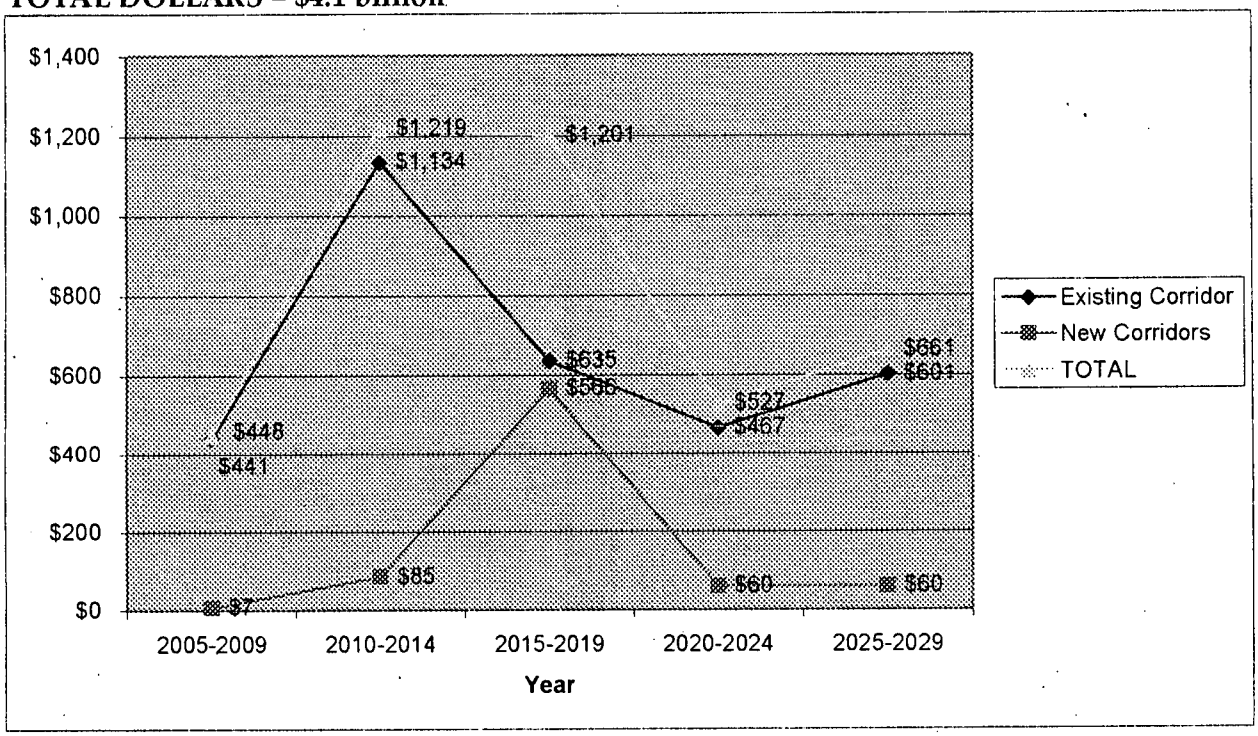


Table 15 – 25-Year Passenger Rail Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $4.1 billion

	NCMIN Tier			
Need Category	**Statewide**	**Regional**	**Subregional**	**TOTAL**
Existing Corridor				
Capital	$2,950	$0	$0	$2,950
Operating	$328	$0	$0	$328
Subtotal Existing	**$3,278**	**$0**	**$0**	**$3,278**
New Corridors				
Western NC				
Capital	$0	$249	$0	$249
Operating	$0	$48	$0	$48
Total	**$0**	**$297**	**$0**	**$297**
Southeastern NC				
Capital	$0	$385	$0	$385
Operating	$0	$96	$0	$96
Total	**$0**	**$481**	**$0**	**$481**
Other Areas in NC				
Capital	$0	$0	$0	$0
Operating	$0	$0	$0	$0
Total	**$0**	**$0**	**$0**	**$0**
Subtotal New	**$0**	**$778**	**$0**	**$778**
TOTAL	**$3,278**	**$778**	**$0**	**$4,056**

Figure 55 – 25-Year Passenger Rail Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $4.1 billion

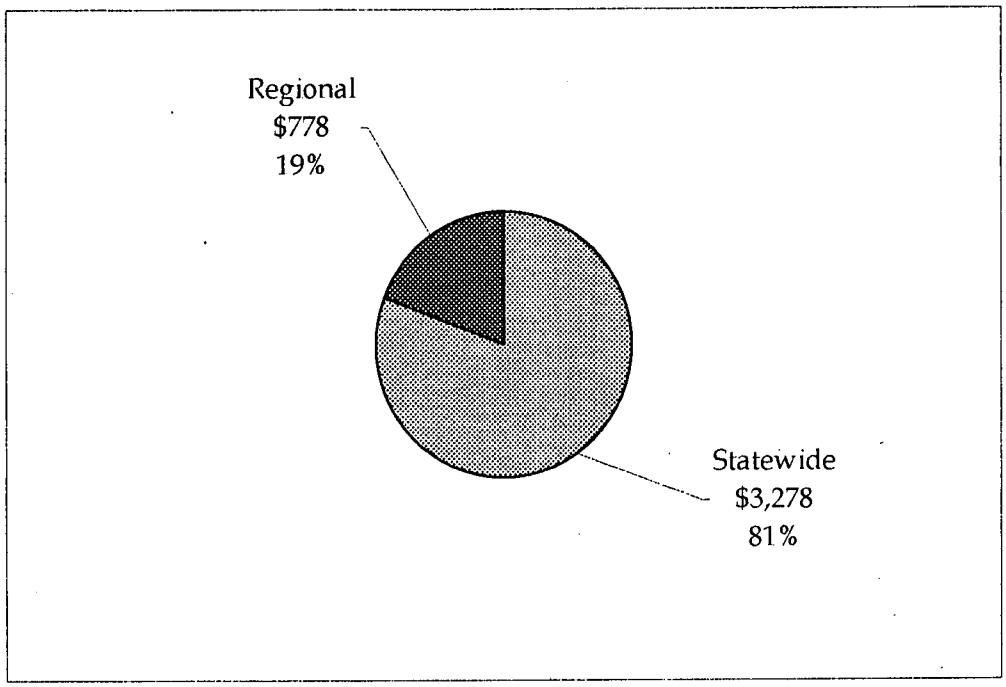


Figure 56 –Passenger Rail Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $4.1 billion

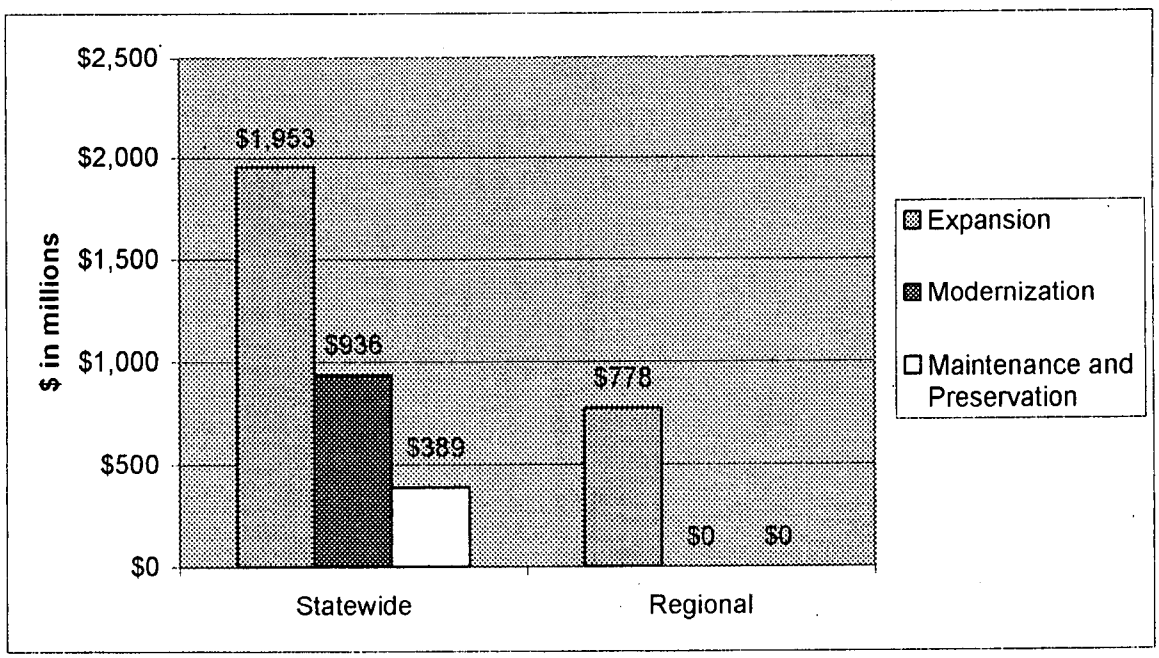


Table 16 – 25-Year Passenger Rail Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $4.1 billion

	Improvement Type			
Need Category	**Preservation**	**Modernization**	**Expansion**	**TOTAL**
Existing Corridor				
Capital	$139	$936	$1,875	$2,950
Operating	$250		$78	$328
Subtotal Existing	**$389**	**$936**	**$1,953**	**$3,278**
New Corridors				
Western NC				
Capital	$0	$0	$249	$249
Operating	$0	$0	$48	$48
Total	**$0**	**$0**	**$297**	**$297**
Southeastern NC				
Capital	$0	$0	$385	$385
Operating	$0	$0	$96	$96
Total	**$0**	**$0**	**$481**	**$481**
Other Areas in NC				
Capital	$0	$0	$0	$0
Operating	$0	$0	$0	$0
Total	$0	$0	$0	$0
Subtotal New	**$0**	**$0**	**$778**	**$778**
TOTAL	**$389**	**$936**	**$2,731**	**$4,056**

Figure 57 –Passenger Rail Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $4.1 billion

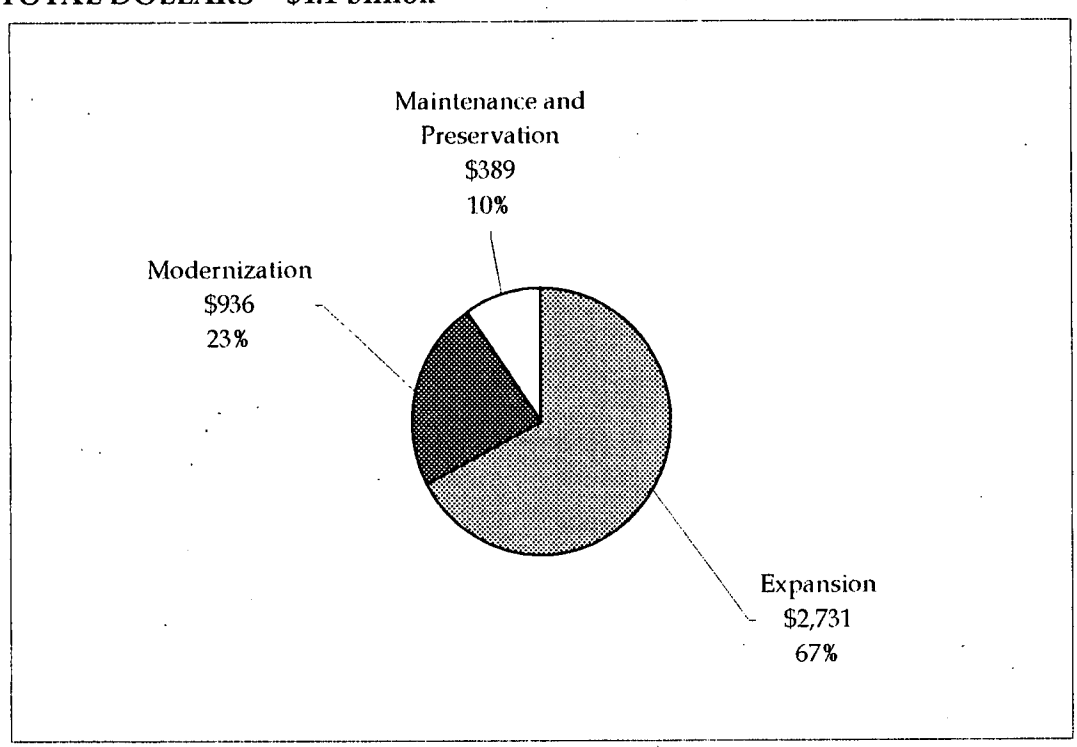
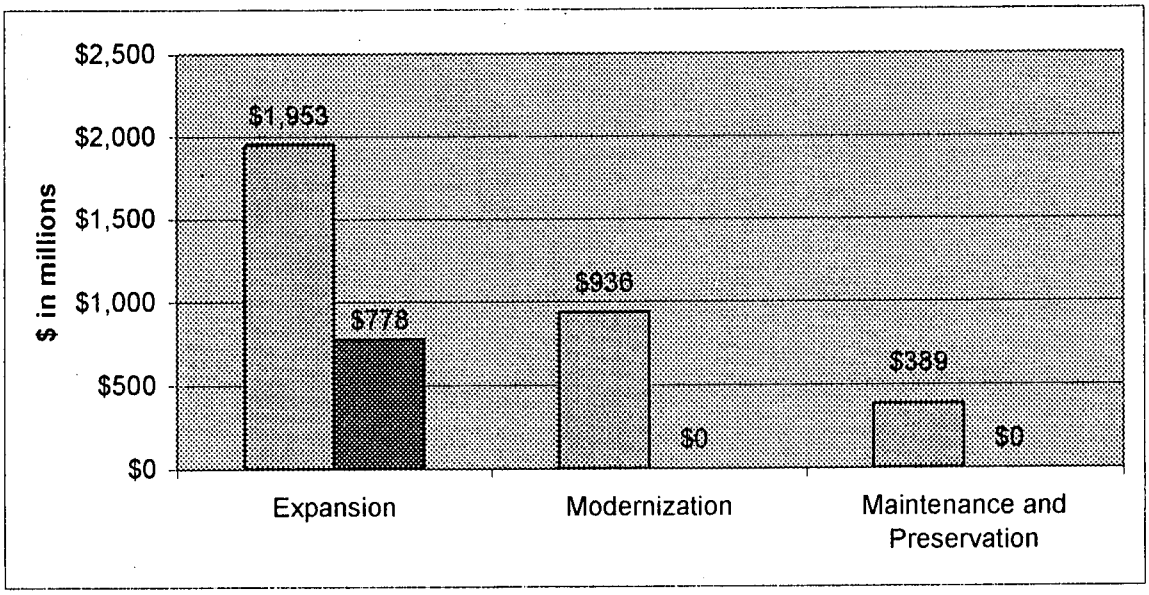


Figure 58 –Passenger Rail Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $2.7 billion



7.3 Rail Freight

Rail freight is an important component of the North Carolina transportation system and plays a vital role in economic development throughout the state. Rail provides three basic types of freight service: bulk unit train, mixed carload, and intermodal (container, trailer, and automobile). Bulk unit trains move very high volumes of a single commodity such as coal, grain, minerals, and waste. Mixed carload trains move a diverse range of commodities, including chemicals, food products, forest products, metals, auto parts, waste, and scrap. Rail mixed carload equipment includes liquid-bulk tank cars, open flatcars, hopper cars, and traditional boxcars. Intermodal trains move truck trailers and containerized goods containing finished consumer goods, refrigerated foods, parts and tools for manufacturing, raw materials, post-consumer scrap – almost any product that can be packed into a container or truck trailer. More than any other rail service, intermodal depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. Each container, trailer, or set of

automobiles is an individual shipment, and there are a vast number of origins and destinations to be served[22].

The majority of the state's freight rail system is owned, operated, and maintained by the private sector. The following shows how North Carolina's rail freight system ranks among other states[23]:

- 12th in total number of railroad companies (23);
- 19th in total rail miles (3,250);
- 32nd in originated rail tons (15,549,847);
- 13th in terminated rail tons (61,158,149);
- 28th in originated rail carloads (281,064);
- 16th in terminated rail carloads (739,124);
- 28th in rail tons carried (117,172,695);
- 35th in rail carloads (1,685,859);
- 30th in freight rail employment (2,251); and
- 30th in freight rail wages ($135,864,000).

North Carolina's existing railroad network consists of 3,250[24] main line miles of track with the majority of the track owned and operated by Class I carriers. As shown in **Table 17**, CSX Corporation has track rights for 1,137 miles, while Norfolk Southern Corp. has track rights for 1,439 miles in North Carolina. Together, this represents 77 percent of the statewide rail system. There are no regional railroads in North Carolina, but there are thirteen short-line railroads and eight switching and terminal railroads, which represent 23 percent of the total North Carolina rail system.

---

[22] *Transportation – Investment in America – Freight-Rail Bottom Line Report*
[23] Association of American Railroads
[24] Miles operated based excluding trackage rights. Miles operated including trackage rights totals 3,338.



Table 17 – Miles of Railroad by Carrier
(Includes Trackage Rights)

Carrier	Miles	Percent
Class I		
CSX Transportation	1,137	34.06%
Norfolk Southern Corp.	1,439	43.11%
Subtotal	*2,576*	*77.17%*
Regional		
None		
Subtotal	*0*	*0.00%*
Short-Line		
Aberdeen & Rockfish Railroad	46	1.38%
Aberdeen Carolina and Western Rwy. Co.	140	4.19%
Alexander Railroad	19	0.57%
Atlantic & Western Railway	10	0.30%
Caldwell County Railroad Co.	22	0.66%
Carolina Coastal Railway Inc.	17	0.51%
Carolina Southern Railroad Co.	37	1.11%
Chesapeake & Albemarle Railroad Co.	44	1.32%
Great Smoky Mountains Railroad Inc.	53	1.59%
Laurinburg & Southern Railroad	35	1.05%
Nash County Railroad Corp.	20	0.60%
Thermal Belt Railway	7	0.21%
Yadkin Valley Railroad Co.	93	2.79%
Subtotal	*543*	*16.27%*
Switching and Terminal		
Cape Fear Railways	16	0.48%
Carolina Rail Services LLC	3	0.09%
Clinton Terminal Railroad Co.	4	0.12%
High Point, Thomasville & Denton RR	34	1.02%
North Carolina & Virginia Railroad Co.	48	1.44%
Virginia Southern Railroad	20	0.60%
Wilmington Terminal Railroad, LP	7	0.21%
Winston-Salem Southbound Railway	87	2.61%
Subtotal	*219*	*6.56%*
Total	**3,338**	**100.00%**

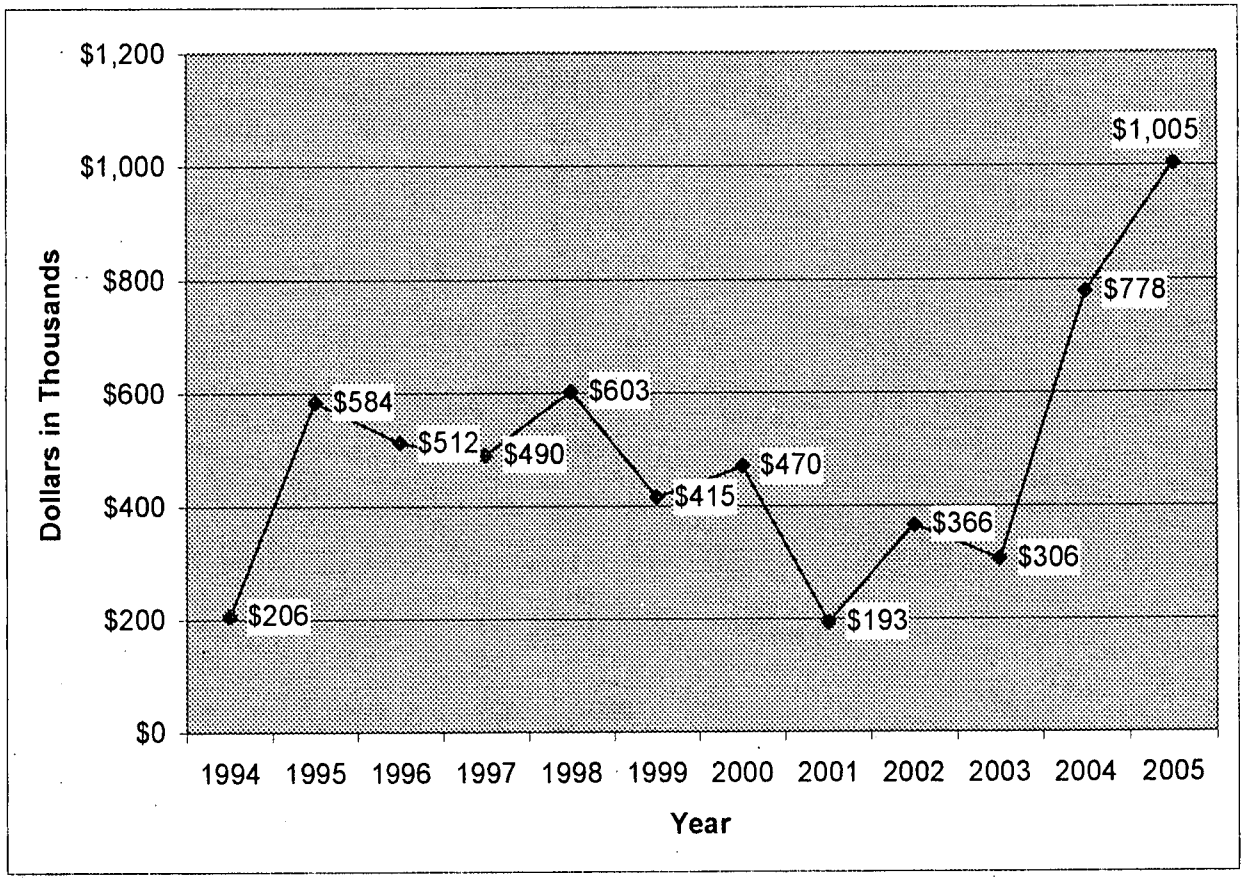
Source: Association of American Railroads (2004)
Notes:

- Class I Railroads are classified as having at least $289.4 million of operating revenues in 2004.
- Regional Railroads are classified as operating 350 or more miles of road and/or with revenues of at least $40 million.
- Short-line railroads are primarily engaged in line-haul service.
- Switching and Terminal Railroads are engaged primarily in switching and/or terminal services for other railroads.



NCDOT's role in freight is generally limited to the Rail Industrial Access Program (RIAP) and the Short Line Infrastructure Assistance Program (SIAP); however the improvements made for passenger rail also provide benefits to freight movements in the state. The RIAP funds rail investments required by new or expanded business to encourage economic development. Because rail access is vital to many prospective industries, the Department began the RIAP to help ensure that companies have the railroad tracks needed to transport freight and materials. Since 1994, the RAIP program has invested more than $7 million of state funds into constructing or refurbishing tracks required by a new or expanded industry to encourage economic development. **Figure 59** shows the RIAP investments for the years 1994 to 2005.

Figure 59 - RIAP Grants Awarded by Year (1994 to 2005)



Source: NCDOT Rail Division

SIAP is a new program that assists short-line railroads with needed infrastructure improvements. Short-lines are small railroads, which were largely formed from branch lines of

Class 1 railroads that did not meet investment objectives. These railroads serve small towns and communities, and generally have deferred maintenance needs that existed when they were formed. This program provides grants on a 50 percent match basis that allows these railroads to upgrade their tracks to provide safe and reliable service to industries in more rural areas. The program awarded $1.5 million in grants in 2006.

The abandonment of rail lines in North Carolina continues to be a primary challenge for the freight rail industry, rural communities, and shippers. Over 700 miles of track have been abandoned in North Carolina since 1971. While the rate of abandonment has slowed considerably over the last 15 years, the Rail Division is concerned about potential rail abandonment and monitors freight traffic density and the status of light density lines (defined as those that carry less than three million gross ton miles per mile per year) that may be abandoned[25]. According to the Association of American Railroads, North Carolina has lost approximately 23 miles of track since 2000.

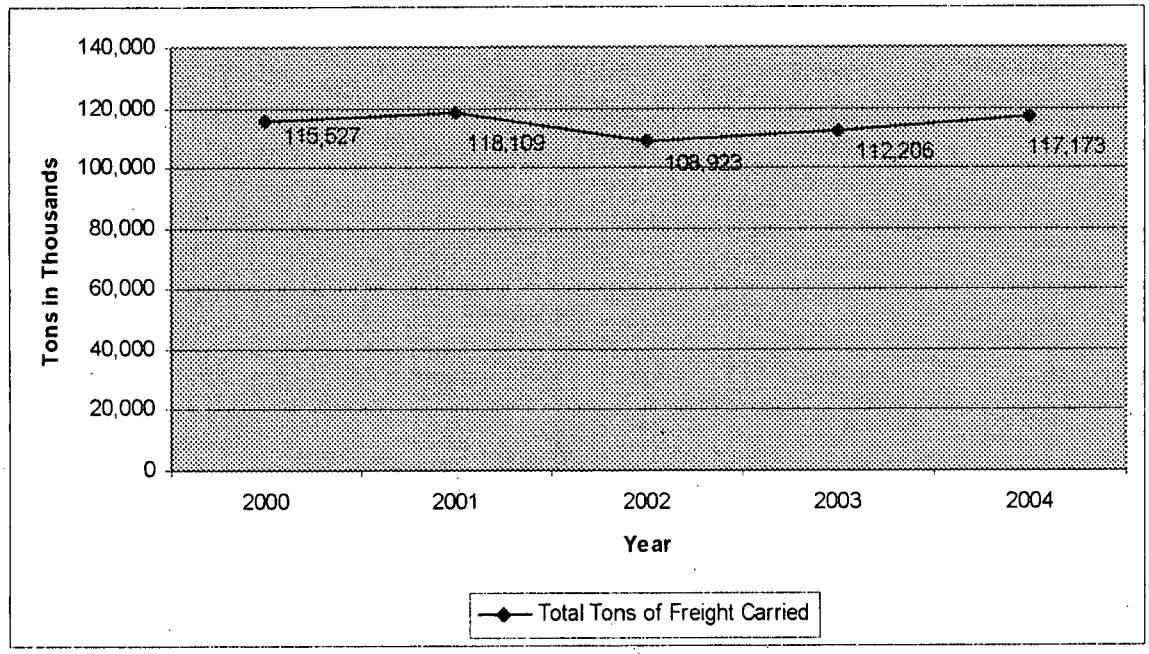
In 2004, 117 million tons originated in, terminated in, or passed through North Carolina, representing an increase of approximately 1.5 percent since 2000 (**Figure 60**). On a parallel basis, the number of carloads increased by nearly 5 percent during the same five-year period (**Figure 61**).

Maintaining and upgrading track throughout North Carolina is vital because the tracks are critical to the long-term success of freight movement throughout the state. Over the last 5 years (2001 to 2005), the Department invested over $30 million to improve the busy Raleigh to Charlotte North Carolina Railroad corridor operated by Norfolk Southern. Improvements included adding passing sidings between Raleigh and Greensboro, adding double track segments between Greensboro and Charlotte, installing a train traffic control system, super-elevating some portions of track and straightening curves. These projects were designed to

[25] *North Carolina Rail Plan 2001*

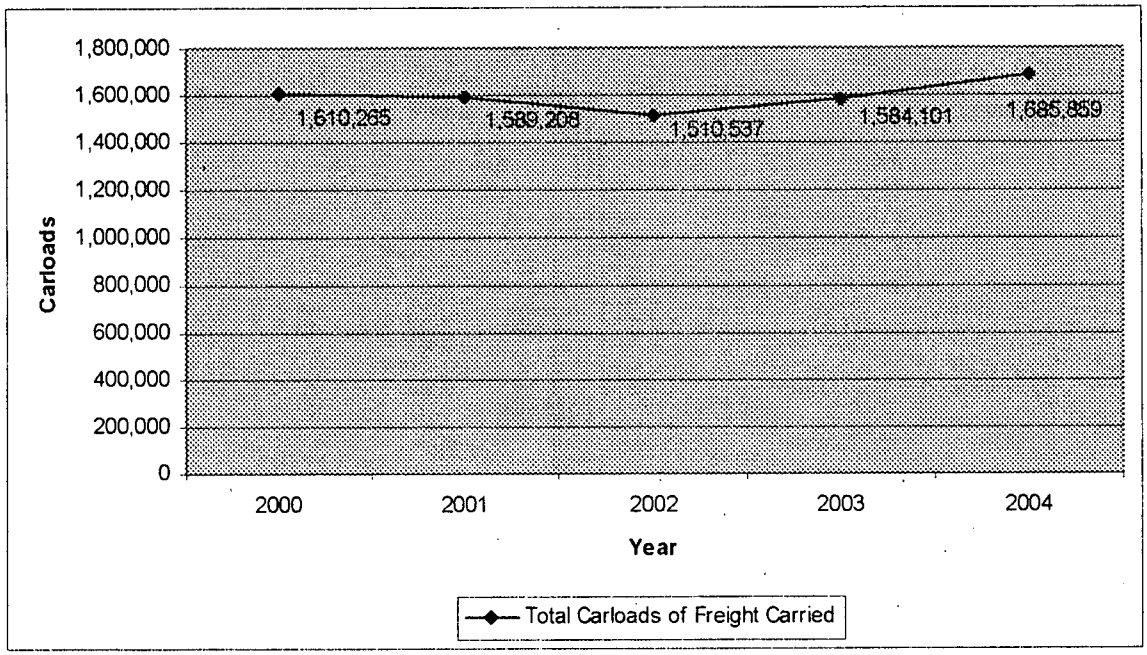
reduce travel time and improve reliability for passenger rail service but have benefited freight movements as well.

Figure 60 - Total Tons of Freight Carried, 2000 to 2004



Source: Association of American Railroads

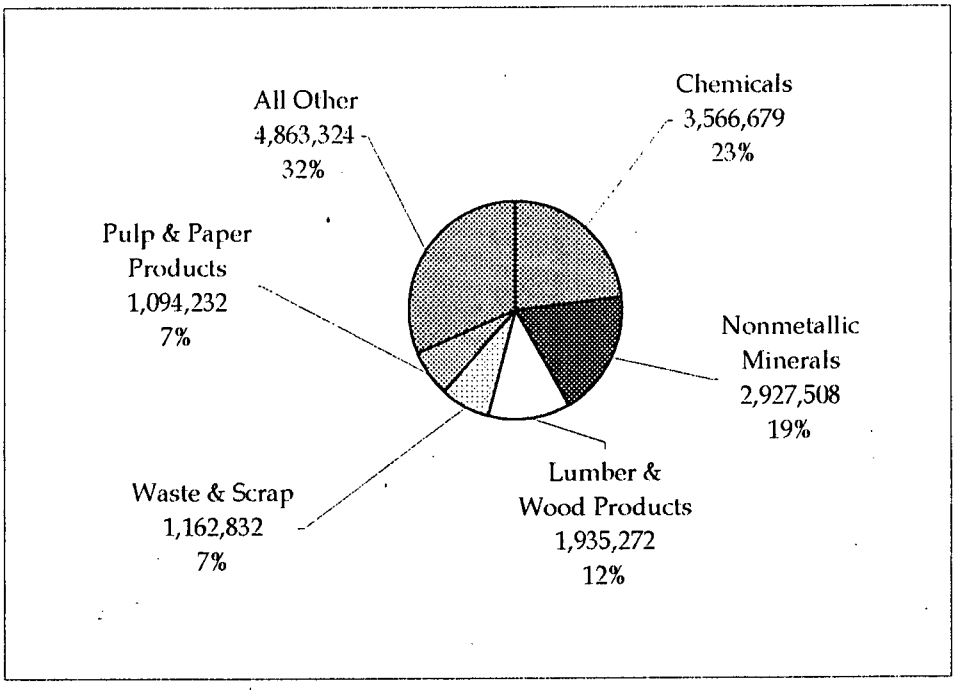
Figure 61 - Total Carloads of Freight Carried, 2000 to 2004



Source: Association of American Railroads

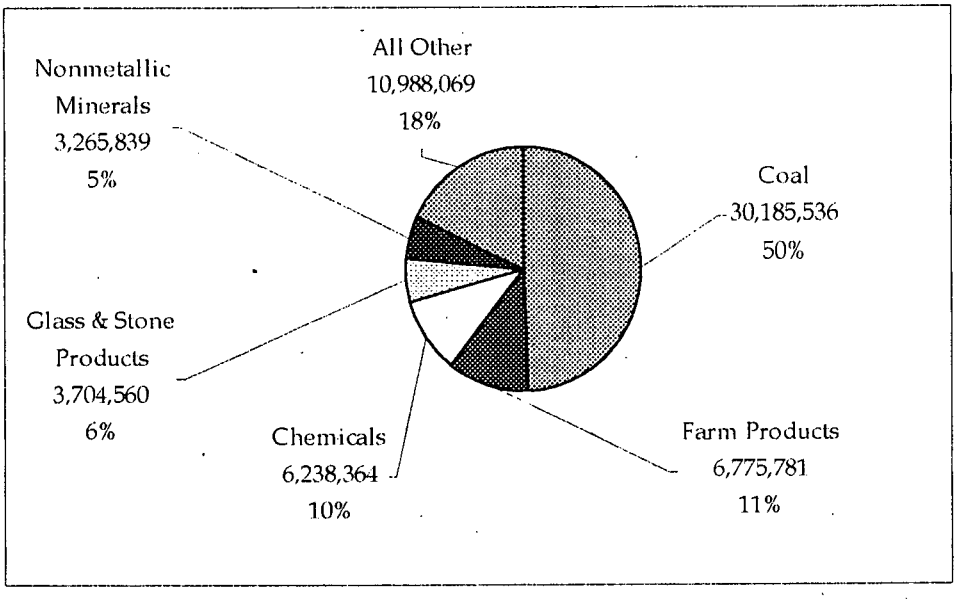
In 2004, over 15 million tons of products originated in North Carolina, while over 61 million tons terminated in North Carolina. **Figures 62** and **63** show the North Carolina originating, and terminating tons by commodity type.

Figure 62 – Originating Tons by Commodity



Source: Association of American Railroads (2004)

Figure 63 – Terminating Tons by Commodity



Source: Association of American Railroads (2004)

7.3.1 Rail Safety

NCDOT's rail safety program includes two facets, namely track and equipment inspections and the crossing safety program. Inspection of tracks and equipment is a key component of railroad safety. Working with the Federal Railroad Administration (FRA), NCDOT rail-safety inspectors are responsible for inspecting more than 3,500 miles of track and signal systems and thousands of rail cars and locomotives. It is the responsibility of the railroad operators to correct any problems and properly maintain their equipment.

The safety at rail/highway at-grade crossings is of utmost importance. The existence of heavily traveled rail corridors conflicting with the highway network can delay both highway and rail freight movements, and potentially result in personal injury.

Even with increased efforts during the past decade by the Department, more than 40 percent of North Carolina's at-grade railroad-highway crossings remain unprotected by mechanical warning devices. The Department, in cooperation with the Federal Highway Administration (FHWA), is working to "signalize" those unprotected crossings. The average cost of each project is approximately $150,000.

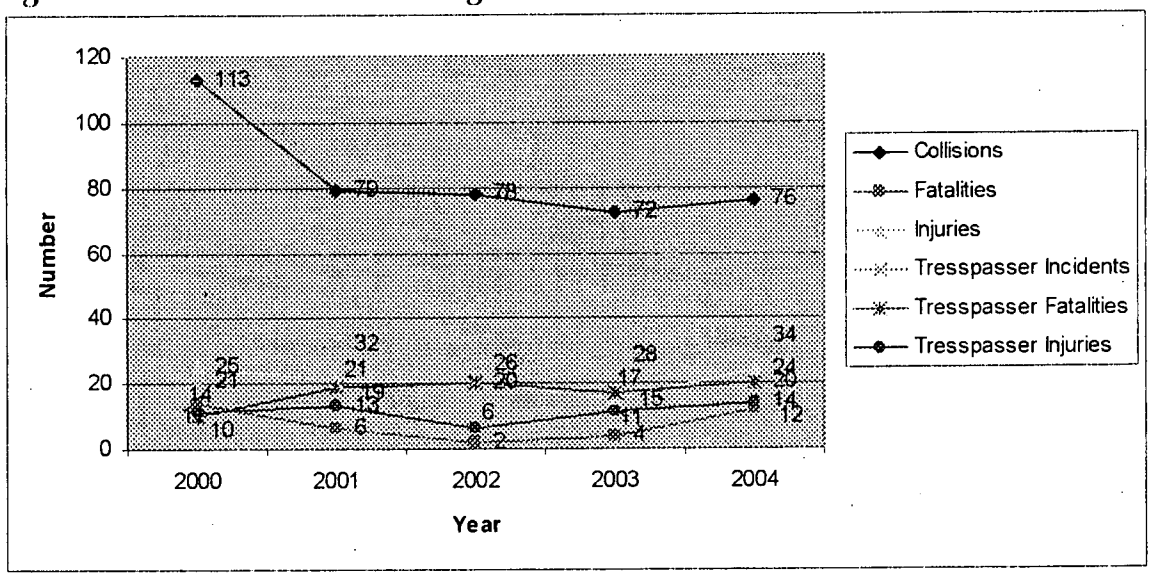
North Carolina's railroad crossings facts:

- 4,182 public crossings statewide;
- 2,404 are equipped with protective devices;
- 1,845 with gates and flashing-light signals;
- 550 with flashing-light signals only;
- 9 with traffic-signal tie-ins only (at adjacent roadway intersections);
- 3,148 private at-grade crossing statewide;
- 53 pedestrian at-grade crossings statewide;
- 825 public grade separations statewide;
- 21 private grade separations statewide; and
- 21 pedestrian grade separations statewide.



Figure 64 shows the statewide railroad grade crossing statistics for the five-year period between 2000 and 2004. During this time period, collisions have been reduced by nearly 33 percent, fatalities reduced by 14 percent, and injuries reduced by 4 percent. These reductions can be attributed to the Department working with rail industries and communities to upgrade railroad crossings by installing safety devices and closing crossings that are unsafe or redundant. During that time, vehicle miles traveled increased by 13 percent.

Figure 64 – Railroad Grade-Crossing Statistics, 2000 to 2004



Source: NCDOT Rail Division, April 2005

7.3.2 Rail Access to Ports

As terminals, ports handle the largest amounts of freight, more than any other types of terminals combined. To handle large quantities of freight, port infrastructures jointly have to accommodate transshipment activities both on ships and on land and thus facilitate convergence between land transport and maritime systems. Rail plays a vital role in transporting goods to and from ports, and maintaining and expanding this link is critical. Re-establishing freight service and offering alternative rail routes to and from the Port of Wilmington was examined in the *Economic Feasibility Study for the Restoration of the Wallace to Castle Hayne Rail Corridor and Associated Port/Rail Improvements.* In the 1980's, 27 miles of railroad that connected Wallace and Castle Hayne were taken out of service and the tracks were removed by CSXT. To preserve the ROW of this important rail corridor, the Department

acquired the rail line from CSXT. To improve freight rail efficiency and to encourage usage, reopening the Wallace and Castle Hayne connection would provide the Port of Wilmington direct access to markets both north and west of Wilmington. The estimated cost to restore freight service, which includes rail improvements at the Port of Wilmington and connections in Goldsboro, would total $81 million.[26] The study also recommended developing dual rail carrier access to both Wilmington and Morehead City. This improvement would assist in retaining existing customers and would support attracting new customers to these two ports.

In April 2006, the North Carolina State Ports Authority purchased 600 acres for the North Carolina International Port (NCIP). The authority sees current facilities in Wilmington and Morehead City as inadequate for international trade via container ships, particularly trade with China. The NCIP is a proposed seaport that will be at this site, north of Southport, North Carolina. The proposed port is scheduled to be completed between 2014 and 2016 and will be one of the largest facilities on the U.S. East Coast. The expected port capacity will be 2 million containers a year. The dock will be 4,000 feet long, capable of accommodating four container ships at once. The total cost of building the port is expected to be $1 billion, including dredging the Cape Fear River to 50 feet deep as well as improvements to road and rail.

The Department will work with the North Carolina Ports Authority and military to secure access to the Military Ocean Terminal at Sunny Port Railroad (MOTSU RR) and upgrade it for high capacity intermodal access to the NCIP.

7.3.3 Rail Relocation

As North Carolina cities and towns grow and rail traffic increases, there are opportunities to reduce the growing conflicts between highway and rail traffic at urban crossings. The Rail Division is assisting the railroad and cities with projects to improve the efficiency of rail and highway movements, which may require a combination of crossing safety improvements and additional track for alternate routes and yards for some rail traffic.

---

[26] *Economic Feasibility Study for the Restoration of the Wallace to Castle Hayne Rail Corridor and Associated Port/Rail Improvements, February 2004*



7.3.4 Economic Development

Industries with high volumes of rail traffic are being attracted to North Carolina and are often looking for significant contributions from the state as an incentive to locate here. The rail infrastructure component of these facilities and the improvements required to upgrade the rail carrier's track (in the case of short lines) can be several million dollars. The Rail Industrial Access Program (RIAP) was designed to assist with smaller projects and does not have adequate funding to support the demands of these larger scale projects.

7.3.5 Future Rail Freight Growth

Based on the American Association of State Highway and Transportation Officials (AASHTO) *Rail-Freight Bottom Line Report*, rail is expected to grow in the U.S. from 2,009 million tons in 2000 to 2,891 million tons in 2020, an increase of 44 percent. Ton-miles are expected to grow from 1,239 billion in 2000 to 1,821 billion in 2020, an increase of 47 percent. This is an average for all rail markets, but the southern region freight tonnage is estimated to increase by 71 percent. This growth will require large investments by the Department to maintain and upgrade North Carolina's rail system.

7.3.6 Southeast Rail Operations Study (SEROps)

The Department is the lead state for a five-state rail operations study funded through the Intermodal Program Track Committee of the I-95 Corridor Coalition. The study includes Florida, Georgia, South Carolina, Virginia, and North Carolina, all of which are expected to have population growth in the 20-80 percent range between 2000 and 2030 according to the U.S. Census. They also have or are developing major seaports that will experience significant growth during that period. SEROps will emphasize the importance of rail to our region's transportation system; quantify specific improvements that can enhance system efficiency, and will provide resources and information that can influence regional and national transportation policy discussions.

7.3.7 Freight Rail Needs

As shown in the **Tables 18 through 20** and **Figures 65 and 66**, the 25-year freight rail needs total $799 million. Improvements to track used by Class I railroads represents two-thirds of the



future needs and 56 percent are located on the Subregional Tier. Short-line rail improvements represent 24 percent of the future needs, all of which are on the Subregional Tier.

Based on improvement types, 52 percent ($416 million) are expansion needs; 34 percent ($268 million) are modernization needs; and 14 percent ($115 million) are maintenance and preservation needs. Based on tiers, 71 percent ($570 million) of the needs are on the Subregional Tier while the remaining 29 percent ($229 million) are on the Regional Tier. The Statewide Tier does not have any identified freight rail needs. One-hundred percent ($229 million) of the Regional Tier needs are for expansion, while on the Subregional Tier, 66 percent ($375 million) are for expansion; 20 percent ($115 million) are for maintenance and preservation; and 14 percent ($80 million) are for modernization.

Table 18 – 25-Year Freight Rail Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $799 million

Need Category	5-Year Increments					
	2005-2009	2010-2014	2015-2019	2020-2024	2025-2029	TOTAL
Improvements to Track used by Class I railroads that are not used by passenger rail service	$108	$265	$50	$50	$50	$523
Short Line Rail Improvements	$11	$31	$48	$50	$50	$190
Annual Rail Corridor	$5	$5	$5	$5	$5	$25
Rail Industrial Access Program	$6	$9	$12	$16	$18	$61
TOTAL	**$130**	**$310**	**$115**	**$121**	**$124**	**$799**

Table 19 – 25-Year Freight Rail Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $799 million

25-YEAR FREIGHT RAIL NEEDS ($ Million)				
Need Category	NCMIN Tier			
	Statewide	Regional	Subregional	TOTAL
Improvements to Track used by Class I railroads that are not used by passenger rail service	$0	$229	$294	$523
Annual Rail Corridor Maintenance	$0	$0	$25	$25
Short Line Rail Improvements	$0	$0	$190	$190
Rail Industrial Access Program	$0	$0	$61	$61
TOTAL	**$0**	**$229**	**$570**	**$799**



Figure 65 – 25-Year Freight Rail Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $799 million

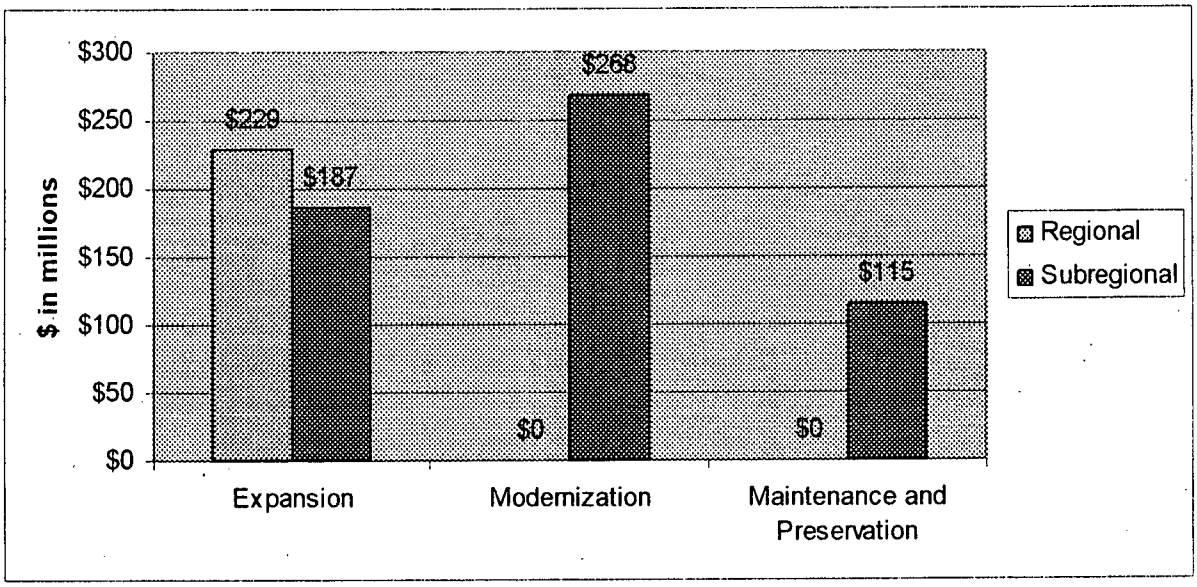
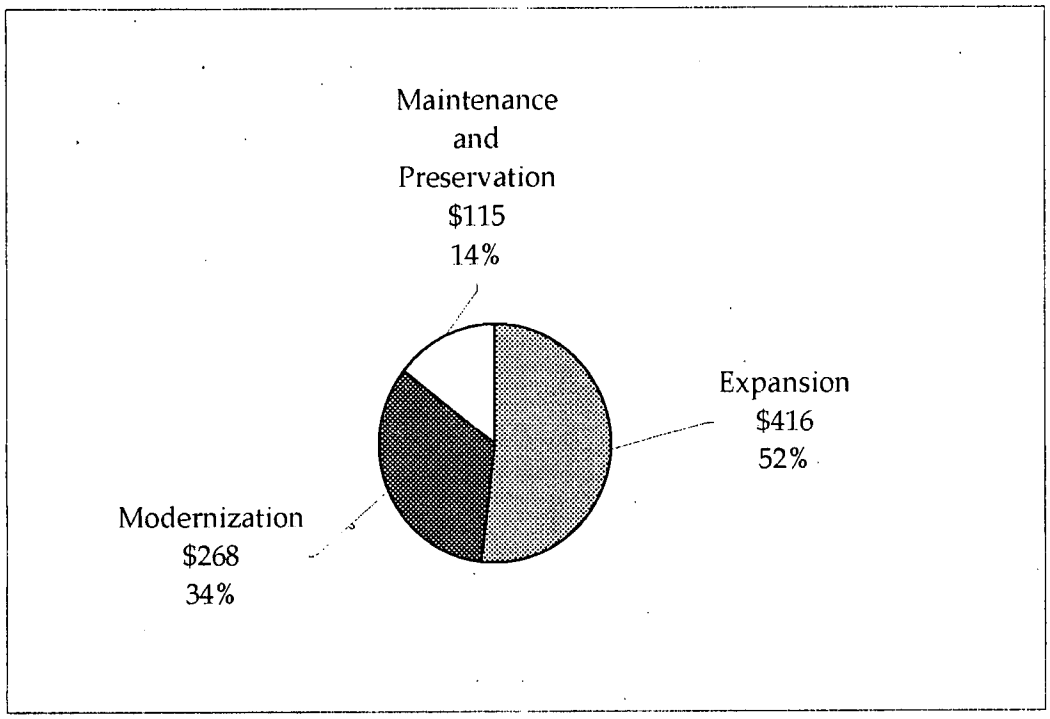


Table 20 – 25-Year Freight Rail Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $799 million

Need Category	Improvement Type			
	Preservation	Modernization	Expansion	TOTAL
Improvements to Track used by Class I railroads that are not used by passenger rail service	$0	$188	$335	$523
Annual Rail Corridor Maintenance	$25	$0	$0	$25
Short Line Rail Improvements	$90	$80	$20	$190
Rail Industrial Access Program	$0	$0	$61	$61
TOTAL	**$115**	**$268**	**$416**	**$799**

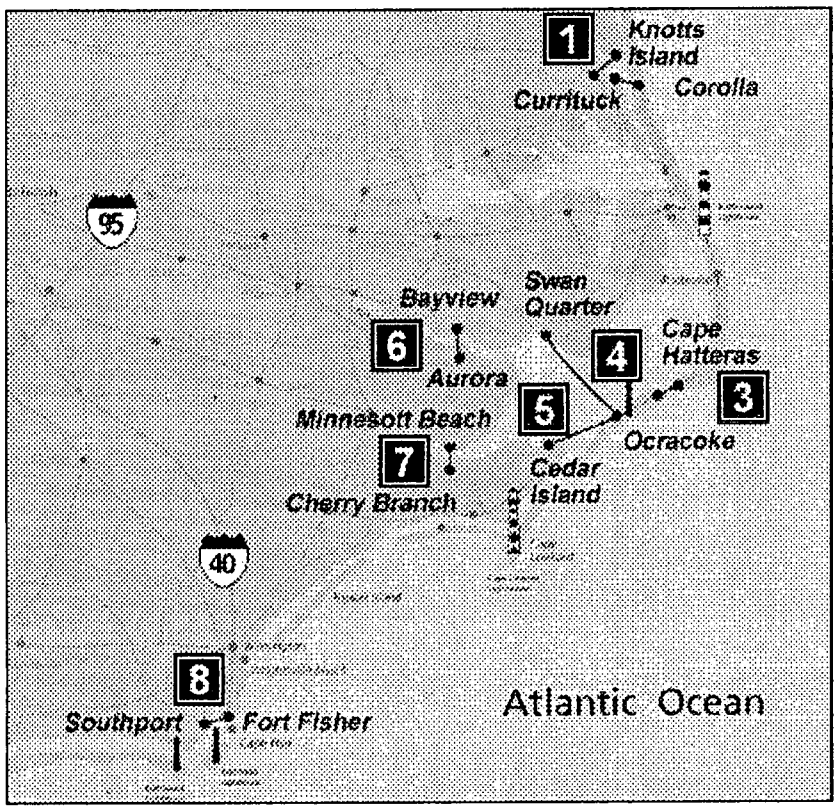
Figure 66 - Freight Rail Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $799 million



7.4 Ferries

Currently, NCDOT's Ferry Division extends over 8 routes, has 21 ferries and employs over 400 workers. The operations are supported by a full service shipyard, dredge, crane barge, tugs, barges, and other support vessels. Each year, North Carolina ferries transport over 1.1 million vehicles and in 2005, they transported more than 2.3 million passengers across five separate bodies of water - the Currituck and Pamlico sounds and the Cape Fear, Neuse and Pamlico rivers. Between 2001 and 2005, the highest passenger year was 2002 when 2.6 million total passengers were transported by ferry. Ferries also carry essential goods to water-locked communities. Many residents depend on the ferries for transportation to school, work, and other needed services. **Figure 67** shows the existing ferry routes in North Carolina.

Figure 67 – Existing Ferry Routes



Source: NCDOT

7.4.1 Existing Conditions

The majority of the ferry routes were operating at 50 to 75 percent of maximum capacity during the peak months in the year 2005. The Hatteras – Ocracoke route continues to operate at or over capacity between June and August. **Table 21** provides the crossings per day, 2005-passenger count and the fare for each ferry routes.

Table 21 - Ferry Statistics

Statewide Tier		Regional Tier	
Hatteras - Ocracoke		**Cherry Branch - Minnesott**	
Crossings per day (peak)	63	Crossings (year round)	74
2005 Passengers	891,599	2005 Passengers	467,113
Fare	FREE	Fare	FREE
Ocracoke - Swan Quarter		**Bayview - Aurora**	
Crossings per day (peak)	6	Crossings (year round)	22
2005 Passengers	22,867	2005 Passengers	118,276
Fare (for auto)	$15.00	Fare	FREE
Cedar Island - Ocracoke		**Currituck - Knotts Island**	
Crossings per day (peak)	18	Crossings (year round)	6
2005 Passengers	98,947	2005 Passengers	61,637
Fare (for auto)	$15.00	Fare	FREE
Southport - Fort Fisher		**Currituck - Corolla**	
Crossings per day (peak)	32	Crossings (year round)	N/A
2005 Passengers	495,029	2005 Passengers	N/A
Fare (for auto)	$5.00	Fare	N/A

Source: NCDOT

7.4.2 Future Conditions

In the next 10 years, the following routes are expected to exceed capacity:

- Hatteras - Ocracoke - 25 percent increase in passengers resulting in over-capacity conditions (10% - 154%) April - September; and
- Ocracoke - Swan Quarter - 48 percent increase in passengers resulting in over capacity (101%) conditions in peak month (July).

7.4.3 Ferry Needs

In the next 25 years, all existing services will need additional capacity. Of the 21 existing ferries, five are over 30 years old, two are over 40 years old and one other is over 20 years old, requiring replacement. Many of the ferry terminals will require future expansion as ridership increases. Over the next year, the Pamlico River, Hatteras, Southport, Cedar Island and Ocracoke terminals will be replaced.

As shown in **Tables 22 through 24** and **Figures 68 through 71**, the total 25-year ferry needs total nearly $1.4 billion. The needs are the subsidies (total costs less ferry toll revenue) required to



meet projected passenger demands. The cost to add capacity and improve terminal facilities (expansion) is estimated to cost $365 million and the preservation of the existing ferry system is estimated to cost $992 million over the next 25-years.

Table 22 - Ferry Needs by 5-Year increments ($ in millions)
TOTAL DOLLARS = $1.4 billion

	5-Year Increments					
Need Category	2005-2009	2010-2014	2015-2019	2020-2024	2025-2029	TOTAL
Existing Service						
Capital	$18	$56	$53	$43	$22	$192
Operating	$162	$160	$159	$156	$163	$800
Subtotal Existing	$180	$216	$212	$199	$185	$992
Expanded Service and Facilities						
Capital	$33	$28	$25	$28	$25	$139
Operating	$45	$45	$45	$45	$45	$225
Subtotal Expanded	$78	$73	$70	$73	$70	$365
TOTAL	**$258**	**$289**	**$282**	**$272**	**$255**	**$1,357**

Figure 68 – Ferry Needs by 5-Year Increments
TOTAL DOLLARS = $1.4 billion

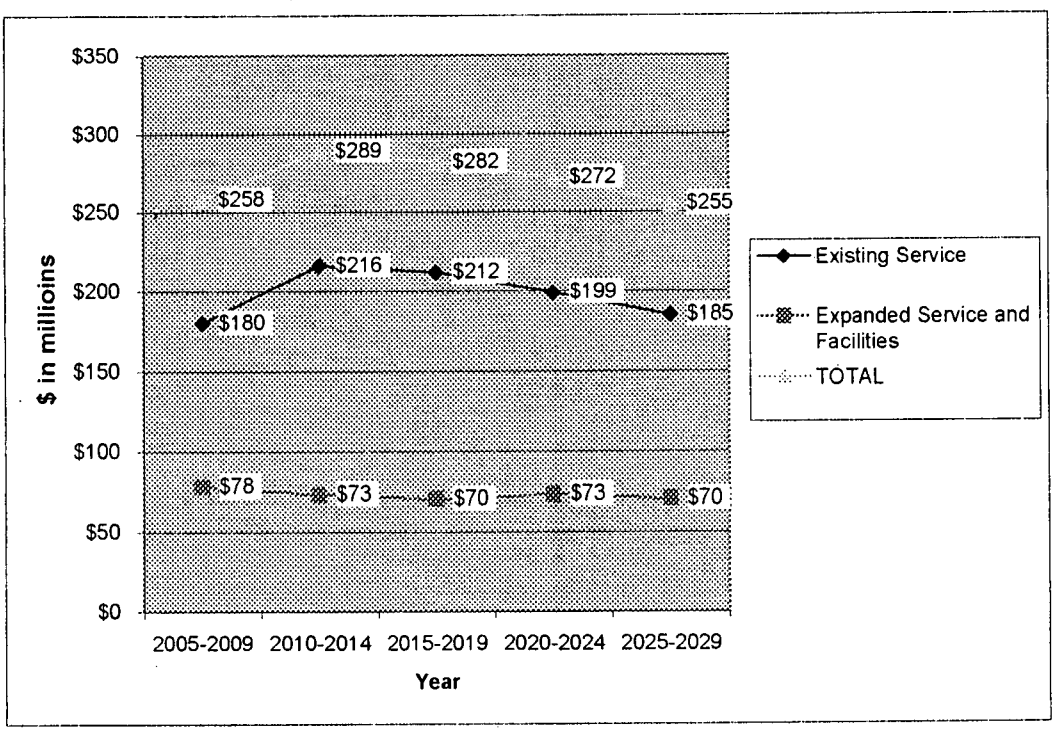


Table 23 – Ferry Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $1.4 billion

Need Category	NCMIN Tier			
	Statewide	Regional	Subregional	TOTAL
Existing Service				
Capital	$140	$52	$0	$192
Operating	$650	$150	$0	$800
Subtotal Existing	$790	$202	$0	$992
Expanded Service and Facilities				
Capital	$91	$48	$0	$139
Operating	$163	$63	$0	$226
Subtotal Expanded	$254	$111	$0	$365
TOTAL	**$1,044**	**$313**	**$0**	**$1,357**

Figure 69 – Ferry Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $1.4 billion

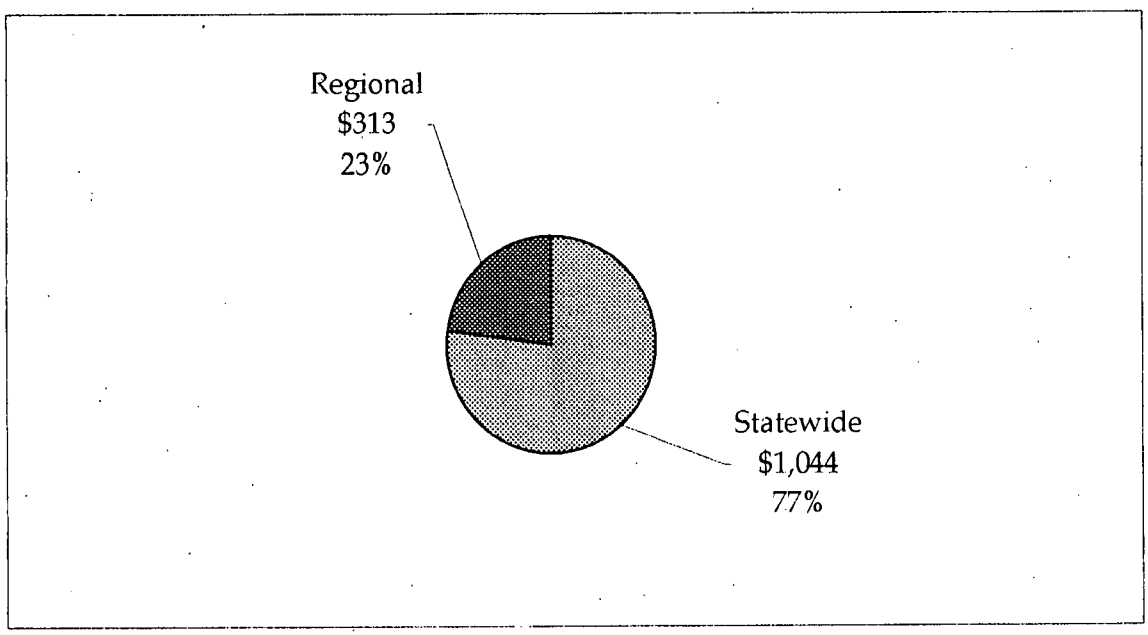


Figure 70 – Ferry Needs by Improvement Type
TOTAL DOLLARS = $1.4 billion

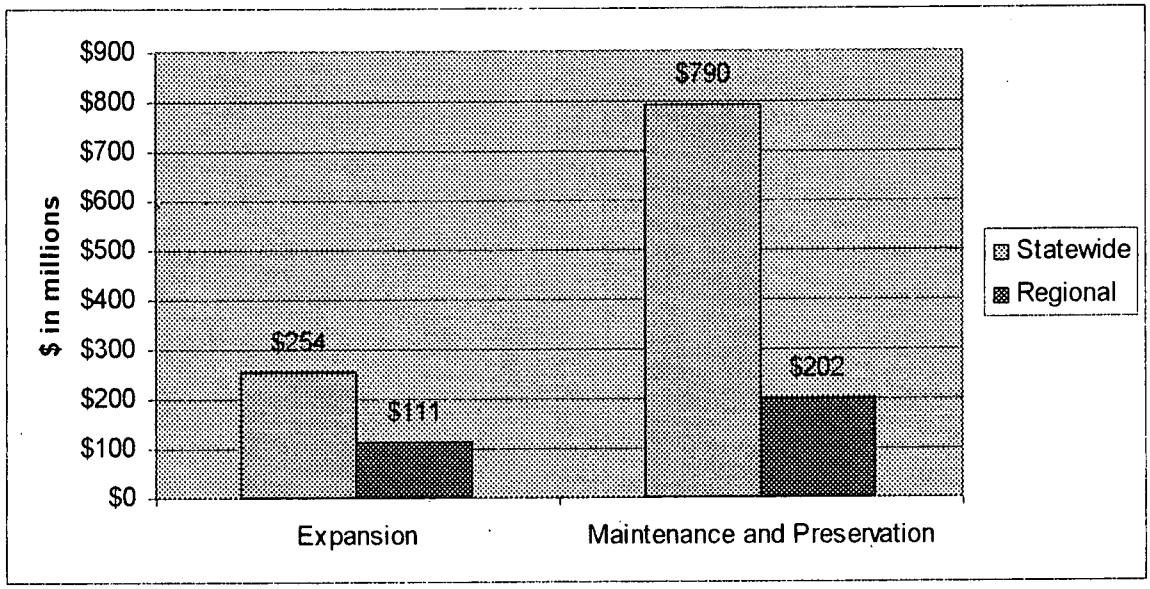
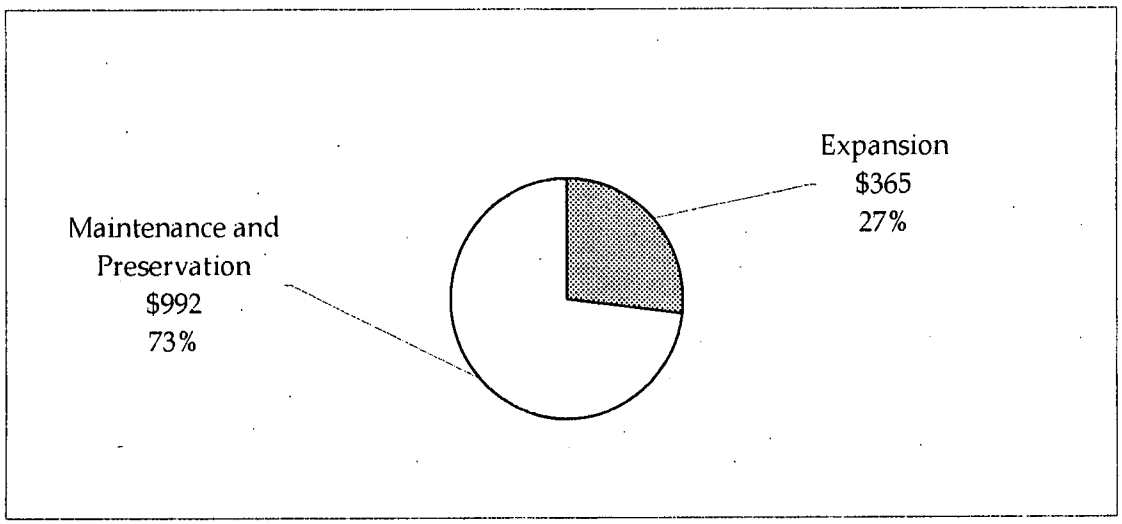


Table 24 – Ferry Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = 1.4 billion

Need Category	Improvement Type			
	Preservation	Modernization	Expansion	TOTAL
Existing Service				
Capital	$192	$0	$0	$192
Operating	$800	$0	$0	$800
Subtotal Existing	$992	$0	$0	$992
Expanded Service and Facilities				
Capital	$0	$0	$139	$139
Operating	$0	$0	$226	$226
Subtotal Expanded	$0	$0	$365	$365
TOTAL	**$992**	**$0**	**$365**	**$1,357**

Figure 71 - Ferry Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $1.4 billion



7.5 Bicycle and Pedestrian System

7.5.1 Existing Facilities

Bicyclists and pedestrians utilize both state and municipal transportation infrastructure facilities. Bicyclists normally use travel lanes, road and street shoulders, dedicated bike lanes and shared-use paths and trails. However, many bicyclists ride in the travel lanes simply because many roads do not include special bicycle facilities. Pedestrians use sidewalks and shoulders, as well as shared-use paths. Bicycles are allowed on all federal, state and secondary roads, except on freeways with full control of access. As a result, there are over 77,300 miles of state-maintained roadways on which bicyclists are permitted.

Bicycle and pedestrian planning in North Carolina is considered as part of any transportation project, not as an afterthought. Current bicycle and pedestrian Transportation Improvement Program (TIP) spending on independent projects is $6 million annually, approximately $4.8 million federal and $1.2 million state match. Additionally, the highway divisions (not Division of Bicycle and Pedestrian Transportation (DBPT)) administer approximately $1.4 million for pedestrian/sidewalk projects ($100,000/division).

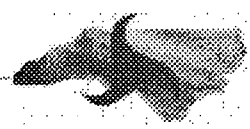
The Division of Bicycle and Pedestrian Transportation anticipates the number of identified project needs to increase. In 2004, the DBPT and the Transportation Planning Branch (TPB) created an annual matching grant program - the Bicycle and Pedestrian Planning Grant Initiative - to encourage municipalities to develop comprehensive bicycle and pedestrian plans. This program was initiated in January 2004 and is currently administered through NCDOT.

To date, approximately $1.6 million has been allocated to 64 municipalities through this grant program. Funding for the program comes from an allocation first approved by the North Carolina General Assembly in 2003 in addition to federal funds earmarked specifically for bicycle and pedestrian planning through the TPB. As these and other comprehensive bicycle and pedestrian transportation plans are completed, more and more projects will be identified and placed on the needs list.

7.5.1.1 Statewide Survey on Bicycling and Walking, 2000

The DBPT is charged with improving the safety, access and mobility of bicyclists and pedestrians throughout the state. In order to learn more about these user groups, their needs, and their bicycling and walking activities, the DBPT worked with the University of North Carolina Highway Safety Research Center to gather data that would provide a "snapshot" of the status of bicycling and walking in North Carolina. Highlights of the final report, Bicycling and Walking in North Carolina: Results of a Year 2000 Survey, include the following:

- 46 percent of all North Carolina households own bicycles; 80 percent of households with four or more members own bikes.
- 72 percent of all children under 18 years and 90 percent of 5-15 year-olds ride bicycles.
- Almost 73 percent of adults who had ridden in the past 30 days ride at least once a week for fun or exercise.
- 26 percent of adult respondents had used their bikes to run errands or commute to work at least once over the past 30 days; 7 percent reported doing so daily.
- Adult bicycle riding increases with level of education and income.
- 40 percent of respondents with post college degrees had ridden in the past 12 months.
- Almost 40 percent of respondents with household incomes over $100,000 had ridden in the past 12 months.



- 66 percent of adult respondents had walked on the previous day; 44 percent had walked for 30 minutes or more.
- 20 percent of adult respondents walk as part of their daily work commute.
- Very few children walk (2%) or bike (0.8%) to school with the most frequent reason being that the school is too far away (64% of respondents).
- 75 percent of adult respondents believe their communities and the state should spend more money to improve conditions for bicycling and walking.

7.5.2 Bicycling Highways

The Department has designated a cross-state system of Bicycling Highways based on nine routes, which cover 3,000 miles. These routes generally parallel the major highways along which cyclists often wish to travel, but offer a more lightly traveled alternative than the busy major roads that are familiar to most people. The Department has developed printed guides of each route, which includes segment maps and information on terrain, road conditions, services and points of interest. The nine bike routes (BR) are:

- Carolina Connection (US BR 1);
- Mountains to Sea (NC BR 2);
- Ports of Call (NC BR 3);
- North Line Trace (NC BR 4);
- Cape Fear Run (NC BR 5);
- Piedmont Spur (NC BR 6);
- Ocracoke Option (NC BR 7);
- Southern Highlands (NC BR 8); and
- Sandhills Sector (NC BR 9).

These state-designated routes provide links between local, regional, and county bicycle route systems in many areas of the state.

7.5.3 Pedestrian Facilities

Construction of most pedestrian facilities occurs at the municipal level. However, NCDOT currently has a statewide allocation for constructing pedestrian facilities totaling $1.4 million. This total is divided equally among the state's 14 highway divisions, which each receive $100,000 annually for small-scale pedestrian improvements. The Department currently allocates $275,000 annually for the advancement of pedestrian safety. To receive maximum benefit, the



Department has focused its efforts on statewide or regional demonstration projects, initiatives, or programs to encourage pedestrian safety and to develop walkable communities.

7.5.4 Current Levels of Bicycling and Walking

The 2000 Census Commute-to-Work data was reviewed to assess the current number of North Carolinian's who bike or walk to work. Statewide, 6,840 (0.18% of residents) commuted by bicycle to work, while 74,147 (1.93% of residents) walked to work. These levels are approximately one-half and two-thirds lower, respectively, of the national average. Between 1990 and 2000, total workers in North Carolina increased by 16 percent but workers who commuted to work by bicycling and walking decreased by 4 percent and 23 percent, respectively. During the same time period nationally, workers increased by nearly 12 percent and workers who commuted to work by bicycling increased by 5 percent while walking decreased by 16 percent.

The top five counties with the highest levels of bicycle commuters based on percent of population are Orange (1.85%), Hyde (1.41%), Dare (0.62%), Pamlico (0.47%) and New Hanover (0.44%). The top five counties with the highest levels of walkers based on population are Onslow (10.35%), Orange (7%), Watauga (6.16%), Chowan (5.07%) and Cumberland (4.2%). The top five counties with the highest number of bicycle commuters are Orange (1,124), Wake (643), Mecklenburg (489), Durham (396), and Guilford (364). The top five counties with the highest number of pedestrian commuters are Onslow (8,219), Cumberland (6,018), Wake (5,847), Mecklenburg (5,097) and Orange (4,263).

7.5.5 Bicycle and Pedestrian Safety

Based on NCDOT data, between 2000 and 2003 there were a total of 3,699 bicycle crashes and 9,989 pedestrian crashes reported to the Department of Motor Vehicles. The totals represent crashes where at least one person was either a bicyclist or a pedestrian. During this time period, there were a total of 662 pedestrian fatalities and 77 bicycle fatalities statewide. Over this 4-year period, both pedestrian and bicycle fatalities per year have been reduced by 8 percent and 14 percent respectively. Other key crash facts include:

Bicycle:

- 67 percent occur in urban areas;



- 17 percent occur at 4-way intersections;
- 61 percent occur along 2-lane roadways;
- 17 percent were between the ages of 31 and 40 years old;
- 7 percent resulted in a fatality;
- 11 percent resulted in a disabling injury; and
- 5 percent resulted in no injury.

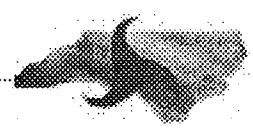
Pedestrian:

- 67 percent occur in urban areas;
- 13 percent occur at public driveways;
- 47 percent occur along two-lane roadways;
- 21 percent were between the ages of 11 and 15 years old;
- 2 percent resulted in a fatality;
- 7 percent resulted in a disabling injury; and
- 7 percent resulted in no injury.

The majority of North Carolina's roads in rural areas are two-lane, with many having no paved shoulders. This presents access and safety issues on roadways with short sight distances as well as high traffic volumes, including trucks. Narrow bridges, lack of paved shoulders, rumble strips, drainage gates, railroad crossings, lack of crosswalks and pedestrian signals, are hazards and barriers to bicycle, and pedestrian users.

7.5.6 Recent Accomplishments

The Department has been on the forefront of mitigating bicycle and pedestrian hazards and has made numerous accomplishments over the last several years. In 2003, the Department received $250,000 in grants and added in $150,000 to complete Bicycle and Pedestrian Plans. An annual allocation of $400,000 is now being used to develop Bicycle and Pedestrian Plans throughout the state. To date, 64 planning grants have been awarded and one of the goals of the program is to elevate the non-motorized modes to a level where needs are identified.



A recent Economic Impact Study entitled *Pathways to Prosperity – The Economic Impact of Investments in Bicycle Facilities* concluded that bicycling tourists to the northern Outer Banks generate an economic impact of $60 million a year. This is nine times the initial one-time cost of constructing the facilities and is returned each year. Based on this conclusion, the Department is now examining ways to capitalize on this in the mountain and coastal regions of the state.

7.5.7 Bicycle and Pedestrian Needs

Bicycle and pedestrian needs are assumed from the 2001 analysis (2004 STP), since there are no quantifiable ways to measure needs due to a lack of data. As shown in **Tables 25** and **26** and **Figures 72 through 74**, the 25-year bicycle and pedestrian needs total $440 million. Bicycle needs represent 75 percent of the future needs, with over 85 percent located on the Subregional Tier. Pedestrian needs represent 25 percent of the future needs, with over 73 percent located on the Subregional Tier. All bicycle and pedestrian needs are categorized as modernization needs and combined together 9 percent are on the Statewide Tier, 9 percent are on the Regional Tier and 82 percent are on the Subregional Tier.

Table 25 – Bicycle and Pedestrian Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $440 million

	5-Year Increments					
Need Category	**2005-2009**	**2010-2014**	**2015-2019**	**2020-2024**	**2025-2029**	**TOTAL**
Bicycle Improvements	$40	$53	$66	$79	$92	**$330**
Pedestrian Improvements	$10	$16	$22	$28	$34	**$110**
TOTAL	**$50**	**$69**	**$88**	**$107**	**$126**	**$440**

Figure 72 - Bicycle and Pedestrian Needs by 5-Year Increments ($ in millions)
TOTAL DOLLARS = $440 million

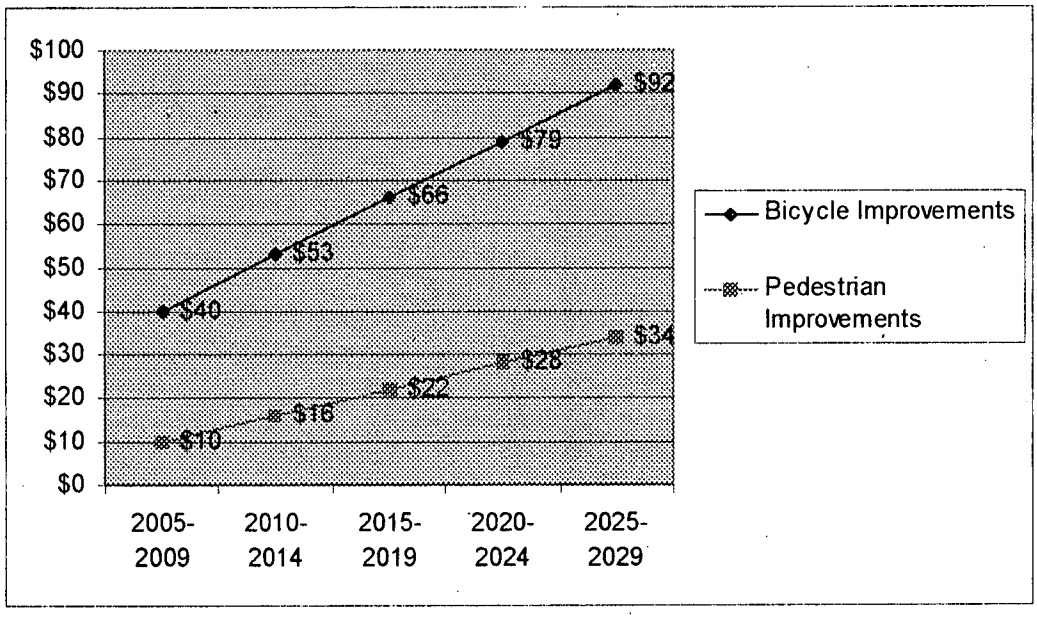


Table 26 - Bicycle and Pedestrian Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $440 million

Need Category	NCMIN Tier			
	Statewide	**Regional**	**Subregional**	**TOTAL**
Bicycle Improvements	$25	$25	$280	**$330**
Pedestrian Improvements	$15	$15	$80	**$110**
TOTAL	**$40**	**$40**	**$360**	**$440**

Figure 73 - Bicycle and Pedestrian Needs Comparison by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $440 million

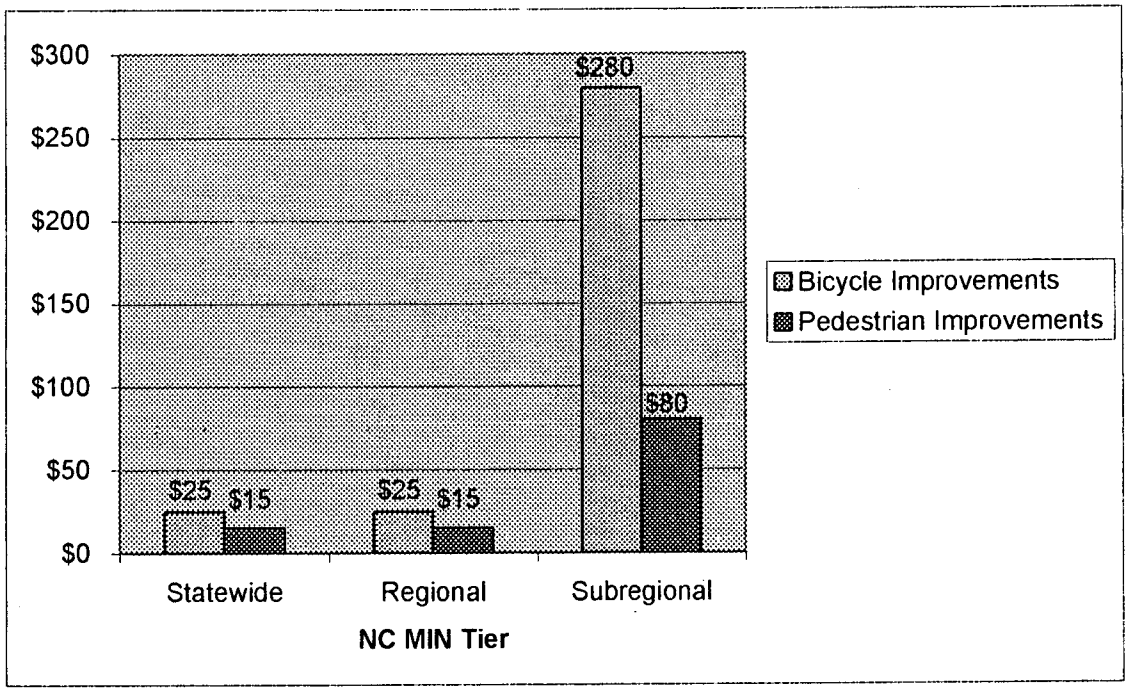
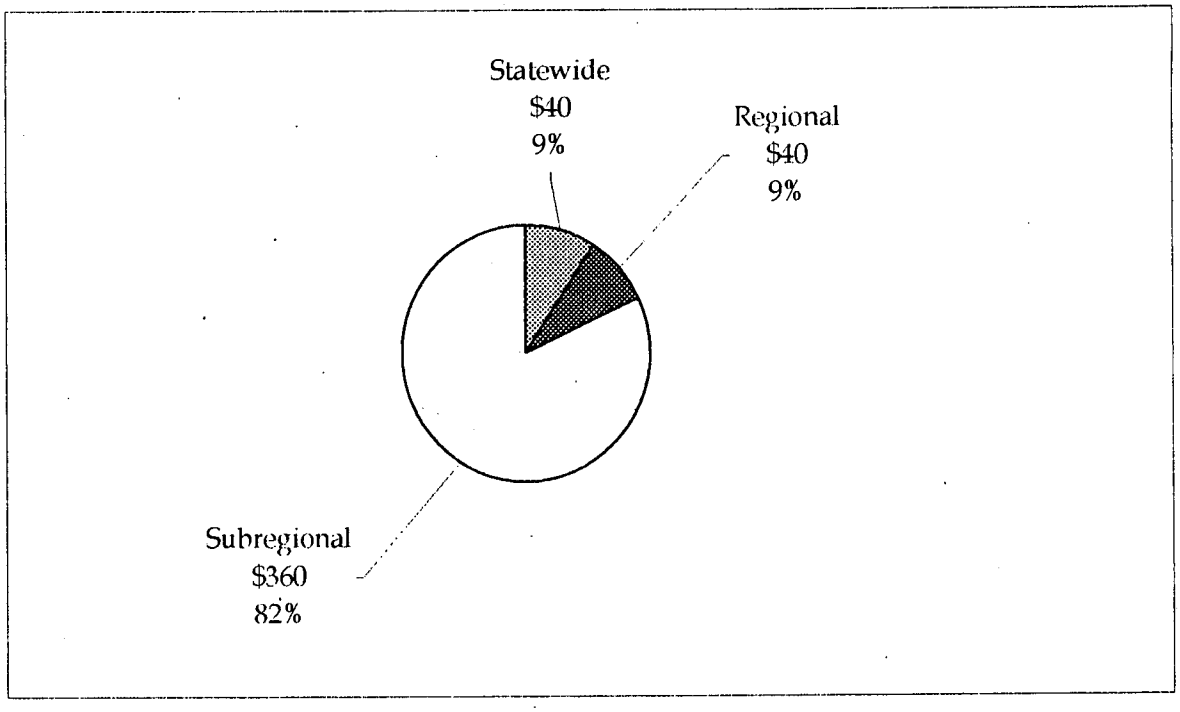


Figure 74 - Bicycle and Pedestrian Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $440 million



7.6 Aviation

7.6.1 Existing Conditions

There are 74 publicly owned, public use airports in North Carolina and 11 have scheduled service, while the remaining 63 are classified as general aviation. The NCDOT Division of Aviation administers the State Aid to Airports Program. North Carolina participates in the FAA "Block Grant Program," meaning the state has assumed responsibility for administration and distribution of FAA grants to general aviation airports. Commercial Service airports in the state deal directly with the FAA concerning their Airport Improvement Program funding.

North Carolina's most recent statewide planning study was completed in 2004. This study, referred to as the *North Carolina General Aviation Airport Development Plan* (NCGAADP), focuses on publicly owned and operated general aviation airports throughout the state. This plan evaluates the needs of the general aviation airports and sets minimum state standards for their development. Through this process, airport needs were identified and prioritized for statewide system development.

7.6.2 Aviation System Plan

The NCGAADP, administered by the Division of Aviation, maximizes the limited financial resources available and prioritizes all capital improvements and maintenance needs at eligible airports throughout the state. A strong emphasis is placed on safety, future needs, and promoting economic growth. The plan classifies the airports based on economic development parameters from the NC Department of Commerce; the preliminary analysis shows three classifications - red, blue, green. The results of data collected in the development and updating of this plan will be utilized to seek additional future federal and state funds for projects.

7.6.3 Aviation Economic Impact

An Economic Impact Study of Aviation was conducted by the Division in 2006. The study, encompassing all 74 publicly owned airports in the state, identified economic impacts of at least $9.5 billion annually statewide. General aviation is the fastest growing element of aviation in the state, with annual economic impacts exceeding $1.8 billion statewide, compared with annual results of $168 million from a similar study done in 1995. Since September 11, 2001, North

Carolina has experienced a dramatic increase in general aviation business and corporate travel due to delays and inconvenience associated primarily with security issues at commercial service airports. The local general aviation airports are becoming much more vital for their communities to attract new business and industry, and increases in funding will help meet these needs. The advent of Very Light Jet (VLJ) aircraft, growth in fractional ownership of business aircraft, availability of on-demand air taxi services and continued advancement in satellite-based navigational equipment point to further growth in the general aviation sector.

The new Rural Airport Development Program was created in 2006 to assist airports that are located in more economically challenged areas of the state. Funding is provided to rural airports for capital improvement projects that will aid in industry recruitment and attracting business aviation users.

7.6.4 Aviation Needs

As shown in **Figures 75 through 78**, the 25-year aviation needs total $1.7 billion with 60 percent located on the Regional Tier and the remaining 40 percent on the Subregional Tier.

- Aviation expansion needs, such as new airport construction, and runway lengthening and pavement strengthening, represent 42 percent of the future needs, with 63 and 37 percent located on the Regional and Subregional Tiers, respectively.
- Modernization needs, such as new runway approach lighting systems and land acquisition of runway projection zones represent 15 percent of the future needs, with 56 and 44 percent located on the Regional and Subregional Tiers, respectively.
- Preservation and maintenance needs, such as facility, runway and taxiway maintenance and airport obstruction removal, represent 43 percent of the future needs, with 59 and 41 percent located on the Regional and Subregional Tiers, respectively.



Figure 75 – Aviation Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $1.7 billion

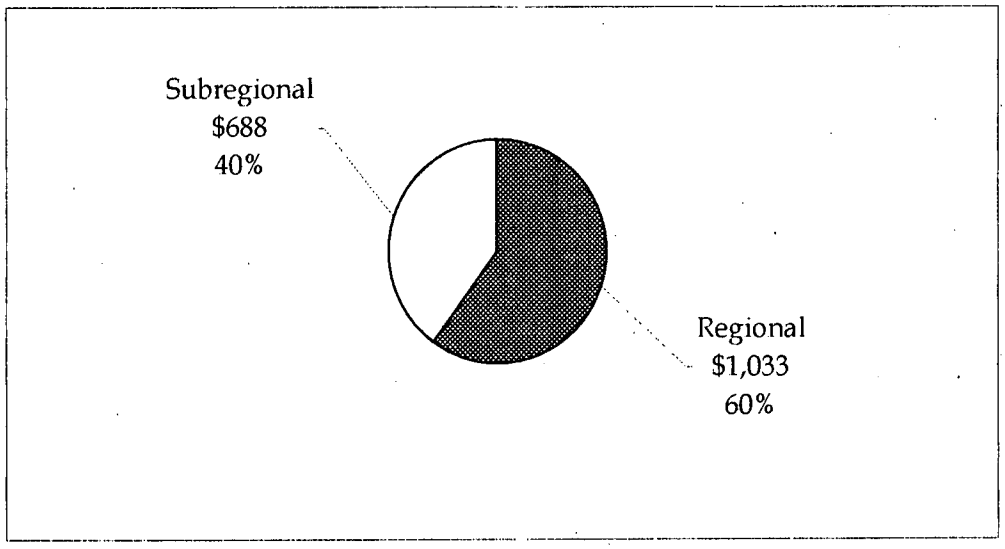


Figure 76 –Aviation Needs by NCMIN Tier ($ in millions)
TOTAL DOLLARS = $1.7 billion

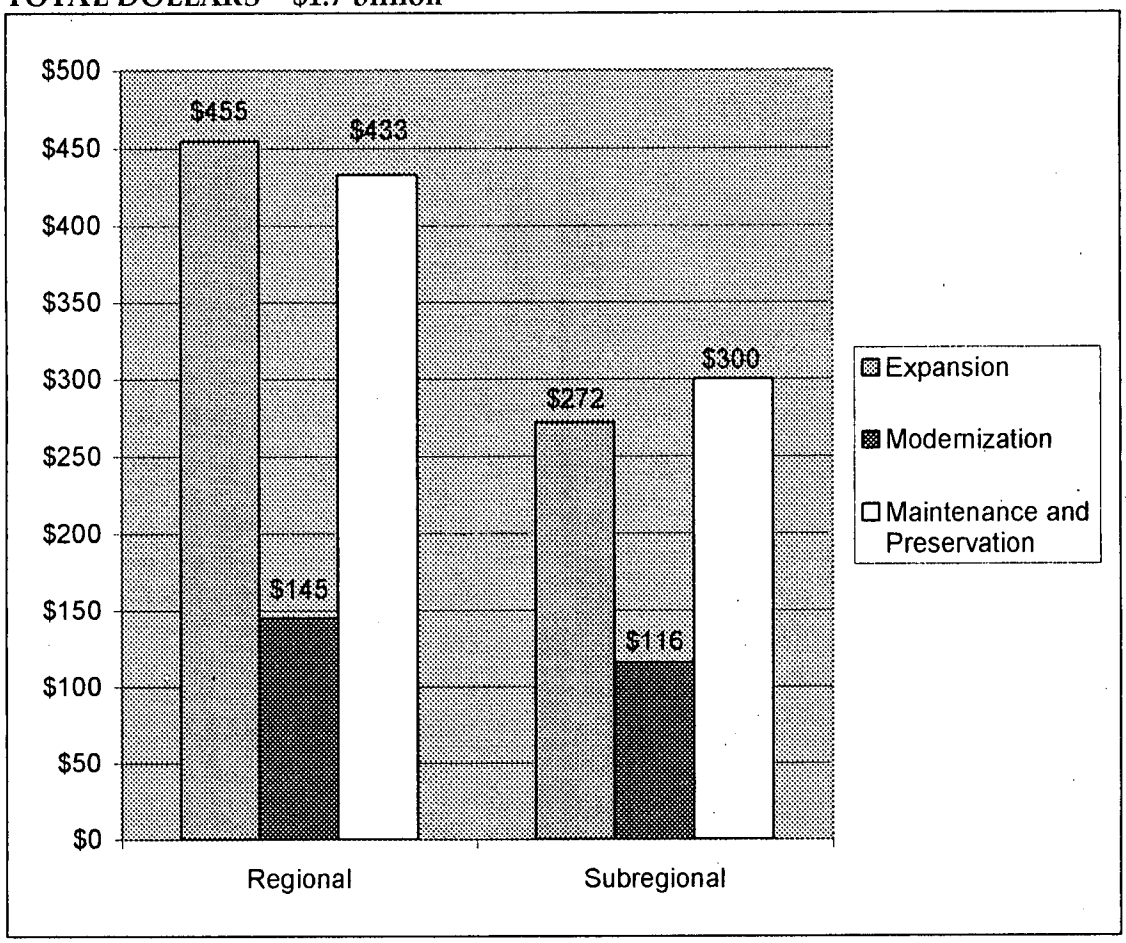


Figure 77 – Aviation Needs by Improvement Type ($ in millions)
TOTAL DOLLARS = $1.7 billion

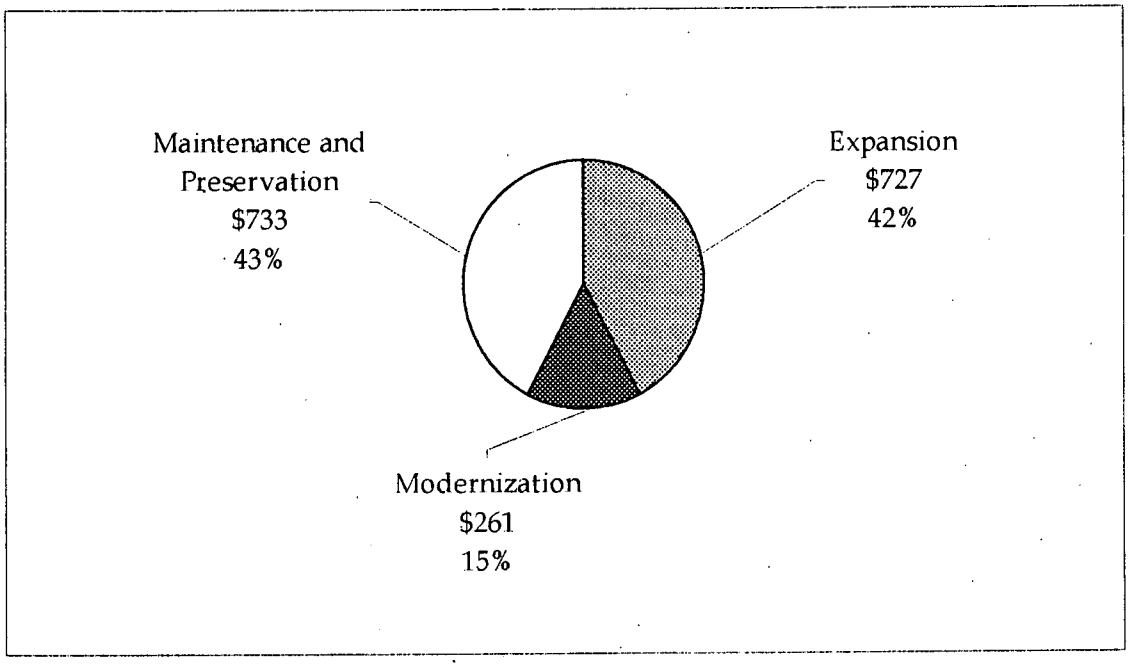
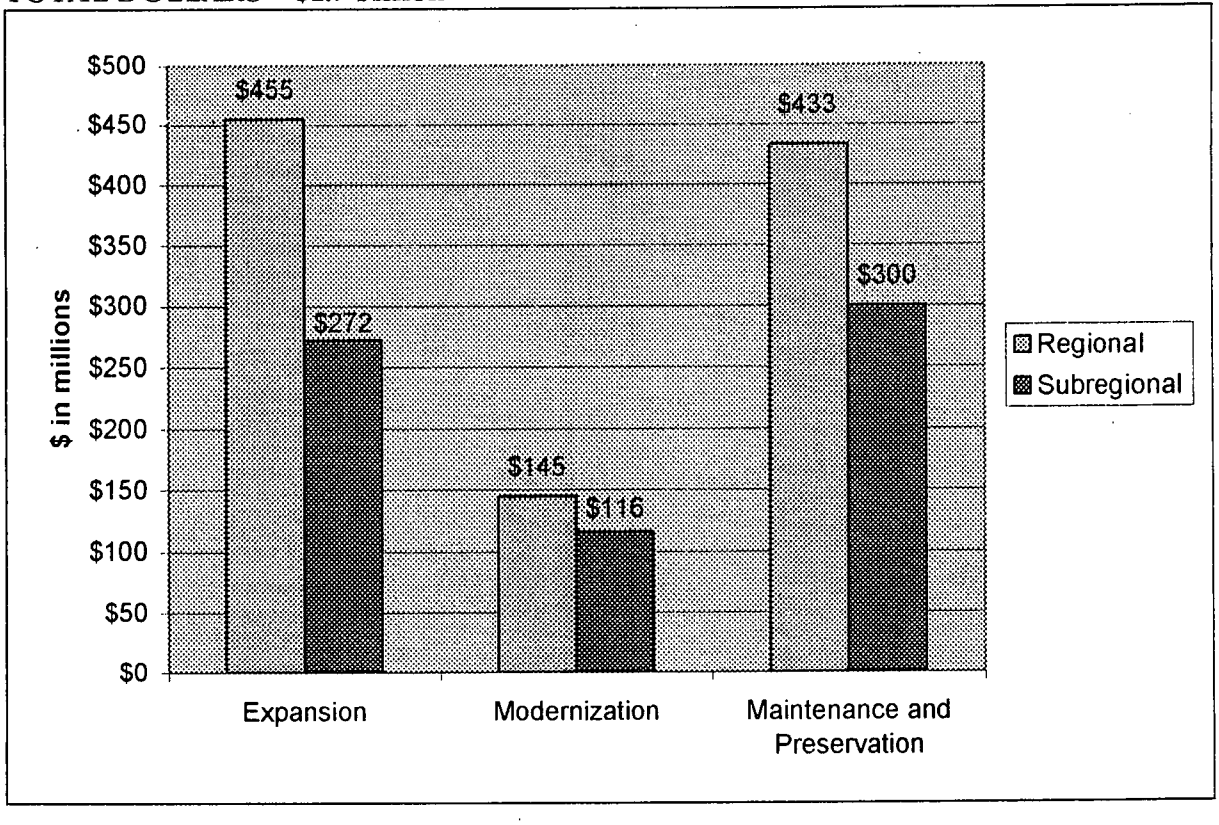


Figure 78 – Aviation Needs by Improvement Type
TOTAL DOLLARS = $1.7 billion



Security continues to be at the forefront of aviation concerns throughout the state. Due to these concerns at the larger airports, there is significant movement to and increase in utilization of general aviation airports across the state. The current focus of aviation security continues to be commercial service airlines, but the natural outgrowth of those programs will be increased security requirements at general aviation facilities, requiring additional funding. The impact of these programs cannot be quantified at this time, and have not been taken into account in the funding requirements outlined above. As of 2006, the state source of funding for the Division of Aviation has been moved from the General Funds to the Transportation Funds.

7.7 Ports

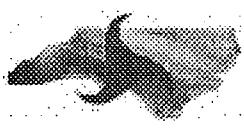
7.7.1 Existing Facilities

The value of deepwater ports was recognized by the North Carolina State legislature in 1945 when they created the North Carolina State Ports Authority (NCSPA). The NCSPA was charged with creating two competitive ports through the sale of revenue bonds to create a better atmosphere for the development of North Carolina industry. The General Assembly in 1949 approved the issue of $7.5 million in bonds for construction and improvement of seaports to promote trade throughout the state. Terminals equipped to handle oceangoing vessels were completed at Wilmington and Morehead City in 1952.

Today, under the jurisdiction of the Department of Commerce, the North Carolina ports system includes the Ports of Wilmington, Morehead City and the inland container consolidation centers at Charlotte (CIT) and Piedmont Triad (PTIT), all operated under the jurisdiction of the North Carolina State Ports Authority. The NCSPA receives no appropriated operating funds or dedicated capital funding, although, it has received state funding for large capital improvement and major maintenance projects.

The 2006 Economic Impact Study of the North Carolina State Port Authority performed by Martin Associates indicated that in 2005:

- 84,833 jobs in the State of North Carolina are in some way related to the maritime activity at the Port of Wilmington and the Port of Morehead City.



- Marine cargo and vessel activity at the public and private marine terminals generated $5.6 billion of total economic activity in North Carolina.
- Port business activity created $2.9 billion of personal wage and salary income in the state of North Carolina.
- A total of $299.2 million of state and local tax revenue was generated by maritime activity at the NCSPA public terminals at Wilmington and Morehead City, and the privately owned terminals in Wilmington. The port service providers generated $84.1 million, while the balance, $215.1 million was generated by the related port users.

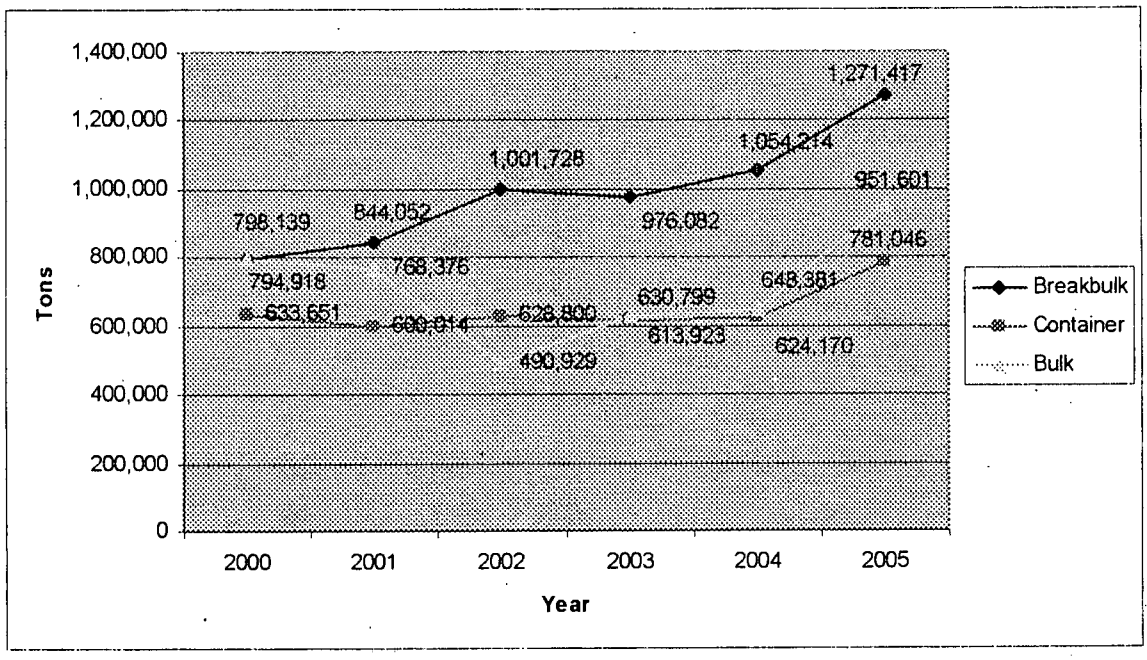
North Carolina's ports generate a great deal of economic benefit throughout the state. The ports are also an integral part of the state's transportation system. In Fiscal Year 2005, 3.0 million tons of cargo was handled at the NCSPA marine terminal at Wilmington, 2.4 million tons at Morehead City, and nearly 3.0 million tons of cargo moved via the private terminals in Wilmington. The NCSPA coordinates directly with NCDOT on transportation access needs and highway needs associated with accessing North Carolina's ports are captured in the Highway and Bridge needs section.

7.7.1.1 Port of Wilmington

The port of Wilmington offers services for containerized, breakbulk Roll on/Roll off (RORO), bulk and project cargo. The port is located on the east bank of the Cape Fear River, 26 miles from the open sea. The channel depth was recently deepened to 42 feet; providing an additional 15 percent vessel capacity. The port has access to I-95, I-40, and I-140 and daily train service is provided by CSX Railways. The port has four container cranes, four gantry cranes, and cargo handling equipment. The NCSPA ordered four new 100-foot gauge cranes to be delivered in early 2007 and placed in operation in the spring of 2007. The total cargo volume for fiscal year 2005 was 3,004,064 tons; a 35 percent increase since 2000. **Figure 79** shows the total tons between 2000 and 2005 by handling type. Based on tonnage, breakbulk (unitized cargo) is traditionally the highest type handled at the Port of Wilmington, followed by bulk and container. Breakbulk cargo refers to commodities like rubber, lumber, steel and woodpulp, shipped in units such as bundles, pallets or bins. Bulk cargo is products, which flow, like fertilizer or salt.



Figure 79 - Port of Wilmington 6-Year Tonnage Trends



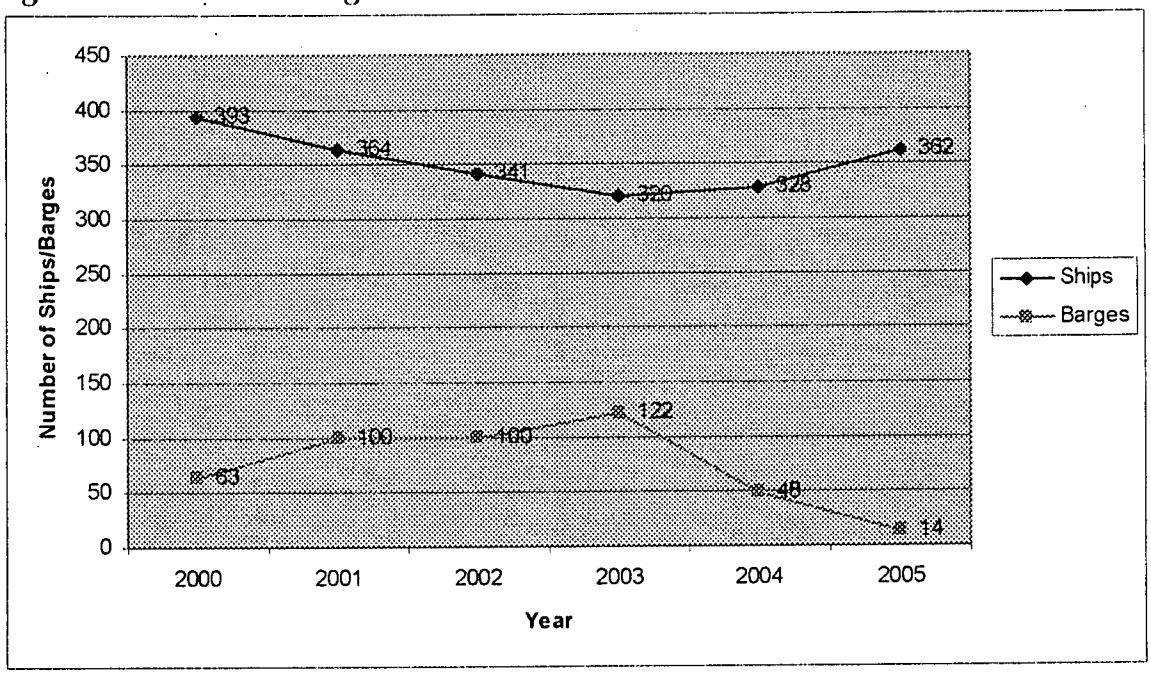
Source: North Carolina State Port Authority

In the two years since dredging to deepen the navigational channel to the docks at the Port of Wilmington was completed, the traffic at the port has increased. Breakbulk tonnage, including woodpulp, lumber and steel, increased 21 percent in fiscal 2005, which began five months after the 42-foot channel reached the Port.[27]

Figure 80 shows the six-year trend in vessels (ships and barges) accessing the Port of Wilmington and in 2005, 376 vessels accessed the port. Between 2000 and 2005, the port experienced 17 percent decrease in vessels, but ships are now larger and can carry larger cargo loads.

[27] *Stem to Stern* March 2006

Figure 80 - Port of Wilmington 6-Year Vessel Trends



Source: North Carolina State Port Authority

The primary exports from the Port of Wilmington are woodpulp, general merchandise, forest products, wood products, and chemicals. General merchandise and wood products exports have grown significantly since 2000. The primary imports are forest products, chemicals, cement, general merchandise and metal products. Since 2000, imports of forest products and cement have grown dramatically, while grain imports have subsided. The top import trading partners from the port are Germany, Colombia, Brazil, China, and Korea. The top export trading partners are Italy, Korea, China, Taiwan, and Hong Kong.

7.7.1.2 Future Port of Wilmington Expansion

The port will soon expand its container operations by 90 acres along River Road, providing additional container capacity to the port. Currently, there is a $130 million enhancement program under way that will double the capacity at the Port of Wilmington. This expansion will meet the demand of increasing container traffic and increase business and revenues at the Port over the next 10 years before the new terminal at Southport (North Carolina International Port) goes into operation. The expansion project includes:

- Four new 100-ft gauge container cranes;
- New container handling equipment;

- New terminal operating system; and
- Berth, dock and paving improvements.

Phase 1 is expected to be completed by April 2007, with the entire project complete in five years. The port will continue to serve general cargo business after new the terminal is complete.

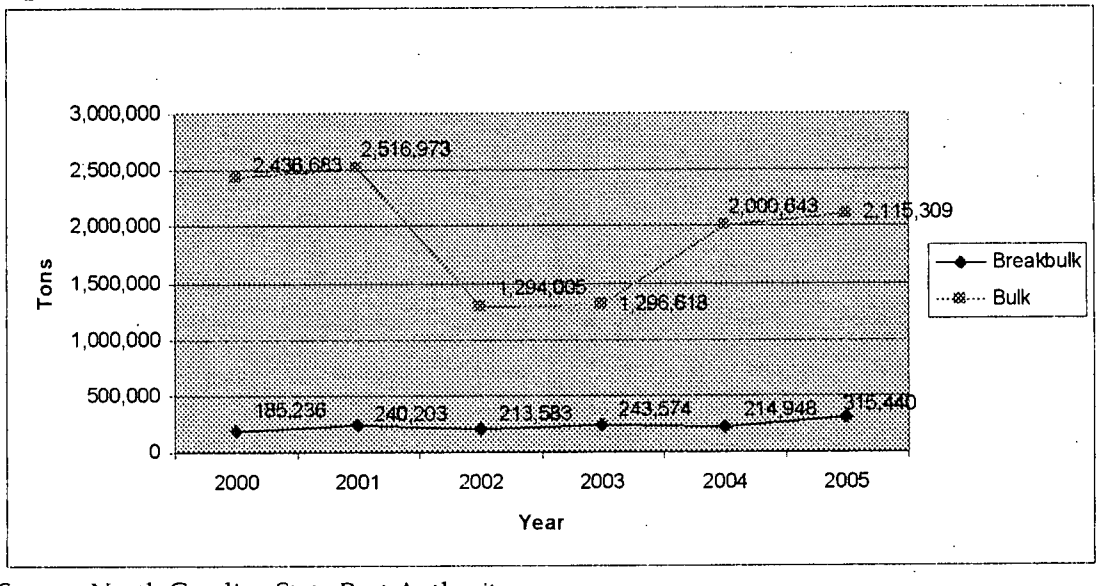
The four 100-foot gauge container cranes will join Wilmington's four existing container cranes as the linchpin of Wilmington's five-year container, terminal expansion program, which will double container handling capacity at the port's existing facility.

7.7.1.3 Port of Morehead City

The Port of Morehead City offers services for containerized, breakbulk, RORO, bulk, and project cargo. The port is located four miles from the open sea and has a channel depth of 45 feet. Rail service along the 5,521 feet of continuous wharf is provided by Norfolk Southern. There are two 115-ton gantry cranes and cargo handling equipment and a container crane equipped to handle scrap steel.

The total cargo volume for the fiscal year 2005 was 2,430,749 tons, which is a 7 percent decrease since 2000. **Figure 81** shows the total tons between 2000 and 2005 by handling type. Based on tonnage, bulk is traditionally the highest type handled at Morehead City, followed by breakbulk.

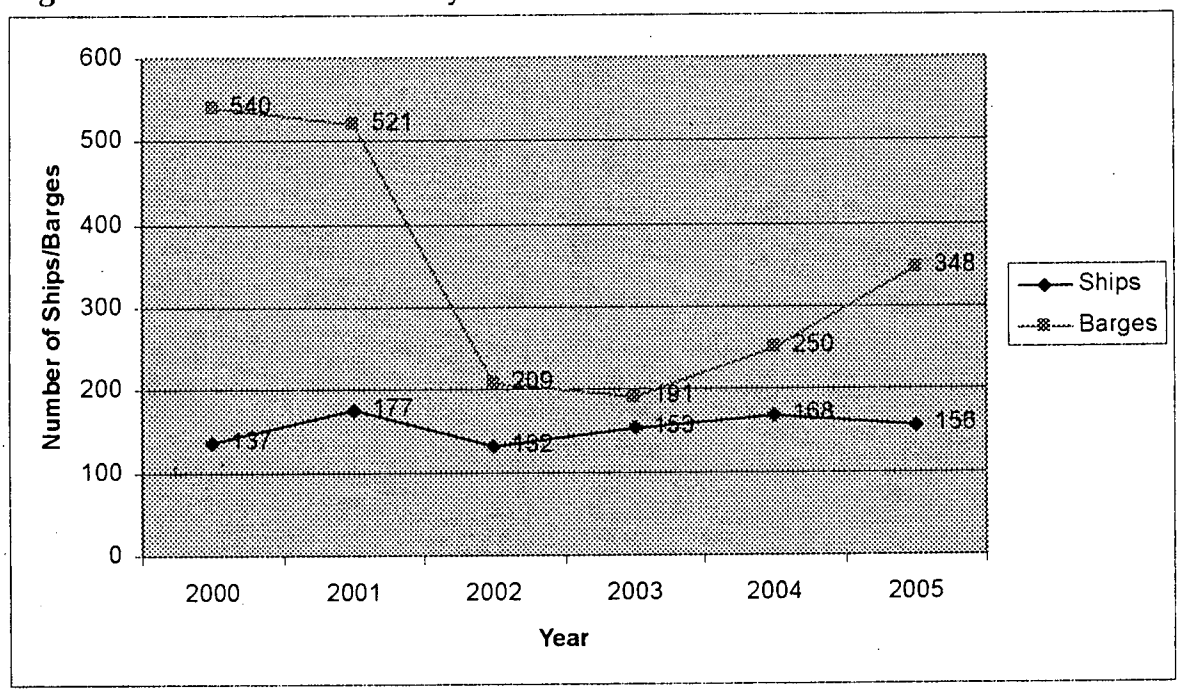
Figure 81 – Port of Morehead City 6-Year Tonnage Trends



Source: North Carolina State Port Authority

The total number of vessels accessing the port in 2005 was 504. Between 2000 and 2005, the port experienced a 26 percent decrease in vessels. While the number of ships making a call has declined, ships in general are now larger and can accommodate larger cargo loads. **Figure 82** provides the six-year trends in vessels (ships and barges).

Figure 82 – Port of Morehead City 6-Year Vessel Trends



Source: North Carolina State Port Authority

The primary exports from the Port of Morehead are phosphate, aggregate, metal products, military, and general merchandise. Historically, phosphate has been the highest export based on tonnage, at Morehead City. The primary imports are sulphur, scrap metal, rubber, asphalt, ore, mica, and schist. Since 2000, sulphur imports have grown dramatically, while ore, mica, and schist imports have subsided. The top import trading partners at the Port of Morehead are Venezuela, Indonesia, Turkey, Mexico and Brazil. The top export trading partners are China, Brazil, India, Pakistan and Argentina.

7.7.1.4 Future Port of Morehead City Expansion

The Radio Island development project is an integral component of the Ports Authority's expansion plan, which also includes a new 177,000 square foot warehouse at the Port of

Morehead City and substantial improvements to the container terminal at the Port of Wilmington.

The Authority owns approximately 250 acres on Radio Island, of which 150 acres is actually suitable for development. An Environmental Impact Study (EIS) on the property, approved in 2001, calls for construction of a marine terminal with 2,000 feet of wharf, warehouse space, and paved, open storage. The EIS also specifies dredging to bring the 45-foot-deep Morehead City navigational channel to the face of Radio Island.[28]

As the breakbulk business at the Port booms, preparations are being made to handle this type of cargo. Work is under way on a major rail rehabilitation project throughout the Morehead City terminal and across the Newport River to Radio Island. The project includes upgrades in capacity, repair and replacement of rail and switches, as well as replacement of the "frogs," highly specialized metal connectors where rail crosses another track. Rail at Morehead City includes the tracks, which allow cargo to leave the Port on Norfolk Southern trains, as well as crane rail on the docks. The project is scheduled to take about a year, finishing in the first quarter of 2007. A $3.5 million project to rehabilitate Arendell Street, from where it enters the main gate to the water's edge will be completed in the fall of 2006. The project includes not only street paving, which is needed to make access to the port safer, more comfortable, and easier on vehicles, but also open storage space away from the docks.

The Port of Morehead City and Radio Island are ideally situated to handle the bulk / breakbulk market growth and cargo displacement by other ports. Work continues to expand facilities at the port and a new terminal on Radio Island. In December 2005, the NCSPA Board also moved forward on a lease agreement for a new 177,000 square foot warehouse at the Port of Morehead City and awarded a $1 million design contract initial engineering and environmental design for the development of the port terminal on Radio Island. This project creates the basis for facilities design, and includes determining traffic flow, dredging needs, and other basic planning work.[29]

---

[28] http://www.ncports.com
[29] *Stem to Stern* February 2006



7.7.1.5 Charlotte Inland Terminal (CIT)

The inland terminal in Charlotte makes it convenient for Charlotte-region manufacturers to move goods to the state ports in Morehead City and Wilmington. The following provides a brief description of CIT[30]:

- Strategically located at the heart of manufacturing and distribution sites in the Southeast, serving the I-85 and I-77 distribution corridors;
- Provides professional "neutral" container yard operations to container carriers;
- Staging for empty and loaded containers - bonded by US Customs and Border Patrol;
- Maintenance and repair operations allowed on site;
- Real-time data management through Port of Wilmington Terminal Operating System; and
- Grounding and mounting service supports operations at Norfolk Southern and CSX Charlotte ramps.

7.7.1.6 Piedmont Triad Inland Terminal (PTIT)

The *Piedmont Triad Inland Terminal* is located near the Greensboro airport and it handles container traffic to and from the Port of Wilmington. The following provides a summary of PTIT[31]:

- Strategically located at the heart of manufacturing and distribution sites in the Southeast, serving the I-40 and I-85 corridors;
- Provides professional "neutral" container yard operations to container carriers;
- Staging for empty and loaded containers - bonded by US Customs and Border Patrol;
- Maintenance and repair operations allowed on site; and
- Real-time data management through Port of Wilmington Terminal Operating System.

7.7.2 Planned New Port

7.7.2.1 Planned North Carolina International Port

In April 2006, the NCSPA purchased 600 acres of riverfront property in Brunswick County. The new property is nine miles from the ocean, while Wilmington is 26 miles. The location, next to

[30] http://www.ncports.com
[31] http://www.ncports.com



the Military Ocean Terminal at Sunny Point, also supports Department of Defense strategic initiatives.

The NCSPA plans to build a new port terminal, the North Carolina International Port (NCIP). Building a new port terminal on the Brunswick County property also provides a better alternative, environmentally and economically than further dredging of the Cape Fear River and enlarging the Port of Wilmington footprint. Forecast growth in container traffic worldwide would require a deeper channel for Wilmington to remain competitive. Development of this facility would coincide with the projected doubling of the North American container market between now and 2015.

The new port will provide a gigantic boost to economic development. The new terminal would multiply the number of jobs already generated by the ports, both local and statewide. Major manufacturing and assembly plant site-selection criteria require proximity to deepwater port facilities with global service coverage.

The location of the NCIP also affords the opportunity to develop an industrial park for distribution centers and related operations – adding additional jobs to the local economy. Besides economic development, the region would also benefit from infrastructure improvements, particularly access to and improvements to Interstate and rail connections. The property, already zoned for heavy industrial, includes 4,000 linear feet of frontage on the Cape Fear River with highway and nearby rail access.[32]

7.7.3 Future Port Needs

In April 2006, the NCSPA Board passed a resolution asking NCDOT to move forward as soon as possible on highway and rail access to support the new NCIP on the west bank of the Cape Fear River near Southport. The main focus of the resolution is the engineering and environmental studies needed to proceed with improvements to rail and road access to the new port. The NCPA also requested NCDOT to:

---

[32] http://www.ncports.com



- Identify major infrastructure (road and rail) improvements to accommodate the NCIP freight movement; and
- Identify and pursue a funding strategy for providing highway and rail access to the new port, and "fast track" the project for a 2012 target completion date of the first phase of development.[33]

7.7.4 Future Cargo Growth

In Fiscal Year 2006, the NCSPA recorded record annual revenues and its largest profit in 15 years. Double-digit growth in container business and bulk cargo at the Port of Wilmington, and in breakbulk cargo at the Port of Morehead City, combined for the Authority's fourth consecutive year of growth. Growth in the container business and bulk cargo are expected to increase 14 percent in 2007 and expected to double by the year 2015.

7.7.4.1 Access Needs to the Port of Wilmington

The main access route to the Port of Wilmington from the north traverses over the Memorial Bridge, which is currently a choke point for trucks accessing the port. The North Carolina Turnpike Authority is currently studying extending I-140 9.5 miles and this improvement would include a new crossing of the Cape Fear River near the Port of Wilmington. The new crossing is called the Cape Fear Skyway and is under consideration for construction as a toll highway. The proposed Skyway Bridge would run from Carolina Beach Road at Independence Boulevard south of Wilmington over the Cape Fear River. It would then connect to US 17 through an 8-mile-long extension of Interstate 140 from its current planned end near Town Creek. The project, if officially approved, is expected to cost around $350 million. The feasibility study is due to be completed in 2006 and if approved, construction could start as early as 2009.[34]

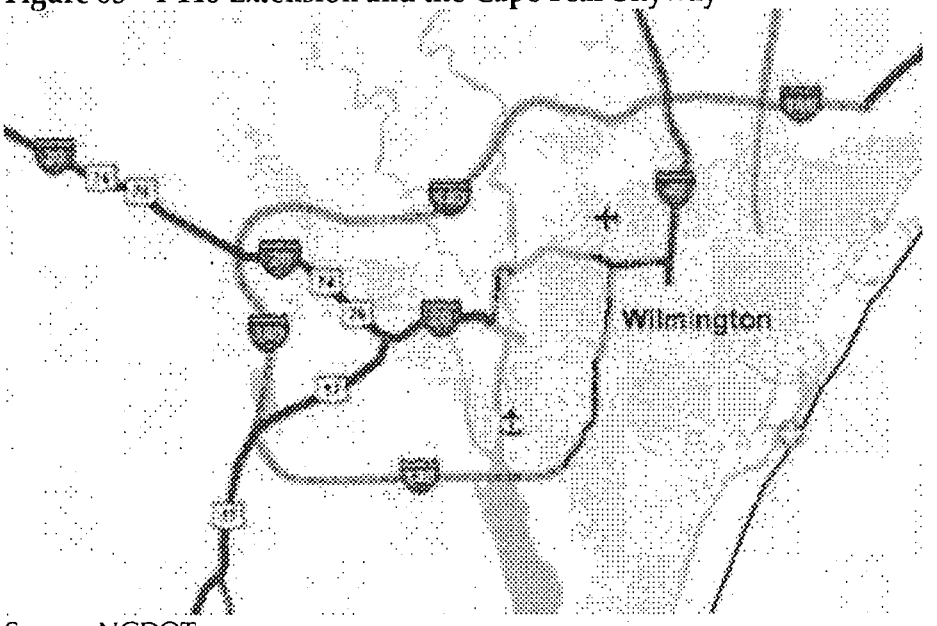
The proposed Cape Fear Skyway, as shown in **Figure 83**, would provide improved access over the Cape Fear River from all access points. However, once the alignment is approved, additional work is required to ensure the Port of Wilmington is provided direct access to the Cape Fear Skyway. The Cape Fear Skyway has the potential to alleviate a great deal of traffic congestion within the City of Wilmington by providing a new access route to and from the port.

---

[33] *Stem to Stern* April 2006



Figure 83 – I-140 Extension and the Cape Fear Skyway



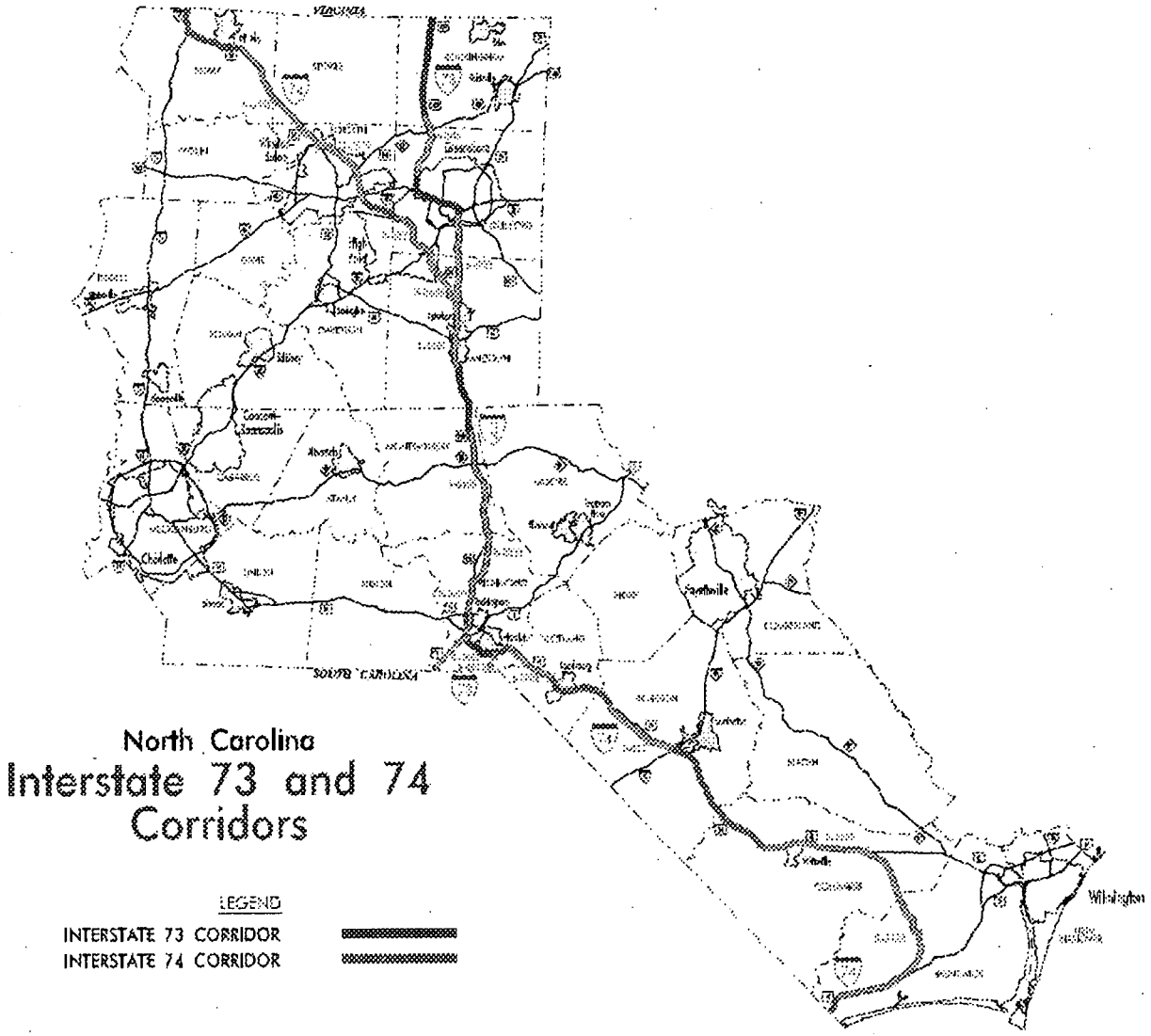
Source: NCDOT

7.7.4.2 I-73 and I-74 Improvements

NCDOT is currently working on the I-73 and I-74 corridors in the state. **Figure 84** shows the alignment of both interstates. Once the interstates are completed (as shown in on the next page), they will provide improved connectivity to the Port of Wilmington and to the new North Carolina International Port.

[34] North Carolina Turnpike Authority

Figure 84 – I-73 and I-74 Corridors



Source: NCDOT

TIP # / COUNTY	DESCRIPTION	PROJECT STATUS ** SCHEDULE	BEGIN	COMPLETE
R-3441 FORSYTH STOKES SURRY	US 52 (SC 66 AS IN WINSTON-SALEM TO I-74 IN SURRY COUNTY	UNFUNDED PROJECT		
U-2579* FORSYTH	NORTHERN BYPASS, US 52 TO US 311, NEW LOCATION.	PLANNING R/W CONST.	ON-GOING 2007 2011	MARCH 2006 2010 AFTER 2012
R-409 GUILFORD RANDOLPH	US 311, HIGH POINT EAST BELT, WEST OF HIGH POINT RESERVOIR TO US 311 SOUTH OF ARCHDALE, NEW LOCATION.	PLANNING R/W CONST.	COMPLETE COMPLETE ON-GOING	2009
R-2406 RANDOLPH	US 311, SR 1920 TO US 220, NEW LOCATION.	PLANNING R/W CONST.	COMPLETE ON-GOING 2006	2012 AFTER 2012
R-2232* MONTGOMERY RICHMOND	US 220, ERWIN TO ELLERBE, NEW LOCATION.	PLANNING R/W CONST.	COMPLETE COMPLETE ON-GOING	2006
R-3421 RICHMOND	US 220 BYPASS, I-73 /74 CORRIDOR, BYPASS OF ROCKINGHAM, FOUR LANE DIVIDED FACILITY ON NEW LOCATION.	PLANNING R/W CONST.	COMPLETE AFTER 2012 AFTER 2012	AFTER 2012 AFTER 2012
I-3800 RICHMOND SCOTLAND	UPGRADE EXISTING US 74 TO INTERSTATE STANDARDS, ROCKINGHAM-HAMLET BYPASS TO LAURINBURG BYPASS	UNFUNDED PROJECT		
R-613* ROBESON	US 74, MARION BYPASS TO NC 41, NEW LOCATION.	PLANNING R/W CONST.	COMPLETE COMPLETE ON-GOING	2008
R-3442 COLUMBUS	US 74-76, WEST OF WHITEVILLE TO THE PROPOSED US 17 WILMINGTON BYPASS.	UNFUNDED PROJECT		
R-3436 BRUNSWICK COLUMBUS	PROPOSED I-74 CORRIDOR, US 17 AT THE SOUTH CAROLINA STATE LINE IN BRUNSWICK COUNTY TO US 74-76 EAST OF WHITEVILLE IN COLUMBUS COUNTY.	FEASIBILITY STUDY REEVALUATION IN PROGRESS		
R-2417* GUILFORD ROCKINGHAM	US 220-NC 68, SR 3135 PIEDMONT RIDGE ROAD TO US 220-NC 65, NEW LOCATION.	PLANNING R/W CONST.	COMPLETE ON-GOING 2008	2012 AFTER 2012
I-4972 GUILFORD RANDOLPH	NORTH OF SR 1462 (WEST FRIENDLY AVE. EXT.) IN ARCHDALE TO I-85 IN GREENSBORO, UPGRADE TO INTERSTATE STANDARDS.	UNFUNDED PROJECT		
R-2501* RICHMOND	US 1, SOUTH CAROLINA STATE LINE TO SR 1001, WIDEN.	PLANNING R/W CONST.	ON-GOING 2008 2009	JAN 2006 AFTER 2012 AFTER 2012
I-4933 RICHMOND	US 74 /I-73 FUTURE I-73 TO SOUTH CAROLINA STATE LINE, EXPRESSWAY ON NEW LOCATION	SCHEDULED FOR PLANNING AND ENVIRONMENTAL STUDY ONLY		
I-4404 MONTGOMERY	SOUTH OF ERWIN TO NORTH OF BIGBY, WIDEN OUTSIDE SHOULDERS TEN FEET.	PLANNING R/W CONST.	ON-GOING 2008 2009	NOV 2006 2009 2010
I-4405 RANDOLPH	SOUTH OF NC 134 – US 220 BUS. TO NORTH OF SR 1462 IN ARCHDALE, SAFETY IMPROVEMENTS TO BRING FACILITY TO INTERSTATE STANDARDS.	PLANNING R/W CONST.	COMPLETE 2008 2008	2009 2011

NOTES: R-409 IS NOT BEING BUILT TO INTERSTATE STANDARDS.

THERE ARE PORTIONS OF THE PROPOSED CORRIDORS THAT DO NOT MEET INTERSTATE STANDARDS AND DO NOT HAVE A PROJECT SCHEDULED TO IMPROVE THEM.

* INDICATES INTRASTATE PROJECT

Source: NCDOT

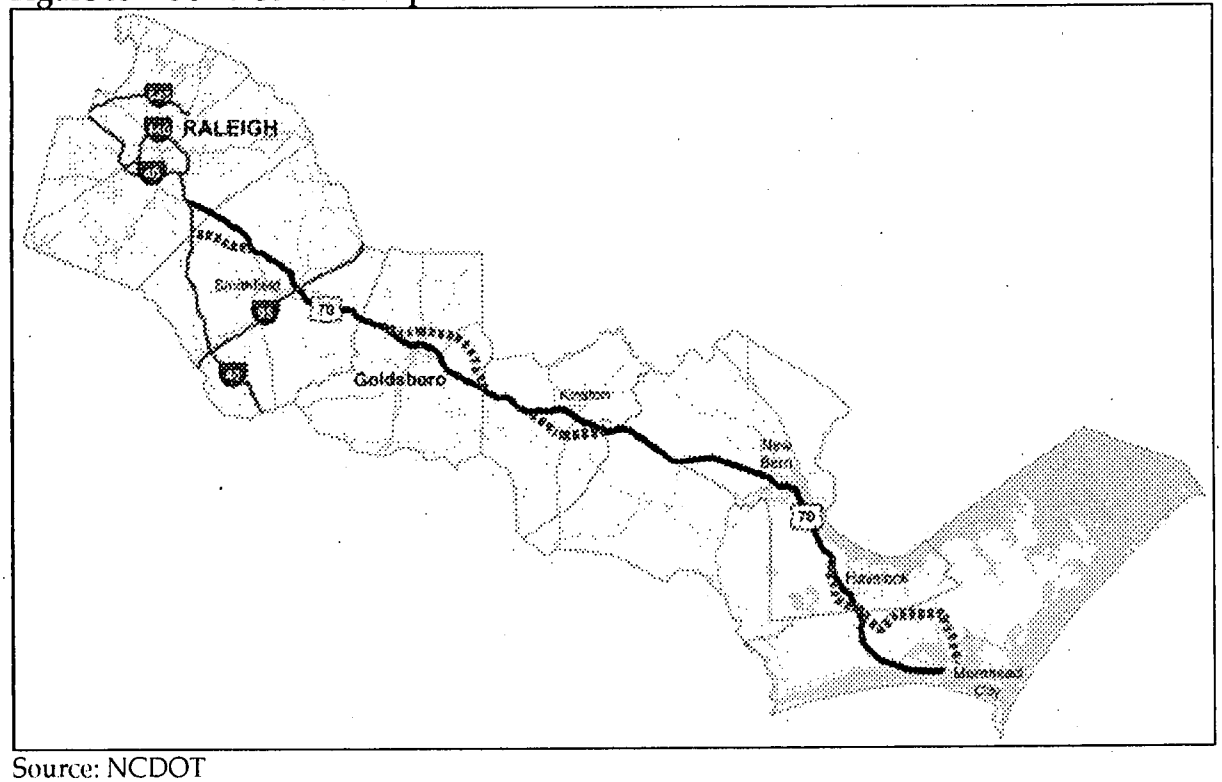
7.7.4.3 Access Needs to Port of Morehead City

US 70 is one the primary east-west corridors traversing Eastern NC. The corridor is the major facility connecting Raleigh, Smithfield, Goldsboro, Kinston, and Havelock to the Port of Morehead City. The corridor is heavily used for freight movement.

During the summer months, motorists headed to the Crystal Coast beaches frequently use the corridor. Equally important, US 70 serves as a major hurricane evacuation route in event of an oncoming storm. Traffic volumes along the corridor vary, but are highest in the Clayton and Goldsboro areas. This facility is also an important piece of multiple highway systems. The entire corridor is included in the National Highway System (NHS), the North Carolina Intrastate System, and the National Military Highway System, also known as STRAHNET. The importance of this corridor has also been recognized in the Rural Prosperity Task Force Report, as one of three corridors statewide that should be improved to assist economic development in the primarily rural areas.

As shown in **Figure 85**, NCDOT is currently undertaking multiple activities to improve passenger and freight movement along the US 70 Corridor from Raleigh to the Port at Morehead City.[35] Five bypasses around Clayton, Goldsboro, Kinston, Havelock and Morehead City are vital to ensure the efficient movement of freight well into the future.

Figure 85 – US 70 Corridor Improvements



Source: NCDOT

[35] http://www.ncdot.org/doh/preconstruct/tpb/SHC/studies/US70/Overview/

The following provides the status of each of these bypasses:[36]

Clayton Bypass
Description: I-40 to US 70-70 Business; Freeway on New Location
Length: 9.5 miles
Planning: Complete
Design: Complete
ROW Acquisition: Complete
Construction: In Progress

Goldsboro Bypass
Description: West of NC 581 to East of SR 1323; Four-Lane Freeway on New Location.
Length: 20.6 miles
Planning: Complete
Design: Complete
ROW Acquisition: In Progress
Construction: Anticipated to Begin in 2008

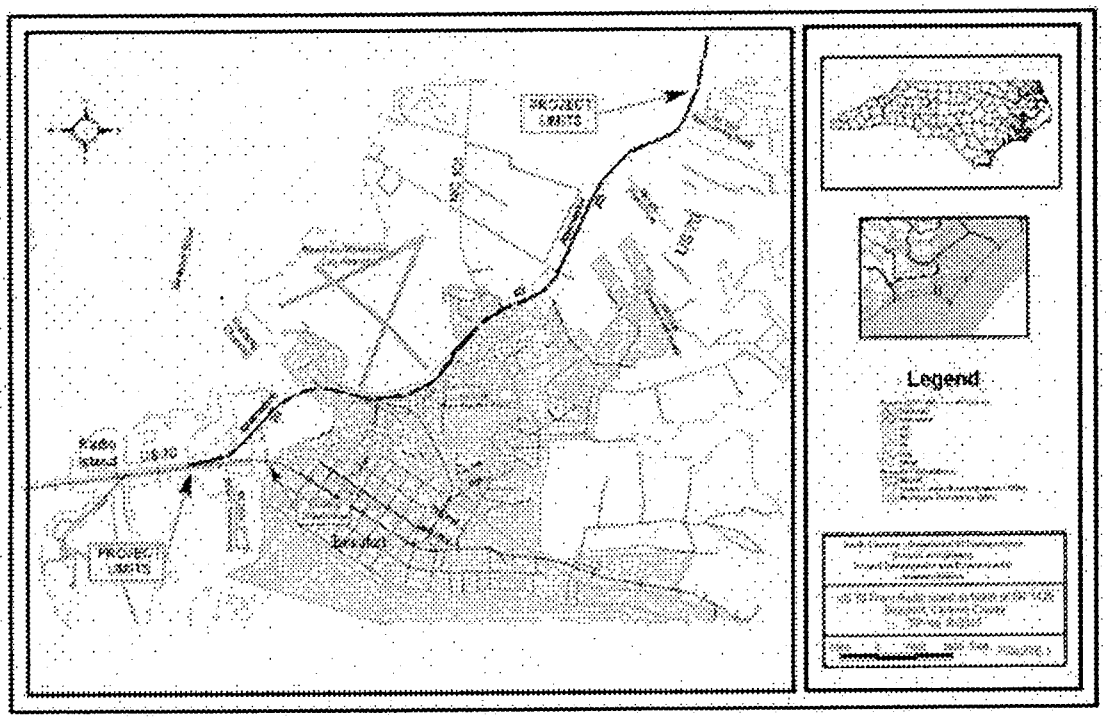
Kinston Bypass
Description: Four-Lane Freeway on New Location.
Length: 12.4 miles
Planning: Programmed for Planning and Environmental Studies Only
Design: Unfunded
ROW Acquisition: Unfunded
Construction: Unfunded

Havelock Bypass
Description: North of Pine Grove to North of the Carteret County Line; Four-Lane Freeway on New Location.
Length: 9.0 miles
Planning: In Progress
Design: In Progress
ROW Acquisition: Anticipated to Begin in 2010
Construction: Unfunded

Northern Carteret Bypass
Description: Havelock Bypass to Beaufort; Construct Multi-lane Facility.
Length: 33.1 miles
Planning: Unfunded
Design: Unfunded
ROW Acquisition: Unfunded
Construction: Unfunded

[36] NCDOT

Gallants Channel Bridge
Description: US 70 from Radio Island to North of SR 1429 Beaufort, Carteret County
Length: 2.2 miles
Planning: In Progress
Design: In Progress
ROW Acquisition: Anticipated to Begin in 2008
Construction: Unfunded



Source: NCDOT

7.7.4.4 Port Corridor Improvements

The main roadways comprising the Port corridors in North Carolina can be identified as:

- I-40 from Wilmington to Raleigh;
- US-421 from Wilmington to Greensboro;
- US-74 from Wilmington to Charlotte;
- US-17 from Wilmington to Morehead City;
- US-70 from Morehead City to Raleigh;
- I-40/I-85 from Raleigh to Greensboro; and
- I-85 from Greensboro to Charlotte.

As stated earlier, some of these roads are scheduled for significant improvement already. Improving the level of service by constructing bypasses and improving capacity in isolated areas can increase the efficiency of freight movements in North Carolina.

7.7.4.5 Critical Last Mile Needs

SR 1140 (Burnett St) from US 421 to Myers Street is identified as an official intermodal connector for the Port of Wilmington. Improving this link to the port is vital since it provides direct connectivity to the port.

7.7.4.6 Rail Access to Ports

As terminals, ports handle the largest amounts of freight, more than any other types of terminals combined. To handle large quantities of freight, port infrastructures jointly have to accommodate transshipment activities both on ships and on land and thus facilitate convergence between land transport and maritime systems. Rail plays a vital role in transporting goods to and from ports, and maintaining and expanding this link is critical. Re-establishing freight service and offering alternative rail routes to and from the Port of Wilmington was examined in the *Economic Feasibility Study for the Restoration of the Wallace to Castle Hayne Rail Corridor and Associated Port/Rail Improvements.* In the 1980's, 27 miles of railroad that connected Wallace and Castle Hayne were taken out of service and the tracks were removed by CSXT. To preserve the ROW of this important rail corridor, the Department acquired the rail line from CSXT. To improve freight rail efficiency and to encourage usage, reopening the Wallace and Castle Hayne connection would provide the Port of Wilmington direct access to markets both north and west of Wilmington. The estimated cost to restore freight service, which includes rail improvements at the Port of Wilmington and connections in Goldsboro, would total $81 million.[37] The study also recommended developing dual rail carrier access to both Wilmington and Morehead City. This improvement would assist in retaining existing customers and would support attracting new customers to these two ports.

---

[37] Economic Feasibility Study for the Restoration of the Wallace to Castle Hayne Rail Corridor and Associated Port/Rail Improvements, February 2004



7.7.5 NCDOT and NCSPA Coordination

The NCSPA coordinates with NCDOT on transportation access needs and for the purposes of this report, most of the highway related needs associated with accessing North Carolina's ports are captured in the Highway and Bridges needs. This section identified numerous highway related needs in accessing the Port of Wilmington, Morehead City (last-mile needs) and the new North Carolina International Port. Many of these projects listed below are already planned and programmed due to the close working relationship that exists between these two state partners.

7.7.5.1 Port of Wilmington

- Memorial Bridge;
- Front Street and Burnett Blvd access to the North Gate;
- Carolina Beach Road and Shipyard Blvd. access to the South (container) Gate;
- River Road;
  - Trucks cross back and forth with chassis;
  - Access to new River Road property; and
  - Future access on-and-off of the new Cape Fear Skyway Bridge.

7.7.5.2 Port of Morehead City

- Intersection of Arendell Street and US-70 at the General Terminal entrance;
- Intersection of Causeway Drive and US-70 at Radio Island; and
- Replacement of the railroad bridge bascule across the Newport River between the General Terminal and Radio Island.

7.7.5.3 Ports Authority Revenues

As an operating ports authority, NCSPA produces most of their revenues by providing services to customers. These services include cargo movement, land and facilities rentals, and supplemental labor. Some of the cargo movement services the ports provide include:

- Berthing space for cargo ships;
- Loading and unloading cargo to and from ships, trucks and rail cars;
- Cranes and other equipment to move cargo; and
- Temporary cargo storage.



As a primarily self-sustaining, revenue-producing state agency, the NCSPA operates much like a normal business; paying for expenses with revenues. This allows them to provide a valuable service to the state without burdening taxpayers - helping develop North Carolina's economy and promote local business growth, and creating more jobs.[38]

[38] Stem to Stern



Chapter 8. Approach for Updating the Next Statewide Transportation Plan

Over the next few years, NCDOT staff will undertake the process of updating highway, bridge, and non-highway needs across the three NCMIN Tiers. It is imperative that the following occurs prior to beginning this extensive exercise:

Critical Changes:

- The HPMS database needs to reflect more accurately the lower classified roadways that are included in the Subregional Tier. This improvement will allow HERS-ST to identify needs associated with this tier, which comprises over 80 percent of the state-maintained roadway miles.
- The HPMS database needs to include an attribute identifying the NCMIN Tier.
- Early in the process, NCDOT staff will need to update the following minimum tolerable conditions (MTCs) and other metrics before running HERS-ST and NBIAS:
  - IRI;
  - PSR;
  - Maximum PSR after construction;
  - Average PSR gain from resurfacing;
  - Maximum pavement life;
  - Surface type;
  - V/C Ratio;
  - Lane width;
  - Shoulder width;
  - Shoulder type;
  - Horizontal alignment;
  - Vertical alignment;
  - Curve and grade;
  - Maximum Number of Lanes after Widening; and
  - Pavement thickness.



- Early in the process, NCDOT staff will need to update the unit cost by rural and urban roadway functional classification for the following improvements:
  - Reconstruction;
    - Lane widening;
    - Pavement;
  - Resurfacing;
    - Lane widening;
    - Pavement;
  - Shoulder improvements;
  - Add lanes;
    - High cost;
    - Normal cost;
  - Alignment;
    - High cost;
    - Normal cost;
  - ROW; and
  - Bridge replacement.
- If the analysis year and the HPMS database year are not the same, then NCDOT staff will need to update traffic volumes (AADT) and include them in the HPMS database. To accomplish this, using the HPMS database from 4 or 5 consecutive years, compound annualized growth rates (CAGR) can be computed for each roadway functional classification and then applied to the HPMS database being used in the STP update. Compound annual growth rate was the method used in the 2006 STP update to assess the average growth of traffic (AADT) over time.
- The needs should be categorized in the following manner:
  - Expansion;
    - New Location / Urban Loop - Most recent STIP;
    - Interstate Widening - HERS-ST;
    - Reconstruction with additional lanes - HERS-ST;
    - Adding lanes without modernization - HERS-ST;



- Modernization;
  - Widen narrow lanes / safety – HERS-ST;
  - Resurface / improve shoulders – HERS-ST;
  - Pavement reconstruction – HERS-ST;
- Preservation;
  - Preservation - highway resurfacing – HERS-ST;
  - Rural Local Roads / Secondary Roads – NCDOT; and
- Maintenance – NCDOT Annual Maintenance Report.

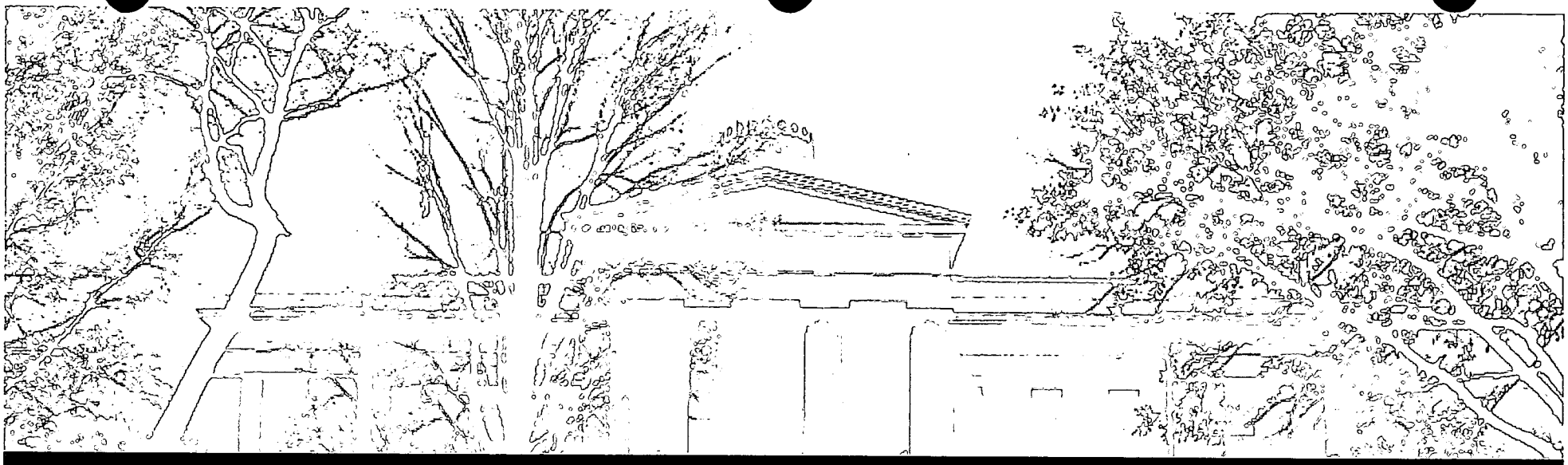
- NCDOT staff will need to identify secondary roadway needs, which is part of the Subregional Tier not included in the HPMS database.
- NCDOT staff will need further training on HERS-ST to ensure they understand how to develop sound highway needs across all tiers.
- NCDOT staff will need further training on NBIAS to ensure they understand how to develop sound bridge needs across all tiers.
- The NBIAS results in the 2005 STP update used an annual budget of $1 billion per year. This high budget was used to get "full engineering" bridge needs. It is recommended, this same budget be used for future updates.
- NCDOT staff will need to make sure the National Bridge Inventory (NBI) file ***does not*** include improvement cost, since if this value is present it will be used instead of the updated costs.
- NCDOT staff will need to identify manually bridge expansion, new location and urban loops from the most recent STIP.
- Each non-highway Division will need to annually update their expansion, modernization, and preservation needs by NCMIN Tier and by five-year (Fiscal Year) funding periods.
- NCDOT staff will need to update the 25-year revenue projections:
  - Update state revenue source (motor fuel taxes, licenses and fees, investment income, and other new sources);
  - Update the level of federal-aid funding received by NCDOT for each authorization period (3% was used in the 2006 STP update); and

- Calculate total net present value of revenues.

NCDOT should consider the following items before updating the STP:

- To get a better understanding of backlog needs, it is suggested that each non-highway Division identify backlog (existing) and accruing (future) needs by improvement type (expansion, modernization, and preservation).
- NCDOT staff should provide an updated estimate of maintenance needs by NCMIN Tier and this should be added to the expansion, modernization, and preservation to get the total roadway needs.
- NCDOT should research the capacity levels input into the HPMS database to see if they changed from the 2005 HPMS database. If a capacity change is found, then this will have an impact on expansion needs.
- Consult with State, tribal, and local agencies responsible for:
  - Land use management;
  - Natural Resources;
  - Environmental Protection;
  - Conservation; and
  - Historic Preservation.
- Consider and implement projects, strategies and services that support the economic vitality of non-metropolitan areas;
- Consider safety and security improvements on the transportation system;
- Promote consistency between transportation improvements and State and local planned growth and economic development patterns; and
- Should consider coordination of planning activities between states.





[redacted]

Prepared for:

North Carolina 21st Century Transportation Committee

January 9, 2008

Attachment II

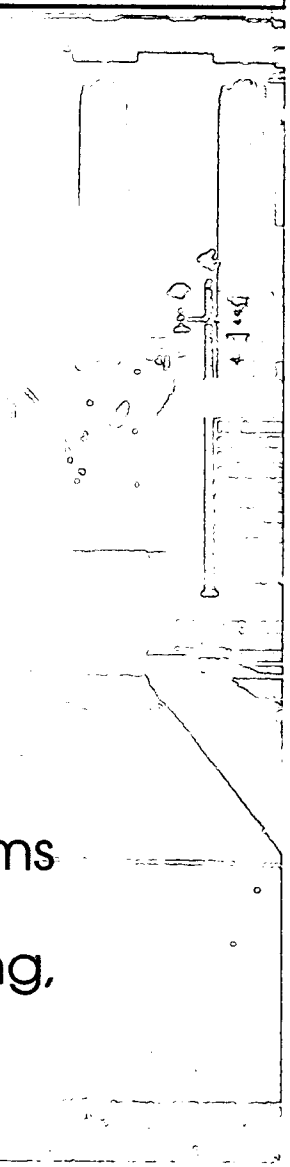
Introduction

- Tom Barry
  - Senior Vice President PBS&J
    Southeast Regional Transportation Manager
  - Former Florida DOT Secretary
  - Held a wide variety of FDOT positions including:
    - Assistant Secretary for Finance and Administration
    - Secretary and Director of Production: District Five
  - Professional Engineer



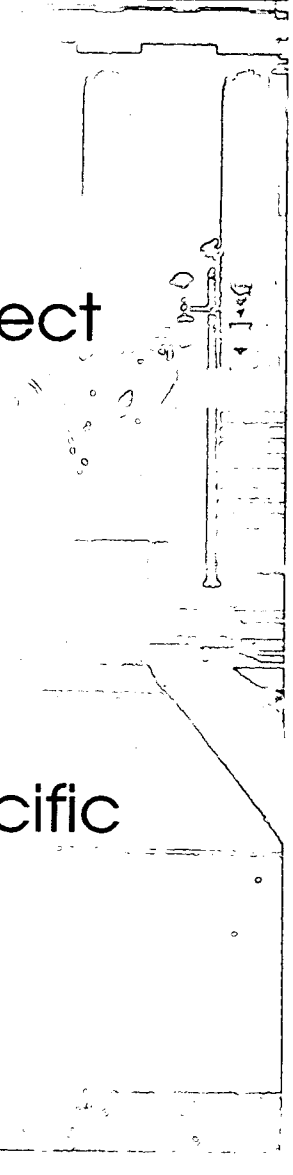
Introduction

- Gene Conti
  - Vice President PBS&J
    Mid South District Director
  - Former Chief Deputy Secretary
    North Carolina DOT
  - Held transportation related positions:
    - Assistant Secretary Transportation Policy USDOT
    - Deputy Assistant Secretary for Budget and Programs USDOT
    - Secretary Maryland Department of Labor, Licensing, and Regulation



NCDOT Project Delivery Improvement Recommendations

- 12-week study focusing on NCDOT's TIP delivery processes through three tasks:
  - Reviewed TIP management and overall project delivery process
  - Reviewed NCDOT and resource agency approaches to environmental reviews and permitting
  - Performed Value Engineering studies for specific TIP projects



TIP Management and Overall Project Delivery Process

- Review focused on major project-delivery issues raised in the Dye Management report
  - Predictability, accountability, communications for project delivery
  - Overall project-delivery process (specifically development/delivery TIP and use of alternative-delivery options)
  - Causes of delay
  - Project-management principles/practice



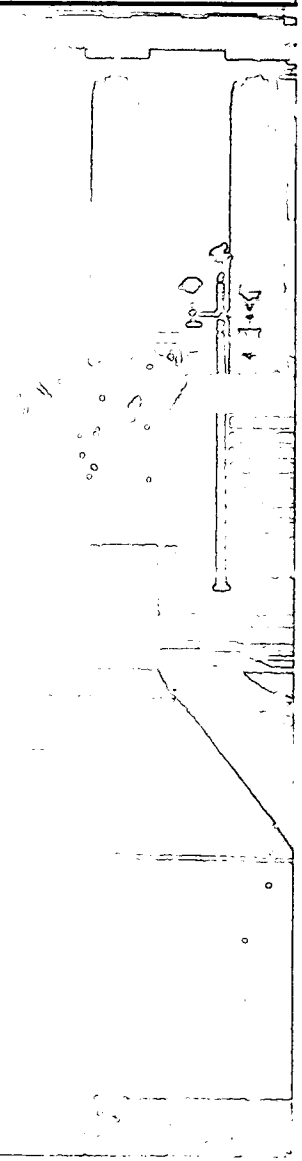
TIP Management and Overall Project Delivery Process

- Conducted interviews with:
  - Senior NCDOT staff
  - Former NCDOT staff
  - Transportation industry leaders and organizations
  - Work conducted in roughly same time frame as McKinsey diagnostic effort



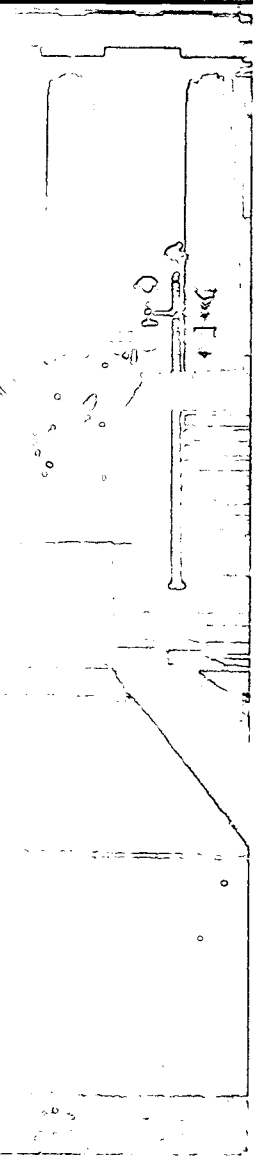
TIP Management and Overall Project Delivery Process

- Findings
  - Predictability, accountability, communications for project delivery:
    - Minimal progress on Dye Management recommendations
      - 12-month/36-month lists
      - Delivery/Development TIP



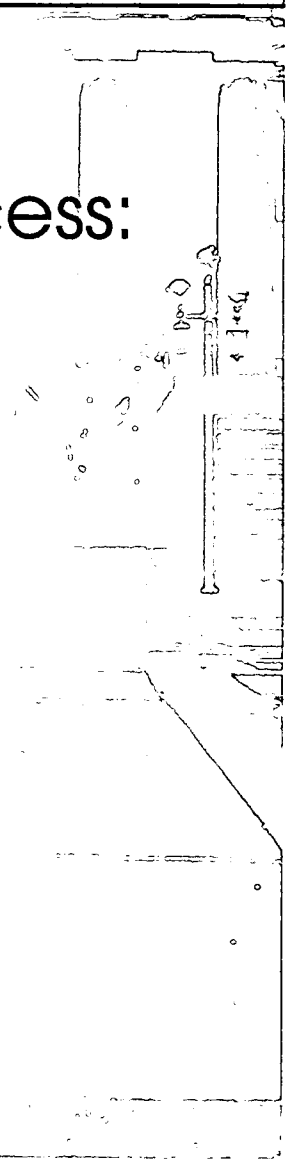
TIP Management and Overall Project Delivery Process

- Findings
  - Overall project-delivery process:
    - Delivery TIP – Value Engineering efforts
    - Alternative Delivery
    - "Turn-key" consultant contracts
    - Intrastate design alternatives



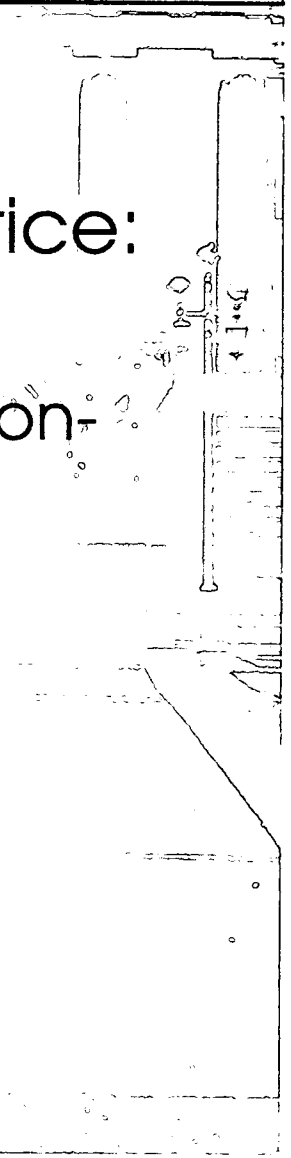
TIP Management and Overall Project Delivery Process

- Findings
  - Causes of delay – environmental process:
    - Lead agency/elevation
  - Causes of delay – consultant procurement/management:
    - Threshold raised to $250,000
    - PDEA coordinated contracting approach
    - Procurement alternatives



TIP Management and Overall Project Delivery Process

- Findings
  - Project-management principles/practice:
    - Very little progress – PM positions almost non-existent, no Program Delivery oversight
    - PMii offers potential for major gains
    - Leadership seems receptive to change – McKinsey effort

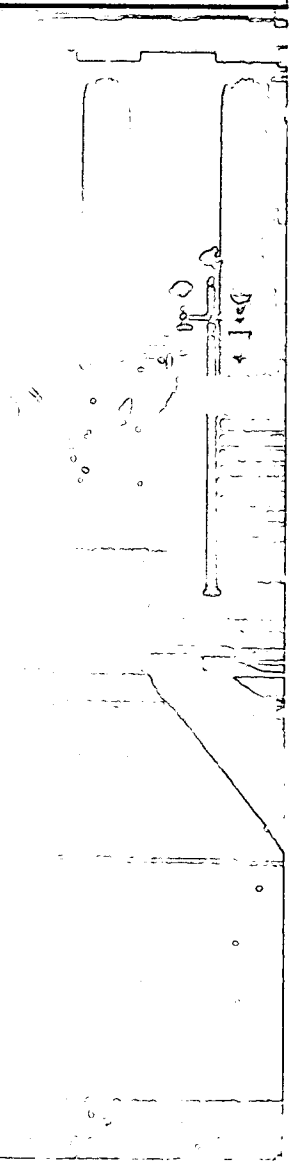


TIP Management and Overall Project Delivery Process

- Recommendations
  - Begin immediately to establish "Project Management" as the overall guiding philosophy for NCDOT.
  - Begin to use PMii both as a project-management tool and as a broader reporting mechanism. This can be achieved easily within the next 6 months - - DOT has initiated dashboard using PMii input.
  - Begin the new TIP cycle this summer, with the goal of having a measurable and realistic first- year work plan developed by May 2008, to be implemented for the second year of the TIP.
  - Develop and test alternative pre-construction scoping and contracting mechanisms to determine if significant time- or cost savings can be achieved through these new approaches.
  - Identify 10 pilot projects to test the "team delivery" concepts, using PM principles and methodologies - - consistent with McKinsey recommendations.

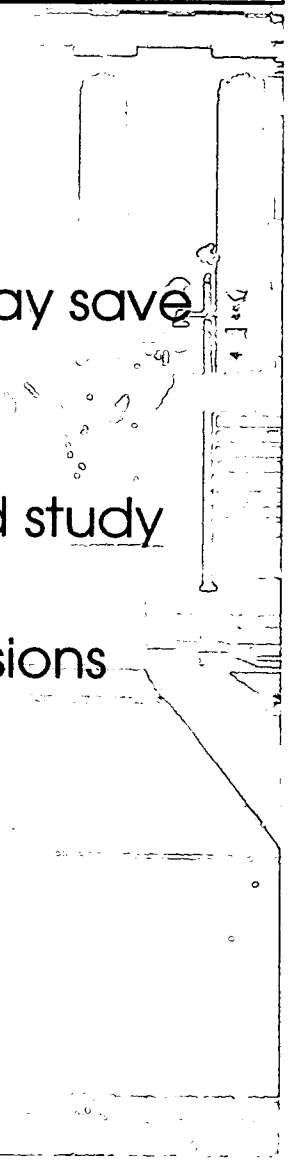
Environmental Reviews and Permitting

- Study Overview
  - Reviewed environmental policies including:
    - NEPA/404 Merger 01 process
    - NC Ecosystem Enhancement Program (EEP)
    - Stream Mitigation Guidelines
    - SAFETEA-LU and Environmental Streamlining
  - Conducted interviews with:
    - FHWA
    - NCDOT
    - USACE
    - NCDWQ
    - EPA
    - Consultants



Environmental Reviews and Permitting

- Findings
  - Merger/SAFETEA-LU Section 6002
    - Merger process is longer for planning purposes, may save permitting time
    - Section 6002 more clearly places DOT in lead role
    - Merger process generally produces more detailed study alternatives and higher levels of design
    - Section 6002 would allow more Categorical Exclusions than current Merger process/guidelines



Environmental Reviews and Permitting

- Findings
  - NC Ecosystem Enhancement (EEP)
    - Has reduced "mitigation" risk
    - Initial costs were high; recent changes have been positive from cost/efficiency perspectives
  - Stream Buffer Guidelines
    - Encouraged longer, more costly bridging in certain river basins (Tar, Neuse)- - legislature has adopted changes in this area
  - Resource Agency Funding
    - Significant investments have been made (over 30 positions now funded)



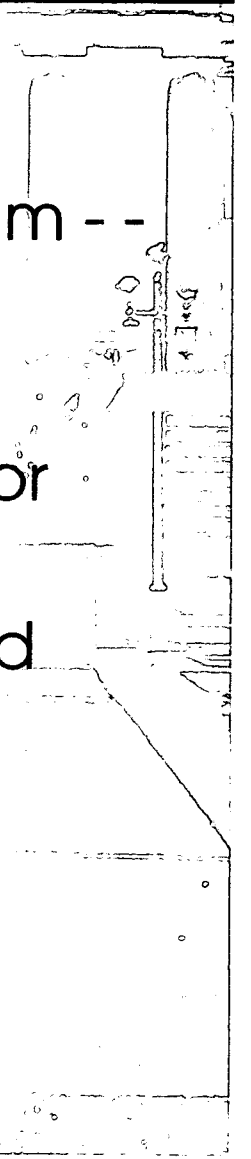
Environmental Reviews and Permitting

- Merger 01/Section 6002 Recommendations
  - NCDOT should reaffirm lead-agency status
  - NCDOT should use the "elevation" process more quickly
  - Consider endangered species prior to CP 2a
  - Expand the Categorical Exclusion process to include road widening projects
  - Execute level of design appropriate to exclude alternatives



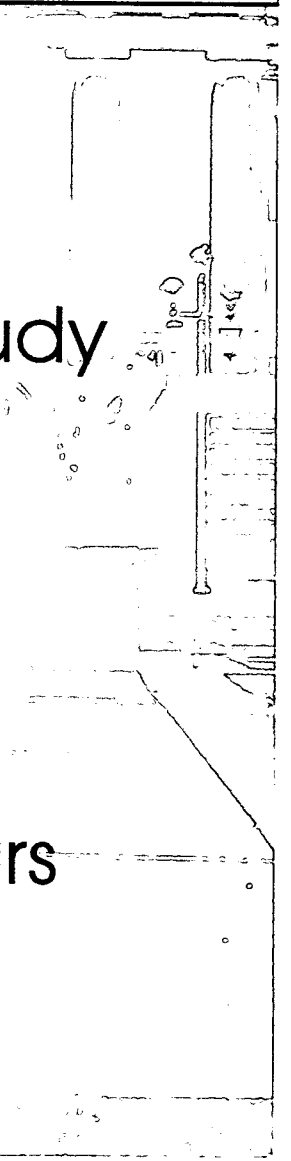
Environmental Reviews and Permitting

- Other Recommendations
  - Eliminate NCDOT's Bridge Buffer memorandum - - done
  - Improve NCDOT's GIS database - - ongoing
  - Provide Merger 01 training periodically and for new staff - - ongoing
  - Provide up-to-date computer equipment and software when needed



TIP Projects
Value Engineering

- Study Overview
  - Ten various TIP projects selected for study
  - Each project costs over $25 million
  - Each project programmed for final design/project letting within 2 to 4 years



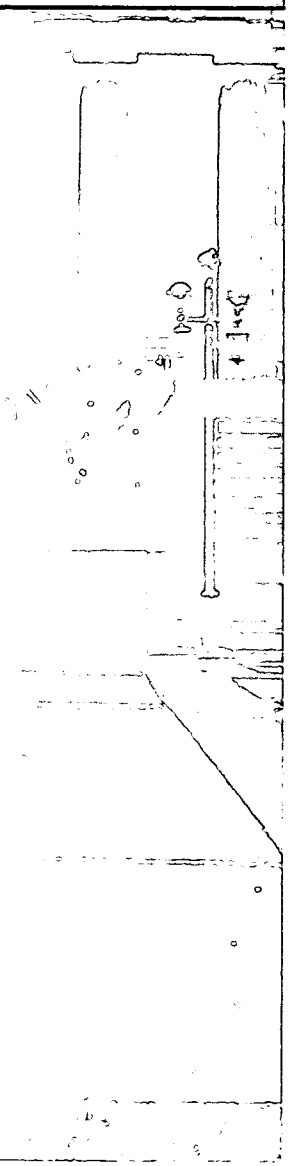
TIP Projects
Value Engineering

- Study Results

Number of TIP projects studied	10
Total estimated cost of the TIP projects	$662 million
Total cost-savings potential generated from VE studies	$97.3 million
Estimated actual cost savings realized from VE studies (based on average national results)	$40.2 million (It is believed that alternative AP-11 can be expected to yield virtually the full amount of the calculated $35.2 million in cost savings.)
Cost to perform VE studies	$215,000
Creative ideas generated	141
Cost-saving alternatives developed	52
Design suggestions documented	43

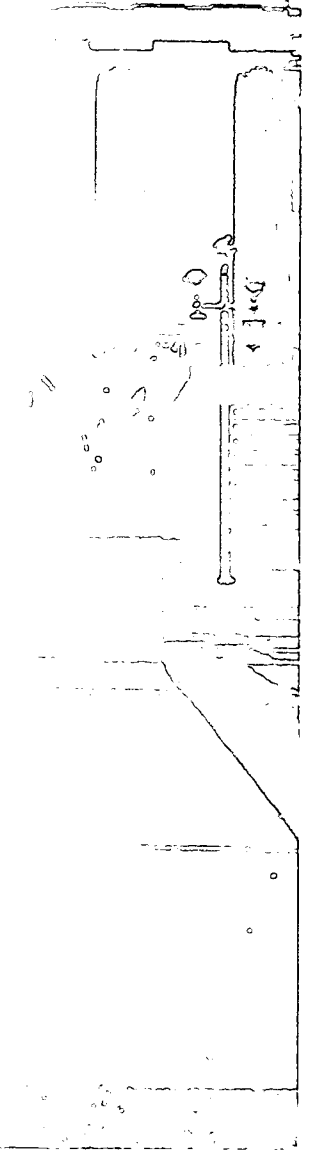
TIP Projects
Value Engineering

- Recommendations
  - Cost awareness
  - Construction cost knowledge
  - Right-of-Way
  - Median width and type
  - Context-sensitive design



TIP Projects
Value Engineering

Thank You!



Attachment 11

NCDOT PROJECT-DELIVERY IMPROVEMENT RECOMMENDATIONS

July 4, 2007



Prepared for

THE NORTH CAROLINA GENERAL ASSEMBLY

Prepared by

PBSJ

NCDOT PROJECT-DELIVERY IMPROVEMENT RECOMMENDATIONS

Prepared for

THE NORTH CAROLINA GENERAL ASSEMBLY

Prepared by

PBS&J

July 4, 2007

TABLE OF CONTENTS

Executive Summary **1**

Section 1 Status Update: NCDOT Project Delivery **3**

1.1 Introduction **3**

1.2 Findings **4**

1.2.1 Predictability, Accountability, and Communications for Project Delivery 4

1.2.2 Overall Project-Delivery Process 6

1.2.3 Addressing the Causes of Delay – Environmental Process 7

1.2.4 Addressing the Causes of Delay – Consultant Procurement and Management 8

1.2.5 Program and Project Management 9

1.3 Recommendations **12**

Section 2 NCDOT Environmental Process Review **14**

2.1 Introduction **14**

2.2 Evaluated Environment-Related Policies and Procedures **15**

2.2.1 North Carolina Ecosystem Enhancement Program (EEP) 15

2.2.2 Stream-Buffer Mitigation Guidelines 16

2.2.3 NCDOT Funding of Resource Agencies 17

2.3 NEPA/404 Merger Process and SAFETEA-LU Section 6002 ..... **17**

2.3.1 Background 17

2.3.2 Review 19

2.4 Recommendations **22**

2.4.1 Processes 22

2.4.2 Environmental Stewardship 25

Section 3 Value Engineering Study Recommendations **27**

3.1 Introduction **27**

3.2 Background **29**

3.2.1 Methodology 30

3.2.2 Purpose of Report 30

3.3 Value Engineering Studies – Project Information **30**

3.3.1 Project Descriptions 31

3.3.2 Project-Specific Recommendations 32

3.4 Recommendations **39**

3.4.1 Recommendations Based on Value Engineering Studies 40

3.4.2 Value Engineering Program Recommendations 45

3.4.3 Additional Information 47

APPENDICES

Appendix A. Value Engineering Study Summaries..... 48
Appendix B. Observations from Other Jurisdictional Practices 68
Appendix C. Value Engineering Potential..... 74

Executive Summary

In April 2007, the North Carolina General Assembly tasked PBS&J with the evaluation of policies and procedures implemented by the North Carolina Department of Transportation (NCDOT), specifically as they relate to the delivery of NCDOT projects. Three separate but related tasks were undertaken, each attempting to shed light on current NCDOT project-delivery methods and how they might be streamlined for greater cost-effectiveness and faster execution.

The purpose of this report is to provide a detailed overview of those activities and their ongoing status. The report's three main sections view the subject of NCDOT project delivery from unique perspectives: 1) addressing the current state of NCDOT project delivery with a substantial set of findings and recommendations; 2) analyzing NCDOT environmental policies and the influence they have on overall project delivery; and 3) a comprehensive set of 10 Value Engineering studies for projects in NCDOT's Transportation Improvement Program (TIP).

Three main sections of this document follow the **Executive Summary**, each pertaining to a different aspect of this overall project:

- The first section is **Status Update: NCDOT Project Delivery** and provides a snapshot overview of the current state of NCDOT project management and delivery, augmenting findings and recommendations from a 2004 report by Dye Management, as well as written responses from a November 2005 NCDOT report to the North Carolina General Assembly. This update is also based on extensive interviews with NCDOT senior managers and interested transportation industry leaders.

- The second section of the report focuses on an **NCDOT Environmental Process Review**, based upon interviews with NCDOT staff, resource agency staff, and industry representatives. This task involved an examination of the NEPA 404/ Merger 01 process versus the Federal SAFETEA-LU Section 6002 process, and the impact of those processes upon project schedules and costs. This task also included an evaluation of related environmental policies, e.g. bridge buffer rules.

- The final and largest section of the report addresses **Value Engineering Study Recommendations** for selected TIP projects. Along with a recounting of the methodology used in the Value Engineering studies conducted in April and May

2007, the reader will find detailed descriptions of the 10 different TIP projects which formed the basis of the overall study effort. Selected alternatives and design suggestions that have been detailed in specific Value Engineering study reports also appear within this section of the report. After offering project-specific suggestions, the report concludes with supplemental information about different approaches being employed by the departments of transportation of other states with regard to engineering and design practices.

Section 1
Status Update: NCDOT Project Delivery

1.1 Introduction

PBS&J directed a 12-week study for the NC General Assembly generally focused on North Carolina Department of Transportation's (NCDOT's) Transportation Improvement Program (TIP) delivery processes. This update on project delivery builds upon a more extensive study conducted in 2004 by Dye Management and also upon written responses by NCDOT provided to the North Carolina General Assembly in Nov. 2005.
In particular, there were three distinct subtasks within the overall scope of this update. One first task consisted of 10 Value Engineering (VE) studies of specific projects in the DOT pipeline. A second task focused specifically on the DOT/Resource agency approaches to environmental reviews and permitting. The final task (and the one which is the focus of this section) is on the overall TIP management and project-delivery processes.

Understandably, some of the issues developed under the VE and environmental-process tasks will be incorporated within the final report in conjunction with this task. However, this discussion will focus specifically on the major project-delivery issues listed below which were first raised in the Dye Management report. (Note that the environmental process issues in the Dye report will, for the most part, be the subject of a separate discussion.)

General Issue Areas:

- Predictability, accountability, communications for project delivery
- Overall project-delivery process (specifically development/delivery TIP and use of alternative-delivery options)
- Causes of delay – consultant procurement/management
- Project-management principles/practice

PBS&J personnel conducted 10 interviews with senior NCDOT staff and former staff as well as individual and group sessions with transportation industry leaders and organizations. The interviews were conducted to encourage open and frank dialogue and followed the general issue areas outlined above. The interviews were not recorded and comments are not attributed by name or by the position held by those offering the comment.

As stated in the Overview section of the Dye Report, "NCDOT requires...top-down department-wide organizational and business improvement changes to increase accountability and provide for 'end-to-end' management oversight and control of project delivery." The overriding conclusion of this update is that minimal progress has been made in regard to this challenge, and that significant further improvements are needed. For an organization as large (with approximately 14,000 employees) and complex (with responsibility for more than 78,000 miles of roadway, support for locally managed transit systems, a statewide rail program, ferry operations, and oversight of more than 70 general aviation airports) as NCDOT, change—and especially change management—is difficult. Such change requires nothing less than a significant and sustained commitment to creating a new culture at NCDOT. This culture must value project management and delivery at its core. Without that focus, the Department will never recapture the confidence of the taxpayers, the General Assembly, and the traveling public.

1.2 Findings

1.2.1 Predictability, Accountability, and Communications for Project Delivery

The following three recommendations were made in the Dye report:

- ***Recommendation 1.1:*** *Provide proactive and standardized delivery reports at the program and project level to policymakers, customers, and business partners.*
- ***Recommendation 1.2:*** *Revise the letting list process to improve accuracy and integrate with a multi-year delivery plan.*
- ***Recommendation 1.3:*** *Change the TIP structure to improve the ability to deliver projects as planned.*

Our update found that some progress in these areas had been achieved. However, the process of creating and monitoring the TIP needs to be overhauled.

Fundamentally, the TIP should be viewed as a planning and programming guide rather than a project- delivery tool or reporting mechanism. Measuring the TIP "success rate" and comparing projects in the TIP at the beginning of the year versus those that are actually delivered in that year, shows that NCDOT has only exceeded 80 percent once in

the last decade. In most years the success rate has hovered in the mid-50 to mid-60 percent levels. It hit an all-time low of 43 percent in 2004. These levels of "success" are not reflective of the effort expended by DOT staff and the consultant community to achieve results, nor do they reflect a standard to which any state-level transportation organization should aspire.

NCDOT has taken steps to refine and improve both a "12-month let list" and a "36-month let list." These lists are intended to reflect monthly updates for those projects that are actually moving along in the TIP pipeline, and which can be reasonably expected to be let to construction within those time frames.

These lists could also be the basis for creating 1-year and 3-year "work plans" that would build better accountability and performance-tracking capability, as well as more realistic and achievable performance levels than the current TIP and its related "success" measures. Florida DOT, for example, invests heavily in creating such work plans as a means to direct work efforts, to evaluate performance on an individual and group basis, and to report outcomes to the public and its stakeholders (the Florida Legislature and Transportation Commission).

The 3-year work plan can become the "delivery TIP" envisioned in the Dye report (and discussed below). To pursue that approach it will be critical to screen carefully which projects are placed in the plan. Should the plan become like the current TIP (i.e., a composite of the wish lists of DOT Board members, legislators, MPOs and RPOs, community leaders, etc.) then it, too, will lose its relevance as a tool to measure outcomes in the transportation arena.

Projects further out in the planning horizon (or early in the planning/environmental review processes) could be grouped into broad categories of activity in the years beyond the third year of the TIP. This is consistent with the notion of a developmental TIP (discussed below).

Transparency is a critical element in 21st Century transportation planning and project delivery. It does little good (and potentially great harm) to carry precise estimates of future projects in the TIP as if there was a level of confidence in those estimates (and in those projects) that leaves no doubt as to their ultimate construction. In fact, as projects linger in the TIP without progress, they become a liability, as far as public perception of the process and the Department.

Such projects can also raise major concerns about whether the project is "in the TIP" to solve a transportation challenge or simply because it has a "patron" advocating for it. This is not to imply that legislators, Board members, and others should not advocate for projects within their jurisdictions. Rather, it is to assert that advocacy alone should not be sufficient to carry a project forward. In the end, transportation dollars should be used to solve transportation problems. The more one can "objectify" those decisions on the basis of explicit criteria and decision-making, the better will be the performance of the overall system of which one project is a part.

NCDOT has improved its cash-management practices in recent years, and should improve its project-management approaches (as discussed later in this report) in the coming years. As a result, the tools to create more predictability and reliability in project planning and delivery could produce extremely favorable results. Furthermore, it will be easy to communicate these results to any interested party. Finally, it should reassure legislative leaders and others that the department is using its resources wisely and in the public interest, as intended.

1.2.2 Overall Project-Delivery Process

The following three recommendations were made in the Dye report:

- ***Recommendation 2.1:*** *Restructure the TIP so that it includes a development and a delivery component.*
- ***Recommendation 2.2:*** *In conjunction with the Highway Trust Fund Study committee work, amend statute so that it does not predefine the cross section of intrastate projects as four lanes.*
- ***Recommendation 2.3:*** *Evaluate alternative project-delivery options and pilot their use through the Turnpike Authority.*

A delivery TIP, or project delivery work plan, has not been fully implemented by NCDOT although the "36-month let list" could be the basis for moving in that direction quickly. Although Dye suggested a 5 year horizon for such a TIP, our experience would recommend a shorter horizon (e.g., 3 years). In general, 3 years is adequate time to acquire right-of-way, design a facility, and develop reliable costs estimates, etc., in order to advance from a planning/permitting approval to a construction let date. Beyond that time frame, it is difficult to predict when a project might be let or whether the funds will be available to do so.

The delivery TIP, then, would be comprised of projects that have already moved substantially through the Planning and Environmental phases. These projects could be good candidates for an early Value Engineering (VE) effort, partly as a mechanism to fine-tune the cost estimate for the project. Better estimates at that point will help control "scope" changes and provide more predictability to the ultimate cost of the project and the TIP. A later, more comprehensive VE study could produce additional cost savings 1 to 2 years out from the let date.

With regard to the third recommendation (piloting alternative delivery options through the North Carolina Turnpike), there is certainly merit to that approach. In fact, the Triangle Expressway (in the RTP region) is proposed to be let as a series of design-build projects, and the Mid-Currituck Bridge is being pursued as a Public-Private Partnership (P3) effort. Neither project has advanced far enough to provide any significant insights yet. NCDOT has experienced mixed results with design-build as a way to reduce costs; the greatest benefits have been derived from faster completion of the projects than under traditional design-bid-build methods.

To get projects into and through the pre-construction phase of project development/delivery, neither NCDOT nor the NCTA to this point has considered seeking "turn-key" delivery by the consulting community. This approach has been successfully used in Florida, South Carolina, and other states to expedite the pre-construction process. However, this approach can only work well in an environment where clear performance standards have been set and clear accountability is enforced on both internal DOT and external consultant staff. Since NCDOT has neither established benchmarks nor budgets for pre-construction activities, the turn-key approach is premature at this point. With leadership to establish those standards and measures, such an approach would likely prove to be another useful tool for NCDOT in improving project delivery across the board.

The recommendation regarding the Highway Trust Fund has been implemented through legislation and the department will pursue those alternative cross-sections on the intrastate system as appropriate.

1.2.3 Addressing the Causes of Delay – Environmental Process

The following recommendation was made in the Dye report:

- ***Recommendation 3.1:*** *Stabilize and further strengthen the Merger 01 process by providing automatic issue escalation if work is not completed within specified timeframes.*

Most of the environmental-process recommendations are discussed at length in another section of this report. However, it is important to note the potential of this recommendation to improve delivery times and success rates *in the context of a project management culture.*

The "elevation" process envisioned in the various agreements among DOT and the resource agencies has rarely been used. This inaction is not surprising in the context of placing "consensus" or "concurrence" as a goal above efficient project delivery. As FHWA and NCDOT assert their leadership roles in defining "purpose and need" and "detailed study alternatives," the need for elevation may increase and both agencies should be prepared to exercise their prerogative to get a timely decision.

Elevation alone will not significantly improve the project-delivery process. But elevation in the context of a project-management culture can be a powerful tool for improved decision-making and more efficient project delivery.

1.2.4 Addressing the Causes of Delay – Consultant Procurement and Management

The following three recommendations were made in the Dye report:

- ***Recommendation 4.1:*** *Simplify the consultant-procurement process.*
- ***Recommendation 4.2:*** *Establish a centralized procurement function to manage and administer all consultant contracts.*
- ***Recommendation 4.3:*** *Simplify consultant contract-approval processes.*

NCDOT has taken several steps to meet the intent of these recommendations. With regard to the third recommendation, the Board of Transportation has raised the threshold for approval of consultant contracts to $250,000. This should have a positive benefit for quicker approval of smaller contracts.

Contract administration for pre-construction contracts and activities is in the process of being consolidated under the Project Development and Environmental Analysis (PDEA) unit. Over the longer run, this should reduce the time for negotiation of rates, etc. and

give the substantive specialists in PDEA more time to focus on the issues they know best. It should also assist in creating a comprehensive database with histories for project activities and consultants that will create one set of "facts" about which to negotiate terms and scopes of work more efficiently. It is too early in the transition to declare success, but the early signs are positive about this change in approach.

Related to these procurement issues, NCDOT has not established a good budgeting process for pre-construction activities and contracts. As a result, many projects have a "start-and-stop" character to them, which most likely increases the costs to DOT and also makes it difficult for consultants to plan their workloads and maintain the capacity to work efficiently and effectively on DOT projects.

Under the current system, it can take months after the "award" of a PDEA contract for an initial scope of work to be developed and for the detailed task orders under that scope to be negotiated. This approach is neither fair to the consultant community nor cost-effective for NCDOT. It would be advisable, especially on a pilot basis, for NCDOT to test alternative methodologies for engaging consultants to perform these tasks. Both Florida and South Carolina have experienced success with different approaches to this work effort, completing pre-construction activities sooner and at lower cost than North Carolina.

Other contracting methods (e.g., "lump sum/full delivery" or incentives for early completion) are worth testing to determine if they can reduce time (on average), or reduce the ultimate costs to DOT. More predictability with some sharing of risk with the private sector could produce large benefits.

1.2.5 Program and Project Management

The following 10 recommendations are drawn from the Dye report and since they all deal with aspects of "project management," we have chosen to discuss them as a whole rather than separately:

Overall Program Management

- ***Recommendation 5.1:*** *Institute a Program-Delivery Management Committee to provide oversight, management control, and strategic direction for program management.*

- ***Recommendation 5.2:*** *Establish measurable department-wide strategic objectives for program delivery, an annual business plan for improvements, and management accountabilities for accomplishing them.*
- ***Recommendation 5.3:*** *Establish a Program Office for project delivery.*

Organizational Development to Strengthen the Application of Project-Management Principles and Practice

- ***Recommendation 6.1:*** *Build on the recent organizational change establishing TIP Program Managers by making current PDEA and Preconstruction project-manager positions:*
    - *Dedicated positions solely to project management, responsible for scope, schedule, and budget management.*
    - *Separate project-management duties from technical-work tasks.*
- ***Recommendation 6.2:*** *Strengthen project-management practices by establishing standardized business rules, roles, and responsibilities for project delivery and then codify these in a project-delivery manual.*
- ***Recommendation 6.3:*** *Establish a project-management discipline-development program for NCDOT employees that recognizes project management as a professional discipline and provides employee development and training to strengthen the project-management discipline at NCDOT.*
- ***Recommendation 6.4:*** *For the most complex and/or highest priority projects, pilot a dedicated delivery team approach.*

Project-Management Information, Metrics, Standardized Methods, and Project-Management Tools

- ***Recommendation 7.1:*** *Conduct an expedited organizational readiness assessment; then establish and implement a change-management plan for PMii.*
- ***Recommendation 7.2:*** *Design and implement a reporting system for program and project-management monitoring and control.*
- ***Recommendation 7.3:*** *Stabilize the use of PMii to support scheduling and establish a management-level reporting system before further adding to PMii or instituting other information-technology projects.*

Overall, there are a few bright spots related to "project management," but there has been limited progress in adopting a project-management culture and philosophy within the department.

The Project Management improvement initiative (PMii), an information-technology tool built over the past 4 years is now operational. (NCDOT has recently renamed this effort "Project Scheduling, Tracking, and Reporting System, or Project STARS," but we have chosen to keep the original terminology for this discussion.) This technology makes project management possible, but does not ensure its use or success. The tool is only as good as the data and information that goes into it and only if it is used to track projects, identify problems, assist resolution of those problems, and identify an owner (or owners) of the project. Accountability for project delivery can then be benchmarked, measured, and assessed.

The PMii tool will also allow an Executive Reporting system so that NCDOT can pursue making high-level information regarding project status, program status, etc., available to both internal senior managers and external stakeholders (e.g., legislative leaders and the taxpayers of North Carolina). Many states have implemented such reporting systems, notably Florida and Virginia in the Southeast. The transparency created by providing this information in clear and concise style has enormous benefits in building public confidence and support, and in assuring that problem projects or programs are identified and resolved. And when these reports are made available on the Internet, it is possible to give everyone nearly "real-time" information at the same time.

Another area where improvement has occurred is in the management of PDEA projects on a regional basis. Three PDEA regional managers have been charged with managing roughly one-third of the state; maintaining close contact with Board members, DOT staff, and resource-agency contacts in their region; and ensuring that projects are moving, meetings are being held in a timely manner, and issues are getting resolved during the process. This approach, while not "cradle-to-grave" project management, nonetheless embraces a project-management philosophy that could yield broader results if adopted in other areas.

Another example where this approach was used was in the Moving Ahead! program that the legislature authorized and the department executed from 2003–2005. Although that program focused on smaller projects of regional (rather than statewide) import, the approach used to develop those projects and deliver them demonstrated a different method of project delivery that could hold important lessons for larger projects. That

method offered more direction and control by DOT regional staff, early identification of issues that could jeopardize or delay project delivery, and a focus on achieving immediate improvements in traffic flow, safety, or other variables. Moving Ahead! did not seek the ultimate 30-year solution when a 10-year improvement project would work in its stead. The way these projects were screened and reviewed could inform the process of preparing the "delivery TIP."

Unfortunately, for most of the other recommendations offered herein, the Department's response has been minimal or non-existent. A Program-Delivery Management Committee was established, but has not met on a regular basis since its formation. No office has been established for project-delivery oversight. Two Project Manager (PM) positions were created (for a brief time) in PDEA, but when the two incumbents secured other positions, these PM positions were never filled again.

Pre-construction activities are now managed by co-project managers but, in essence, it appears that this approach has limited impact—even though it is viewed positively by both internal and external stakeholders. It is too tentative in both breadth of activities covered and in its immersion within a broader culture focused on delivering entire projects, rather than documents or permits.

Our discussions with department leaders indicated receptivity to the "delivery team" approach and the PDEA efforts could certainly be the foundation for more aggressive use of that approach. "Piloting" these concepts on a few high-visibility, high-priority projects could assist the department in building rank-and-file support for a project-management culture.

1.3 Recommendations

1. Begin immediately to establish "Project Management" as the overall guiding philosophy for NCDOT. This can be started immediately by implementing several of the Dye Management recommendations, e.g. standardizing business rules and responsibilities, identifying and filling key PM positions, and establishing a small but strong Project Management Office.
2. Begin to use PMii both as a project-management tool and as a broader reporting mechanism. This can be achieved easily within the next 6 months, as a technological challenge, if there is a leadership focus and commitment to it.

3. Begin the new TIP cycle this summer, with the goal of having a measurable and realistic first- year work plan developed by May 2008, to be implemented for the second year of the TIP.
4. Develop and test alternative pre-construction scoping and contracting mechanisms to determine if significant time- or cost savings can be achieved through these new approaches.
5. Identify 10 pilot projects to test the "team delivery" concepts, using PM principles and methodologies.

Section 2
NCDOT Environmental Process Review

2.1 Introduction

A limited review and analysis of the North Carolina Department of Transportation's (NCDOT) environment-related policies and procedures as they relate to the delivery of the Transportation Improvement Program (TIP) was conducted in April 2007. This report summarizes the findings of that review and makes several recommendations regarding initiatives or changes that may reduce the pre-construction costs and/or schedules of transportation projects.

The scope of services consisted of two environmental tasks:

1. **TASK 1** – Review and analyze the current status of environment-related policies to develop alternative approaches that could produce cost savings without jeopardizing environmental standards.
2. **TASK 2** – Analyze the NEPA/404 Merger 01 process versus the Federal SAFETEA-LU Section 6002 process and the impact on costs and time in the delivery of the construction program.

The review and analysis for these two tasks consisted of two work efforts. The first involved a review of the following materials:

- The National Environmental Policy Act (NEPA)/404 Merger01 process (http://www.ncdot.org/doh/preconstruct/pe/MERGER01/default.html)
- NC Ecosystem Enhancement Program (www.nceep.net)
- Stream Mitigation Guidelines (Buffer Widths and Riparian Mitigation) (www.ncdot.org/doh/preconstruct/pe/NEU/NEUProcedures/)
- SAFETEA-LU and Environmental Streamlining (www.environment.fhwa.dot.gov)

The second effort consisted of a series of 10 interviews with staff members from the Federal Highway Administration (FHWA), NCDOT, U.S. Army Corps of Engineers (USACE), North Carolina Department of Environment and Natural Resources – Division of Water Quality (NCDWQ), and the U.S. Environmental Protection Agency (EPA).

These agencies are involved in the NEPA/404 Merger 01 process and/or permitting for TIP projects. In addition, interviews were conducted with several consultants who provide services related to NCDOT projects to these agencies.

Most of the discussion and information received from the interviews was anecdotal. However, memoranda, graphs, and other data were also obtained and will be referenced (as appropriate) in this review.

The findings from each of the two environmental tasks are described below. The report concludes with a **Recommendations** section.

2.2 Evaluated Environment-Related Policies and Procedures

The review of environmental policies and procedures (not including NEPA/404 Merger 01) to identify potential construction-cost savings focused on three topics:

- The North Carolina Ecosystem Enhancement Program (EEP)
- Stream Mitigation Guidelines (Riparian Restoration)
- NCDOT–Assisted Resource Agency Staffing

2.2.1 North Carolina Ecosystem Enhancement Program (EEP)

According to its stated purpose, the mission of the North Carolina Ecosystem Enhancement Program (EEP) is "to restore, enhance, preserve and protect the functions associated with wetlands, streams, and riparian areas, including but not limited to those necessary for the restoration, maintenance and protection of water quality and riparian habitats throughout North Carolina." The program considers future road construction and development-related impacts along with environmental data to determine high-priority watershed sites across North Carolina for use as mitigation for impacts from future transportation projects and other economic-development projects.
NCDOT entered into an agreement in 2004 whereby NCDOT is responsible for providing EEP (no later than Feb. 1 of each year) with a certified report of all anticipated wetlands, buffer, and stream impacts by year, for 7 years into the future.

For anticipated wetland impacts, the units are acres of riverine, non-riverine, and coastal marsh. For buffers, the units are square feet, and for streams, the units are linear feet.

During each 12-month period, quarterly updates are required to be submitted (due on Feb. 1, May 1, Aug. 1, and Nov. 1, respectively. The estimates are prepared by NCDOT staff for all projects in the TIP, using geographic information systems (GIS), actual field surveys if available, and other data, depending upon the status of the project in the project-development process. Funds are provided by NCDOT on a quarterly basis for the cost of the projected mitigation, in anticipation that roadway construction impacts are mitigated—and monitored for success—prior to construction occurring.

All interviewees believed that the EEP process is a successful program that has resulted in the elimination of permitting delays that result from lack of wetland and stream mitigation or due to disputes between NCDOT and resource agencies regarding mitigation. There appeared to be consensus among the NCDOT staff interviewed (as well as unanimity among consultants interviewed), however, that impacts may be overestimated (subsequently resulting in potential over-payment). The reasons cited for the overestimations included the lack of accurate impact measures due to uncertainty about project footprint, bridge length, and roadway type 7 years prior to construction. The resource agencies require that mitigation measures be in place and monitored for success for 5 years before construction. In addition, many interviewees noted the varying accuracy of GIS data used to create initial impact estimates, which is dependent upon the age, geographic location, and field verification of the natural system data. In many cases, these impacts are never adjusted to reflect later project-development refinement. Finally, because of inattention to evaluating the original NCDOT assets transferred to EEP, there is a strong consensus that the ratios (of mitigated assets to impacts) have been consistently understated, i.e. ratios of 2 to 1 or higher have been required on assets that have been performing well and should more properly be valued at 1 to 1. This alone would reduce mitigation costs significantly.

2.2.2 Stream-Buffer Mitigation Guidelines

The project scope of services listed riparian buffers as a possible concern. This area is more accurately described as stream-mitigation guidelines, or more specifically, Buffer Widths and Riparian Restoration. In most cases, a protected buffer of a minimum of 50 feet on piedmont/coastal plain streams and 30 feet on mountain streams in designated watersheds is required at stream-mitigation sites. The requirement is currently implemented at NCDOT through a memorandum titled "Bridging of Riparian Buffer Zones" by NCDOT Deputy Secretary, Roger Sheats (dated June 5, 2002). This memorandum begins with the statement, "To the greatest extent possible, all highways on new construction that have stream crossings where a bridge structure is proposed shall

provide sufficient structure to avoid embankment or abutment encroachment into riparian zones 1 and 2 of the watercourse...The NCDOT shall consider such bridging as a requisite minimization of unavoidable impacts...."

It is a perception among several interviewees (including consultants) that the memorandum encourages greater bridge length than is required by regulations or environmental stewardship, and consequently creates greater bridge costs—both in initial construction and long-term maintenance—when NCDOT is bridging riparian buffer zones in designated watersheds. In fact, NCDOT calculated additional bridge-construction costs of $4.2 million on recent projects (e.g., the Clayton and Knightdale bypasses) versus mitigation costs of less than $200,000 where a mitigation strategy was pursued instead of the longer bridges. There are additional future bridge-maintenance costs, as well.

2.2.3 NCDOT Funding of Resource Agencies

NCDOT provides funds to several resource agencies in order to facilitate the NEPA/404 Merger 01 process, review of project documentation, and permitting of transportation projects. When questioned about the NEPA/404 Merger 01 process, all respondents stated that the funding assistance did result in more effective agency coordination, which results in more timely reviews and predictable permits. This funding supports more than 30 positions outside of NCDOT to facilitate these processes.

2.3 NEPA/404 Merger Process and SAFETEA-LU Section 6002

2.3.1 Background

NEPA/404 Merger Process

The NEPA/404 Merger 01 is a process intended to streamline the project development and permitting processes in North Carolina, as agreed to by the primary signatory agencies: U.S. Army Corps of Engineers (USACE); NC Department of Environment and Natural Resources (Division of Water Quality [DWQ] and Division of Coastal Management [DCM]); Federal Highway Administration (FHWA); and NCDOT. The Section 404/NEPA Merger process has been applied to surface transportation projects in the State of North Carolina since the original agreement integrating Section 404 permit requirements with the NEPA process was signed in May 1997. A modified agreement

was signed in May/June 2005 by the primary signatory agencies. It incorporated streamlining provisions of the Transportation Equity Act for the 21st Century (TEA-21) and other improvements and was titled "Merger 01."

The Merger 01 process generally applies to new location projects and other projects requiring an individual Section 404 permit. Major milestones in the Merger 01 process are called concurrence points. "Concurrence" implies that each project team member and the agency that person represents agrees to decisions made at these defining points within the project-development process, and in doing so, pledges to abide by the decision made, unless a profound change of conditions arises later in the process. Concurrence is sequential and must be achieved in the proper order. There are seven concurrence points (CP) in the Merger 01 process. Signatures indicating concurrence with each point are required from the NCDOT, FHWA, U.S. Army Corps of Engineers, and the NC Division of Water Quality.

In recognition of the different types of projects, NCDOT has developed separate detailed processes for new location projects (Process I), widening projects (Process II), and bridge projects (Process III) within the overall Merger 01 process.

The FHWA and NCDOT are developing new Merger 01 training. This instruction will be intended for staff from FHWA, NCDOT, resource agencies, and consultants. A full roll-out of this new training pledge is expected in summer 2007.

SAFETEA-LU Section 6002

Section 6002 of SAFETEA-LU prescribes changes to existing FHWA and FTA procedures for implementing the National Environmental Policy Act of 1969 (NEPA) as amended, and for implementing the regulations of the Council on Environmental Quality (CEQ) regarding 40 CFR parts 1500 through 1508. Section 6002 states that, "These changes are the result of efforts to make the environmental-review process more efficient and timely, and to protect environmental and community resources. This should result in expedited approvals of urgently needed transportation improvements such as those identified by USDOT's congestion initiative. Section 6002 of SAFETEA-LU describes the roles of the project sponsor and the lead, participating, and cooperating agencies; sets new requirements for coordinating and scheduling agency reviews; broadens the authority for states to use Federal funds to ensure timely environmental reviews; and specifies a process for resolving interagency disagreements." (Section 6002 can be reviewed in its entirety at www.fhwa.dot.gov/hep/section6002/intro.htm.)

2.3.2 Review

The analyses of the Merger 01 process and the comparison of the Merger 01 process with the FHWA requirements and regulations of SAFETEA-LU Environmental Review Process – Section 6002 (often referred to as "streamlining") consisted of reviewing materials about Merger 01 on the NCDOT website, and examining Section 6002 on the FHWA website. The Merger 01 process was discussed thoroughly with all of the interviewees, and the Merger 01 process and the Section 6002 process were discussed with three representatives of FHWA. In addition, the authors are very familiar with the State of Florida's Efficient Transportation Decision Making (ETDM) process. The State of Florida (utilizing the ETDM process) was the only state to be immediately granted a waiver by FHWA for compliance with SAFETEA-LU.

Study team members (in consultation with FHWA and other PBS&J offices) were unable to identify any other states developing an independent streamlining process to address Section 6002. Several other states are in the process of revising their NEPA processes, in hopes of becoming compliant with Section 6002, but none have yet been approved by FHWA.

NCDOT staff is currently in the process of modifying the Merger 01 process to make it compliant with SAFETEA-LU Section 6002, and also has several other initiatives underway. NCDOT staff has determined that (while the Section 6002 process requirements regarding resource agency coordination are met or exceeded) it appears that a process for early public involvement (prior to Concurrence Point 1 – Purpose and Need for Project) is needed in order to address components of Section 6002. Section 6002 also encourages, but does not require, the development and publication of project schedules.

A particular emphasis of Section 6002 is reaffirming USDOT (FHWA in the case of road projects) as **the** lead agency for transportation projects. In addition, recipient agencies (e.g., NCDOT) can also be "joint lead agencies." All other agencies (Federal, state, or local) are considered participating or cooperating agencies (the web page referenced on the preceding page explains these terms in detail). Of relevance to the review, Section 6002 gives clear authority to USDOT—and NCDOT as the joint lead agency—to define "purpose and need," to determine alternatives to be considered in NEPA, and to determine the level of design required for the preferred alternatives. All of these authorities have become blurred or diffused under the Merger 01 process, as practiced in North Carolina during recent years.

Some elements of the Merger 01 process, such as the need for signed concurrence at various stages in the project development/NEPA process, are beyond what is required in the Section 6002 process. However, many interviewees believed that these elements of the Merger 01 process help guarantee an efficient permit application/issuance process with few or no delays occurring at that stage. Following the consensus-driven approach (in which signatures are not required at each step) described in Section 6002 may advance the early stages of the project faster since concurrence is not required and steps can overlap. However, it could lead to uncertainties in the permit application/issuance process if agency concerns voiced during the agency coordination process are not addressed. This trade-off between NEPA approval and the granting of permits is a critical aspect of comparing the Merger 01 process and Section 6002.

For example, a comparison of the Merger 01 process with the Florida Efficient Transportation Decision Making (ETDM) shows that the Merger 01 process provides a more predictable and shorter permitting process. However, several interviewees noted that while the Merger 01 process results in predictable permitting and less time spent in permit processing, it is likely that overall pre-construction project development and NEPA schedules have not been reduced—especially for projects at new locations. The Merger 01 process differs from ETDM in that it is not directly tied to local government and MPO long-range transportation planning and project identification. As a result, the Merger 01 process takes additional time to reach concurrence about Purpose and Need (CP 1) and requires more engineering detail and the detailed analyses of greater numbers of alternatives prior to CP 2 (Detailed Study Alternatives) and between CP 2 and CP 3 (Selection of Least Environmentally Damaging Alternative [LEDPA]/Preferred Alternative).

A higher level of engineering design and analyses of greater numbers of alternatives will result in higher planning costs for most projects, particularly lengthy new location projects. The level of engineering design used in Merger 01 differs from Florida DOT's ETDM process and the processes used by the DOTs of Pennsylvania, Texas, and Colorado. The Merger 01 process utilizes a higher level of engineering design earlier in the process and these additional design costs may produce no significant benefit if that alternative location is subsequently dropped later in the merger process.
The earlier Dye Management Report showed that North Carolina has a much greater number of Environmental Assessments (EA) than many other comparable states. The report recommended that NCDOT explore opportunities for reducing EAs in a manner similar to Florida's expanded CE process. A number of years ago, Florida entered into an agreement with the Federal Highway Administration (FHWA) to prepare an additional

type of Categorical Exclusion (CE) for specific types of roadway improvements, including the widening of roads when the projects meet certain criteria. The projects must exert no significant impacts on a checklist of potential impacts.

It should also be noted that the Merger 01 process and EEP both focus on water quality and wetland impacts and mitigation, while Section 7 of the Endangered Species Act (ESA) of 1973 as amended (and its role and review as part of NEPA) appear not to be specifically addressed in any of the proposed NCDOT initiatives.

Significant endangered-species issues have caused few project delays since the implementation of the Merger 01 process. However, as endangered-species coordination is not a required CP, a project could get stalled at or after CP 4a (Avoidance and Minimization) in the Merger 01 process until the issues are resolved through a Section 7 Consultation required before the completion of a Final Environmental Impact Statement (FEIS). One example of this occurring in North Carolina is the Monroe Bypass in Union County (TIP Project R-2559). The project was in the permitting process in the late 1990s/early 2000s when issues associated with the Carolina heelsplitter (an endangered freshwater mussel) delayed implementation of the project. This project has since been adopted by the NC Turnpike Authority as a candidate toll facility in combination with the Monroe Connector (TIP Project R-3329), and it is now being developed using the Section 6002 process, rather than Merger 01. This change in process will not expedite the resolution of the endangered species issue.

Several other actions beyond the development and revisions to the Merger 01 process have already resulted in schedule reduction and a predictable permitting schedule. These actions include:

- Better data management because of the data warehouse maintained by NCDOT Natural Environment Unit
- Increased NCDOT funding of resource agency positions
- Merger 01 process resource agency training in 2003 and 2004.

A discussion of other new NCDOT initiatives is included in the **Recommendations** section.

2.4 Recommendations

The recommendations provided herein address the Merger 01 process. NCDOT staff has also implemented several initiatives to decrease TIP pre-construction costs. The initiatives are at varying stages of discussion and development. Some of them are discussed below and others are part of the project delivery review, which is another focus of this study.

2.4.1 Processes

Merger 01 and Section 6002

NCDOT is currently planning to continue using Merger 01, making the changes needed to meet additional requirements in SAFETEA-LU Section 6002. As noted in this document, NCDOT prepared a submittal to FHWA that proposes, along with other minor changes, an addition of public (including agencies) meeting(s) prior to Merger 01 Concurrence Point 1, in order to meet SAFETEA-LU regulations in Section 6002. It appears that the proposed changes will result in NCDOT compliance with SAFETEA-LU. This method of compliance with SAFETEA-LU should continue to be pursued. However, NCDOT should reaffirm its lead-agency status in Merger 01 and seek agreement from cooperating agencies that acknowledges that lead role. Specifically, the definition of "purpose and need" and the definition of alternatives should remain within the lead agency purview and not be subject to lengthy reviews by participating agencies. Finally, the "elevation" process (which anticipates a series of steps to elevate a project or concurrence- point decision to higher levels in the agencies) should be used more frequently in order to resolve disagreements among participating agencies.

Other Potential Merger 01 Process Improvements

Endangered-species impacts are not explicitly included in the Merger 01 process, but have the potential to delay the pre-construction process and NEPA documentation. It is recommended that a process be developed to identify the potential and locate the presence of such species prior to Merger 01 Concurrence Point 2a. Colorado has been effective in its integration of conservation planning into their program, and in its programmatic mitigation for protected species. According to some interviewees, EEP was established to be able to accommodate a mitigation process of this type.

The Merger 01 process for road widenings (Process II) should be evaluated for streamlining opportunities. Road widenings typically start with a limited number of alternatives (e.g., widen symmetrically, to either side, or a combination of methods). Options to consider for streamlining could include combining or eliminating concurrence

points, postponing detailed designs or evaluations until only one or two alternatives remain, or exempting widening projects altogether for the merger process.

As part of the implementation of Section 6002, the FHWA encourages states to assume responsibility for Categorical Exclusions (CE). NCDOT is currently reviewing the CE process. The study team has recommended that the NCDOT develop a process (similar to Florida's) for the addition or expansion of CE evaluation and documentation for widening projects with no significant social or physical impacts, or significant controversy. The expanded CE process should either remove these projects from the Merger 01 process.

In addition to CE improvements, the level of engineering design utilized in the NEPA process for widenings and new location projects prior to the detailed study alternatives should be evaluated to determine if some types of projects could have a lesser level of design employed. The level of design should still achieve a certain level of confidence in the impact determinations adequate for early decision-making purposes.

Comments from interviewees suggest that in some instances, providing partial natural-resources data and survey results to other project-development team members before an entire environmental report is complete (i.e., by providing wetland and stream delineations prior to completion of the entire natural-resource technical memorandum) could improve efficiency. The natural resources technical memorandum addresses several types of natural-resource issues, including: water quality; wetlands; streams; protected species; and biotic communities. Some endangered plant species must be surveyed during specific times of the year, which can affect when a complete technical memorandum can be delivered. Providing partial data may need to be considered on a case-by-case basis, since delivery of partial data sooner may require multiple site visits and increase the costs and/or delivery time of the complete report.

GIS Improvements

NCDOT leadership is evaluating the existing NCDOT geographic information system (GIS) database. Enhancements to the existing GIS database are needed to improve the accuracy of data and to expand beyond the existing data layers. Detailed accurate natural-systems data is now being developed and collected in the NEU data warehouse. However, initial and periodic translation to GIS data layers would significantly improve the GIS database. In addition, existing land use and infrastructure layers also vary greatly in quality by location within the state.

While such a program may initially be costly, GIS improvements would assist in tying planning and project development closer together as required by SAFETEA-LU. If the GIS data development process and content receive the approval and/or support of NCDOT's partnering agencies, it might then be used in the early stages of the Merger 01 process to eliminate unreasonable alternatives. An accurate up-to-date GIS database could also decrease the time and effort spent at CP 1 and CP 2, respectively, in the Merger 01 process for new location projects.

If an improved GIS database is developed, the ETDM process in Florida suggests that the number of alternatives, level of engineering detail, and the timing of wetland jurisdictional determinations for alternatives carried to and through CP 3 (Selection of LEDPA/Preferred Alternative) could be reduced. If the number of alternatives and level of engineering detail are reduced at this stage of the Merger 01 process, cost and time could be saved and still meet the requirements of the NEPA process.

Tying Planning and Project Development Together

An initiative that ties planning and project development closer together has been developed by NCDOT staff, but not yet fully implemented. The overall purpose of this initiative, called the Integration of Planning and Project Development (Integration Process), is to develop an integrated planning process that provides a seamless connection between long-range planning and project development.

SAFETEA-LU and previous legislation have attempted to accomplish a continuous stronger tie between these two phases of pre-construction. The current Merger 01 process begins at the project development stage. The ETDM process in Florida begins the transportation improvements process at the Metropolitan Planning Organization (MPO) approval stage. The NCDOT integration initiative ties MPO approval to project development.

The new Integration Process should be SAFETEA-LU compliant, with a few minor adjustments. According to interviewees, the new Integration Process would place NCDOT well ahead of other states in this regard.

Several interviewees noted that roadway project priorities change over time. A project may go through one or several stages of development, or even through the entire pre-construction process, and then be "put on the shelf" as a different project is identified as a higher priority. Changes in how and when a project is completely funded would also eliminate projects coming and going in the pre-construction process. Full implementation

of the Integration Process may require changes to the current Board of Transportation and MPO roles and responsibilities. These issues are more fully addressed in the **Project Delivery** portion of this study.

Training and Resources

Several interviewees stated that the training of resource agency and NCDOT staff in the Merger 01 process in 2003 and 2004 resulted in a reduction of permitting time and helped foster relationships that have proven positive to agreement at the Merger 01 concurrence points. Periodic additional training about Merger 01 process changes and training for new staff is highly recommended. The FHWA and NCDOT will be implementing additional Merger 01 training for staff from FHWA, NCDOT, resource agencies, and consultants during summer 2007. The need for training regarding CP1 (Purpose and Need) was highlighted as one potential training area to focus on since this concurrence point was cited as one that can be difficult to achieve. Revising Merger 01 to more closely align with Section 6002 in this regard could have a similar effect. Meeting facilitation and agency roles, responsibilities, and authority are other areas where additional training is strongly recommended.

Most interviewees felt that the NCDOT funding of resources and NCDOT staff for the Merger 01 Process and permitting was adequate. However, it was noted that updated and new software needs sometimes were not addressed as quickly as necessary. Up-to-date computer equipment and software can help decrease review times, field work, and delineation timeframes.

2.4.2 Environmental Stewardship

Ecosystem Enhancement Program

As discussed previously, NCDOT is successful in meeting its water-quality environmental-stewardship goals though EEP, and the program has eliminated permitting delays resulting from lack of wetland and stream mitigation or disputes between NCDOT and resource agencies regarding mitigation. However, the development of an enhanced/expanded GIS database could reduce possible overestimates of impacts (and the subsequent potential for overpayment) as new projects are added to the TIP. Finally, the valuation of transferred assets and the validation of impacts through the project-development process provide additional areas for potential savings.

Buffer Widths and Riparian Mitigation

The NCDOT staff directive and decision (in many cases) to bridge the buffer area as well as the watercourse is beyond regulatory requirements and results in longer and more expensive bridges in locations where there may be no compelling environmental benefit. Elimination of NCDOT's Bridge Buffer memorandum is recommended. Such a change would reduce both initial construction and long-term maintenance costs, while preserving mitigation options to support environmental-stewardship goals.

Section 3
Value Engineering Study Recommendations

3.1 Introduction

In the most recent Long-Range Statewide Multimodal Transportation Plan completed by the North Carolina Department of Transportation (NCDOT) in Sept. 2004, it was estimated that NCDOT will need an additional $65 billion above current funding levels over the next 25 years in order to meet the State's transportation needs. Due to this large funding shortfall, the North Carolina General Assembly contracted PBS&J to examine the impact on highway construction costs of the engineering design choices made by NCDOT, in order to determine whether different design choices would produce significant savings without compromising safety or project effectiveness.

As part of the contract with the General Assembly, PBS&J was tasked to perform Value Engineering (VE) studies for a selected sample of projects within NCDOT's Transportation Improvement Program (TIP), in order to yield insights on the design and cost practices of the NCDOT. Ten TIP projects were selected in collaboration with the General Assembly staff, with each project costing more than $25 million and programmed for final design/project letting within 2 to 4 years. These 10 projects are representative of a cross-section of NCDOT TIP projects. They are located in unique traffic environments, geological provinces, and regionally interesting locations, ranging from the coastal areas of the Outer Banks to the mountainous terrain found in the western reaches of the state. As such, each project offers its own blend of project planning, design, and construction challenges.

During the conduct of the 10 VE studies, there were more than 141 creative ideas generated by the various teams. Of these, 52 alternatives were developed and documented, providing the potential for more than $97.3 million in construction-cost savings. If national results in such matters were to govern the disposition of these alternatives, it could be expected that approximately $5 million in actual construction-cost savings would be realized from this value engineering effort.
In addition, the VE teams documented more than 43 design suggestions. Design suggestions are brief written descriptions that the VE teams prepared in order to provide the State with insights about the projects when supportive data is minimal. These design suggestions have the potential to improve the end product and reduce construction costs.

The following table summarizes the overall results of the VE studies conducted.

Value Engineering Study Results

Number of TIP projects studied	10
Total estimated cost of the 10 TIP projects	$662 million
Total cost-savings potential generated from VE studies	$97.3 million
Estimated actual cost savings realized from VE studies (based on average national results)	$40.2 million (It is believed that alternative AP-11 can be expected to yield virtually the full amount of the calculated $35.2 million in cost savings)
Cost to perform VE studies	$215,000
Creative ideas generated	141
Cost-saving alternatives developed	52
Design suggestions documented	43

Projecting the potential cost savings from an aggressive VE effort at NCDOT is imprecise at best. However, assuming cost savings in the range of 6 percent to 15 percent (as indicated in the table above), it is possible that NCDOT could "create" additional resources of **$100 million or more per year** using VE methodologies. While these additional dollars would not close the funding gap, it would be an important component of meeting critical transportation needs across the state.

The results of the VE studies for the 10 TIP projects indicated the following general areas of focus regarding potential cost savings:

- **Cost Awareness** – Cost estimates for several of the TIP projects studied were out-of-date or based on a minimal amount of supportive information. Cost estimates developed for the TIP should be based on as much detail about the projects as possible, in order to provide meaningful estimates that the NCDOT can use to effectively allocate funds.
- **Construction-Cost Knowledge** – Most TIP projects that were studied implemented traditional construction methods and materials that have been used in the past. While these design choices may work well, being more aware of the costs associated with such design choices will allow NCDOT to consider more cost-effective options that are currently available.
- **Right-of-Way** – Like construction- and materials costs, the cost of right-of-way acquisition should be considered in conjunction with development of the roadway design. Several TIP projects that were studied contained opportunities to modify the roadway alignment in order to reduce right-of-way acquisition and its

associated costs. For example, one project demonstrated the potential to save $8.2 million in right-of-way costs by changing the side of the road on which widening occurs.

- **Median Width and Type** – There are two primary issues related to the choice of median width and type: right-of-way cost and safety. Typically, we find that the fifth lane (with opposing turns in the median) is commonly used in urban areas, largely because that usage facilitates access to retail properties and minimizes right-of-way costs. Hence, there is often considerable financial pressure to reduce median width. However, safety must also play a key role in the determination of median configuration. For example, it is not desirable to have traffic on Hwy 64 using a 12-foot-wide median lane for passing at high speeds. The opposing left-turn lane in such situations (or "dead man's lane") can prove dangerous during poor travel conditions. These safety concerns apply across the board to rural design settings, and argue against the use of a fifth lane in design considerations.
- **Context-Sensitive Design** – Considering context-sensitive design in projects can provide cost-saving design options. For example, the design for a TIP project studied included an asphalt nature trail. However, a trail made of natural material (e.g., gravel, dirt, recycled rubber mulch, wood chips, pine straw, etc.) would be more context sensitive as well as more cost effective.

Overall, it was concluded that the planning and design personnel working for the State, (either as employees or as consultants to the State) practice their design methods in a fashion similar to their counterparts in other states. Participants in the project-design teams maintain high standards for their work and the end products that result from their efforts. They consider a variety of elements throughout the life of the project, including: safety; environmental concerns; local interest-group demands; traffic projections; and recognized design standards. However, there is always room for improvement in the area of project delivery and this report provides conclusions and recommendations to help address this issue. These conclusions and recommendations are based on practices of other state departments of transportation, as well as the VE studies performed on the 10 representative TIP projects from across the state.

3.2 Background

PBS&J was tasked to perform Value Engineering (VE) studies for 10 representative TIP projects with the objective of identifying cost-reducing alternatives to design approaches

in current use. The following section describes the basic methodology used in the VE study process.

3.2.1 Methodology

The VE study approach was founded as part of the standardized job plan fostered by SAVE International, the recognized authority on the practice of value engineering. Use of the job plan guides the search for high-cost areas within projects and includes procedures for developing alternative solutions for consideration.

Each of the studies was facilitated by a Certified Value Specialist (CVS) that has extensive value-engineering experience with numerous departments of transportation from around the country. As a result, the 10 studies are in full compliance with the guidelines for the Federal Highway Administration's (FHWA) Value Management objectives for state VE programs.

3.2.2 Purpose of Report

The purpose of this report is to summarize the findings of 10 VE studies, particularly with regard to questions surrounding timeliness and the cost-effectiveness of project-delivery methods. In addition, lessons learned from the VE studies should provide insights into NCDOT practices, as compared to what other states are doing to enhance their transportation-project delivery methods. This report identifies the VE study results and, from those results, draws conclusions and presents recommendations for strengthening project-delivery methods. In addition, this report provides some practical recommendations for enhancing the VE program at the NCDOT. These recommendations are based on the best practices of different Value Engineering programs successfully functioning at other state departments of transportation.

3.3 Value Engineering Studies – Project Information

Value Engineering studies were performed for a selection of 10 TIP projects located across North Carolina. The 10 projects selected for VE study presented a variety of planning, design, and construction challenges for the VE teams to consider.

3.3.1 Project Descriptions

Brief descriptions of the 10 projects that were evaluated through the VE study process are provided below. A detailed summary for each study—including project description and study results—is provided in **Appendix A**.

- **R-2545** – Widen US 64 from east of Columbia to east of the Alligator River; Tyrrell and Dare Counties (Estimated Cost: $255 million).

- **R-3403** – Widen US 17 in Bridgeton from Mills Street to SR 143 (Antioch Road) to NC 43; Craven County (Estimated Cost: $41.2 million).

- **R-3825-A** – Widen NC 42 from US 70 at Clayton to 0.26 mile east of SR 1902 (Glen Laurel Road); Johnston County (Estimated Cost: $27.1 million).

- **I-4744** – Widen I-40 from Wade Avenue to I-440/US 1/US 64; Wake County (Estimated Cost: $61 million).

- **R-2303A** – Widen and new location segments along NC 24 from west of SR 1006 (Maxwell Road/Clinton Road) to SR 1853 (John Nunnery Road); Cumberland County (Estimated Cost: $47.7 million).

- **U-3326B** – Widen US 29 Business (Freeway Drive) from SR 2686 (Richardson Drive) to NC 14; Rockingham County (Estimated Cost: $56.9 million).

- **U-3600** – Widen US 220 Business (North Fayetteville Street) from SR 2261 (Old Liberty Road) to US 220 at US 311; Randolph County (Estimated Cost: $30.9 million).

- **R-3833** –Widen SR 1100 (Brawley School Road) from SR 1177 (Chuckwood Road) to US 21; Mooresville, Iredell County (Estimated Cost: $80.7 million).

- **R-2813B** – Widen NC 146 (Long Shoals Road) from West of SR 3501 (Clayton Road) to east of I-26; Buncombe County (Estimated Cost: $25.1 million).

- **R-4430** – Widen SR 1783 (Upward Road) from US 176, crossing over I-26, and ending at SR 1006 (Howard Gap Road); Henderson County (Estimated Cost: $36.5 million).

3.3.2 Project-Specific Recommendations

The following are key recommendations for each of the 10 TIP projects that the VE team participants have suggested for consideration when examining NCDOT project-delivery methods. Additional detail about each cost-saving alternative and design suggestion created for these projects as part of the VE study effort can be found in the VE reports created for each project, which are submitted separately from this document.

- **R-2545: US 64 EAST OF COLUMBIA TO EAST OF THE ALLIGATOR RIVER; TYRRELL AND DARE COUNTIES**
  TIP Project R-2545 is planned to widen US 64 to a four-lane divided facility. To avoid future flooding, the roadway is planned to be elevated by as much as 6 feet, requiring significant earthwork and shoring during construction. The project includes replacement of the existing 2.9-mile Lindsey C. Warren Bridge, which crosses the Alligator River.
  Alternative BI-5 – This alternative offsets the new bridge on an alignment that is distant enough from the swing arc of the existing Center Pivot Bridge to avoid staging for the construction of the new bridge. This offers the potential to save approximately $28 million in construction costs. It is early enough in the design process to accomplish this and to realize a significant portion of the projected cost savings.
  Alternative AP-11 – This alternative reduces the median width to 12 feet. There would be a 4-foot monolithic raised concrete median with 4-foot inside shoulders. Since the drainage would be handled by sheet flow rather than by a contained storm-pipe system, the drainage boxes can be eliminated and the profile grade lowered by approximately 5 feet. This dramatically reduces the amount of earth fill required and greatly reduces the impact on the adjacent lands (which are very sensitive environmentally). The construction-cost savings for this alternative would equal approximately $35 million. This alternative has been discussed with Mr. Art McMillan, State Highway Design Engineer, and it appears that there is a good prospect for this alternative to be accepted.

- **R-3403: US 17 IN BRIDGETON FROM MILLS STREET TO SR 143 (ANTIOCH ROAD) TO NC 43; CRAVEN COUNTY**
  The purpose of this project is to alleviate vehicular congestion and improve the level of service along US 17. By upgrading the level of service, the highway's safety also will be enhanced. An improved US 17 in Craven County will also allow better mobilization whenever hurricane evacuations are ordered in nearby

coastal regions. This project is an important part of a regional transportation need to improve traffic flow in the US 17 corridor that accesses the Cherry Point Marine Base and the coast.

Alternative No. 1 – The original design calls for the widening of US 17 to occur on the eastern side of the current alignment, and then switch over to the western side of the alignment. The alignment on the western side involves costly land acquisition. It is suggested in this alternative that the widening be performed more on the eastern side of the alignment, in order to avoid some of the more expensive real estate. This has the potential of reducing the overall cost of the project by $220,000.

Alternative No. 2 – Similar to the preceding alternative, this alternative proposes that new lanes be constructed at Little Swift Creek, reducing the cost of right-of-way acquisition by approximately $46,000.

Alternative No. 4 – The original design calls for the use of a 30-foot median width from Station 42+00 to Station 72+00. The alternative design would make use of a median barrier with 6-foot inside shoulders, and reduce the median width to 14 feet. This offers the opportunity to reduce the construction costs by $143,000. Through the use of median barriers, the amount of right-of-way acquisition required is significantly reduced.

Alternative No. 5 – The existing lanes appear to be 11 feet wide. The crash rates for the project area indicate a better-than-state-average safety record. Hence, it may be a consideration to continue using the 11-foot width. Widening the facility to four 11-foot lanes (with 2-foot-inside and 4-foot-outside paved shoulders) provides an alternative typical section that is 28 feet wide in each direction. If this is found to be reasonable under guidance for context-sensitive design, the potential cost savings would be slightly more than $1 million.

Alternative No. 7 – Based on the cost estimates for Section B, the original design calls for the construction of two bridges, each being 38 feet wide and 1,228 feet long. The alternative uses one single bridge in lieu of two bridges. This can be accomplished by providing a bridge that is 65 feet wide. This design change will require some minor adjustments to taper the roadway to meet the reduced bridge width. The potential cost savings is approximately $1.4 million.

Design Suggestions – There were two design suggestions that offer the possibility of construction-cost savings, although these savings were not calculated, due to the limited amount of design information available. These design suggestions included reducing the bridge span, and reducing or eliminating the turning bays in areas without curb and gutter.

- **R-3825-A: NC 42 FROM US 70 AT CLAYTON TO 0.26 MILE EAST OF SR 1902 (GLEN LAUREL ROAD); JOHNSTON COUNTY**

  The purpose of this project is to symmetrically widen NC 42 from US 70 to SR 2022 (Old NC 42). From Old NC 42 to SR 2008 (Fox Ridge Road), the proposed new lanes will be constructed on the north side of existing NC 42. NC 42 will be widened symmetrically from Bennett Place to Buffalo Road (SR 1003). Bridge No. 75 (carrying NC 42 over the Neuse River) will be replaced with a new structure. It should be noted that conducting a VE study about this project was very difficult, since there was very little project information, including the fact that there was no construction-cost estimate.

  Alternative No. 4 – This alternative reduces the median width from 17.5 feet to a 10-foot median with a median barrier. Even with the additional cost for the median barrier and associated changes, the overall cost for the project was projected to be reduced by $309,000. Additional benefits include the potential to reduce right-of-way takings and reduce the environmental footprint of the project.

  Alternative No. 6 – This alternative reuses part of the existing pavement, in order to reduce construction costs by $48,000.

  Design Suggestions – There were two key design suggestions: 1) improve local access to residents and businesses; and 2) modify side slopes to reduce the environmental footprint and to reduce right-of-way takings.

- **I-4744: I-40 FROM WADE AVENUE TO I-440/US 1/US 64; WAKE COUNTY**

  Since the project was at such a limited state of development, very little information was available for use in the VE study. The VE team was provided with a roll of two drawings that showed the alignment of future improvements to existing facilities from the I-40 split to I-440. The drawings consisted of aerial photography with some property lines drawn on them. There was no labeling of existing roadway infrastructure, i.e., no drainage indicated, no typical sections listed, and no grades or elevations labeled. Discussions with the project manager at NCDOT indicated that there was currently no official estimate for the project, except to say that the current "placeholder" figure is $60 million for the roadway work and $1 million for the right-of-way.

  The current plan appears to be to add one lane eastbound and one lane westbound (in the now depressed grassed median), to bring the total number of lanes up to six. There are plans in the future to add an additional lane in each direction to bring the total up to eight lanes serving the east- and westbound traffic needs.

The project manager noted that when the seventh and eighth lanes are added, the project will likely be extended back to Harrison Avenue and involve some additional bridge work. As a courtesy, the VE team was supplied with an unofficial estimate from a third party, which indicates that the six-lane work would cost $28.7 million and the eight-lane work would cost $31 million. This estimate is at odds with the earlier unofficial estimate of $60 million that was cited by the NCDOT project manager.

Since the data available for this project was rather limited, the observations that can be made about construction-cost impact (by way of value engineering), must be limited to design suggestions concerning the "usual suspects" in projects of this nature. Specific cost-saving alternatives could not be developed.

- On the six-lane improvement "courtesy estimate," it was noted that there are nearly $4 million in bridge widenings. This probably represents the biggest opportunity for cost avoidance. Consideration should be given to modifying the abutment treatments to avoid the costs, particularly on the six-lane widening effort.
- Shoulder paving and the attendant widths should be reviewed for adequacy and kept to a minimum.
- Consideration should be given to incorporating the existing shoulders into the eventual pavement build-out.
- It seems likely that the six-lane build out can be accomplished within the existing right-of-way.

- **R-2303A: NC 24 FROM WEST OF SR 1006 (MAXWELL ROAD/CLINTON ROAD) TO SR 1853 (JOHN NUNNERY ROAD); CUMBERLAND COUNTY**

The proposed action involves a combination of widening, new location segments, and other improvements to the existing NC 24 roadway from 2.8 miles east of I-95 to I-40 to create a four-lane divided facility. There will be bypasses and/or other alternate routings around Stedman, Autryville, and Roseboro. The highway will follow a portion of the Faircloth Freeway, in order to bypass Clinton. To the east of Clinton, the route will be on new location. Widening portions will have partial control of access, while new location segments will have limited control of access.

Alternative AP-4 – This alternative uses a new alignment (north of the existing alignment), in order to reduce the cost of right-of-way takings. The alternative alignment segment could have the effect of eliminating the relocations of four residences and nine businesses. The expected cost savings would be approximately

$8.2 million. This is early in the project development, so the alternative routing might prove to be a viable consideration.

Alternative AP-5 – The initial design indicates that the project will require significant borrow. By lowering the profile grade, the earthwork might be better balanced and the costs of construction reduced by as much as $1.3 million.

- **U-3326B: US 29 BUSINESS (FREEWAY DRIVE) FROM SR 2686 (RICHARDSON DRIVE) TO NC 14; ROCKINGHAM COUNTY**

  The NCDOT proposes to improve US 29 Business (Freeway Drive) by widening the current two-lane facility to a multi-lane facility. The total length of the project is approximately 6.7 miles. The purpose of this project is to increase the traffic-carrying capacity and level of service for US 29 Business (Freeway Drive). It is anticipated that the facility's current capacity will be exceeded by 18,000 vehicles in the 2025 design year.

  Alternatives EW-1, **EW-3** and **EW-4** – These alternatives reduce the clearance height between the bottom of three new bridges and the surface of the roadway pavement below. The cost savings attached to exercising these options would be approximately $125,000. Not figured into these savings could be a considerable amount of added savings, due to a reduction in right-of-way acquisition. It was not possible to calculate these savings at the time of the VE study, due to a lack of developed detail at this stage of design.

  Alternative AP-4 – This alternative reduces the multi-use path width from 10 feet to 8 feet. This path runs for approximately 10,000 feet along the southern edge of the project. This slight reduction in width should not interfere with its function but could save approximately $25,000. Again, there could be some additional, substantial cost savings involved in reducing the amount of right-of-way that is to be acquired.

  Alternative XS-4 – This alternative reduces the amount of fencing by half for an approximate construction-cost savings of $73,500.

  Bridge Alternatives BI-1, **BR-2** and **BR-5** – These alternatives reduce the cost of the bridges by shortening one bridge, re-using one bridge, and reducing the width of another bridge. The expected cost savings for these three alternatives is $400,000. Again, there could be additional right-of-way cost savings for these three alternatives.

  Design Suggestion EW-6 – This design suggestion calls for increasing cut to reduce borrow. In addition, DS – EW7 calls for the reduction of the fill height at outer road -Y20B-, which currently has a designed fill of approximately 50 feet. Obviously, if this fill height is reduced, there could be a significant savings in the

amount of borrow required to construct the fill, a likely right-of-way cost savings, and the ability to construct the class of pipe or culvert at this location in a less expensive manner.

It cannot be overstated that right-of-way represents a great source of potential cost savings. With the limited detail available at the time of the VE workshop, it was not possible to clearly identify the specifics of most of these potential cost savings. Judging by the ability of the designers to affect the placement of the property-taking lines in the final design, the expected cost-savings potential could be between $1 million and $3 million. This should be a strong focus as the project goes forward.

- **U-3600: US 220 BUSINESS (NORTH FAYETTEVILLE STREET), SR 2261 (OLD LIBERTY ROAD) TO US 220 AT US 311; RANDOLPH COUNTY**

  The proposed project begins at SR 2261 (Old Liberty Road) and ends at US 220, covering a distance of 5.2 miles. The project includes a four-lane divided cross section, with a 23-foot-wide raised median to separate opposing traffic streams. The bridge over Haskett's Creek will be replaced with a wider bridge to accommodate the multi-lane facility. Outside travel lanes are planned to be 14 feet wide in order to accommodate bicycle traffic.

  Alternative AP-1 – This alternative leaves Beasley Street in place and adjusts the mainline to tie into Beasley. This would provide for almost $46,000 in construction-cost savings.

  Alternative AP-3 – As a design suggestion, the team recommends investigation of a five-lane section at the southern end of the project. This design change would reduce impacts on business relocations, reducing right-of-way costs, and eliminating multiple u-turns. There was insufficient information available to identify specific cost savings and safety concerns would also need to be evaluated before recommending adoption of this design suggestion.

  Alternative AP-4 – The current design calls for widening the outside lane in each direction by 2 feet to provide more room for bicycles. This is an ambiguous way in which to provide for bicycle traffic. It might be best to avoid seeming to formalize a bike lane (and reduce the construction costs by $540,000) by not adding the 2 extra feet.

  Alternative RW-3 – This alternative demonstrates the possibility of adjusting the alignment from Caudle Road to Claude Holden Road, in order to reduce the right-of-way impact—thereby reducing the land costs by $135,000.

- **R-3833: SR 1100 (BRAWLEY SCHOOL ROAD) WIDENING FROM SR 1177 (CHUCKWOOD ROAD) TO US 21; MOORESVILLE, IREDELL COUNTY**
  This project will widen SR 1100 to a four-lane divided facility and the intersection of SR 1196 (Gibbs Road) and Brawley School Road will be relocated to the west of its current location and tie into Brawley School Road, directly across from Rolling Hills Road. A single-point urban interchange (SPUI) is included where Brawley School Road crosses I-77, and a bridge will be constructed where the relocated Gibbs Road crosses an unnamed tributary. The total project length is 5.9 miles.
  Alternative AP-1 – This alternative points out the cost-savings potential associated with moving the bicycle lane out of the roadway and making it a part of a shared-use pedestrian/bicycle path. This makes it possible to use much less expensive paving and generates potential cost savings of approximately $2.8 million in initial construction costs.
  Alternative AP-2 – This alternative reduces the costs of construction by $2.7 million, by eliminating the sidewalk on one side of the roadway.
  Alternative AP-7 – This alternative explores another option if it is decided to provide for bicycles in the travelway. The new approach would be to use the 14-foot-wide outer lane and mark it with "sharrows," a new traffic-lane marking that indicates that the lane is intended to be shared by motorists and bicyclists. The cost savings for this approach is approximately $3.2 million.

- **R-2813B: WIDEN NC 146 (LONG SHOALS ROAD) FROM WEST OF SR 3501 (CLAYTON ROAD) TO EAST OF I-26; BUNCOMBE COUNTY**
  This project will widen NC 146 (Long Shoals Road) to a multi-lane facility from NC191 (Brevard Road) to US 25 (Hendersonville Road). The total project length is approximately 3.5 miles. The recommended typical cross section is a five-lane, curb, and gutter section. The project proposes to construct a segment of NC146 on new location from NC 191 to just east of Clayton Road (SR 3501). This includes replacing Bridge No. 53 (Long Shoals Bridge) over the French Broad River and Bridges No. 113 and 114, which carry I-26 over NC 146. The cost estimate provided in the TIP was $32.5 million. However, the project was recently let at a cost of approximately $52 million.
  Alternative AP-1 – This alternative addresses an isolated instance in which the roadway extends beyond the necessary width, and reduces the width by 2 feet, which reduces the construction costs by almost $51,000.

Alternative BR-1 – The bridge typical section indicates a width of 14 feet for two of the lanes on the bridge. The width is reduced to a more standard 12 feet for these two lanes and reduces the cost of the bridge by $180,700.
Alternative BR-2 – The bridge over the French Broad River is to be shortened by approximately 100 feet. This is to be achieved through the use of MSE wall abutments. The resulting construction-cost reduction is $542,685. (It should be noted that the need exists to check to make sure that MSE walls work well with the location so close to the river's edge.)
Alternative BR-4 – This alternative reduces the median shoulder widths from 12 feet to 6 feet on the bridge typical section. This reduces the cost of the bridge by almost $410,000.

- **R-4430: WIDEN SR 1783 (UPWARD ROAD) FROM US 176, CROSSING OVER I-26 AND ENDING AT SR 1006 (HOWARD GAP ROAD); HENDERSON COUNTY**
  This project will widen SR 1783 (Upward Road) to a multi-lane facility. TIP Project R-4430 begins at US 176, crosses over I-26, and ends at SR 1006 (Howard Gap Road). The project length is approximately 2.7 miles.
  Alternative AP-5 – This alternative reduces the turning-lane width from 12 feet to 10 feet. The posted speed limit in this area is 45 mph. With the necessity to slow for a turning movement, consideration might be given to this lane-width reduction, which resulted in almost $743,000 in construction-cost savings.
  Alternative BI-2 – The original design calls for a structural steel bridge at this location. Alternative BI-2 suggests the use of a pre-stressed concrete (PSC) bridge. The resulting cost savings would exceed $521,000.
  Alternative BI-3 – The original design calls for the construction of a detour bridge to help maintain traffic during construction. The alternative demonstrates the potential benefits of using staged construction on the existing bridge in lieu of building the detour bridge. The result could generate almost $1.4 million in construction-cost savings.

3.4 Recommendations

A recent report from the Federal Highway Administration's Inspector General cited a substandard implementation rate for VE alternatives reported for North Carolina. Based on the results of the VE studies performed and FHWA's report, some general conclusions regarding NCDOT's VE practices can be noted:

- There is a wealth of opportunities for VE practitioners to identify cost savings, if practitioners are permitted access to NCDOT projects and are supplied with full project documentation.
- The project data supplied for the 10 NCDOT TIP projects ranged from acceptable to inadequate. The recommendations of this report highlight what data is suggested to be provided in a well-integrated VE program.
- The results to be realized from Value Engineering are very much dependent on the following conditions:
    - Support from the highest levels of management.
    - The presence of a champion for VE within the ranks of NCDOT.
    - Follow-through in making sure that projects whose estimates exceed $25 million are indeed "VE'ed" and that the implementation-meeting notes are thoroughly reviewed by management, in order to make sure that sound alternatives are not being dismissed for shallow reasons.
    - Implementation meetings should be conducted in a formal manner and decisions about alternatives should be based on a positive approach. This approach would be epitomized by deciding not to dismiss an idea until practitioners have had an opportunity to explore the suggestion and determine if it can be modified and made to work in a manner that improves the project and/or increases the return on construction dollars spent.

What was learned during the conduct of the VE studies also included the identification of a wealth of opportunities for realizing returns by exploring the following areas of Value Engineering inquiry. These are outlined in the following section.

3.4.1 Recommendations Based on Value Engineering Studies

As part of the VE study process, one of the key questions encountered concerned whether the planning and design teams are routinely erring by choosing the more costly choices recommended by the references that govern their practice. Generally, designers do tend to stick to design formulas that have worked in the past, and it is easy to fall into a routine when designing projects. Although such a routine may work well and provide a solid design for a project, it can lead to instances of capital outlays that might be avoided by considering different design options. However, no consistent bias to "over-design" projects was found in this VE review.

This section provides recommendations about NCDOT's practices and procedures based on the results of the VE studies performed for each of the 10 TIP projects. The results of the VE studies indicated the following general areas of focus in relation to potential cost savings.

Cost Awareness

Cost estimates for several TIP projects studies were out-of-date or based on minimal amounts of support information. The following are specific examples:

- **I-4744:** It was noted that the expected cost would be approximately $60 million. However, there was no formal estimate available to support this figure. In addition, the description of work was rather vague as to content, timing, and potential effect on the eventual cost outcome. On the same project, there was $1 million set aside for right-of-way, as a "placeholder" figure to cover this cost. However, there was no information to support this number.
- **R-2813B:** The VE team was not supplied with a construction-cost estimate. There was an older TIP figure, as mentioned in the VE report. This was a cost summary that noted that the project was expected to cost $32 million. It is understood that this design/build project has recently been let to construction. At that time, it was expected to cost approximately $42 million, but the project actually cost approximately $10 million more. This means that the pre-bid cost predictions were low by 25 percent. This signals an important shortfall in maintaining a grasp on the marketplace and current costs.
- **R-4430:** The construction-cost estimate that was supplied to the VE team for project R-4430 was dated Feb. 2007, meaning it is reasonably current. This estimate concluded that the expected construction cost would be $27.4 million. The estimate appeared to be fairly detailed, yet contained some very high mark-ups, including those for "Miscellaneous" and "Mobilization for Structural and Utilities" (10 percent), as well as a similar mark-up for Roadway (25 percent). This estimate did not include the cost of environmental compliance, the protection of cultural assets, or the cost of right-of-way. This seems to be fairly standard practice in keeping the construction estimate separate from the "soft costs" of the projects. This is a concern because an interested party will likely find total project costs hard to discern.

Recommendations. Cost estimates should be based on as much detail about the projects as possible, in order to provide meaningful estimates that the NCDOT can use to help it effectively allocate funds. The following specific recommendations address the issue of cost awareness.

- Even the earliest attempt at estimating the eventual cost of a project should contain more detail to replace the current 35-percent contingency-type mark-up factors.
- From the very beginning of a project's life, the right-of-way and environmental staff members should be consulted and the best information available should be inserted into the estimate. The resulting estimate should provide a useful, comprehensive view of the expected total actual cost of the finished project.
- It is recommended that the cycle that governs design development be accompanied by a similar cycle that governs the development of the attendant construction-cost estimate for each project. As more is known about each project, the more detailed the cost estimate should be. The goal should be that in its final stages, the construction estimate would fall within 5 percent of the final successful bid. What likely happened in the R-2813B cost overrun is that the latest estimate was not supported by a market analysis and/or a final pre-bid perspective on the most current cost of key materials. It has been speculated that in recent months, contractors have not been "hungry" and will bid-up to make it worthwhile to pursue new projects. It has also been found that the Design/Build approach may not be serving its original purposes, due to the flush market conditions. Constructors are passing along the risks associated with high and unknown material costs by significantly increasing their bids to cover such factors. Because of this practice, the NCDOT may need to consider doing what other states and federal agencies are doing, i.e., rejecting absurdly high bids in order to "discipline" the marketplace. Withholding contracts can have a cooling effect on the race to raise bids. On Design/Build projects, consideration should be given to rejecting bids and going back to Design/Bid/Build practices until the current wave of project-cost problems has passed. This will likely result in a project delay, but could actually reduce the final project costs.
- Finally, the construction-cost estimate should be a dynamic document that is maintained (as needed) to provide the clearest possible picture of eventual cost impact. This means giving a "time value of money" perspective on the eventual cost of the project. Since projects have a way of slipping up and down the time line, the estimate should be the first tool considered when significant project time swings occur.

Construction-Cost Knowledge

Most of the 10 TIP projects studied implemented traditional construction methods and materials that have been used in the past. While these design choices may work well, becoming more aware of the costs associated with such design choices will allow

NCDOT to consider more cost-effective options that are currently available. Below are specific examples:

- **R-2545:** This project could realize savings by the consideration of two items related to construction cost: shifting a bridge alignment to avoid staging of new bridge construction, and reducing the median width from 12 feet to 4 feet.
- **R-3403:** Reducing construction costs on this project is possible by reducing the median width on a portion of this project from 30 feet to 14 feet, or using one bridge instead of two.
- **R-3825A:** Reducing median width is possible on this project, in order to save on construction costs.
- **U-3326B:** Savings in construction costs can be realized by simply reducing a multi-use path width and fencing on this project.
- **R-4430**: The use of a concrete bridge instead of a steel bridge (or using staged construction of the bridge, instead of a detour bridge) can result in construction-cost savings.

Recommendations. Consideration of the costs of materials and construction when making design choices can exert a favorable impact on cost savings. Even a seemingly small adjustment in design can create a substantial savings in cost. The following recommendation should be considered:

- An environment needs to be established in which the design team is encouraged to use improved construction-cost knowledge as the basis for its design choices. This implies that using what has been implemented in the past may not always be the best choice and that there may be new technologies (routinely employed in the open marketplace) that the State is not considering. A simple example is the possibility of using keystone-type retaining walls in lieu of heavy, standard concrete gravity retaining walls. These walls have the benefit of being attractive, easily constructed, and approximately half as expensive as gravity walls.

Right-of-Way

Like the costs of construction and materials, the cost of right-of-way acquisition should be considered in conjunction with development of the roadway design. Below are specific examples in which design changes could result in a reduction in right-of-way acquisition and cost.

- **R-3403**: Two alternatives developed for this project resulted in reduction of right-of-way costs, with only small shifts to the roadway alignment.
- **R-2303A:** Using a new alignment on this project could substantially reduce right-of-way costs by approximately $8.2 million.

Recommendation. As noted previously, the right-of-way professional should be consulted early and often in order to help maintain an accurate construction-cost estimate. In addition, this professional should be included in the design team to help build a design-team awareness of the impact of its design choices on the eventual cost outcomes for the projects. Too often designers make their design decisions and the right-of-way professional proceeds to acquire the land necessary to accommodate that design.

Due to the fact that the TIP program addresses traffic needs where congestion has become a real problem, it is not unexpected that the preparation for construction involves the acquisition of properties that have experienced recent and significant value increases. With high-value lands and structures at stake, the planning for these costs must be strategically sound and the effort continuous, from initial concept to the eventual ribbon-cutting ceremony.

Median Width and Type

Two primary issues dominate the issue of median width and type: right-of-way cost and safety. Typically, we find that the fifth lane (with opposing turns in the median) is commonly used in urban areas, largely because that usage facilitates access to retail properties and minimizes right-of-way costs. If one were to build a 44-foot-wide divided median in an area such as Durant Road (Raleigh, N.C.), it is likely that the cost for the right-of-way just to build the median would range from $100 to $200 per lineal foot. This is based on a right-of-way cost of $100,000 to $200,000 per acre. Hence, there is often considerable financial pressure to reduce median width. However, that same economic pressure doesn't always come into play, especially in non-urban areas:

- **R-2545**: In a rural setting, such as Hwy 64 near the Alligator River, property values are considerably less than in urban areas and are probably worth approximately $6,000 per acre. This would result in a median cost of $0.138/square foot, or $6.06 per lineal foot for the 44-foot-wide median right-of-way cost. Because of the relatively low costs involved, designers can consider using slightly more room for medians without creating considerable associated costs. However, it should be noted that such cost savings are often offset by the cost of the earth needed to construct such a median.

Recommendation. Although cost savings are of course a key factor for consideration during the design process, safety must be given paramount importance. For example, in the R-2545 design situation noted above, it would not prove desirable to have traffic on Hwy 64 using a 12-foot-wide median lane for passing at high speeds. The use of

opposing left-turn lanes (or "dead man's lane") can often prove hazardous during inclement-weather situations. This applies to rural design settings across the board. Instead of implementing such a configuration, a better design choice would involve the use of a somewhat narrow median supplemented with the periodic placement of slow-traffic lanes added on the right side of moving traffic, in order to facilitate through-traffic movement around slower-moving traffic.

Context-Sensitive Design

Considering context-sensitive design in projects can provide cost-saving design options. Some examples found in the TIP projects studied follow:

- **R-3403:** Designing 11-foot lanes for this project may be acceptable due to the fact that this road currently has 11-foot lanes and an accident rate that is better than the state average. Providing 11-foot lanes in this instance would provide substantial cost savings.
- **R-3833:** Moving a bicycle lane off the roadway and making it part of a bike/pedestrian path for this project is not only safer, but also provides considerable construction-cost savings. This project could also use natural materials for the construction of the bike/pedestrian path, in lieu of the asphalt included in the current design.

Recommendation. Awareness of context-sensitive design and how it can positively affect project costs is important. Being cognizant of context-sensitive design choices that are available for a project (and their potential cost savings) can result in a more appropriate design for the setting, as well as reduced construction costs.

3.4.2 Value Engineering Program Recommendations

As part of this study, value engineering procedures and practices from other states were reviewed to see how they might be used in NCDOT's Value Engineering program to enhance the effectiveness of value engineering and its application to projects.

The following recommendations were developed through a review of practices of the departments of transportation from various states, and from the experience of the PBS&J team, in order to enhance the VE program efforts at the NCDOT.

Project Delivery

The project-delivery process is not typically thought of as the subject of a VE workshop. However, the Value Engineering Job Plan is a problem-solving tool that has been

successfully applied to studying and streamlining the project delivery system for DOTs and military construction projects. An excellent example is the study that was conducted for the Maryland State Highway Administration (MdSHA). During this workshop, it was determined that MdSHA had more than 192 steps within its project-delivery system. These steps resulted in an average project delivery time of approximately 12 years. By brainstorming and evaluating the various steps of the delivery system, it was found that several years could be taken off the delivery time while dramatically reducing costly management-team changes.

Life-Cycle Costing

In most instances, it has been observed that the various state departments of transportation tend to emphasize the initial cost of building projects. When life-cycle costs are documented as part of design solutions or as results of a VE study, little attention is generally paid to these issues. Highway construction funds are hard to come by, but states and municipalities also are finding it more difficult to provide the staff, equipment, and materials necessary to maintain their transportation infrastructure. Accordingly, design decisions and VE studies need to employ the best methods of life-cycle costing to better inform decision makers about the long-term impact of designs.

Cost-Based Decision Making

Designers are called on to make decisions at various stages of project delivery, each decision moving inexorably toward the final configuration that will govern the cost of the end project. During most of the timeframe in which the most critical decisions are made, the construction-cost estimate still carries large contingencies in order to cover unknowns. This means that the designer's decisions are mostly made on the basis of the range of recommended choices used in standard practices and policies, not on the basis of the likely impact on final costs. This method of practice needs to be tempered with up-to-date, dynamically loaded cost information. In other words, the designers need to see the net cost effect of their design choices as they make their design decisions. In order for this to happen, designers need to either have input ready from their cost-estimating staff, or they need to be well informed about the relative cost of methods and materials that result from design decisions. It is recommended that the cycle that governs design development be accompanied by a similar cycle that governs construction-cost estimate development. The objective would be to have at hand a continually updated, current construction-cost estimate. This objective would be applicable to both NCDOT in-house project delivery team and consultant-team practice.

Design Choices Affecting Construction

It is generally accepted that the design and planning team members rarely have an adequate knowledge of construction methods used in the field. Accordingly, it is an excellent practice for the Value Engineering team to include an expert that has extensive highway construction and pavement-maintenance experience. This approach has proven invaluable on the VE team work that has been performed at the Georgia DOT. In that jurisdiction, the construction team member has served to "keep the team honest"—meaning that this person has been able to evaluate suggested alternatives in a manner that focuses on what really will work well in the field. NCDOT has used this methodology on a few projects in recent years, but it could do more.

3.4.3 Additional Information

A discussion of various Value Engineering guidance, practices, and principles employed by other agencies (including FHWA and other state departments of transportation) is included in **Appendix B**.

A list of items to consider in the Value Engineering process is provided in **Appendix C**.

APPENDIX A

Value Engineering

Study Summaries

A.1 R-2545: US 64 Improvements East of Columbia to East of the Alligator River (Tyrrell and Dare Counties)

Project Description

The US 64 Improvements project (North Carolina DOT TIP R-2545) is planned to widen US 64 from east of Columbia to east of the Alligator River. In accordance with the Strategic Highway Corridor initiative, US 64 is to be classified as an Expressway, a 4-lane divided facility with a design speed of 60 mph. Two median options are being considered: a 23-foot elevated median, and a 46-foot depressed median. To avoid future flooding, the roadway is planned to be elevated by as much as 6 feet, requiring significant earthwork and shoring during construction. The project includes replacement of the existing 2.9-mile Lindsey C. Warren Bridge that crosses the Alligator River.

There are significant environmental considerations throughout the project area, including wetlands, canals, endangered species, game lands, and the Alligator River National Wildlife Refuge. Right-of-way will be required to widen the facility; as many as 30 to 35 residences will be affected, and some businesses could also be impacted.

The current estimate for the cost of construction ranges from $208 million to $255 million, depending upon the median width and type selected.

Study Results

The Value Engineering team developed eight alternatives and eight design suggestions. The results are grouped according to the following headings:

Value Improvements for the Project. Alternative AP-7 analyzes the option of switching from a 46-foot depressed median to a 30-foot depressed median. It was seen as the narrowest configuration that would work well, in light of the fact that the roadway must be raised by 6 feet in order to handle future flooding events. The cost savings attached to exercising this option would exceed $3.1 million.

AP-11 is one of the best alternatives under consideration. It calls for using a 12-foot raised median that drains from the centerline to the edge of the pavement. This makes it possible to avoid the very expensive 6 feet of earth fill that was necessary as a result of the drainage structure clearance for depressed median drainage. The resulting cost savings are in excess of $35 million, which do not include right-of-way cost savings that would result from the use of this narrower, alternative median.

Related to AP-7 is Alternative EW-6, which calls for the use of a center berm that would serve two purposes: 1) provide a separation temporarily while the new lanes are constructed (raised 6 feet above the existing roadbed); and 2) serve as the permanent separation between the eastbound and westbound traffic. At the same time, the median would be changed from a 46-foot-wide depressed median to an 18-foot-wide bermed median. The construction of the berm would be accomplished using HESCO Bastions or an approved equivalent method. The resulting cost savings would total approximately $750,000.

Bridge Alternative BI-5 provides for shifting the alignment of the bridge to minimize construction staging costs. This is expected to reduce the construction cost by $28 million. Another bridge alternative suggests the methods for reducing the number of bridge piers, resulting in potential cost savings of approximately $4 million (See BI-4).

Design Suggestions. There are design suggestions that offer the potential for expediting work, reducing construction costs, and weighing alternative design considerations. They are generally intended to provide useful guidance to the project-delivery team. The design suggestions are generally less detailed, due to the early nature of the design of this project.

Contingency Suggestions. It is always a consideration for projects of this dollar magnitude that budget constraints may affect the delivery and configuration of the end project. As a result, the VE team has provided some suggested courses of action that might be employed in the event that funding become a problem in the delivery of the

project. These should be considered more as cost reductions rather than value engineering recommendations per se.

These considerations include the full spectrum of options, from deferring the widening of the roadways, simply replacing the bridge (AP-3), constructing one eastbound and two westbound lanes, deferring the work on the least-traveled segment (US 64 eastbound from SR 1229 to the Alligator River; see Alternative AP-4). Another possibility is to pursue right-of-way acquisition and grading for the full, four-lane build-out, but build only the two westbound lanes and one eastbound lane.

Each of the alternatives in this classification has very large dollar savings associated with them. However, again, these are intended to be employed only should funding issues pose problems for the completion of the work.

A.2 R-3403: US 17 in Bridgeton from Mills Street to SR 143 (Antioch Road) to NC 43; Craven County

Project Description

The purpose of this project is to alleviate vehicular congestion and improve the level of service along US 17. By upgrading the level of service, the highway's safety will also enhanced. Also, an improved US 17 in Craven County will allow better mobilization whenever hurricane evacuations are ordered in nearby coastal regions.

The 1992 New Bern-Bridgeton-Trent Woods-River Bend Urban Thoroughfare Plan classifies US 17 as an Urban Major Thoroughfare from Mills Street in Bridgeton to approximately 1.5 miles (2.4 kilometers) north of SR 1433 (Antioch Road). From this point northward, the highway is classified a Rural Major Collector. The "US" designation indicates that the route is on the National Highway System. This project is an important

part of a regional transportation need to improve traffic flow in the US 17 corridor that accesses the Cherry Point Marine Base and the coast.

The current estimated construction cost is $41,200,000.

Study Results

During the Speculation phase, the VE Team identified eight alternative ideas that appeared to offer potential for reducing the construction cost, improving the end product, and/or reducing the difficulty and time of project construction. After the Evaluation phase was completed, five alternative ideas and two design suggestions remained for further consideration.

Value Improvements for the Project. There was nearly $1.4 million embodied in three value-engineering alternatives that are seen as adding value or improving the return on the construction investment. These alternatives serve to reduce the cost of paving and or reduce the cost of right-of-way.

Design Suggestions. There were two design suggestions that also could serve to reduce the costs of construction. These were not described in detail due to the limited amount of documentation available for this project.

Contingency Suggestions. Alternative No. 7 proposes building just one bridge instead of two. This is an excellent example of a contingency alternative, since it would likely not be an exercised alternative, if construction funding was adequate.

Project Documentation

Project documentation included: the hearing maps; a brief plan set; the purpose and need statement; some traffic data; and preliminary pavement design. The construction-cost estimate was commensurate with the level of project-plan development (preliminary).

A.3 R-3825-A: NC 42 from US 70 at Clayton to 0.26 Miles East of SR 1902 (Glen Laurel Road); Johnston County

Project Description

The purpose of this project is to symmetrically widen NC 42 from US 70 to SR 2022 (Old NC 42). From Old NC 42 to SR 2008 (Fox Ridge Road), the proposed new lanes will be constructed on the north side of existing NC 42. NC 42 will be widened symmetrically from Bennett Place to Buffalo Road (SR 1003). Bridge No. 75 (carrying NC 42 over the Neuse River) will be replaced with a new structure. These proposed improvements are designed to minimize impacts to streams, wetlands, and adjoining properties.

The current estimated construction cost is $27,124,500. The derivation of this estimate was not available to the VE team. The VE team, therefore, performed an independent estimate of probable costs to develop the "estimated savings" for the alternative designs.

Study Results

During the Speculation phase, the VE team identified 11 alternative ideas that appeared to hold potential for reducing the construction cost, improving the end product, and/or reducing the difficulty and time of project construction. After the Evaluation phase was completed, six alternative ideas and four design suggestions remained for further consideration.

Value Improvements for the Project. There were two key alternatives that provide for reduced right-of-way acquisition cost and, in one instance, help to reduce the environmental impact. Alternative No. 3 indicates a savings of $309,100 by reducing the median width. Alternative No. 8 proposes to use the existing roadway as the fifth lane and reports a cost savings of $418,000.

Design Suggestions. There were two design suggestions. One provides a U-turn opportunity to improve traffic operations, while the other suggests fine-tuning the side slopes for the road in order to minimize right-of way takings and help avoid environmentally sensitive areas.

Contingency Suggestions. There was one contingency alternative, Alternative No. 6, which provides for using a fifth lane instead of a median. The cost of that decision indicates a net savings of approximately $48,400.

Project Documentation

Project documentation for this workshop was very limited. The VE team had to develop its own estimate of probable cost. The plans did not cover the project in thorough detail.

A.4 I-4744: I-40 from Wade Avenue to I440/US 64; Wake County

Project Report Notes

Since the project was at such a limited state of development, the information contained in this minimal report summary is being provided as the Value Engineering report for this work effort. The VE team was provided with a roll of two drawings that contained only the existing facilities. In effect, these two drawings covered the alignment of future improvements from the I-40 split to I-440. The drawings looked like the initial result of aerial photography renderings with some property lines drawn on them. There was no labeling of existing roadway infrastructure, i.e., no drainage indicated, no typical sections, and no grades or elevations labeled. Discussions with the project manager at NCDOT indicated that there was no official estimate for the project, except to say that the current "placeholder" figure is $60 million for the roadway work and $1 million for the right-of-way.

Project Description

The TIP number for this project is I-4744. It is officially known as SR 1728 (Wade Avenue Milepost 289) to I-440/US 1 – 64 (Milepost 293) – Add Lanes. The current plan appears to propose adding one lane eastbound and one lane westbound (in the now depressed grassed median), to bring the total number of lanes to six. There are plans in the future to add an additional lane in each direction, which would bring the total up to eight lanes serving the eastbound and westbound traffic needs. The project manager noted that when lanes Nos. 7 and 8 are added, the project will likely be extended back to Harrison and involve some additional bridge work. As a courtesy, the VE team was supplied with an unofficial estimate that indicates that the six-lane work will cost $28.7 million and the eight-lane work will cost $31 million. However, this is at odds with the earlier estimate cited in the **Project Report Notes** section above.

Study Results

Since the data available for this project was rather limited, the observations that can be made about construction-cost impact (by way of value engineering) must be limited to design suggestions concerning the "usual suspects" in projects of this type:

Value Improvements for the Project. The VE team provided the following observations specific to this project:

- On the six-lane improvement "courtesy estimate," it was noted that there are nearly $4 million in bridge widenings. This probably represents the biggest opportunity for cost avoidance. Consideration should be given to modifying the abutment treatments to avoid the costs, particularly on the six-lane widening effort.
- Shoulder paving and the attendant widths should be reviewed for adequacy and kept to a minimum.
- Consideration should be given to incorporating existing shoulders into the eventual pavement build-out.
- It seems likely that the six-lane build-out can be done within the existing right-of-way.

Project Documentation

As previously noted, the documentation for this project was very limited.

A.5 R-2303-A: NC 24 from West of SR 1006 (Maxwell Road/Clinton Road) to SR 1853 (John Nunnery Road); Cumberland County

Project Description

The proposed action involves a combination of widening, adding new location segments, and making other improvements to the existing NC 24 roadway located from 2.8 miles east of I-95 to I-40, in order to create a four-lane divided facility. Based on the need to avoid disruption to development within the area towns, there will be bypasses and/or other alternate routings around Stedman, Autryville, and Roseboro. The highway will follow a portion of the Faircloth Freeway in order to bypass Clinton. To the east of Clinton, the route will be on new location. Widening portions will have partial control of access, while new location segments will have limited control of access. Most intersections will be at grade.

The project is divided into segments for planning and construction purposes. Some portions of the project include only one alternative, while in other areas there are several alternate routings. The result is a total of 6 alternatives, some of which represent areas in which more than one routing option exists.

Project costs (related to both construction and right-of-way) for upgrading the entire 40-mile segment of NC 24 are estimated to be in the range of $334 million to $357 million, depending upon the preferred alternative that is ultimately selected.

Based on documentation provided to the VE team, this VE study was focused on Segments A-1, A-2, A-3, and A-4, which together constitute a total of 6.5 miles. The current construction-cost estimate for these segments is $33,550,000. Right-of-way costs for the "best fit" alternative are estimated at $14,115,000.

Study Results

Value Improvements for the Project. While project materials indicate that several alternatives are under consideration, one that the VE team looked at was documented in Alternative AP-4. This alternative provides for moving road segment A-2 to a new location. By doing so, this alternative greatly reduces the number of residential- and business takings and appears to offer a chance to reduce the total cost by as much as $8 million.

Alternative AP-5 provides for lowering the alignment's vertical profile in order to reduce the earthwork aspects of the project. This would reduce the construction cost by approximately $1.3 million.

Design Suggestions. The four key design suggestions address various traffic-operation conditions that might be improved through exercising the suggested courses of action. Involved in these design suggestions are turn-out radii, channelized left turns, channelized right turns, and dual U-turn lanes.

Project Documentation

The documentation included: hearing meeting maps; cost estimates for the various alternatives; traffic-operation analyses; and other data at a level consistent with the current early planning stage.

A.6 U-3326-B: US 29 Business (Freeway Drive) from SR 2686 (Richardson Drive) to NC 14; Rockingham County

Project Description

The North Carolina Department of Transportation (NCDOT) proposes to improve US 29 Business (Freeway Drive) by widening the current two-lane facility to a multi-lane facility, from SR 2670 (South Scales Street) to NC 14 in Reidsville. The project is divided into two sections for funding purposes: U-3326A and U-3326B. U-3326A begins at SR 2670 (South Scales Street), ends at US 158 (Richardson Drive), and is located within the Water Supply Watershed of Reidsville Lake and Troublesome Creek. U-3326B begins at US 158 (Richardson Drive) and ends at NC 14. Although Section B is eligible for intrastate funds and Section A is ineligible, both sections will be let to contract simultaneously. The total length of the project is approximately 6.7 miles.

The purpose of this project is to increase the traffic-carrying capacity and level of service for US 29 Business (Freeway Drive). The need is based on the current facility operating near capacity. It is anticipated that the facility's current capacity will be exceeded by 18,000 vehicles in the 2025 design year.

The proposed improvements to US 29 Business (Freeway Drive) are state and federally funded and are identified as Project Numbers U-3326A and U-3326B in the 2006–2012 NCDOT *Transportation Improvement Program (TIP)*. Right-of-way acquisition and construction for U-3326A and U-3326B are scheduled in federal fiscal years 2007 and 2009, respectively.

Roadway Length. The total length of the project is 6.7 miles, consisting of 2.0 miles in U-3326A and 4.7 miles in U-3326B.

The current estimate for the cost of construction is $42.7 million. Right-of-way is expected to cost approximately $13 million more and the cost for handling utilities is expected to cost around $1.2 million.

Study Results

Value Improvements for the Project. There were eight alternatives and six design suggestions proposed by the VE team, including several key ideas that provided for reducing the cost associated with the bridges on the project. Three of these ideas (EW-1, EW-3, and EW-4) related to reducing the clear height for three bridges. It appeared that these bridges were being placed with excessive clearance. However, the drawings are conceptual in nature and it is difficult to know with certainty that the excess clearance will yield the indicated savings. Nonetheless, if the excess clearance is as indicated, there would be approximately $100,000 in construction-cost savings achieved through lowering these bridges.

Another bridge-based alternative (BR-5) calls for the widening of one of the bridges on a side road. The traffic on this bridge is projected to be very low and does not seem to justify bridge widening. The cost savings associated with this alternative is approximately $253,000.

Bridge alternative BR-1 calls for shortening a proposed bridge. This would appear to be a readily addressed change and would reduce construction costs by almost $150,000.

Moving the guardrail up to the face of the vertical curb (as documented in alternative AP-3) would reduce the berm width and lower the construction cost by nearly $286,000.

Design Suggestions. The design suggestions address ways to reduce the construction costs. They are offered as design suggestions, since there was a limited amount of information to use had they been developed as alternatives. These suggestions (such as Design Suggestion EW-7, below) appear to contain real opportunities for cost savings and should be explored further as the design matures:

EW-7 – Reduce earthwork at outer road -Y20B-. This design suggestion is based on the fact that it appears that moving the outer road a short distance in an area where there is a very deep fill could reduce the fill height and cost associated with a great deal of borrow.

From the typical sections, it appears that some side streets have pavement designs that are commensurate with mainline pavement. It is suggested in AP-2 that these pavement sections be reduced in order to reduce the construction cost.

Contingency Suggestions. There was only one alternative in this category. BR-2 is proposed as a design suggestion and provides for re-using the existing bridge. This would be accomplished by jacking the existing bridge to a new, higher seat on new abutments. Details do not yet permit full evaluation of this alternative.

Project Documentation

The documentation for this project was very acceptable for the project-development level. Traffic-operations data, cost estimate, and plan content were very useful in developing the alternatives.

A.7 U-3600: US 220 Business (North Fayetteville Street), SR 2261 (Old Liberty Road) to US 220 at US 311; Randolph County

Project Description

The proposed project begins at SR 2261 (Old Liberty Road) and ends at US 220, covering a distance of 5.2 miles. The purpose of the project is to improve existing and future safety and the level of service by widening the roadway. The project includes a four-lane divided cross section, with a 23-foot-wide raised median to separate opposing traffic streams. The bridge over Haskett's Creek will be replaced with a wider bridge to

accommodate the multi-lane facility. Outside travel lanes are planned to be 14 feet wide in order to accommodate bicycle traffic that may wish to use the roadway. The project is divided into two sections (A and B) for funding and scheduling reasons.

The project is located in a mixed suburban-to-rural area. Four stream crossings and seven signalized intersections are within the project limits. The right-of-way required to widen US 220 Business will result in approximately 9 residential and 15 business relocations.

Project costs (including those related to both construction and right-of-way) are currently estimated at $30,918,000.

Study Results

Value Improvements for the Project. The VE team identified four alternatives and six design suggestions. Alternative AP-4 indicates the cost of a decision to provide the extra width of full-depth pavement to accommodate bicycle lanes. This cost is identified as $540,692. It is suggested that consideration be given to eliminating these bicycle accommodations. A lower-cost possibility might involve providing an improved, multi-purpose bike/pedestrian trail in order to meet this need while keeping costs down. AP-5 provides an insight into a higher-cost approach that would serve the purpose of getting the bicycles out of the flow of traffic, but at a modest cost increase of approximately $79,000.

Design Suggestions. The developed alternatives include six design suggestions. They address minimizing right-of-way takings, improving traffic operations, and reducing environmental concerns. The design suggestions include:

- **AP-2** – Suggests the use of a variable median width in order to limit the amount of right-of-way that must be taken.
- **AP-3** – Suggests consideration of five-lane section at southern end of project.
- **AP-6** – Reconfigures the intersection of Morningstar Road and Wesleyan Road in order to improve the flow of traffic within the area. This would also provide enough storage for vehicles to stop at the railroad tracks and not block US 220 Business.

- **AP-7** – Provides opportunities to improve on the poor sight distance and poor operational characteristics associated with the railroad and Wesleyan Road.
- **BI-2** – This design suggestion proposes the use of a bottomless culvert (similar to a ConSpan type structure) in order to maintain a natural channel for Haskett's Creek to pass underneath the new roadway construction. This should assist in reducing the environmental concerns for the project.

Project Documentation

The project documentation included a construction-cost estimate, traffic data, and an environmental assessment. The colored public-hearing maps were most useful in terms of generating the project VE findings. It is obvious from looking over these maps that the most fruitful future objective (for cost-control purposes) will involve containing the right-of-way needs of this project.

A.8 R-3833: SR 1100 (Brawley School Road) Widening from SR 1177 (Chuckwood Road) to US 21; Mooresville, Iredell County

Project Description

The North Carolina Department of Transportation (NCDOT) proposes to widen SR 1100 to a four-lane divided facility. Additionally, the intersection of SR 1196 (Gibbs Road) and Brawley School Road will be relocated to the west of its current location and tie into Brawley School Road directly across from Rolling Hills Road. A single-point urban interchange (SPUI) is included where Brawley School Road crosses I-77, and a bridge will be constructed where the relocated Gibbs Road crosses an unnamed tributary. The total project length is 5.9 miles. The project is located in Mooresville, in Iredell County.

The current estimate for the cost of construction totals $80,676,000, which includes $37,800,000 for construction and $42,876,000 for right-of-way acquisition.

Study Results

Value Improvements for the Project. The VE team identified four alternatives and three design suggestions. This project contains a significant expense related to accommodating bicycle and pedestrian traffic. These accommodations also necessitate a strong right-of-way requirement. As a result, the VE team focused on these issues. Alternative AP-1 calls for moving the bike path from the roadway and enlarging the nearby walkway to accommodate both bicycles and pedestrians. Doing this could generate a cost savings of approximately $2.8 million. AP-7 calls for reducing the lane width on the outside lane from 16 feet to 14 feet and marking the pavement with "sharrows," an innovative pavement marking that clearly indicates to motorists and bicyclists that the pavement is to be shared by the two groups. This could reduce the cost of construction by nearly $3.2 million.

Design Suggestions. There were three design suggestions under consideration. One of them calls for having unused right-of-way revert back to owners at the end of construction. Another suggests that construction be expedited by letting a contract for utility relocations well in advance of the proposed overall project.

Contingency Suggestions. The Value Engineering effort noted one alternative in this category (i.e., the elimination of sidewalk on one side of the road). This alternative (AP-2) would reduce the cost of construction by approximately $2.7 million. This option could be well worth considering if funding is a problem.

Project Documentation

The documentation for this project included a set of plans, cost estimate, environmental assessment, request for right-of-way cost estimate, and some traffic data. This was adequate for this level of value engineering.

A.9 R-2813-B: Widen NC 146 (Long Shoals Road) from West of SR 3501 (Clayton Road) to East of I-26; Buncombe County

Project Description

The North Carolina Department of Transportation (NCDOT) proposes to widen NC 146 (Long Shoals Road) to a multi-lane facility from NC191 (Brevard Road) to US 25 (Hendersonville Road) in Buncombe County. The project is divided into three sections: 1) Section A, from NC 191 to just east of the French Broad River; 2) Section B, from just east of the French Broad River to east I-26 Interchange; and 3) Section C, from just east of the I-26 Interchange to US 25. The total project length is approximately 3.5 miles. The length of Section A is approximately 1.6 miles, Section B is 0.12 mile, and Section C is 1.8 miles. The recommended typical cross section is a five-lane, 68-foot face-to-face of curbs and gutter section. The project proposed to construct a segment of NC146 on new location from NC 191 to just east of Clayton Road (SR 3501). This includes replacing Bridge No. 53 (Long Shoals Bridge) over the French Broad River and Bridges Nos. 113 and 114 (which carries I-26 over NC 146).

The project was included in the 2000–2006 North Carolina Transportation Improvement Program (TIP). The estimated project cost in the TIP was $32,505,000, which included $6,002,000 for right-of-way, $12,637,000 for construction, $1,470,000 spent in previous years, and $12,395,000 post-year (beyond the year 2006) right-of-way and construction costs. A recent estimated project cost was $25,055,000, which included $21,800,000 for construction and $3,255,000 for right-of-way. Section A is scheduled for right-of-way acquisition in federal fiscal year (FFY) 2007 and construction in FFY 2008. Section B was scheduled for right-of-way acquisition in FFY 2004 and construction let in FFY 2005 and Section C was scheduled for right-of-way acquisition in FFY 2001 and construction let in FFY 2002. The project was recently let for a cost of $52 million.

Study Results

Value Improvements for the Project. The VE team identified six alternatives and six design suggestions. Among them, Alternative BR-1 calls for the reduction of two of the

bridge lanes from 14 feet in width to 12 feet in width. This represents a slight change from normal design practice, but could reduce the cost of the bridge by $180,700.

Alternative BR-3 calls for the reduction of the length of the bridge over the French Broad River by using MSE abutment walls. This could potentially reduce the cost of construction by almost $543,000.

Alternative BR-4 would reduce the median shoulder widths on Bridge Typical Section No. 2 from 12 feet to 6 feet. This would offer potential cost savings of almost $410,000.

Design Suggestions. Design Suggestion MI-2 encourages the use of a concrete median in lieu of the planned turf median. This could provide the benefit of reducing the long-term maintenance cost while avoiding the possibility of a traffic hazard resulting from the planting of trees within the turf median.

Contingency Suggestions. None.

Project Documentation

The State provided a set of preliminary plans, soil borings, traffic information, revised RFP for BAFO, earthwork summaries, and a preliminary design map.

A.10 R-4430: Widen SR 1783 (Upward Road) from US 176, Crossing over I-26 and Ending at SR 1006 (Howard Gap Road); Henderson County

Project Description

The North Carolina Department of Transportation (NCDOT) and the Federal Highway Administration (FHWA) propose to widen SR 1783 (Upward Road) to a multi-lane facility. Transportation Improvement Program (TIP) Project R-4430 begins at US 176,

crosses over I-26, and ends at SR 1006 (Howard Gap Road). This Henderson County project covers a distance of approximately 2.7 miles.

The proposed project is listed in the 2006–2012 TIP. The current cost estimate, dated Feb. 12, 2007, lists the construction cost at $27,400,000. The 2005 report (Finding of No Significant Impact) listed the right-of-way cost as being approximately $8.3 million with $840,000 for mitigation.

Study Results

Value Improvements for the Project. The VE team identified nine alternatives and four design suggestions. While a deviation from normal design practice, alternative AP-5 could save approximately $742,000 by reducing the turning lanes from 12 feet to 10 feet in width.

Bridge alternative BI-2 calls for the use of a pre-stressed concrete (PSC) bridge in lieu of the structural steel bridge. This design change is expected to reduce the construction cost by $521,000.

Design Suggestions. Design Suggestion AP-6 serves as a reminder that it would be good to revisit the pavement design to see if the cost considerations have changed due to the recent spike in energy costs. The key consideration noted in this case is the possibility of using soil stabilization to improve the subgrade material and, hopefully, reduce the reliance on more expensive materials (such as graded aggregate base course and asphalt components) in the typical section.

Contingency Suggestions. Alternative AP-3 calls for the elimination of several median cross-over locations and the corresponding turn lanes and U-turn bulbs. As noted in the narrative, "it would seem that four locations for these U-turn bulbs is excessive, given the project's short 2.7 mile length, in addition to having six signalized intersections within the project limits." This reduction in construction scope could save approximately $382,000.

Project Documentation

The VE team utilized the supplied project materials noted below during the conduct of its work in the VE Study effort:

- North Carolina Department of Transportation
  - Figures 1 and 2 (total of three sheets)
  - Memorandum – Cost Verification (dated Feb. 12, 2007)
  - Preliminary Estimate (Feb. 12, 2007)
  - Memorandum – Geotechnical Report – Design and Construction Recommendations (Dec. 1, 2005)
  - Memorandum – Preliminary Pavement Design (June 28, 2005)
  - Scoping Meeting Minutes (Feb. 11, 2007)
  - Internal "Natural Resources Steering Committee" Meeting Summary (Feb. 12, 2007)

This project's concepts and issues were outlined in the following documents, which were provided by NCDOT:

- Finding of No Significant Impact (Oct. 2005)
- Administrative Action – Environmental Assessment Report (March 2004)
- Plan Set – Prepared by Kimley-Horn and Associates, Inc. (printed in Dec. 2006)
- Preliminary Plan Wall Version – total of three sheets

APPENDIX B

Observations from Other Jurisdictional Practices

The following are some of the unique practices being employed in various settings around the country:

Federal Highway Administration (FHWA)

In a recent message to the staff at FHWA, the Executive Director went on record to emphasize the need to support a new openness to innovative design measures. This message was imparted primarily in response to the pressing need to deliver more projects to meet traffic demands while (at the same time) seeing the funds available for such projects dwindling. The most highly regarded solution offered was seen as reviewing current design practices for signs of dogged attachment to outdated and more costly design solutions.

As noted above, FHWA leadership has made it known that it believes that planning and design managers need to challenge each other and their teams to think in terms of innovative measures that can reduce construction costs—in order to make it possible to get more done with the limited resources available. The Inspector General of the FHWA has also noted in a recent audit of VE efforts by individual states that North Carolina has not performed well in meeting VE program goals.

Recent FHWA guidance reflects the following principles:

- Planning and design decisions need to be cost-based.
- To be "cost-based" implies that planners and designers must be trained in the skills of construction-cost estimation, life-cycle costing, and be provided with an awareness of the manner in which materials choices are made.
- Some key innovative practices fostered by FHWA:
    - Context-sensitive solutions
    - Informed deviations from standard practices
    - Incorporation of roundabouts to minimize signalization costs and enhance traffic flows. (**Note:** It should be referenced that life-cycle cost savings can equal as much as four times the initial cost of signalizing an

intersection in which roundabouts can be employed. As a guideline, Georgia's policy on the use of roundabouts is that they will only be used in situations where there is one lane of traffic due to safety concerns associated with two-lane roundabouts.)

- Transportation Asset Management (TAM) – The FHWA and AASHTO promote this decision-making process. The focus is on system performance, rather than on money spent and the number of miles of roadway improved. It helps to confirm resource allocations prior to making firm commitments. This methodology provides the tools and the structure necessary to:
  - Set goals
  - Identify priorities
  - Measure results
  - Demonstrate performance
  - Increase customer satisfaction

  The benefits of this decision-making process can include:
  - Strategic thinking that considers long-term consequences of investments (and can help take the subjective aspects of project selection out of the mix);
  - Businesslike, performance-driven, customer-oriented process that focuses on the return on an investment (ROI);
  - The use of new analytical tools and new ways of applying old tools, in order to better integrate data and support decision making.

Missouri State Department of Transportation

The Missouri DOT employs a concept called "Practical Design" as part of its VE program. This approach allows for the construction of just what is necessary to address the transportation need. The Missouri DOT expects to save more than $400 million over the next 5 years by encouraging the challenge of design standards, fitting solutions to settings, and through the revisiting of projects already slated for construction (in order to

re-think the application of costly criteria to the design of projects). As Mr. Allen of the Department has stated, "Practical Design, like Value Engineering, strives to build the right project at the right time, achieving delivery of the project scope—no more and no less."

Ohio Department of Transportation

The Ohio Department of Transportation (ODOT) has developed and implemented a Project Development Process (PDP) that includes regular communication among technical disciplines, results in quality plans, and minimizes cost overruns during right-of-way acquisition and project construction. Depending on project size, complexity, and/or potential impact to the environment, ODOT transportation projects are categorized as Minimal, Minor, or Major. The PDP consists of a certain number of steps depending upon the project category, with the most complex projects requiring up to 14 steps. This PDP is a reflection of the suggested program followed by FHWA. It has streamlined and changed the sequencing of the normal process by:

- Encouraging communications among disciplines;
- Requiring documentation of the reasoning behind project-related decisions;
- Eliminating duplicated efforts among disciplines;
- Providing for early identification of potential "red flag" issues; and
- Ensuring that work products are completed as early in the process as possible

One of the most essential components of the PDP is a uniform Work Breakdown Structure (WBS) for each of the three project categories. This takes much of the guesswork out of the sequencing of events, from concept to completion. The more important topics covered in the WBS include the following:

- Definition of study area
- Public involvement plan
- Initiation and completion of design-level mapping
- Analysis of existing and future conditions
- Environmental programming
- Red flag summary
- Design activities

- Cost-estimate milestones
- Value Engineering workshop
- All design reviews and suggested durations of reviews

The PDP has resulted in a much more cost-effective delivery of the projects involved in the process. It has become a trusted source of project consensus and has eliminated numerous costly steps in the project-delivery system.

Virginia

Besides running a nationally recognized Value Engineering program for the Commonwealth's transportation projects, the Virginia Department of Transportation has started employing an on-line dashboard to provide project status reports on a need-to-know basis. This dashboard display permits authorized parties to "drill down" into the available database that supports the dashboard, and find key information vital to maintaining control of individual projects. As discussed elsewhere in this report, NCDOT's Project Management Improvement Initiative (PMii) will provide similar capabilities, but it has been slow in reaching operational capability.

Alaska, Arizona, Iowa, Kentucky, Maine, Michigan, Minnesota, Montana, North Carolina, New York, Utah, Vermont, Washington

The Colorado DOT took a poll of various DOTs around the country, concerning their stance on Value Engineering Change Proposals during construction (VECPs). In general, it was found that few states had any opposition to the practice of accepting VECPs for general construction. It was notable that the states named above were willing (under certain conditions) to accept VECPs related to the pavement design. Pavement design is one of those topics that come up on every VE study for roadways. In general, there is a "hands-off" attitude prevalent in the handling of such matters. It is typically announced that the pavement design has been selected by DOT specialists (without any discourse allowed about the quality of that decision), and that the chosen pavement design is not subject to further debate. Also, rarely is a VE team equipped with a team member who is knowledgeable in the area of pavement design. However, since so many states are open

to VECPs on the subject, and since so much of the eventual cost of roadway projects is based on pavement design, it is recommended that the processes involved in pavement design be reviewed. The State of Florida DOT formed what is called the Florida Center for Pavement Excellence (FCPE), a cross-functional team with representatives from different areas, including: construction; asphalt materials; concrete materials; geotechnical materials; pavement evaluation; pavement management; and pavement design. This team provides the sounding board for new, optimal pavement designs and helps to assure that the latest thinking is being incorporated into the development of economical pavement alternatives.

APPENDIX C

Value Engineering Potential

Project leaders routinely entertain a large number of potential Value Engineering creative ideas, or items that should be weighed and measured for how well they are employed in the final design. The following is a partial list of "targets of opportunity" for Value Engineering:

Drainage	• Pipe-size optimization • Improved inlet design to reduce pipe size • Material selection • Headwall necessity/type • Outlet treatment

Right-of-Way	• Acquisition process
	• Easements vs. permanent
	• Minimization of takes
	  ○ Relationship to horizontal geometrics
	  ○ Placement of ramps at interchanges (distance of separation determines takes)
	  ○ Avoidance of high-profile properties

Environmental	• Permitting • Minimization of wetlands • Specimen trees • Tree replacement • Erosion and sedimentation-control measures
Cultural Resources	• Historic sites • Historic "viewsheds"
Horizontal Geometrics	• Optimization/impact on right-of-way
Vertical Geometrics	• Optimization/impact on earthwork
Accommodation of Utilities	• Impact on construction schedule • Coordination difficulties • Impact on right-of-way
Signalization	• Use span-wire signal installation versus mast arms • Use video vehicle detection versus loops • Standardize mast arm
ITS	• Consolidate various ITS devices onto one structure • Use overhead FO cable versus underground • Use wireless communication versus FO cable
Roadside "Furniture"	• Signage/markings • Guardrails

	• Median barriers • Sound-attenuation walls • Fencing/controlled access • Retaining walls • Sidewalks • Lighting
Typical Sections	• Lane and shoulder widths • Bicycle and pedestrian facilities • Side slopes versus right-of-way takings • Placement of guardrails
Pavement Design	• Adequacy • Maintainability and life-cycle cost
Structures – Bridges/Culverts/Animal Crossings/Bike and pedestrian Tunnels – LCC Based Choices	• Walkways on bridges • Bikeways on bridges • Raised median on bridges • ConSpan-type structure in lieu of large box culvert • MSE vs. paved slope protection
Design Costs	• Flow of project reviews • Minimization of number of persons involved in in-house design/permit reviews
Construction-Cost Topics	• Contract methods (DBB/DB/DBO) • Contract general conditions • Mobilization • Cost of owning risk • Mobilization cost • Project close-out (disputes, settlements, LDs, demobilization) • Construction phasing • Construction staging (eliminating unknowns) • Mobilizing utility companies • Excellent planning figures, routinely updated • Earned-value reporting
Construction Contract Administration	• Conduct of daily affairs • Documentation of activities • Avoidance of claims • Use of the construction schedule to avoid construction pitfalls
Other Uses for the Roadway (May Affect Geometrics)	• Evacuation routes • Fiber-optic utility backbone • Special events • Mass transit corridors

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency January 9, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Don McConquodale	Manning Fulton
Tracey Holloway	
John Tillet	MWC
Annette Newkir	Governor's Office
Grady McCallie	NC Conservation Network
Mark Benson	
Jeff Cherry	NCGA
Becki Gray	John Locke Foundation
Saul Guerrero	John Locke Foundation
Jeff Carroll	Wilbur Smith Associates
Dale Janik	" " "

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency January 9, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alpesh Patel	NCDOT
Jerry Willis	

VISITOR REGISTRATION SHEET

21st Century Trails — 1-9-08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
H. Isaico	NCDOT
Mike Krannitz	Stewart
Johanna Reese	DOT
Christopher Hollis	Kennedy Covington
Steve Jacobson	Budget & Tax Center
Christin Mathis	CAPE
Marvin Waters	CCPS
Whit Webb	HNTB
Tom Barry	PBS+J
Gene Conti	PBS+J

VISITOR REGISTRATION SHEET

21ST CENTURY TRAN — 1-9-08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
MARK FOSTER	NCDOT MLFOSTE@DOT.STATE.NC.US
Anna Lea	NC-DOC
Missy Dickens	NCDOT
David Wasserman	NCDOT
SHANNON LASATER	NCDOT
Damian Graham	TTA
Marc Finlayson	Highway 17 Association
Mercedes Burton	OSBM
Margaret Hasha	OSBM
Zastin Brown	Speaker's Office

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, January 9, 2008
10:00 AM
Room 421, Legislative Office Building

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, January 9, 2008 at 10:00 a.m., in room 421 of the Legislative Office Building. Senator Jenkins, Chair; Representative Carney and McGee; Mr. Richard Blackburn, Mr. Billy Sewell, Mr. Lanny Wilson attended the meeting.

Senator Jenkins presided the meeting. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency sub-committee meeting and acknowledged the Sergeant at Arms.

Senator Jenkins recognized Mr. Alpesh Patel with the North Carolina Department of Transportation to address the committee. Mr. Patel gave a power-point presentation on *2006 Mid-Cycle UPDATE: NC Statewide Multimodal Transportation Plan* (See Attachment I). Mr. Patel reviewed the federal requirements for states to maintain a Statewide Transportation Plan and then outlined the statewide plans in North Carolina. Mr. Patel also addressed the changes in plans, population demands, and the escalation in the cost of construction and deferred projects. Mr. Patel also discussed the multimodal transportation investment needs and the revenue forecast and its associated assumptions. Mr. Patel gave an overview on the transportation system investment needs and the four improvement types. Mr. Patel concluded by discussing future trends and possible actions and policy options. Senator Jenkins thanked Mr. Patel for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Next, Senator Jenkins recognized Tom Barry, Senior Vice President PBS&J, and Gene Conti, Vice President PBS&J, to address the committee. Mr. Barry and Mr. Conti gave a power-point presentation on *NCDOT Project Delivery Improvement Recommendations* (See Attachment II and III). Mr. Barry and Mr. Conti gave a detailed overview of the twelve-week study focusing on NCDOT's TIP delivery process and discussed the findings and the recommendations of the study. Next, Mr. Barry and Mr. Conti gave a detailed overview of study focusing on NCDOT's environmental policies and discussed the findings and the recommendations of the study. Next, Mr. Barry and Mr. Conti gave a detailed overview of the study focusing on NCDOT's TIP projects and value engineering. As before, they discussed the findings and the recommendations of the study. Senator Jenkins thanked Mr. Barry and Mr. Conti for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

The meeting adjourned at 10:45am.

Clark Jenkins

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation Committee
Prioritization, Best Practices and Efficiency Sub-Committee
Agenda
January 16, 2008
9:00 AM
Room 201
Charlotte Convention Center

Welcome	Senator Jenkins
Discussion on Proposed Topics for Future Meetings	All Members

Potential Future Meeting Dates

February 6th 10:00 am Raleigh
February 21st 9:00 am Wilmington
March 5th 10:00 am Raleigh
March 19th 10:00 am Raleigh

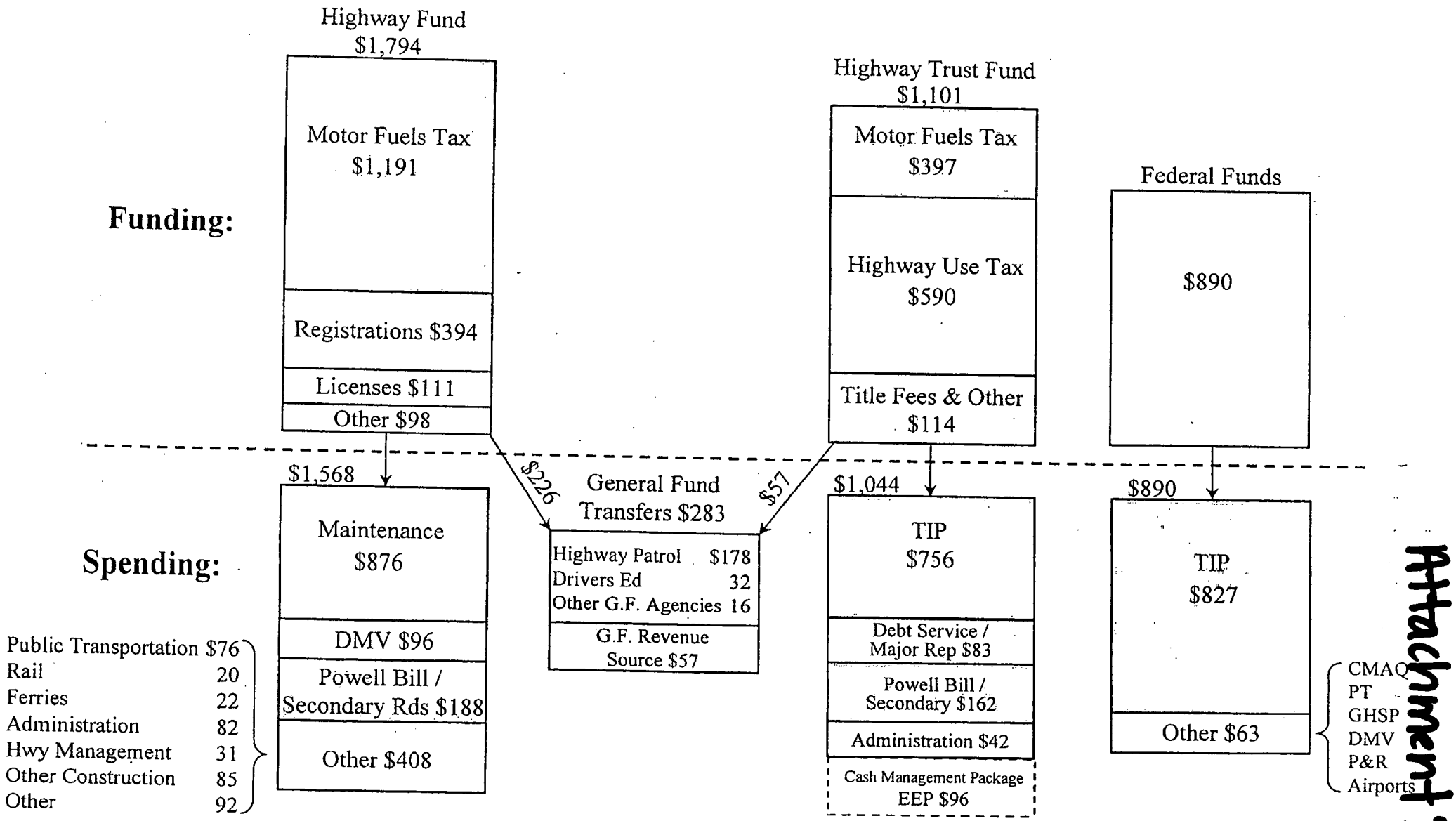
Adjourn

Financial Pla[redacted] Comparisons
Calendar Yea[redacted]ate Fiscal Year
2004 [redacted]gh 2010

	Total CY 04	Total SFY 05	Total CY 05	Total SFY 06	Total CY 06	Total SFY 07	Total CY 07	Total SFY 08	Total CY 08	Total SFY 09	Total CY 09	Total SFY 10
REVENUES												
State revenues	$ 2,359	$ 2,412	$ 2,508	$ 2,734	$ 2,934	$ 2,964	$ 2,969	$ 2,911	$ 2,924	$ 2,952	$ 2,966	$ 2,993
Federal aid	986	1,123	990	949	822	756	922	1,042	1,000	900	880	910
Agreements	-	-	-	-	-	-	-	-	-	-	-	-
Other	61	140	128	105	102	97	96	100	107	100	105	110
	3,406	3,675	3,626	3,787	3,858	3,818	3,986	4,053	4,031	3,952	3,951	4,013
BOND PROCEEDS	$ 323	$ 323	$ 1	$ 1	$ -	$ -	$ 86	$ 169	$ 199	$ 177	$ 114	$ 93
TOTAL REVENUES & OTHER RECEIPTS	$ 3,729	$ 3,998	$ 3,627	$ 3,788	$ 3,858	$ 3,818	$ 4,072	$ 4,222	$ 4,230	$ 4,129	$ 4,065	$ 4,105
CONSTRUCTION EXPENDITURES								0	0	0	0	0
Garvee Expenditures								0	0	0	0	0
Garvee Debt Service							($76)	($164)	($230)	($225)	($163)	($168)
Ecological Enhancement Program							0	($5)	($12)	($60)	($66)	($70)
NC Moving Ahead (1)	$ (59)	$ (45)	$ (19)	$ (35)	$ (39)	$ (204)	$ (192)	$ (38)	$ (57)	$ (60)	$ (61)	$ (62)
SB 1005 (1)	(190)	(221)	(153)	(116)	(107)	(108)	(99)	(113)	(56)	-	-	-
TIP	(134)	(108)	(60)	(26)	(19)	(20)	(28)	(41)	(22)	-	-	-
Other Construction	(1,544)	(1,698)	(1,740)	(1,620)	(1,429)	(1,389)	(1,453)	(1,437)	(1,593)	(1,710)	(1,732)	(1,750)
Turnpike Authority	(200)	(174)	(118)	(117)	(182)	(230)	(257)	(281)	(269)	(248)	(248)	(248)
Internal Orders	-	-	-	-	-	(6)	(17)	(22)	(27)	(30)	(30)	(30)
CMAQ	(9)	(73)	(136)	(14)	(8)	73	96	(1)	(30)	(30)	(30)	(30)
Total Construction	(7)	(3)	(3)	(2)	(3)	(5)	(7)	(10)	(20)	(32)	(36)	(36)
	$ (2,142)	$ (2,323)	$ (2,228)	$ (1,931)	$ (1,786)	$ (1,560)	$ (1,704)	$ (2,112)	$ (2,317)	$ (2,394)	$ (2,365)	$ (2,393)
MAINTENANCE EXPENDITURES								$ -	$ -	$ -	$ -	$ -
Primary, Secondary, & Urban Systems	$ (450)	$ (452)	$ (445)	$ (554)	$ (568)	$ (484)		0	0	0	0	0
Contract Resurfacing	(181)	(159)	(146)	(157)	(198)	(227)	$ (507)	$ (596)	$ (573)	$ (519)	$ (519)	$ (519)
General Maintenance Reserve & Disaster Funding	(32)	(43)	(2)	84	68	(42)	(264)	(277)	(260)	(249)	(249)	(249)
Total Maintenance	$ (665)	$ (654)	$ (594)	$ (629)	$ (698)	$ (754)	(63)	(24)	(40)	(40)	(40)	(40)
							$ (834)	$ (897)	$ (872)	$ (807)	$ (807)	$ (807)
OTHER MODES								$ -	$ -	$ -	$ -	$ -
Public Transportation	$ (55)	$ (77)	$ (72)	$ (122)	$ (127)	$ (143)		$ -	$ -	$ -	$ -	$ -
Public Transportation-New Starts	(6)	(36)	(38)	(15)	(19)	11	$ (88)	$ (44)	$ (83)	$ (83)	$ (84)	$ (85)
Ferry Operations	(22)	(24)	(24)	(26)	(28)	(31)	(24)	(56)	(16)	(16)	(16)	(3)
Railroad program	(19)	(23)	(19)	(21)	(24)	(23)	(32)	(32)	(31)	(31)	(32)	(32)
Airports	(37)	(35)	(33)	(35)	(34)	(38)	(24)	(22)	(21)	(20)	(21)	(21)
Total Other Modes	$ (138)	$ (194)	$ (186)	$ (220)	$ (231)	$ (223)	(40)	(44)	(49)	(48)	(48)	(49)
							$ (208)	$ (197)	$ (201)	$ (198)	$ (199)	$ (189)
OTHER EXPENDITURES								$ -	$ -	$ -	$ -	$ -
Administration	$ (219)	$ (220)	$ (220)	$ (241)	$ (254)	$ (256)		$ -	$ -	$ -	$ -	$ -
Transfers to Other State Agencies	(224)	(239)	(248)	(244)	(243)	(255)	$ (255)	$ (297)	$ (318)	$ (317)	$ (319)	$ (323)
Transfers to General Fund	(248)	(243)	(248)	(253)	(155)	(57)	(277)	(274)	(265)	(264)	(266)	(269)
State aid to municipalities	(135)	(135)	(137)	(137)	(138)	(138)	(115)	(173)	(173)	(173)	(130)	(88)
Debt Service	(39)	(69)	(78)	(93)	(92)	(91)	(158)	(158)	(150)	(150)	(153)	(153)
Other Programs	(14)	(14)	(21)	(25)	(23)	(25)	(90)	(88)	(86)	(85)	(84)	(83)
Total Other Expenditures	$ (876)	$ (920)	$ (952)	$ (992)	$ (905)	$ (822)	(24)	(23)	(25)	(25)	(26)	(26)
							$ (918)	$ (1,012)	$ (1,017)	$ (1,013)	$ (979)	$ (942)
TOTAL EXPENDITURES	$ (3,822)	$ (4,090)	$ (3,956)	$ (3,772)	$ (3,621)	$ (3,359)	$ -	$ -	$ -	$ -	$ -	$ -
							$ (3,663)	$ (4,217)	$ (4,407)	$ (4,412)	$ (4,350)	$ (4,331)
OTHER CHANGES IN CASH									0	0	0	0
Working capital changes	$ -	$ 17	$ -	$ (42)	$ (12)	$ (233)			0	0	0	0
	$ -	$ 17	$ -	$ (40)	$ (12)	$ (233)	$ (265)	$ (10)	$ -	$ -	$ -	$ -
							$ (265)	$ (10)	$ -	$ -	$ -	$ -
NET CHANGE IN CASH	$ (149)	$ (75)	$ (329)	$ 58	$ 225	$ 183	$ 147	0 $ (4)	0 $ (177)	0 $ (283)	0 $ (285)	0 $ (226)

Attachment I.

Highway Fund, Highway Trust Fund & Federal Funds 2006-07 ($ in Millions)



Attachment II

Attachment III

21st Century Prioritization/Efficiency Subcommittee Potential Future Topics

1. Trust Fund Project Delivery-Intrastate System and Loop Projects –Past, Present, and Future
2. Equity Formula, Loop Funds, and Transit Fund Distribution
3. Bridge Management in NC; Current processes, future requirements, and anticipated challenges
4. Organization, Roles and Responsibilities of the NC Board of Transportation
5. Organization of NCDOT past and present and plans for transforming to meet future transportation demands in NC
6. Feasibility of Tolling all Urban Loops, Turnpike Authority and NCDOT linked responsibilities and/or division of authorities
7. Growth of Administrative Costs, reduction of TIP Project Delivery since 2002
8. Report of NCDOT proposed transformational changes – Update of Transformation Management Team activities and recommendations
9. Examination of NCDOT's annual Construction Inflation rate of between 15-20% per year, components responsible for this composite rate, and comparisons to regional and national inflation.

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, January 16, 2008
09:00 AM
Room 201, Charlotte Convention Center

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, January 16, 2008 at 09:00 a.m., in room 201 of the Charlotte Convention Center. Senator Jenkins, Chair; Representative Carney and McGee; Mr. Richard Blackburn and Mr. Lanny Wilson attended the meeting.

Senator Jenkins presided the meeting. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency sub-committee meeting and acknowledged the Sergeant at Arms.

Senator Jenkins recognized General Jim Trogdon, the Director of Strategic Transportation Planning at the North Carolina General Assembly, to address the committee. General Trogdon gave a review of the current revenue stream facing the state (see Attachment I and II). General Trogdon discussed state revenues, federal transportation aid and agreements made between the state and federal government. General Trogdon discussed construction expenditures, maintenance expenditures and other various expenditures. Further, General Trogdon discussed the Highway Fund, Highway Trust Fund, and Federal Funds for 2006-2007 (see Attachment II). Senator Jenkins thanked General Trogdon for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Next, Senator Jenkins opened discussion for potential future topics to be studied by the subcommittee (see Attachment III). Next, members of the subcommittee discussed potential dates for future meetings.

The meeting adjourned at 10:15am.

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation
Prioritization and Efficiency Subcommittee
February 6, 2008
10:00-12:00
Legislative Building Room 1228

Chairs' Comments	Senator Clark Jenkins
Bridge Condition and Management Report in NC	Lacy Love NCDOT
Report on Proposed Transformational Studies	Terry Gibson NCDOT
Examination of NCDOT's Construction Inflation 2001 to Present:	Mark Foster Jon Nance NCDOT
Discussion	
Adjourn	

VISITOR REGISTRATION SHEET 2/6/08

~~Automobile Insurance Modernization Committee~~ ~~January 16, 2008~~
Name of Committee Date

21 Century Transportation Cte

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Roger Bone	Bone & Assoc
L Thompson	NCPA
VL McBride	NCPA
Beau Mills	NC Metropolitan Coalition
[illegible]	RANC
Fred Bone	Bone & Assoc.

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency February 6, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DON VOELKER	NCDOT
JOHN SULLIVAN	FHWA
Jon Nance	NCDOT
Ellis Powell	NCDOT
Daniel D. Holderman	NCDOT
JIM HUMPHREY	CHARLOTTE
Betsy Bailey	Professional Engineers
JOHN GOODMAN	NC CHAMBER
Mary Bethel	AARP NC
Evelyn Lawrence	EH&R
Wyatt Barber	CAPA

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency February 6, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Duncan	Rail Road Assoc NC
Amy Schilder	McGuireWoods
CS Hollis	Kennedy Covington
Mac Boxley	NC Aggregates
Marvin Waters	CCPS
Fred Burchett	Kimley-Horn & Associates
SHANNON LASATER	NCDOT
Steve DeWitt	NCTA
Steve Jacobs	Budget & Tax Center, NCJC.
Don McConnaughey	Manning Fulton
Tommy Hanneson	EARTH TECH

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency February 6, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BERRY JENKINS	CAROLINAS AGC
Zadia Brown	Speakers Office
Chris Dillon	N.C. Tpk
Lisa Hollowell	FHD
Joe Futrell	FHD
Steven Waters	America Walks
Bruce Dillard	NCDOT - FINANCE
Terry Gibson	NCDOT - Div 6
H. IASAICO	NCDOT
Larry Goode	NCGA
MARK FOSTER	NCDOT
Lacy Love	NCDOT

VISITOR REGISTRATION SHEET

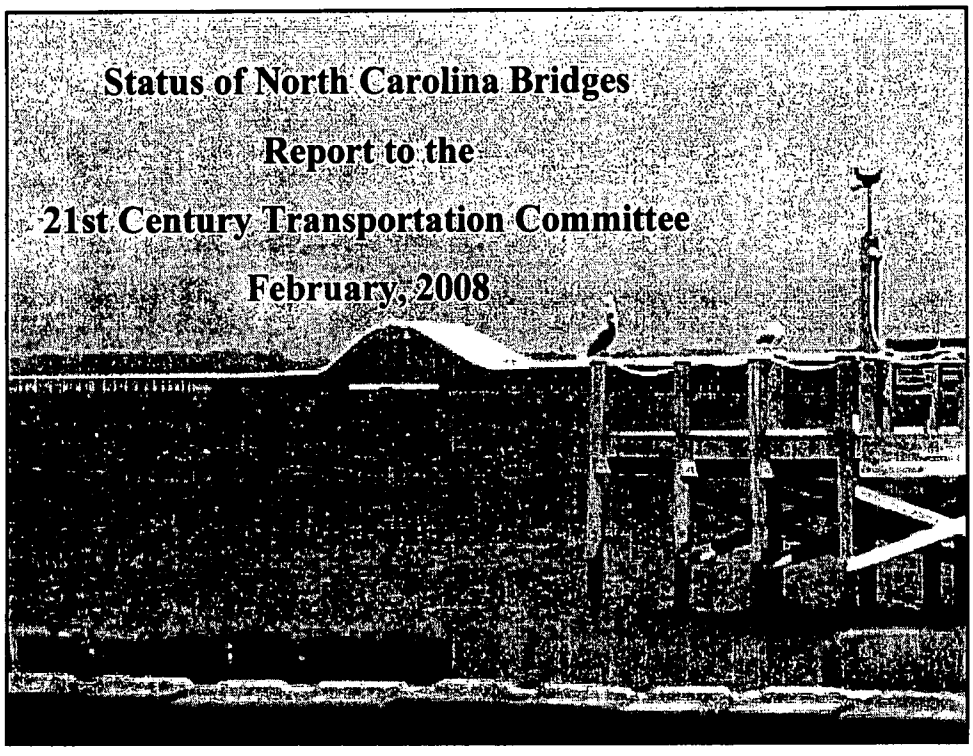
21st Century Transportation Prioritization & Efficicency February 6, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
J.I. Swain	NCDOT
M.L. Holder	NCDOT
Tom Eagar	NC Ports
Laura Wilson	NC Ports
David Joyner	
Ken McEntire	ICA 201 Shannon Oaks, Suite 200 Cary NC
Cam Cowles	BPMHL
Johanna Reese	NCDOT
Reid Simons	NCTA
Jennifer Benton	OSBM
Danyelle Washington	OSBM

Attachment I

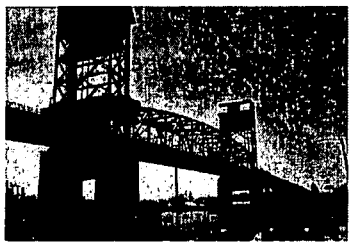


Status of NC Bridges

Introduction

- Definitions
- Bridges vs. Structures
- Inspection Program Overview
- Bridge Condition
- Performance Goals
- Management Approach
- Challenges

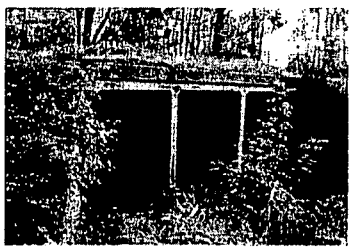
Bridges vs. Structures



Bridges



Floating barge w/Bridge



Culverts



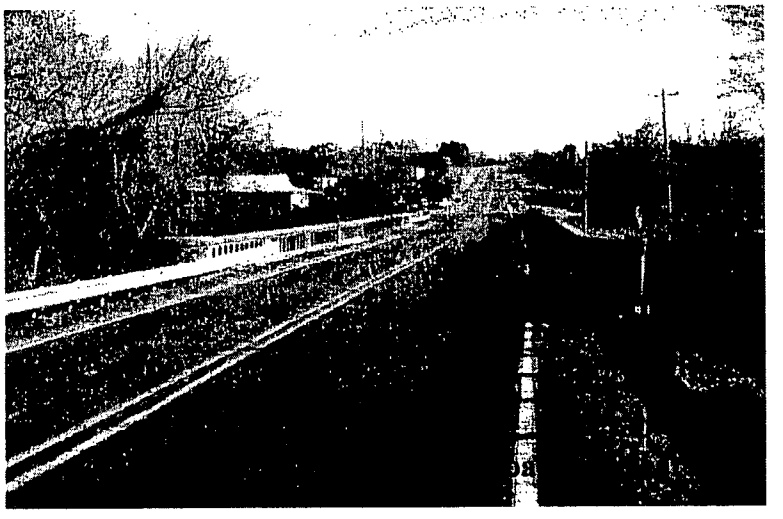
Pipes

Structurally Deficient Bridge



Structurally Deficient ~2200

Functionally Obsolete Bridge



Functionally Obsolete ~ 3000

Sufficiency Rating

- Established by FHWA
- Compares existing bridge to a new bridge designed to current engineering standards
- Measure of Bridge's overall condition (scale 0 to 100)
- Used to determine eligibility for Federal Aid Bridge funds
  - Must be <50 for Replacement
  - Must be <80 for Rehabilitation
- Does not imply the bridge is unsafe
- Formula based on
  - Structural Condition of Bridge (55%)
  - Serviceability and Obsolescence (30%)
  - Essentiality to public use (15%)

Inspection Program



- Every Bridge inspected every 2 years
- Detail inspection by Inspection teams
  - Above water teams - 18
  - Underwater teams - 4
  - Special evaluation teams - 4
- Supplemented by private inspectors
- Each element rated based on condition (1 to 9)
- Teams document maintenance needs for each element for each bridge
- Maintenance needs entered into Bridge Management System

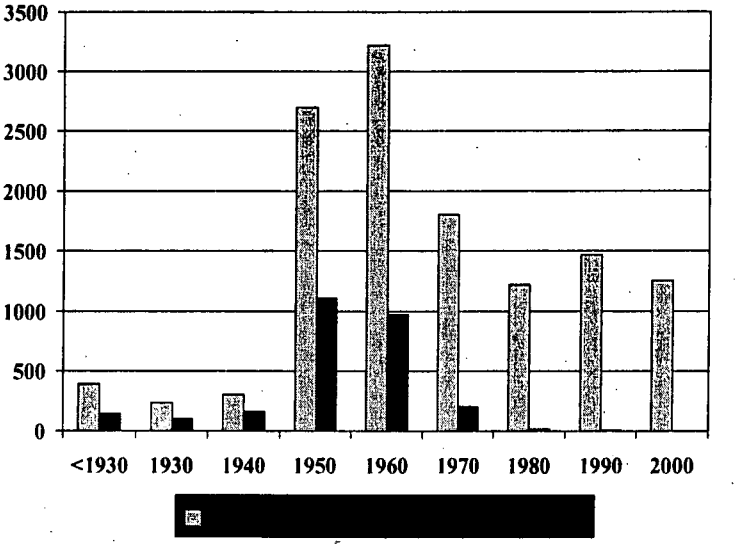
Bridge Analysis



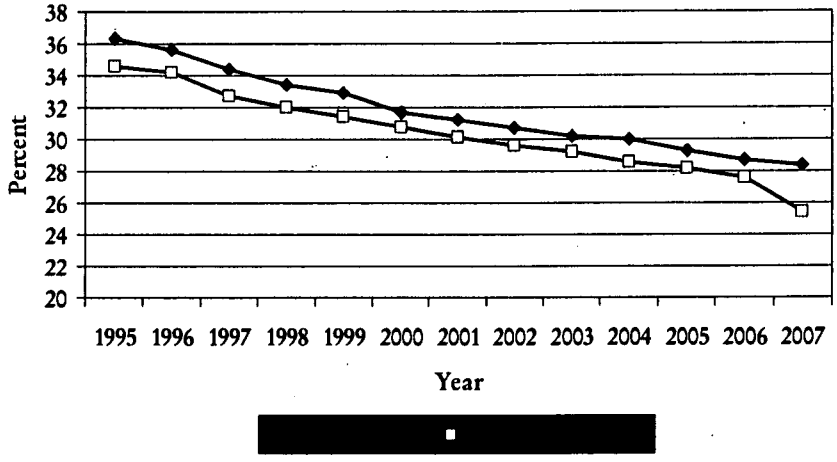
Status of NC Bridges

- 17,300 Total Structures including concrete culverts and metal structures (pipes) that have a span length of 20' or more; state-owned and maintained.
- ~12,600 state-owned and maintained Bridges
- ~2,000 bridges with SR <50
- ~700 bridges are programmed in TIP
- ~4,000 with timber components
- ~35% increase in deck area in the last 20 years

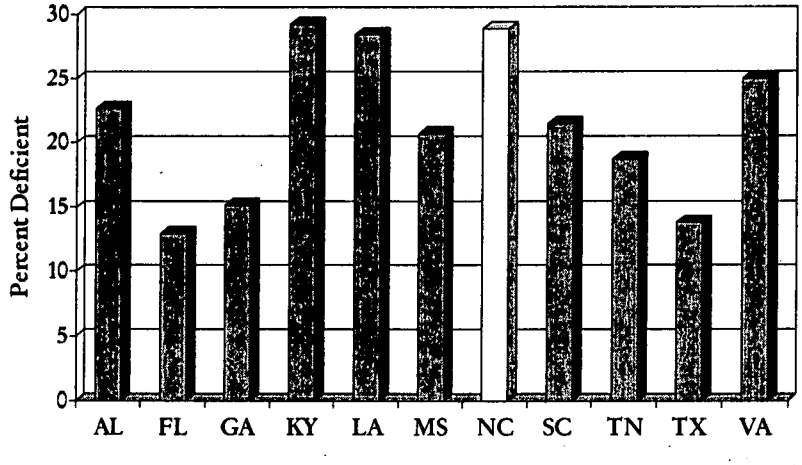
Age of Bridges



Percent of Deficient NC Bridges



NC vs. Southeast States



Performance & Accountability

- DOT is currently implementing a new performance measures program which has as a goal to achieve a targeted level of service .
- A Bridge Technical Team has been established to draft the performance goals which will be implemented in the new program.

Performance Standard - % SD

8.9 %

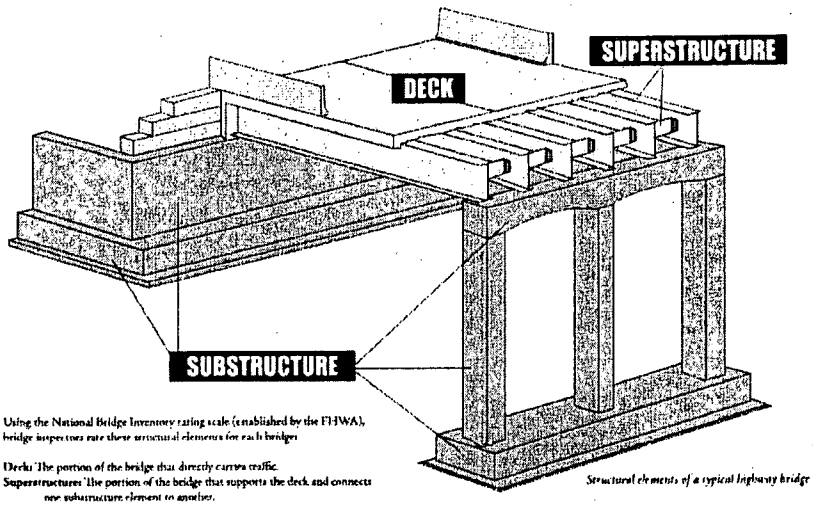
10.6 %

5 %

7.4 %

Major Bridge Components

Bridge Structural Elements Diagram

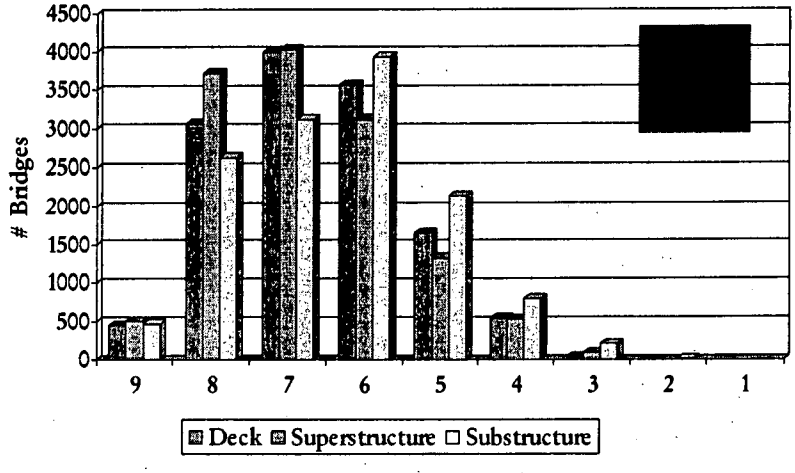


Structural elements of a typical highway bridge

Using the National Bridge Inventory rating scale (established by the FHWA), bridge inspectors rate these structural elements for each bridge:

Deck: The portion of the bridge that directly carries traffic.
Superstructure: The portion of the bridge that supports the deck and connects one substructure element to another.
Substructure: The portion of the bridge that supports the superstructure and distributes all bridge loads to below-ground bridge footings.

Condition Rating Distribution



Performance Standards - Example

Functional Work Group Worksheet

Element: Bridge Maintenance and Preservation

Asset: Deck

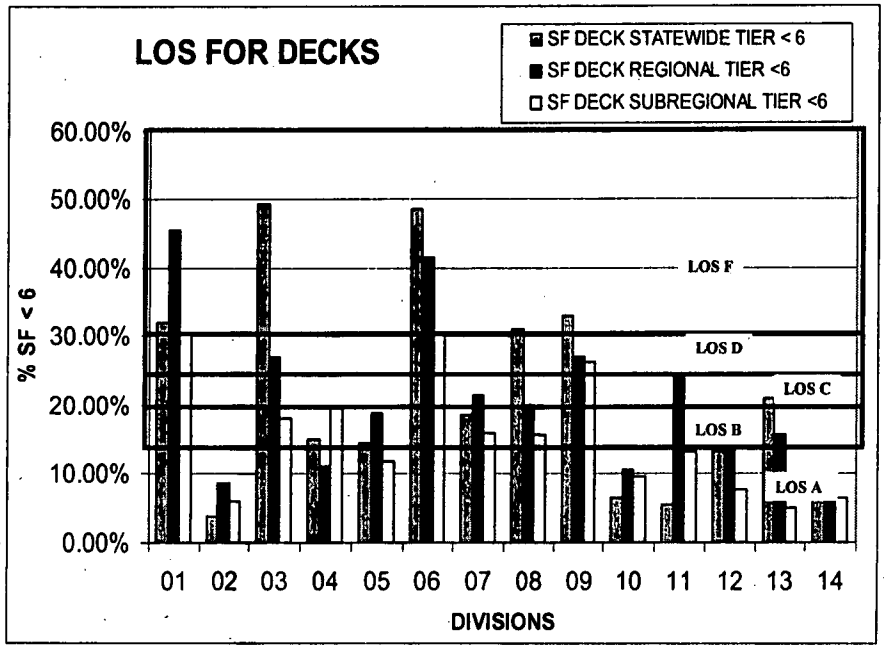
Activities: Deck Maintenance

Condition Indicator: Condition Rating of less than or equal to 6.

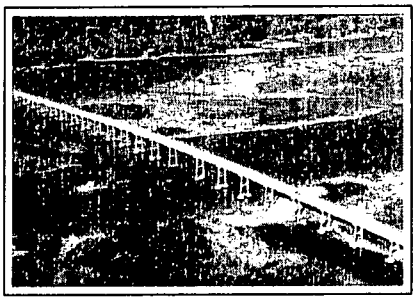
Performance Measure: Condition Rating by Square Feet of Deck

LOS Category	LOS Description
A	15% or less of condition ratings below 6.
B	Between 15.1% and 20% of condition ratings below 6.
C	Between 20.1% and 25% of condition ratings below 6.
D	Between 25.1% and 30% of condition ratings below 6.
F	30% or more of condition ratings below 6.

	Statewide	Regional	Subregional		Division	County
Performance Target	B	B	C		NA	NA
Assessment Method	BIR	BIR	BIR		BIR	BIR



Asset Management Approach



- **Policy Driven** - Decisions based on well defined policy
- **Performance Based** - Policy decisions drive the outcomes
- **Analytical Analysis** - Resource allocation based on modern investment analysis and best value concepts
- **Decisions based on Quality Information** - Investment decision based on accurate and timely data
- **Monitoring for Accountability** - Performance results are monitored for accountability and efficiency improvement

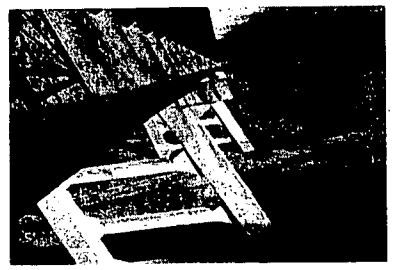
Allows better communication with stakeholders, legislature and public

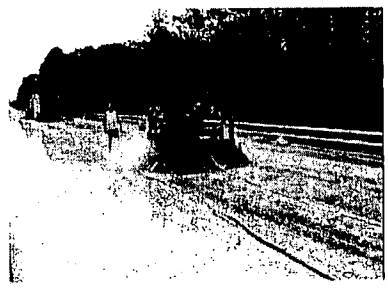
Better able to allocate resources to most needed work

Mix of Fixes

- Mix of Fixes - Keep good bridges good
  - Maintenance
    - Routine & Corrective
  - Preservation
    - Extend Service Life
  - Rehabilitation
    - Restore to new like condition
  - Replacement

Mix of Fixes



Current Funding of NC Bridges

- Statewide bridge maintenance budget for FY 07-08 is $65 M
- Beginning Preservation Program ($15M)
  - Federal Funds
  - System Preservation Maintenance Funds
  - Overweight truck fees
- NCDOT replaces ~120 bridges per year at an average expenditure of $200 M/yr.
- Current maintenance needs as documented by the inspectors are ~$350 M

Challenges

- Aging Bridges
- Predictive modeling tool estimates # Deficient bridges to grow to ~7,000 by 2020
- Balance between bridge replacement projects and environmental stewardship
- Limited Replacement Funds
- Competition for Maintenance Dollars with other Infrastructure Needs

Transition to 21st Century Organization

- Effort has evolved since early 2000's
- It's a continuous process
- Adopt what we've started and accelerated the good practices

Attachment II.

21st Century Transportation Committee

Prioritization Subcommittee

Presented by
Terry Gibson, P.E.

Raleigh, NC
February 6, 2008

NCDOT Transformation

NCDOT's Transformation Includes:

- Vision - 21st Century DOT focused on State's transportation network connectivity and performance
- Prioritization - Realization of the need for a better prioritization of the State's resources to address congestion, safety, and infrastructure needs, and
- A better performing DOT

Solving NC Transportation Problems

- Not Simple Matter of Revenue
- Requires a 3 Step Approach
  1) Improve NCDOT Organization & Process to become more efficient and impact focused
  2) Establish Statewide Prioritization Process
  3) Determine Incremental Resources/Revenues to achieve desired outcomes
     –Dependent on 1 and 2



Transformation Beginnings

21st Century NCDOT Vision

- –Focus on Network Connectivity & Function, not just Projects
- –Enhance Systems Operations, to leverage existing infrastructure
- –Establish Network Performance Standards
- –Greater Internal Efficiency, Ownership and Accountability
- –Prioritized, Outcome-Based Budgets
- –Culture Shift, become true Service Provider



Transformation Diagnostic Highlights

Development Areas

- Conflicting Vision and Goals
- Non-Strategic Portfolio of Project and Services
- Core Processes Lack Prioritization, Accountability, Coordination
  - –Project Design & Delivery
  - –Strategic Planning (ad-hoc)
  - –Operational Processes (not linked to metrics)
  - –Funding Flexibility
- Shortcomings
  - –Organization Structure (Silo and non-collaborative)
  - –Failing Talent System (Recruit/Motivate/Develop)
  - –Communication (Not pro-active)



Five Key Transformation Initiatives

Strategic Direction	• Define common **Mission** and **Goals** for the NCDOT • Determine the appropriate **scope of activities** for NCDOT • Identify potential opportunities for new sources of **funds** • Evaluate possible **organizational changes** to reach strategic goals
Planning and Prioritization	• Establish a **Strategic Planning Office** • Develop **strategic plan** that aligns with Mission and Goals • Establish a new **prioritization approach** based on strategic priorities
Program and Project Delivery	• Develop and implement enhanced **program and project delivery** models and processes
Performance and Accountability	• Implement a public facing **Executive Dashboard** that is aligned with the mission and goals • Introduction of a **performance based culture** that cascades performance metrics throughout the organization
Improved Human Resource Management	• Design a **rigorous performance review** process tied to performance metrics • Design a process for **leadership planning** • Make high level recommendations on **employee recruitment, development and retention**



Mission & Goals

NCDOT

OUR MISSION

"Connecting people and places in North Carolina – safely and efficiently, with accountability and environmental sensitivity"

OUR GOALS

- Make our transportation network safer
- Make our transportation network move people and goods more efficiently
- Make our infrastructure last longer
- Make our organization a place that works well
- Make our organization a great place to work

Streamlined Program and Project Delivery

Program and Project Delivery

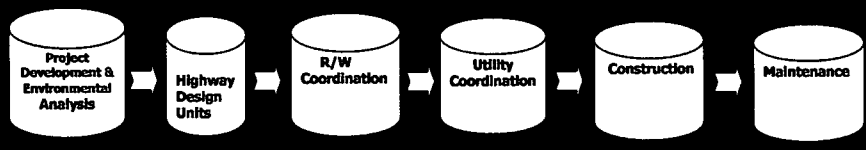
Accomplishments to Date:

- **NCDOT Bridge Program**
  - Twenty Year Assessment of Statewide Bridge Needs
  - Developed Processes to Address Gaps in Bridge Program Needs
- **TIP Projects**
  - Test Streamlined Project Delivery Models on Select TIP Projects
  - Demonstrate Ability to Deliver Projects Efficiently Particularly When Clear Priorities Are Set
  - PBS&J Study
- **Mobility Program**
  - Establish Standard Measures of Congestion to Allow Prioritization of Solutions
  - Identify Alternative Approaches to Manage Congestion
  - Assess Efficiency and Effectiveness of Resources Currently Allocated to Mobility Management

Key Deliverables - Within Next 12 Months

- Implement Processes
- Implement "Pilots"
- Assess Results and Make Long Term Changes Based on Lessons Learned

Historic Bridge Program - Silo Effect

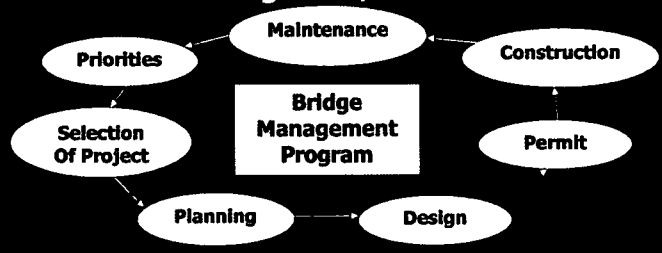


1-5 Year Process

Projects are selected based on Central list with minimal Division Input.

- No single point of accountability
- No team approach, Multiple hand-offs occur within units
- The same design standards are applied to all bridges
- Process without budget constraints
- Inefficient Process

New Bridge Program
One Owner with Regional/Division Coordination



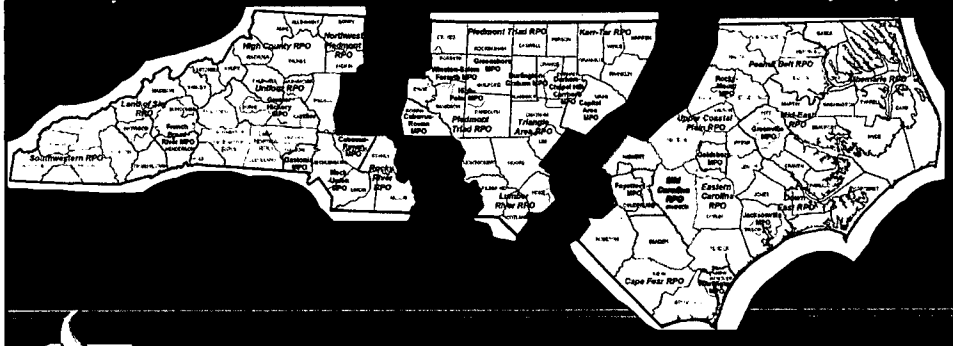
1-3 Year Process

Projects are selected based on need and available funds with significant Division input.

- Bridge Management – accountable for entire program
- Division Managers are accountable for bridges in the Division
- Regional Team Approach - better efficiency and accountability
- On-site scoping minimizes alternatives, saving time and money
- Tiered Design Standards - right size bridge for route (est. 25% savings)
- Budget Based Design and Construction - spending accountability

New Process - Regional Teams

Region	Western	Central	Eastern
Division	10,11,12,13,14	5,7,8,9	1,2,3,4,6
STIP Staff	Van Argabright	Mike Stanley	Ray McIntryre
PDEA Staff	Teresa Hart	Eric Midkiff	Rob Hanson
Roadway Staff	Scott Blevins	Ron Allen	Dewayne Sykes

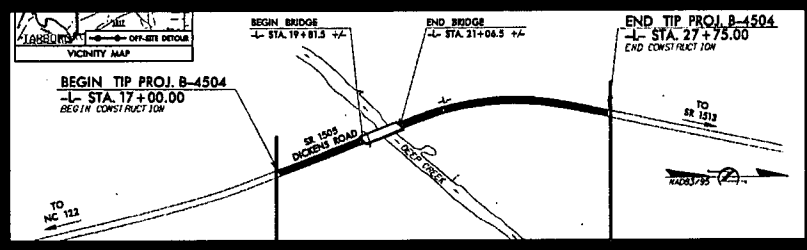


New Process - Delivery

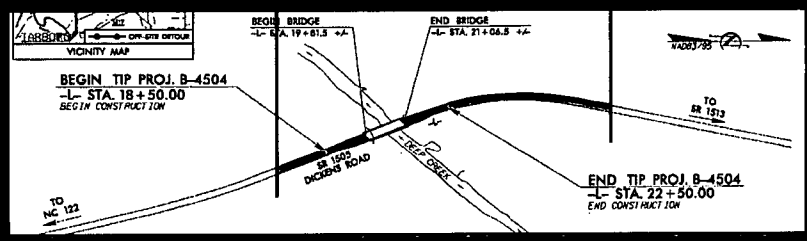
TIP #	Location (County)	Let Date	# of Bridges
B-1382	Sampson	8/08	2
B-3830	Columbus	9/08	2
B-4029	Bladen	9/08	1
B-4082	Columbus	9/08	2

- Group projects geographically & by let schedule
- Hold on-site scoping meetings with project team
- Apply appropriate design standards – maximize cost savings
- Let to construction as one project for economy of scale

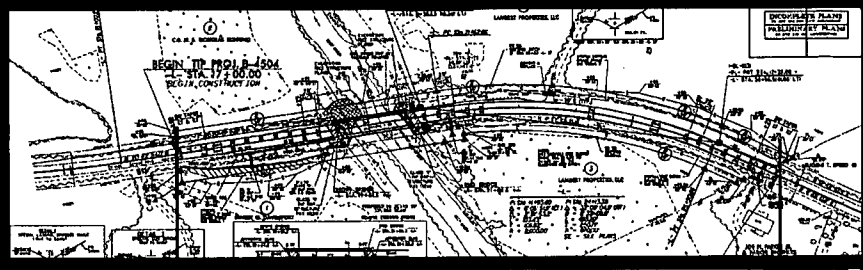
Old Standard



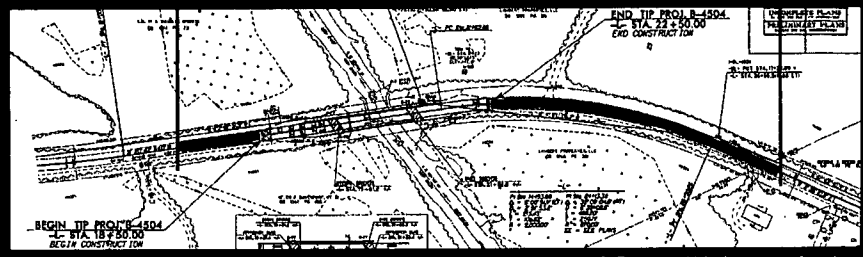
New Standard



Old Standard



New Standard



- Brief TMT Overview
- Bridge Program Plan
  - Program Efficiency (in progress)
    - Cut time by Two Years
    - Instituted Regional Teams
    - Developed on-site Scoping
    - Standard Design
    - Group Lettings
    - All resulting in Cost and Time Savings
  - Program Funding (working with BOT TIP Subcommittee)
- Continue looking for new opportunities



Attachment III.

NCDOT Construction Cost Index and Cost Containment Initiatives

Presented by:
Mark Foster, CFO
Bruce Dillard, CPA
Jon Nance, PE

21st Century Transportation Committee
November 6. 2007

Presentation Outline

NCDOT Construction Cost Index (CCI)

- **Description and History**
- **Competition**
- **Market Conditions**
- **Composite CCI Values and Trend Line**
- **NCDOT vs. Other States vs. FHWA**
- **NCDOT CCI vs. Total Revenues**

NCDOT/Contractor Cost Containment Initiatives

- **Meetings with Partners**
- **Initiatives Implemented**
- **Initiatives Planned**

NCDOT Construction Cost Index Description

The Construction Cost Index (CCI) is a measure of the change in the price over time of what the Department is paying for the following categories of highway construction by contractors:

Surfacing – 61% (surface course, intermediate, base, asphalt cement, binder, etc.)
Structures – 15% (deck slab, concrete girders, steel, concrete slabs, piles, etc.)
Excavation – 9% (unclassified, borrow, undercut, drainage)
Miscellaneous – 15% (erosion, shoulder, milling, guardrail, pipe, markings, etc.)

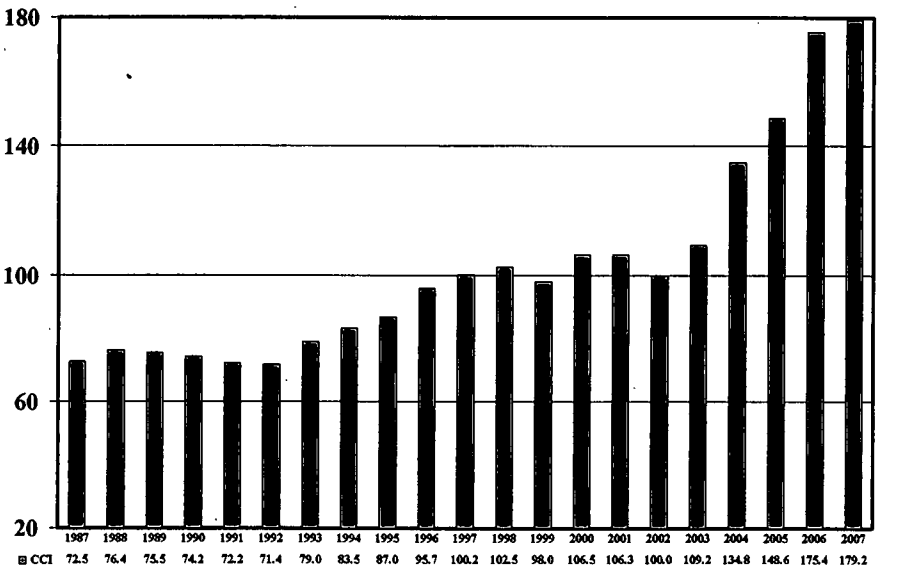
A total of 61 major bid items are used to calculate the index for the above categories and the consolidated index for all categories is called the composite rate. Only about fifteen states currently compute a composite index and the methodology is similar but they may or may not group bid items into the above sub-categories. NCDOT began producing its CCI in 1987.

Bid Items in the CCI Surfacing Index

Sample of Items Used in CCI (2007 4th Quarter)

Item #	Item Description	Units	Current Qtr Avg Price	Current Qtr Total $	Item's $ % of Composite Index
	Surfacing				
10	Item Group: Asphalt Concrete Surface Course	Tons	$37.72	$45,384,961	32.5%
5	Item Group: Asphalt Concrete Intermediate Course	Tons	$43.33	$11,378,416	8.2%
3	Item Group: Asphalt Concrete Base Course	Tons	$43.87	$9,479,350	6.8%
3	Item Group: Asphalt Cement	Tons	$367.71	$36,227,228	26.0%
2	Items Not Grouped:	Tons			
1	Aggregate Base Course	Tons	$22.72	$1,728,651	1.2%
1	Asphalt Binder for Plant Mix PG 76-22	Tons	$555.00	$3,661,327	2.6%
				$107,859,933	77.3%

NCDOT Composite CCI By Calendar Year (2002 is base year.)



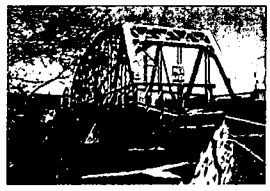
Competition in NC
Contract Award Statistics 97-07

1997 - 2007

	Total Dollars Awarded (Millions)	Design Build $ in Total	NCDOT Engineering Estimate	% of Estimated Cost	Total No. of Bids	No. of Contracts Awarded	Avg. No. of Bidders per Contract	National Average*
1997	$722.0		$758.0	-5%	876	223	3.9	-
1998	$733.0		$770.0	-5%	862	209	4.1	-
1999	$1,184.0		$1,230.0	-4%	1082	255	4.2	-
2000	$1,034.0		$1,059.0	-2%	816	202	4.0	-
2001	$1,026.0	$70.9	$1,053.0	-3%	923	242	3.8	4.0
2002	$1,117.0	$227.9	$1,187.0	-6%	1225	287	4.3	4.2
2003	$1,261.0	$58.9	$1,242.0	2%	764	210	3.6	4.1
2004	$1,326.0	$245.9	$1,290.0	3%	726	231	3.2	3.8
2005	$475.0	$55.8	$481.0	-1%	451	125	3.6	3.4
2006	$726.3	$286.9	$722.8	0.5%	541	149	4.1	3.6
2007	$1,018.0	$166.6	$991.6	3%	744	186	4.1	-
Totals	$10,622.3	$1,112.9	$10,784.4	-2%	9,010	2,319.0	3.9	3.9

* AASHTO 2007 Survey

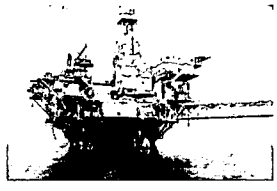
Market Conditions - 2004



Erin Moriarty
Atlanta Business Chronicle
November 5-11, 2004

The shortage of steel is perhaps the most acute and troubling. Economists say the producer price index for scrap steel doubled from August 2003 to August 2004. It all began a couple of years ago when China began buying all the steel scrap it could, and, by September 2003, the nation had absorbed all of the world's excess capacity. "They have a huge demand for steel right now for infrastructure projects," Simonson said. "They've got massive dams, highway projects and bridges going on, and, of course, they're preparing for the Olympics."

Market Conditions - 2004

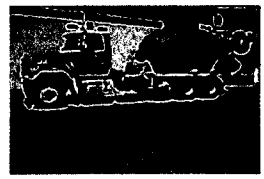


BBC News Friday, 20 August, 2004

Oil stays below $50 a barrel mark

Oil prices have slipped back from record levels, narrowly avoiding a breach of the $50 a barrel mark. Fresh violence in Iraq triggered yet another oil price surge on Friday, before dealers starting taking profits. New York light crude rose as high as $49.40 after reports of a new attack on an Iraqi oil pipeline, but then slipped back to close at $47.86. "I am concerned to see oil prices continuing to increase. Oil at $70 is entirely conceivable," for example if"there is a big supply problem and Iraq and Venezuelan oil came off the market", said Bruce Evers, an oil expert with Investec.

Market Conditions - 2006



High prices hinder construction

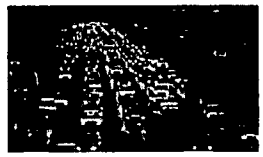
Source: PUBLIC WORKS MAGAZINE
Publication date: August 1, 2006

By Ashley Trent

With no end in sight to rising oil prices and the increasing global demand for cement, transportation projects continue to experience significant delays.

According to the American Road and Transportation Builders Association, highway and street construction costs increased 16.4% in May 2006 compared to May 2005. Over the past two years, material costs have jumped 22%.

Market Conditions - 2006



KIPLINGER FORECASTS

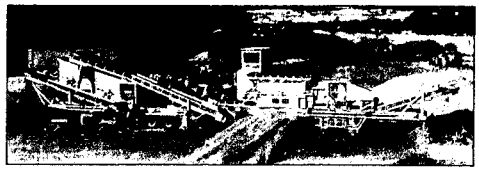
By Jerome Idaszak, Associate Editor, *The Kiplinger Letter*

March 2, 2006

The rising cost of key materials will force many states to curtail or postpone highway-building and maintenance projects, hurting suppliers, contractors and equipment operators in this segment of the market.

Average total costs for asphalt, concrete and diesel fuel—used heavily by road-building equipment—will increase 10% to 15% this year after a 20% advance last year. Bill Buechner, vice president of economics and research of the American Road and Transportation Builders Association, says that these higher prices are inflating bids states receive from contractors for highway work." It's causing concern around the country" and forcing belt-tightening moves, he notes.

Market Conditions - 2006

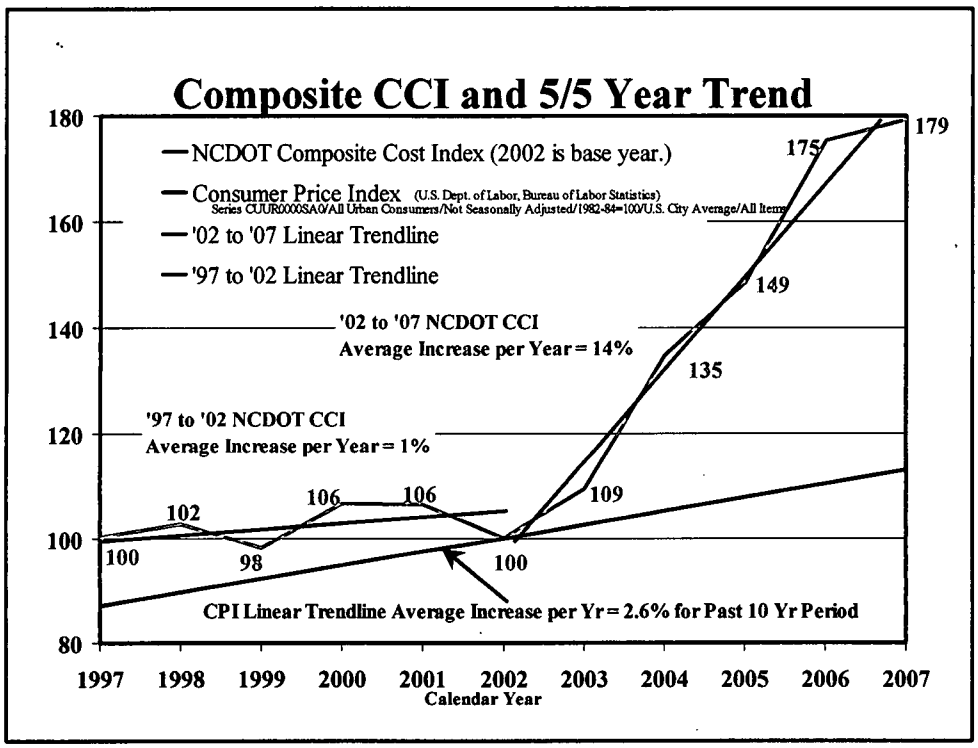


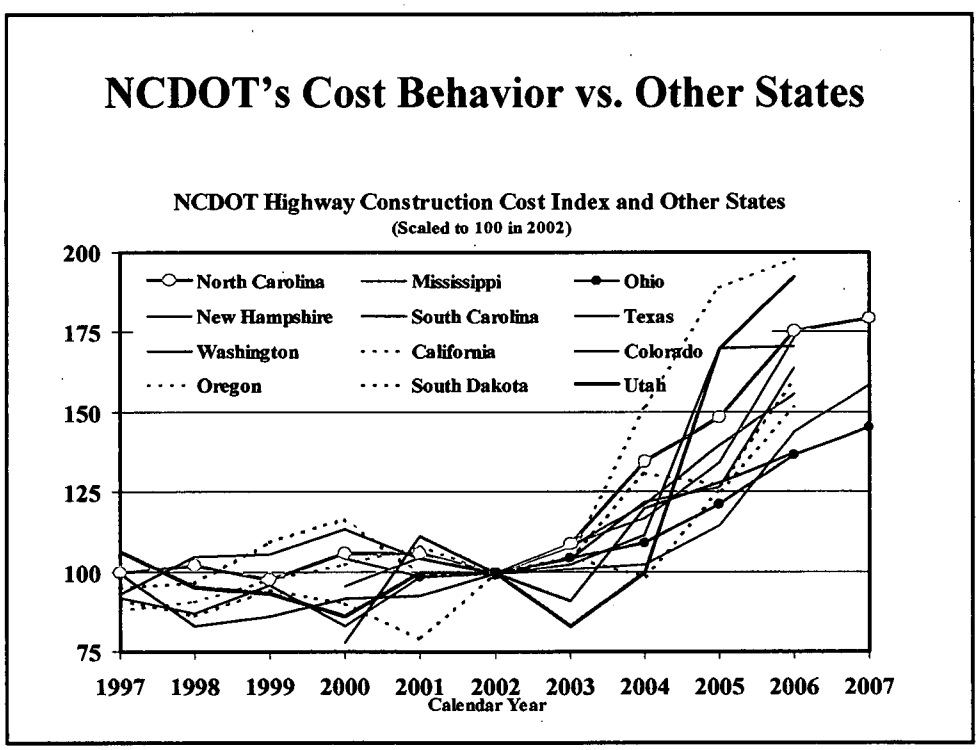
Potomac News April 17, 2006
VDOT faces rising road costs
By KAFIA HOSH

Sharp increases in raw material prices are expected to cost the Virginia Department of Transportation an additional $180 million this year for road and maintenance projects, and will double the price tag of one local bridge renovation. In the last year, there was a 16 percent increase in contract prices for asphalt, and the cost of sand, gravel and crushed stone used in pavement rose by 8 percent, said VDOT spokeswoman Joan Morris.

Composite CCI Values
CY 2002 - 2007

Calendar Year	Composite CCI	% Change from Previous Year	Change since 2002
2007	179.2	2.2%	79.2%
2006	175.4	18.0%	75.4%
2005	148.6	10.2%	48.6%
2004	134.8	23.4%	34.8%
2003	109.2	9.2%	9.2%
2002	100.0		


Composite CCI and 5/5 Year Trend
NCDOT Composite Cost Index (2002 is base year.)
Consumer Price Index (U.S. Dept. of Labor, Bureau of Labor Statistics)
Series CUUR0000SA0/All Urban Consumers/Not Seasonally Adjusted/1982-84=100/U.S. City Average/All Items
'02 to '07 Linear Trendline
'97 to '02 Linear Trendline
'02 to '07 NCDOT CCI
Average Increase per Year = 14%
'97 to '02 NCDOT CCI
Average Increase per Year = 1%
CPI Linear Trendline Average Increase per Yr = 2.6% for Past 10 Yr Period
180
160
140
120
100
80
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Calendar Year
100
102
98
106
106
100
109
135
149
175
179


NCDOT's Cost Behavior vs. Other States
NCDOT Highway Construction Cost Index and Other States
(Scaled to 100 in 2002)
North Carolina
Mississippi
Ohio
New Hampshire
South Carolina
Texas
Washington
California
Colorado
Oregon
South Dakota
Utah
200
175
150
125
100
75
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Calendar Year

Price Information from Other States

Asphalt Cement per Ton
Monthly Terminal FOB Asphalt Binder Prices

2007	NJ	VA	SC	NC	GA	TN
Qtr. 1	$297.78	$304.96	$311.32	$309.29	$310.33	$320.82
Qtr. 2	$319.44	$314.17	$311.52	$309.88	$303.33	$306.90
Qtr. 3	$343.33	$333.17	$334.78	$332.62	$319.33	$302.64
Qtr. 4	$342.50	$336.83	$321.67	$320.12	$295.33	$294.97
Avg.	$325.76	$322.28	$319.82	$317.98	$307.08	$306.33

Comparable Data in Texas 2004-07

Road inflation leveling off

After three years of double-digit hikes in road-building costs, inflation in 2007 was less than 2 percent

By Ben Wear
AMERICAN STATESMAN STAFF
Monday, January 14, 2008

According to TxDOT's highway cost index (which is specific to Texas), the cost of road building inflated just 1.98 percent in fiscal 2007, which ended Aug. 31. That follows three grinding fiscal years when costs jumped 9.2 percent (2004), 19.8 percent (2005) and 22.9 percent (2006).

TX 9.2 + 19.8 + 22.9 + 2.0 = 53.9%
NC 23.4 + 10.2 + 18.0 + 2.2 = 53.8%

The net effect is that TxDOT's costs (including compounding and 2007's gentle rise) have increased by 93 percent in the past 10 years, 60 percent since 2002.

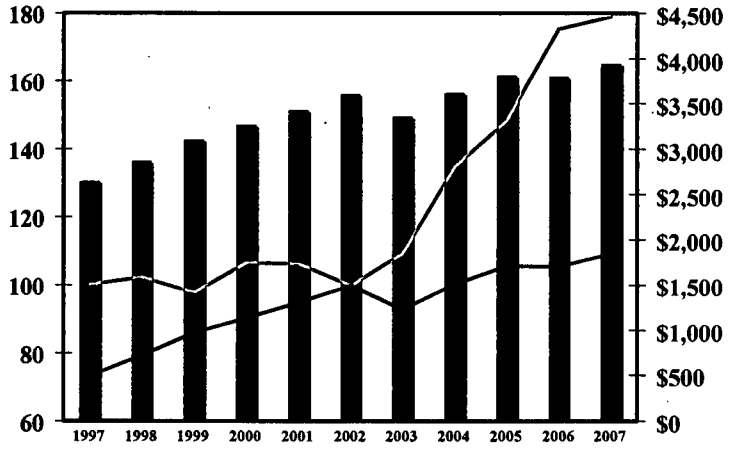
TxDOT spokesman Chris Lippincott cautioned last week against breaking out confetti; however, Inflation seems to be settling but it is settling at a high number and we do not expect it to recede."

Federal Aid Highway Bid Price Index (BPI)

GAO Report 04-113R, Nov 3, 2003, "States Highway Construction Costs" - "FHWA recognizes that it has problems with the quality of its bid price data. According to FHWA officials, underreporting and, to a lesser degree, inconsistent reporting are the biggest problems affecting data quality."

FHWA OIG Report CR-2007-079, Sept 26, 2007, "Growth in Highway Construction and Maintenance Costs" - "FHWA had not made any changes to the FHWA BPI (Bid Price Index) data collection methodology to address recommendations outlined in the 2003 GAO Report before discontinuing it on May 22, 2007."

NCDOT Composite Construction Cost Index and Total Revenue



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Revenue $ Millions	$2,631	$2,860	$3,087	$3,253	$3,413	$3,596	$3,344	$3,609	$3,798	$3,789	$3,927
Cost Index All Contracts	100.2	102.5	98.0	106.5	106.3	100.0	109.2	134.8	148.6	175.4	179.2
Total Revenue Index*	73.2	79.5	85.8	90.5	94.9	100.0	93.0	100.3	105.6	105.4	109.2

NCDOT/Contractor Cost Containment Initiatives

2003 & 2004
Brainstorming sessions with steel frabricators, cement industry and contractors as a result of increasing steel and cement prices.

July 2006
Brainstorming session with 6 contractors and NCDOT. Decided to expand the contractor/ DOT input to generate more ideas.

Winter 2007
Conducted 3 hour breakout sessions at OT/Contractor conferences involving 200+ contractors and 300+ DOT personnel.

NCDOT/Contractor Cost Containment Initiatives

The following items have already been implemented:

- **Allowed material substitutes when possible**
- **Developed a procedure to identify project types that require a longer advertisement period**
- **Grouped bridge projects together to get better bids**
- **Established an Electronic Plans Committee to establish procedures to provide totally electronic plans**
- **Granted more authority at the local level for decision making**

NCDOT/Contractor Cost Containment Initiatives

Implementation plans are in process for the following items:

1. Constructability and design reviews with contractors during plan development process
2. Identification of borrow and/or waste sites during the design process
3. Streamline Contractor submitted Value Engineering proposals
4. Relocate utilities prior to letting of construction contracts
5. Increase use of recyclable asphalt materials
6. Alternative bid items in proposals

NCDOT/Contractor Cost Containment Initiatives

Implementation plans are in process for the following items (continued):

7. Conduct pre-bid meetings with bidders prior to letting
8. Balance earthwork on projects
9. Level of detail needed in traffic control plans
10. Utilize time + money bidding on time sensitive projects
11. Utilize more road closures to facilitate faster project completion
12. Asphalt Summits

Attachment IV.

GROWTH IN HIGHWAY CONSTRUCTION AND MAINTENANCE COSTS

Federal Highway Administration

Report Number: CR-2007-079
Date Issued: September 26, 2007

Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Subject: INFORMATION: Report on the Growth in Highway Construction and Maintenance Costs
Report Number CR-2007-079

Date: September 26, 2007

From: David Tornquist
Assistant Inspector General
for Competition and Economic Analysis

Reply to Attn. of: JA-50

To: Federal Highway Administrator

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), enacted in August 2005, provides $244.1 billion for highway and transit projects for fiscal year (FY) 2005 through FY 2009. Within a year of its enactment, dramatic cost increases led some state planners to cancel or delay highway projects due to insufficient funds. An April 2006 survey by the American Association of State Highway and Transportation Officials (AASHTO) confirmed this trend, with 42 states and the District of Columbia indicating that they were witnessing significant growth in the costs of their highway projects. This rapid cost escalation has significant implications for the funding levels needed in the next highway bill to maintain or expand highway construction nationwide.

In September 2006, the House Committee on Transportation and Infrastructure requested that the Office of Inspector General analyze the growth in highway project costs. Our objectives were to determine: (1) the extent of recent cost increases for highway construction and maintenance projects, (2) whether the cost increases are the product of transitory factors or indicative of longer term structural changes that need to be incorporated into future transportation funding plans, and (3) the degree to which the cost increases are subject to regional variations.

In conducting this performance audit, we examined both national and state data on highway construction and maintenance costs. In addition, we analyzed a range of supporting information, such as data on the number of bidders per project, industry profit margins, and wages. Further, we interviewed experts on each of the major categories of commodity inputs used in highway construction and maintenance, as

well as on the highway construction industry. We performed this audit in accordance with Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States with the exception of the data quality standards. We did not systematically audit or validate the data used for this report. However we conducted checks of the data to assess reasonableness and comprehensiveness and concluded that the data, despite shortcomings, was sufficient to support our findings. Exhibit A more fully describes our scope and methodology.

RESULTS IN BRIEF

We found that highway construction and maintenance costs nationwide grew approximately three times faster from 2003 through 2006 than their fastest rate during any 3-year period between 1990 and 2003, substantially reducing the purchasing power of highway funds. These increases are largely the result of escalation in the costs of commodities used in highway projects, such as steel and asphalt, and reflect structural,[1] not transitory, economic changes. Consequently, we expect these commodity costs to remain elevated, and possibly continue expanding, in the near term. Finally, we found that highway project cost growth varied across states due primarily to differences in costs of transporting commodity inputs.

Continuing elevated highway construction costs will create a significant challenge for both Congress and the Administration as they consider, in the next highway bill, how best to maintain and improve the nation's aging highway infrastructure. Higher construction costs have significantly reduced the purchasing power of current highway funding. The next highway bill may need to provide a significant increase in funding just to maintain, let alone exceed, the volumes of highway construction and maintenance undertaken prior to 2003.

Highway construction and maintenance costs have soared in recent years. Figure 1 shows the escalation in the two major national indices[2] of highway construction and maintenance costs: the Federal Highway Administration Bid Price Index (FHWA BPI), and the Bureau of Labor Statistics bridge and highway construction producer price index (BHWY PPI).[3] The FHWA BPI increased 47.7

---

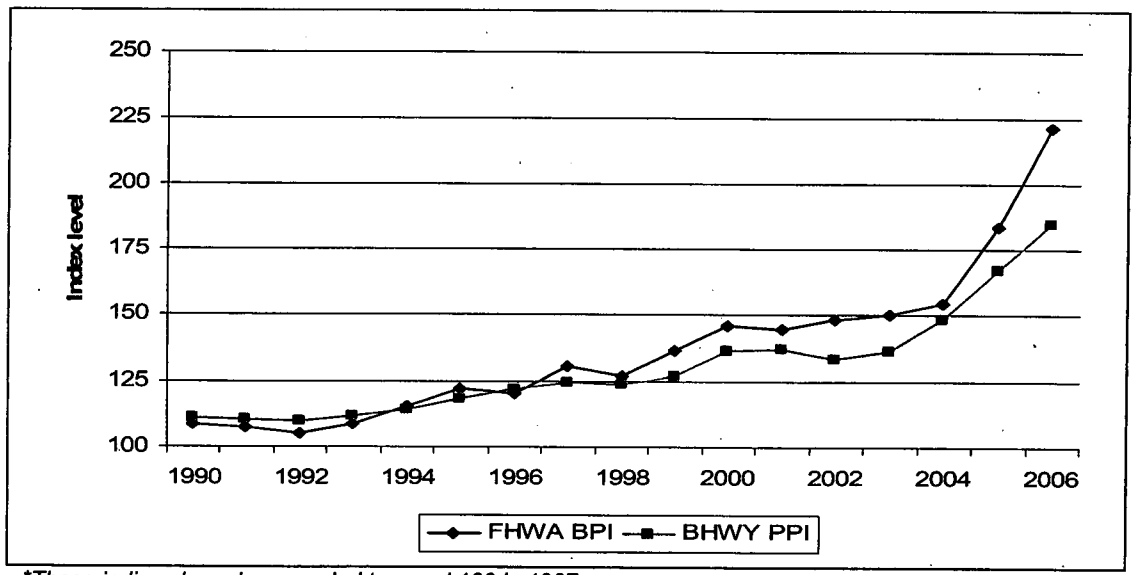
[1] In this setting, structural economic changes are either lasting modifications in the demand for these commodities, or long-term reductions in their supply.

[2] Indices are a common means of measuring inflation. Most indices discussed in this report track the cost of purchasing fixed quantities of inputs to highway projects over time. The costs in an index are scaled to have a value of 100 in a base year. This facilitates calculation of the percentage inflation in the costs tracked since the base year. For example, an index level of 120 indicates that costs have risen 20 percent since the base year.

[3] The FHWA BPI tracks the installed prices of several components to highway construction (that is, it includes other costs such as labor and overhead as well as materials costs). The BHWY PPI only tracks the costs of materials used in highway construction. For more information on these indices, see the Data Reliability section in exhibit A.

percent from 2003 through 2006, 3 times greater than its largest growth in any 3-year period between 1990 and 2003 (16 percent). The BHWY PPI's 35.3 percent growth from 2003 through 2006 was 3.2 times greater than its largest increase, 10.9 percent, over a 3-year span between 1990 and 2003. We found similarly dramatic cost increases in state-level data. See exhibit A for a discussion of the shortcomings of the FHWA BPI, which the Federal Highway Administration (FHWA) has announced that it would be discontinuing.

Figure 1. National Highway Construction and Maintenance Cost Indices*



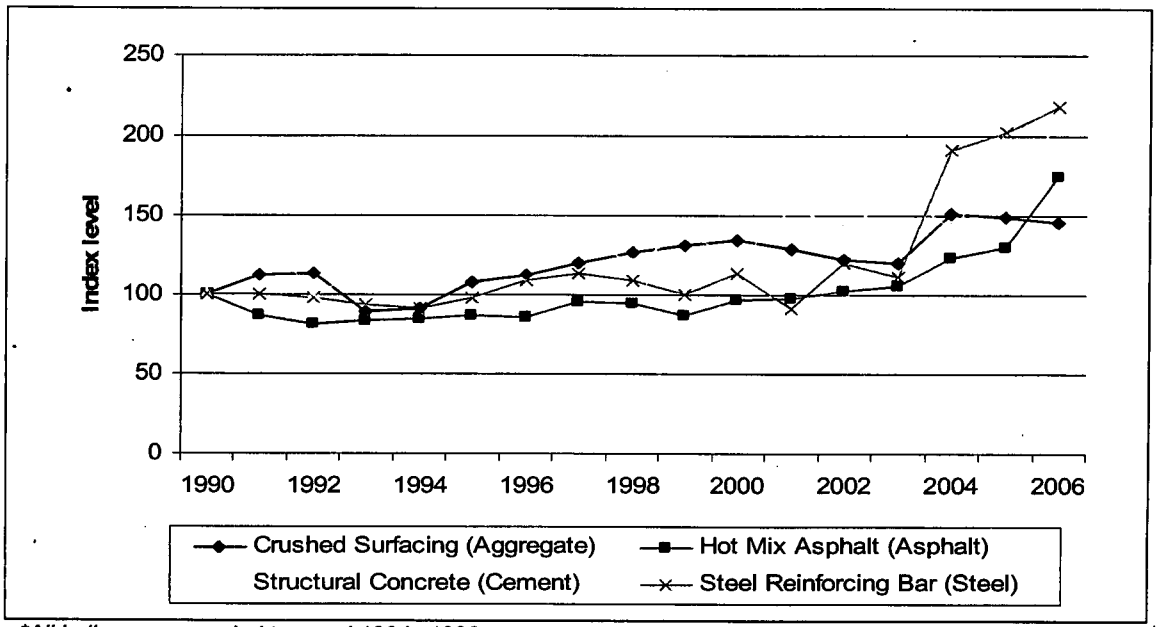
**These indices have been scaled to equal 100 in 1987.*

Highway project cost growth has substantially reduced the purchasing power of highway funds provided in SAFETEA-LU. A dollar will have lost between 37 and 60 percent of its value between 2005 and 2009, if highway project inflation continues at its 2006 pace. Under these circumstances, the $42 billion provided in SAFETEA-LU for 2009 Federal-aid to highways will only be equivalent to between $16.8 billion and $26.6 billion in 2005 dollars.

Growth in the costs of commodity inputs has been the primary driver of the recent increases in highway construction and maintenance costs. Nationally, prices have risen dramatically since 2003 for each of the major commodity groupings used as inputs in highway projects. These include aggregate (any of various loose particulate materials, such as crushed stone or gravel), asphalt, cement, and steel. Excavation and embankment costs have also risen dramatically during this time, but have contributed less to recent highway cost growth as they constitute a smaller share of project costs than commodity inputs.

The state data we examined support the national trends. For example, figure 2 shows the unusually large growth in commodity input costs in the state of Washington since 2003. In this instance, the costs of hot mix asphalt grew by 64.2 percent from 2003 through 2006, as opposed to 9.8 percent from 2000 through 2003. The results were largely the same for the other states in our sample, which was designed to include representation from as many regions of the country as possible. (See exhibit B for information on the states included in our sample.)

Figure 2. Growth in Commodity Input Costs for Highway Construction in Washington State*



**All indices were scaled to equal 100 in 1990.*

We found no evidence that other elements of highway construction and maintenance costs exhibited comparable growth during this time. For example, wages for workers engaged in heavy and highway construction have increased gradually. Likewise, insurance and engineering costs have increased only to a limited extent. Further, we found no evidence to indicate that highway construction firm profit margins were an underlying cause of the recent surge in overall highway project costs. However, the information available on them was limited.

According to industry analysts, structural economic changes have been the driving force behind the escalation in commodity input costs. The industry analysts we interviewed noted that the following structural economic changes are occurring in the markets for the commodities used in highway projects:

- The per capita supply of steel scrap, the primary input to the production of steel used in highway projects, is falling. At the same time, international demand for scrap is growing.

- Higher prices for higher grade fuel products are inducing refineries to increase the efficiency of their production processes, resulting in less production of by-products, such as asphalt.

- The price of cement is following the shift to higher oil prices, as its production is a highly fuel-intensive process.

- Aggregate is becoming increasingly unavailable as a result of spreading urban and suburban development reducing opportunities for its extraction.

Consequently, the costs of these commodities can be expected to remain elevated, and possibly continue to escalate, in the near term.

The extent of the increases in commodity input costs differed significantly across states. For example, the increases in the costs of structural concrete were much higher in some states than in others. According to industry experts, these variations in costs resulted primarily from differences in transportation costs. Each of the commodity inputs to highway projects either requires special handling to be transported or is very heavy or cumbersome. As a result, transportation costs tend to comprise a substantial share of total commodity input costs.

ACTION REQUIRED

This report does not include recommendations. Accordingly, our findings are not subject to follow-up review. However, we intend to raise with FHWA, under separate cover, the need for accurate highway construction cost data and the challenges FHWA and states face in developing such data.

We appreciate the courtesies and cooperation of the government and private sector representatives that provided assistance during this audit (see exhibit C). If you have any questions concerning this report, please call me at (202) 366-9970 or Betty Krier, the Project Manager, at (202) 366-1422

#

cc: Audit Liaison, OST, M-1
Audit Liaison, FHWA, HAIM-13

TABLE OF CONTENTS

FINDINGS ____ 1

Highway Construction and Maintenance Costs Have Grown Dramatically in Recent Years 1

Highway Construction and Maintenance Cost Growth Has Substantially Reduced the Purchasing Power of Highway Funds 3

Growth in the Costs of Commodity Inputs Has Been the Primary Driver of the Recent Escalation in Highway Construction and Maintenance Costs 4

Structural Economic Changes Have Been the Driving Force Behind the Escalation in Commodity Input Costs 11

The Extent and Timing of Commodity Input Cost Increases Varies Across States 12

EXHIBIT A. SCOPE AND METHODOLOGY ____ 16

EXHIBIT B. STATES CONTACTED AND DATA OBTAINED ____ 24

EXHIBIT C. AGENCIES VISITED OR CONTACTED ____ 26

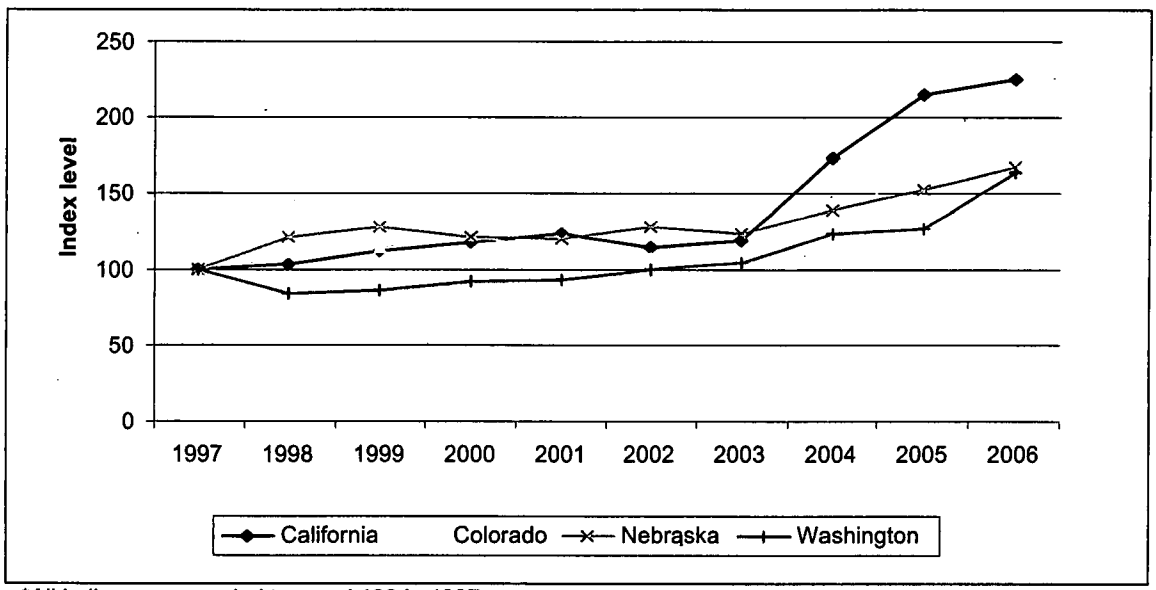
EXHIBIT D. MAJOR CONTRIBUTORS TO THIS REPORT ____ 28

FINDINGS

Highway Construction and Maintenance Costs Have Grown Dramatically in Recent Years

Both national and state data show that the growth in highway construction and maintenance costs has accelerated notably in recent years. Figure 1 on page iii shows the cost growth measured by two national indices of highway construction and maintenance costs. We also examined data from nine states representing seven regions of the country.[4] Figures 3 and 4 show the highway construction cost indices (CCI) for seven states, each representing one of the seven regions.[5]

Figure 3. State Construction Cost Indices*



**All indices were scaled to equal 100 in 1997.*

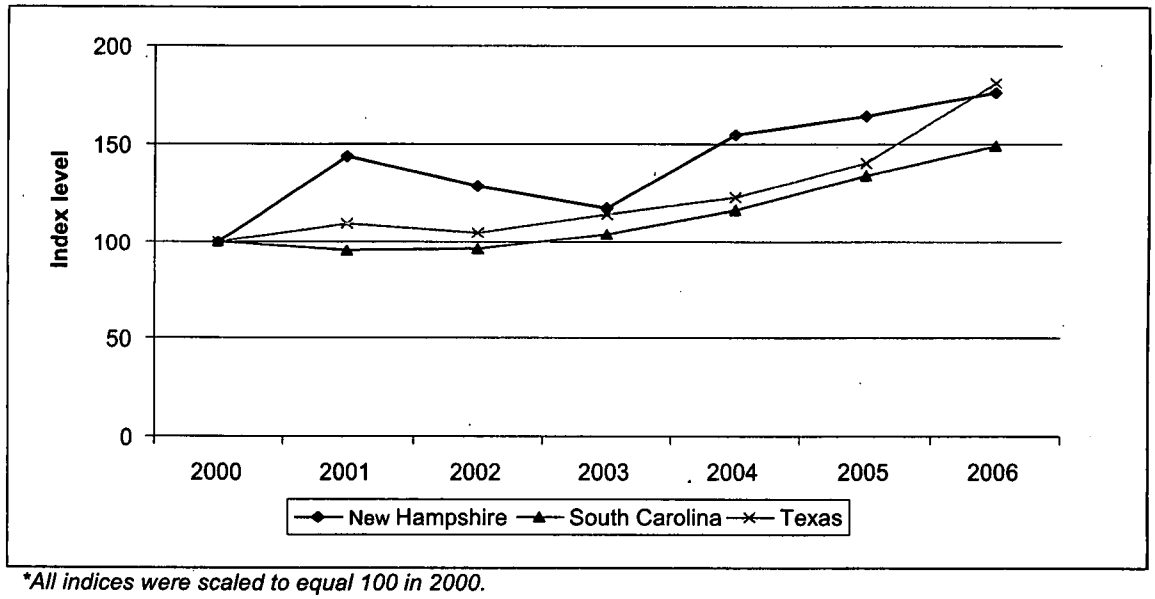
[4] Those states were New Hampshire, South Carolina, Georgia, Texas, Nebraska, Utah, Colorado, California, and Washington. The regional definitions were those delineated by FHWA. South Carolina and Georgia are in the same region, as are Utah and Colorado. Our sample did not include regions 3 and 5, the mid-Atlantic and eastern upper Midwest regions, respectively, because no states in region 3 and only one in region 5, Wisconsin, had construction cost indices with sufficient historical data that we could use in our analyses. The Wisconsin data was received at too late a date to be included in our analysis. See Exhibit B for a list of the states contacted in performing our review and the data collected.

[5] Figures 3 and 4 cannot be used to compare growth rates across states because the composite indices shown do not track the costs of the same highway construction and maintenance activities. Specifically, different states apply radically different weights to the various commodity component price series, and often price different products within each commodity group in constructing their composite indices.

The four states represented in figure 3 had CCI data available at least as far back as 1997. For these states, the cost growth since 2003 contrasted strongly with any other experienced from 1997 through 2003, with the contrast being the most marked for California and the least striking for Nebraska. In California, the cost growth of 88.8 percent from 2003 through 2006 was 4.5 times the 19.1 percent occurring over the previous seven years, a time period more than twice as long. In Nebraska, the 36.2 percent growth rate from 2003 through 2006 was still 1.6 times higher than the 23.1 percent occurring from 1997 through 2003.

Although less historical data exists for the three states tracked in Figure 4, the available data showed the same pattern. Their CCIs increased significantly more from 2003 through 2006 than from 2000 through 2003. For example, the cost growth for South Carolina from 2003 through 2006 was 44.0 percent, almost 13 times the 3.5 percent growth for the earlier period.

Figure 4. State Construction Cost Indices*

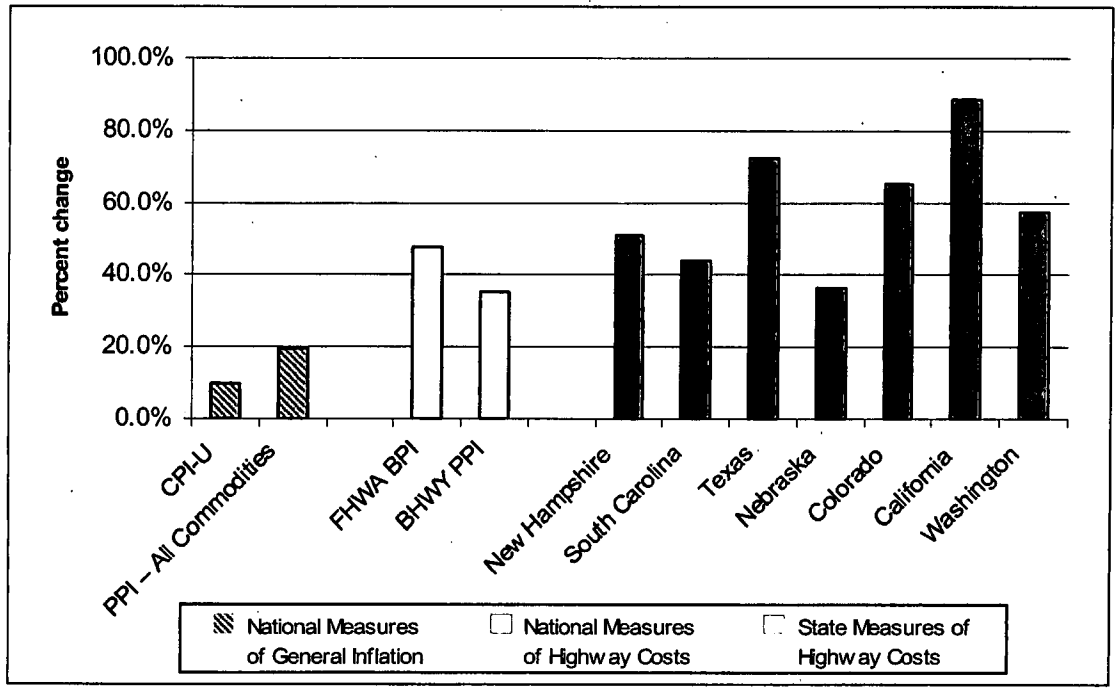


**All indices were scaled to equal 100 in 2000.*

The rapid growth in highway construction and maintenance costs substantially outpaced the inflation in the rest of the economy over the last three years. Figure 5 compares the growth in general inflation indices with the growth in highway cost indices, both nationally and for our sample of states representing seven of the nine FHWA regions from 2003 through 2006. The measures of general inflation shown are: the consumer price index for urban consumers (CPI-U), the most commonly used measure of inflation, and the overall producer price index (PPI). The national indices of highway construction and maintenance costs used are the FHWA BPI and the BHWY PPI. As indicated, most of the

highway cost measures exhibit growth that was at least twice that of the PPI, and more than four times that of the CPI-U.

Figure 5. Percent Changes in Measures of General Inflation and Highway Costs Between 2003 and 2006

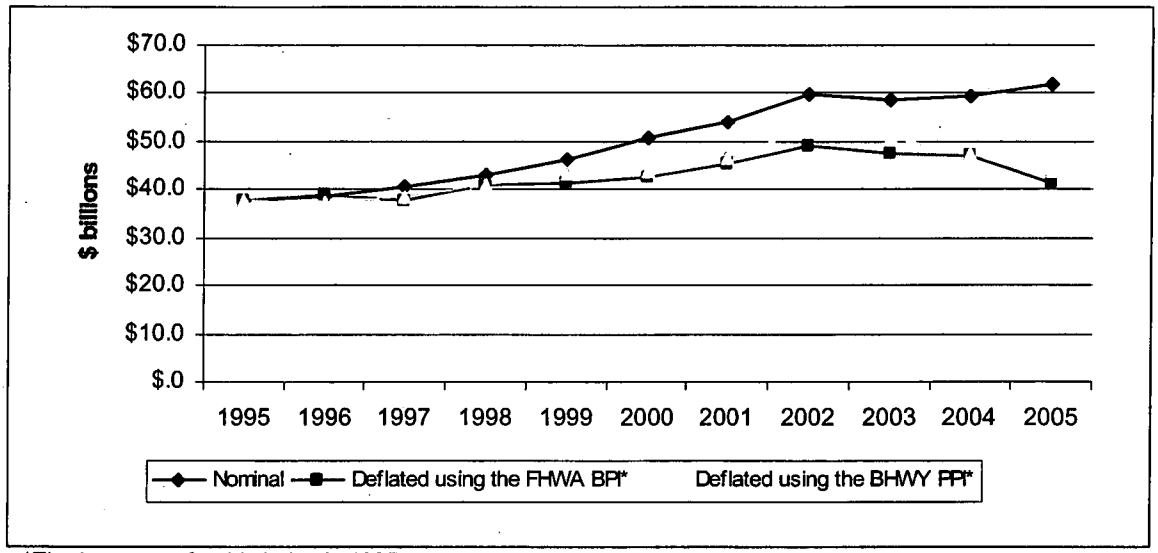


Highway Construction and Maintenance Cost Growth Has Substantially Reduced the Purchasing Power of Highway Funds

The impact of this cost growth is illustrated in figure 6, which shows the path of Government expenditures on highway construction in nominal and real terms,[6] using the two major indices of national highway costs. Between 1995 and 2002, both nominal and real expenditures increased. Between 2003 and 2005, nominal expenditures increased moderately, but real expenditures declined significantly.

[6] Nominal expenditures are equal to the face value of the money spent. Real expenditures are adjusted for inflation so that each real dollar of expenditure has the same purchasing power. Consequently, real expenditures in figure 6 increased only when the increase in expenditures exceeded the rate of inflation, and the total funds spent could buy more highway construction.

Figure 6. Federal, State, and Local Government Highway Construction Expenditures



**The base year for this index is 1995.*

When enacted in 2005, SAFETEA-LU authorized $42 billion for 2009 Federal-aid to highways. Should highway project inflation continue at its 2006 pace, as tracked by the two national indices, this $42 billion will have lost between 37 percent and 60 percent of its value by 2009. In other words, it will be equivalent to between $26.6 billion and $16.8 billion in 2005 dollars when it becomes available to be spent.

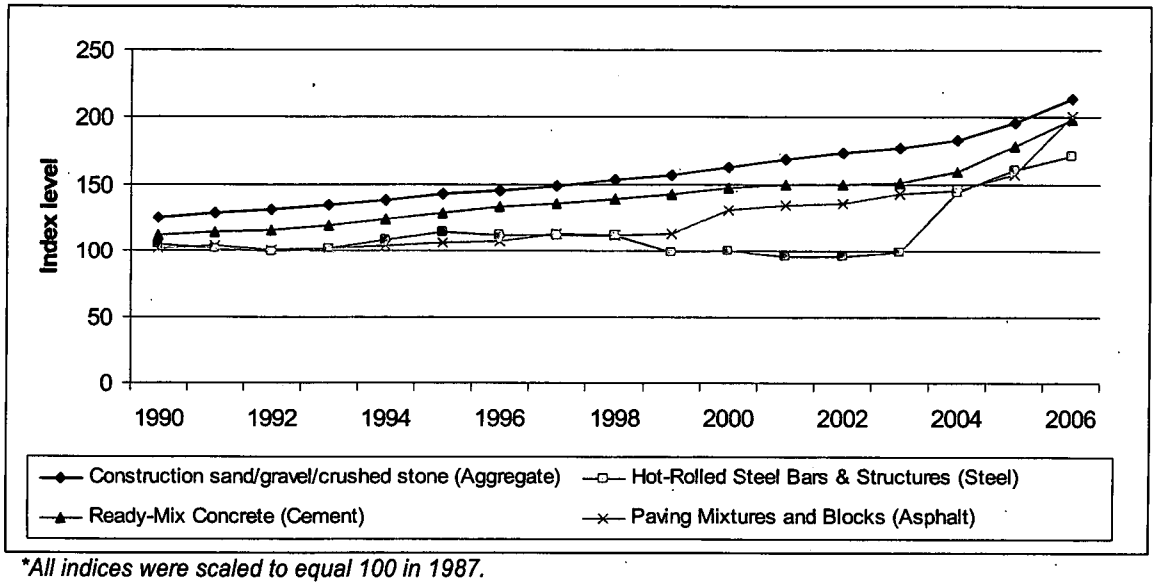
Growth in the Costs of Commodity Inputs Has Been the Primary Driver of the Recent Escalation in Highway Construction and Maintenance Costs

Nationally, commodity prices have risen dramatically for each of the major commodity groupings used as inputs in highway projects—aggregate, asphalt, cement and steel. In addition to rising prices for commodity inputs, excavation and earthwork costs have also risen dramatically. However, they have contributed less to construction and maintenance cost growth because they comprise a smaller share of project costs.

Figure 7 shows the growth over time in producer price indices for inputs drawn from each commodity grouping. The most dramatic growth occurred in the costs of hot-rolled steel bars and structures. After remaining virtually unchanged from 2000 through 2003, they jumped 71.9 percent from 2003 through 2006. The cost growth for construction sand/gravel/crushed stone was the lowest of those shown

from 2003 through 2006, but at 20.8 percent was 2.4 times its 8.6 percent growth rate from 2000 through 2003.

Figure 7. Commodity Input Cost Inflation Nationally*

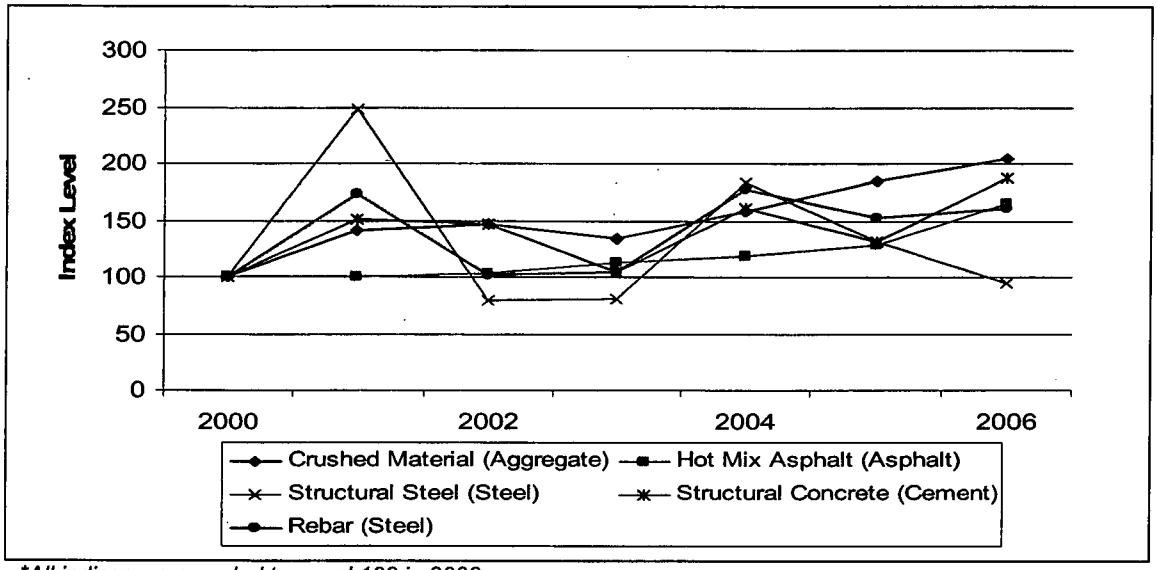


**All indices were scaled to equal 100 in 1987.*

Figures 8 through 10 show the growth in costs for inputs in the major commodity groupings experienced by three states in different parts of the country—New Hampshire, South Carolina, and California. The component costs depicted all increased substantially from 2003 through 2006. The costs of the major commodity inputs included in the CCIs of the other states in our sample exhibited similarly large growth over the last three years.[7]

[7] The exceptions were as follows. The costs of Portland cement concrete pavement in Georgia and the costs of structural concrete in Nebraska increased only moderately. Utah experienced a decline in the costs of structural steel.

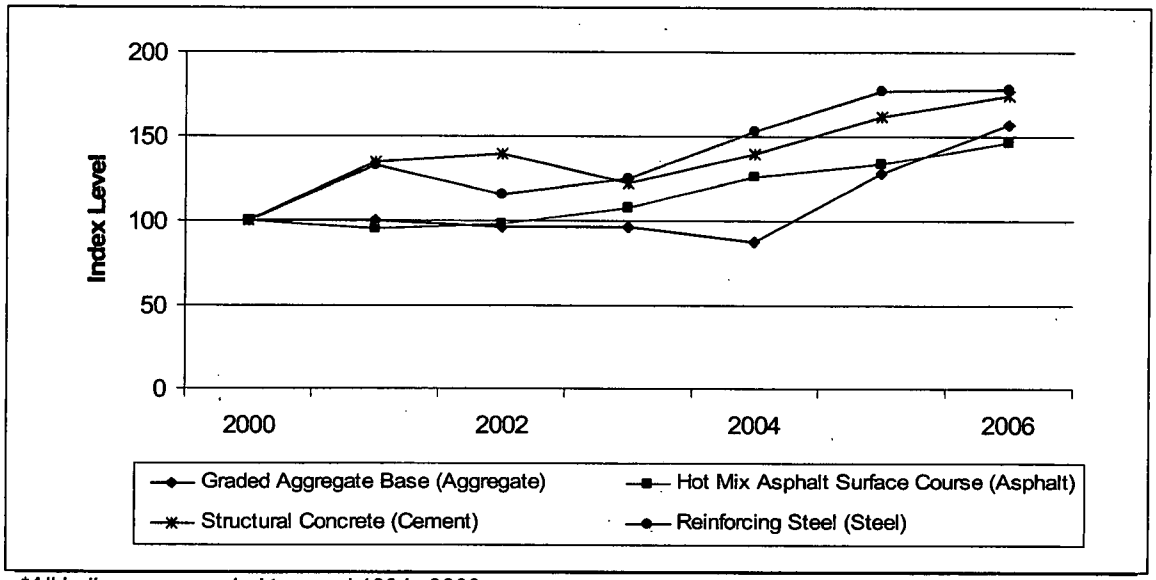
Figure 8. Commodity Input Cost Inflation in New Hampshire*



**All indices were scaled to equal 100 in 2000.*

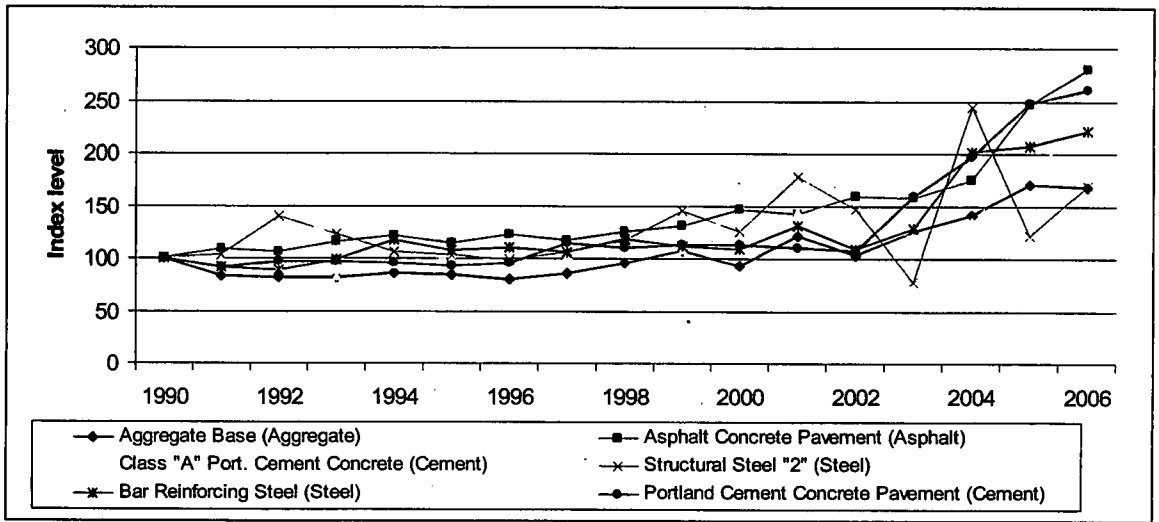
In New Hampshire, from 2003 through 2006, hot mix asphalt costs increased 46.8 percent, while costs for structural concrete increased 79.0 percent. By comparison, from 2000 through 2003 those costs increased by 12.3 percent and 4.8 percent, respectively. In South Carolina, the increases in the commodity input costs from 2003 through 2006 ranged from 36.3 percent for asphalt to 64.1 percent for aggregate base. The comparable figures for 2000 through 2003 were 7.3 percent and -4.3 percent, respectively. The range of commodity input cost increases in California from 2003 through 2006 extended from 34.6 percent for aggregate base to 118.0 percent for structural steel. While the comparable increase for aggregate base from 2000 through 2003 was about the same, the change for structural steel was -37.9 percent.

*Figure 9. Commodity Input Cost Inflation in South Carolina**



**All indices were scaled to equal 100 in 2000.*

*Figure 10. Commodity Input Cost Inflation in California**



**All indices were scaled to equal 100 in 1990.*

Increases in the costs of excavation and earthwork have also been dramatic since 2003 (see table 1).[8] Consequently, they have also contributed to the recent escalation in highway construction costs. However, they account for a much

[8] Some states include more activities than others when tracking the costs of excavation or earthwork. For example, some include embankment work while others do not. In addition, excavation costs vary significantly with the particular projects undertaken and environmental considerations. Therefore, these cost growth figures are not directly comparable across states.

smaller share of total cost growth than the various commodity inputs because they account for a smaller amount of total costs. For example, in South Carolina in 1999 cost increases for excavation accounted for 16 percent of the costs measured by the South Carolina CCI and installed commodity inputs accounted for the remaining 84 percent.[9] Other highway construction and maintenance costs have not exhibited growth comparable to that of commodity inputs and excavation and earthwork. However, the number of bidders on projects has declined, which may have implications for future highway project cost growth.

Table 1. Excavation Cost Growth

State	Type of Excavation	Percent Change in Cost (2003 - 2006)
New Hampshire	Roadway Excavation	56.5
South Carolina	Combined Excavation	26.1
Texas	Earthwork	47.2
Nebraska	Roadway Excavation	56.3
Colorado	Earthwork	70.6
California	Roadway Excavation	153.5
Washington	Roadway	13.1

Other Highway Construction and Maintenance Costs Have Not Shown Comparable Growth

Although commodity inputs have shown considerable growth over the last three years, other elements of highway project costs did not. We investigated the growth in wages, insurance and engineering costs, and highway construction companies' profit margins. We found that wages for workers engaged in heavy and highway construction have increased only gradually from 2003 through 2005,[10] well below the increase in the highway cost indices both at the national level and for the states in our sample (see table 2).

[9] Installed commodity input costs include labor, overhead, and transportation costs and a profit margin.
[10] At the time of our audit, wage data were not available for all of 2006.

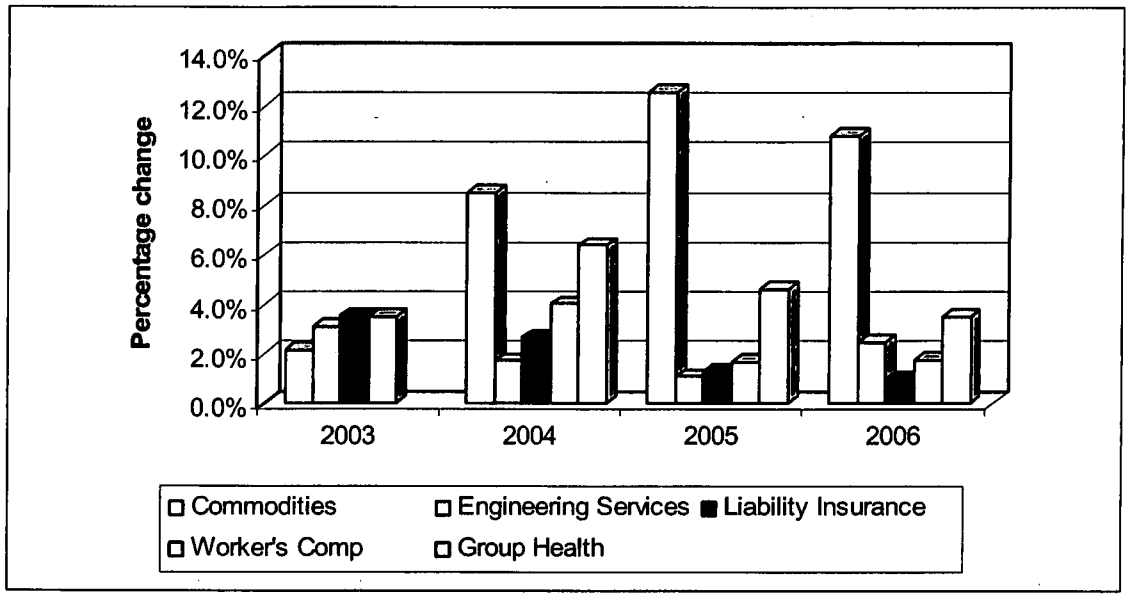
Table 2. Wages for Heavy and Highway Construction Versus Highway Cost Indices Percent Changes for 2003 through 2005

	Wages	Highway Cost Indices
National:	6.5	
FHWA-BPI		22.6
BHWY PPI		26.4
State:		
California	7.7	80.6
Colorado	3.0	65.3
Nebraska	7.2	39.0
New Hampshire	2.6	40.6
South Carolina	8.1	48.2
Texas	7.8	47.2
Washington	9.1	21.4

Insurance and engineering costs also showed limited increases. As illustrated in figure 11, the growth in commodity input costs was far greater than that of these other costs.[11]

[11] The cost increases in figure 11 were calculated using the relevant producer price indices. The BHWY PPI was used to derive the growth in commodities.

Figure 11. Comparison of Growth in Commodities and Other Major Costs



We found no evidence that highway construction firm profit margins were an underlying reason for the recent surge in overall highway project costs. Based on consultation with industry experts and our review of the available data, we determined that profits in the heavy and highway construction industry have not been unusually high in recent years. However, both provided information on a limited sample of the industry.[12]

The Number of Bidders on Highway Projects Has Declined in Recent Years

A 2006 AASHTO survey found that 34 of 45 state respondents had experienced a decrease in the number of bids received on highway projects since 2003. In the State of Washington, for example, the average number of bidders per contract declined from 4.0 in 2003 to 3.0 in 2006. Historically, fewer bidders for highway projects has been associated with an increase in costs, due to decreased competition. The absence of clear evidence of an increase in the profitability of firms engaged in highway construction since 2003 indicates that the decline in bidders has not yet contributed to the growth in highway costs. However, the decrease in the number of bidders is a development that bears further monitoring.

[12] The primary available data on heavy and highway construction industry profits for the period since 2003 was collected by the Construction Financial Management Association through a voluntary survey of its members. The construction industry analysts we interviewed could only comment on the profitability of publicly traded heavy and highway construction firms.

Structural Economic Changes Have Been the Driving Force Behind the Escalation in Commodity Input Costs

Industry analysts for each of the major commodity groupings indicated that structural economic changes have largely been responsible for the recent escalation in commodity input costs. Consequently, the costs of commodity inputs to highway projects can be expected to remain elevated, and possibly continue their rise in the near term. The effect of this is to reduce the purchasing power of each dollar of Federal highway construction and maintenance funding below its value in 2003. Therefore, if Congress and the Administration want to provide for the same amount of highway construction as was undertaken prior to 2003, significantly more funding may be required in the next highway bill. The following paragraphs summarize industry analysts' views of the structural changes affecting the markets for each of the major commodity groups used in highway projects.

Steel

Steel scrap, the primary input to the production of steel used in highway projects, is becoming harder to acquire.[13] Less steel scrap is produced per capita in the United States than in the past because less manufacturing occurs in this country, and recycled manufactured products, such as motor vehicles, contain less steel. At the same time, international demand for steel scrap is growing. As a result, prices for common scrap have more than doubled in recent years.

Further, since 2000 significant consolidation has occurred in the steel industry. Before this consolidation, the top 10 steel manufacturers held 30 percent of the world steel market, whereas they now hold 50 percent. One company created through a 2003 merger, Arcelor-Mittal, supplies 10 percent of the world steel market. Consolidation has increased the market power of the remaining firms, and their ability to maintain prices.

Asphalt

Higher gasoline prices and growing international demand for middle distillates, such as diesel fuels, has resulted in a decrease in the production and an increase in the price of asphalt. Until recently, asphalt had been produced largely as a by-product of other refinery processes, rather than as a source of profits in its own right. Now, refineries are upgrading their processes to produce larger amounts of higher grade, profitable output from each unit of crude oil input, resulting in a

[13] Most of the steel used in highway projects is produced in mini-mills. Mini-mills rely on electric arc furnaces to melt scrap steel, which is the largest component of their costs. This is in contrast to integrated steel mills, which use blast furnaces to process iron ore and coke.

decrease in the production of by-products, including asphalt. This is causing the price of asphalt to increase to justify its production by refineries instead of other profitable output.

Additionally, asphalt customers increasingly demand specialized products, such as asphalt meeting Superpave requirements.[14] The demand for specialized products makes it more difficult for asphalt customers to obtain supplies meeting their needs. Combined with the changes in refinery processes, it is becoming less likely that available by-products can adequately provide the asphalt required to meet customer demand.

Cement

The price of cement tracks the growth in oil prices, as the production of cement is a highly fuel-intensive process. Not only must the kilns used to produce the intermediate outputs be heated to extreme temperatures, but considerable power is required to grind those intermediate outputs into powder. The near-term forecast of the Energy Information Administration and major energy forecasters we interviewed is for the price of oil to remain elevated, keeping the price of cement high.

Aggregate

Aggregate deposits are becoming increasingly unavailable as a result of spreading urban and suburban development. New residents often object to aggregate operations because of truck traffic, noise, or dust. Encroachment has already prevented the development of substantial aggregate deposits.

Further, aggregate quarries are increasingly deciding not to supply Superpave projects, because they are finding that supplying those projects causes their output of other products to decline. Consequently, the number of quarries available to supply certain projects is decreasing.

The Extent and Timing of Commodity Input Cost Increases Varies Across States

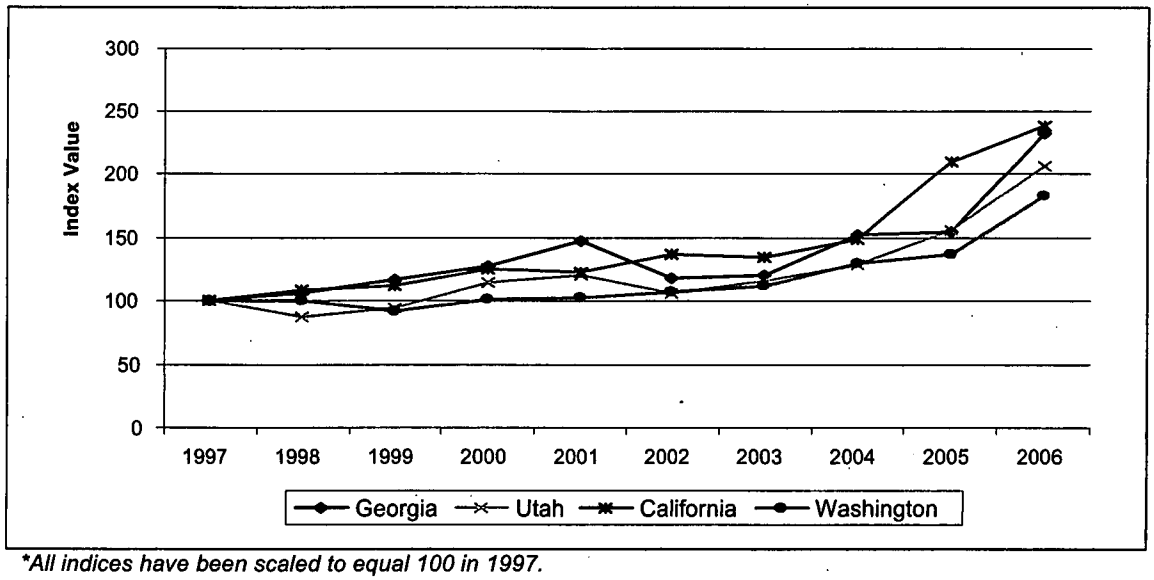
States from across the country have seen the costs of commodities used in highway projects rise dramatically in recent years. However, we found that the timing and extent of the increase in the cost for any given commodity input differed significantly across states.

[14] Superpave, a principal product of the Strategic Highway Research Program, is a system of standard specifications, test methods, and engineering practices that enable the appropriate materials selection and mixture design of hot mix asphalt to meet the climatic and traffic conditions of specific roadway paving projects.

To investigate this issue, we identified instances where the states in our sample tracked the costs of the same commodity inputs over time.[15] We made cross-state comparisons of the cost growth of inputs in each of the major commodity groupings across subsets of our sample of states. Specifically, we performed comparisons of costs across certain states for bituminous concrete pavement, reinforcing steel, structural steel, portland cement concrete (PCC) pavement, and structural concrete. The extent and timing of the cost increases for each of the inputs examined varied by state (see figures 12 through 14).

The cost increases for the states in our comparison did not occur in step with each other nor were they of the same magnitude for any of the commodities. For example, from 2003 through 2006, Georgia experienced growth of 93.7 percent in the cost of bituminous concrete, while the comparable figure for Washington State was 64.2 percent. Also, between 2004 and 2005, the cost of bituminous concrete increased by 41 percent in California, but remained relatively flat in Georgia and Washington state.

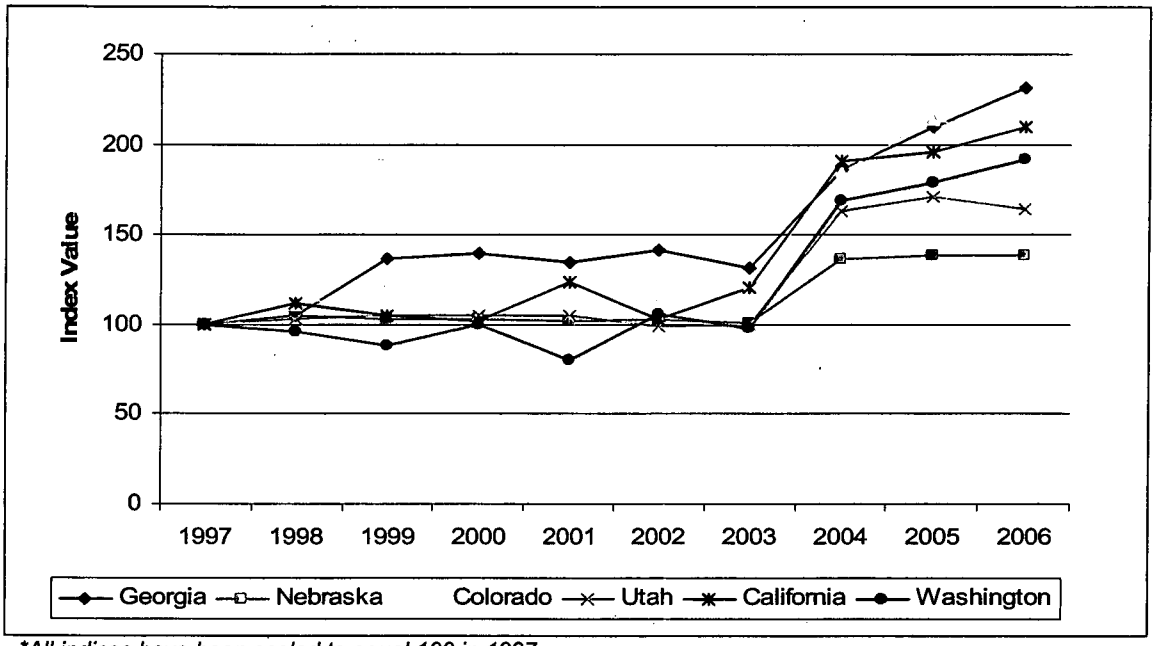
Figure 12. Bituminous Concrete Pavement Costs*



**All indices have been scaled to equal 100 in 1997.*

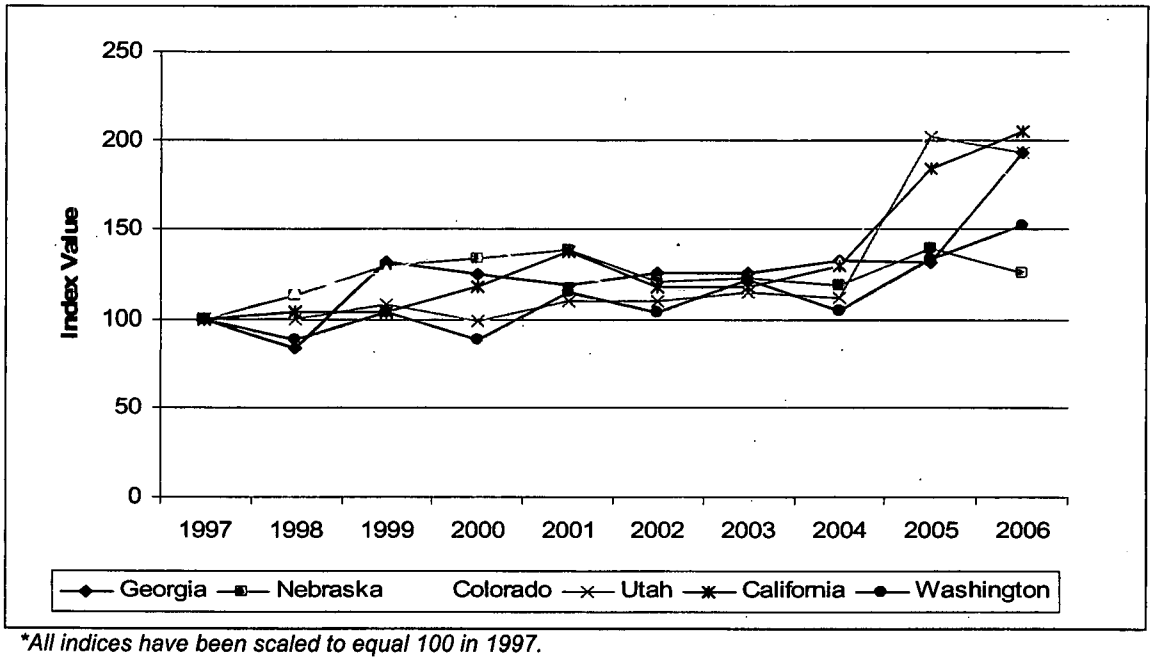
[15] This required the collection of detailed technical data on the commodity inputs included in various CCIs and consultation with our engineering group.

*Figure 13. Reinforcing Steel Costs**



**All indices have been scaled to equal 100 in 1997.*

*Figure 14. Structural Concrete Costs**



**All indices have been scaled to equal 100 in 1997.*

Findings

While some timing differences may result from differences in ongoing contracts, the industry experts we interviewed stated that these variations in costs resulted primarily from differences in transportation costs. The commodity inputs to highway projects require special handling in transportation, or are simply very heavy or cumbersome. For example, asphalt products must be heated in order to become soft enough to pour into and out of the containers in which they are transported. Consequently, transportation costs tend to comprise a substantial share of total commodity input costs.

CONCLUSION

Highway construction and maintenance costs nationwide grew dramatically from 2003 through 2006, substantially reducing the purchasing power of highway funds. Increases in the costs of the commodities used in highway projects, such as cement and steel, have largely driven this growth. Since these increases are the result of structural economic changes, the costs of these commodities can be expected to remain elevated, and possibly continue to increase in the near term. Finally, the extent of highway project cost growth has varied across states primarily due to differences in transportation costs

The challenge of rebuilding our nation's highway and bridge infrastructure is likely to be compounded by rising construction costs driven by increasing prices for construction materials. Given these cost increases, the next highway bill may need to provide a significant increase in funding to maintain, let alone exceed, the volumes of highway construction and maintenance undertaken prior to 2003.

EXHIBIT A. SCOPE AND METHODOLOGY

Scope

In September 2006, the House Committee on Transportation and Infrastructure requested that our office analyze the growth in highway construction and maintenance costs. Our objectives were to determine: (1) the extent of recent cost increases for highway construction and maintenance projects, (2) whether the cost increases are the product of transitory factors or indicative of longer term structural changes that need to be incorporated into future transportation funding plans, and (3) the degree to which the cost increases are subject to regional variations.

In conducting this performance audit, we examined both national and state data on highway construction and maintenance costs. In addition, we analyzed a range of supporting information, such as data on the number of bidders per project, industry profit margins, and wages. Further, we interviewed experts on each of the major categories of commodity inputs used in highway construction and maintenance, as well as on the highway construction industry. We performed this audit in accordance with Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States with the exception of the data quality standards. We did not systematically audit or validate the data used for this report. However we conducted checks of the data to assess reasonableness and comprehensiveness and concluded that the data, despite shortcomings, was sufficient to support our findings.

The methodology section below describes the steps we took to answer the objectives of this audit. In the data reliability section, we describe the quality of the data collected for this report and its limitations.

Methodology

Gauging Highway Construction and Maintenance Cost Increases

We examined both national and state measures of highway costs to determine the extent of recent increases. For national highway construction and maintenance costs, we examined all available indices—the FHWA BPI, the BHWY PPI, and the Engineering News Record's Construction Cost Index (ENR CCI). We later

excluded the ENR CCI from our analysis because we determined it was a poor measure of highway construction costs.[16]

We conducted a survey, with the help of AASHTO, to determine which states maintained construction cost indices.[17] From the states that replied to the survey, we selected a judgmental sample, including one state from each FHWA region.[18] Exhibit B lists the survey respondents and states in our sample.

Effects of Cost Increases on Highway Construction Expenditures

We used data from the United States Census Bureau and FHWA to estimate total Federal, state, and local expenditures between 1995 and 2005. We measured the effects of the increase of highway construction costs on expenditures by comparing nominal expenditures to real expenditures calculated using both the FHWA BPI and the BHWY PPI to measure inflation.

Drivers of Highway Construction Costs

We identified the drivers of highway construction costs by first examining the components included in the indices mentioned above. The national FHWA BPI and the state indices are based on bid data and track the installed price of the commodity inputs. This not only includes the costs of raw materials, but also the costs of labor, transportation, overhead, and a margin for profit. We identified additional elements of highway construction costs by consulting experts from the Federal Highway Administration, the American Road and Transportation Builders Association (ARTBA), the Associated General Contractors of America, and state departments of transportation. We investigated the growth in raw material prices, wages, insurance and engineering costs, and highway construction companies' profit margins. We compared the non-commodity inputs' price fluctuations to the BHWY PPI, which tracks the price level of highway construction commodity inputs from the producer's perspective and does not include any costs related to the installation of raw materials. The specific measures used for each component of highway construction we investigated can be found below.

---

[16] The ENR CCI was created to monitor the costs of general construction in the economy by tracking the price of a fixed set of inputs chosen in 1921. The CCI weights labor at 81 percent and includes lumber, which is not a major input to highway construction.

[17] FHWA also maintains individual state bid price indices (BPIs) to monitor regional price variations in highway construction costs. However, given the data quality weaknesses discussed in the data reliability section below, we were not confident of the BPIs accuracy at the state-level and instead relied on construction cost indices maintained by states.

[18] In regions 3 and 5, none of the respondents to our survey that were provided in time to be included in our analysis maintained a construction cost index. Therefore, region 3, the mid-Atlantic region, and region 5, the eastern upper Midwest region, were not represented in our sample. We selected two states in two other regions to compare intraregional commodity input price movements.

We collected national and state wage data for highway and street construction workers from the Bureau of Labor Statistics. To measure profits of the highway construction industry we collected gross and net profit margins, return-on-equity, and return-on-assets data from the Certified Financial Managers Association and the Internal Revenue Service. We supplemented the profit data with interviews with financial analysts that cover publicly traded heavy and highway construction and engineering firms. In addition to comparing the national wage data and profit data to the BHWY PPI, we compared state wage data to the composite state construction cost indices.

We also gathered data on the other components tracked implicitly by the FHWA BPI and state CCIs. These components were equipment and elements of overhead; that is, group health insurance, worker's compensation insurance, and liability insurance. We used producer price indices for each of these items as proxies to measure price fluctuations.[19]

Following our analysis of inputs tracked by the indices in our review, we needed to determine whether other costs of highway construction not tracked by the indices may have contributed to the recent cost increases. We attempted to conduct a trend analysis of the percentage of highway construction costs not accounted for by state CCIs. However, we did not have data from a sufficient sample of states to draw a conclusion and the data we did have did not show any discernable pattern. Based on the information obtained from our interviews of experts discussed above, we identified two main cost items for highway construction not tracked by the indices, engineering and right-of-way acquisition costs. We used the PPI for non-building related engineering services to measure engineering price fluctuations. We compared the price levels of the engineering PPI to commodity price levels using the BHWY PPI. Data on right-of-way costs were not readily available. Consequently, we were not able to estimate the extent to which right-of-way costs contributed to the increase in highway construction costs.

Structural Versus Transitory Change

Once we identified commodity cost growth as the main driver of highway project costs over the past few years, we set out to determine whether the price increases for highway commodity inputs were a result of transitory factors or indicative of structural change. Since the rapid acceleration of prices for highway commodity inputs had only begun in 2003, there was insufficient data to support a statistical analysis. Instead, we selected and interviewed a group of experts for each major

[19] The producer price indices used as proxies for the other non-commodity components of highway construction were not specific to the highway construction industry. Where possible, we used PPIs for industry that may be similar to highway construction such as general construction.

grouping of commodity inputs to highway construction. These groupings were: cement, steel, aggregate, and asphalt. We also interviewed petroleum industry experts, as the price of petroleum heavily affects the costs of the commodity inputs. We selected at least three groups of experts for each commodity grouping based on recommendations from government sources or industry associations and our own research. For instance, for petroleum we interviewed analysts at the Energy Information Administration of the U.S. Department of Energy, who then recommended a diverse group of experts from reputable research firms and a forecasting firm. Exhibit C provides a complete list of interviewees.

Highway Construction Cost Variation Across States

We found that the make-up of composite state CCIs varied too substantially to allow for meaningful cross-state comparisons. We also found, however, that some individual commodity components of state indices (for example, asphalt, structural steel, etc.) were comparable across some states. We determined this by collecting detailed technical information from states on the specific items tracked for each component and having our in-house engineer examine their comparability. This was necessary because the specific items tracked under any given commodity label, such as structural steel, varied. We compared the cost growth for components that were determined to be comparable to examine the extent of price variation across states for highway input commodities.

Data Reliability

This section discusses the data series we used for this report, as well as the limitations of some major data series we decided not to use. We did not systematically audit or validate the data used for this report. However, we conducted checks of the data to assess reasonableness and comprehensiveness. Moreover, we did not rely on any one series to draw our conclusions; instead, we looked for patterns across the various data series and supplemented those with information gathered through interviews with various industry experts. We concluded that any shortcomings with the data did not materially affect the type of analyses we conducted or our ability to draw conclusions based on the data.

Federal Highway Administration

Bid Price Index

Data for the FHWA indices on highway construction costs came from state reports of statistics on all Federal-aid primary, urban, and interstate highway projects. Respondents were required to report the quantities and the costs for six highway construction items—common roadway excavation, Portland cement concrete

pavement, bituminous concrete pavement, reinforcing steel, structural steel, and structural concrete. Based on this data, FHWA calculated national and state level Bid Price Indices (BPI) and indices for each of the highway construction items. It published these indices in the quarterly publication *Price Trends for Federal-Aid Highway Construction.*

The quality of the data underlying these indices was criticized in a 2003 Government Accountability Office (GAO) report.[20] GAO found that FHWA had no systematic error-checking of reported data, data were substantially underreported by some states, and FHWA reported some data in a year subsequent to that which it applied. GAO also noted that FHWA had not disclosed the limitations of the data of which it was aware. FHWA had not made any changes to the FHWA BPI or its data collection methodology to address the recommendations outlined in the 2003 GAO report before discontinuing it on May 22, 2007.

Bidders Data

Data on the number of bidders on Federal-aid highway construction contracts of more than one million dollars used to be required to be reported to FHWA within two weeks of the awarding of each highway contract. That requirement was recently discontinued by FHWA. Our analysis of this bidders data indicated that there may be a degree of underreporting. Consequently, we did not rely on FHWA bid tab data in our analyses.

Expenditure Data

Federal Expenditures

The figures we used for Federal expenditures on highway construction were obtained from FHWA's Highway Statistics series. FHWA collects data on direct expenditures by Federal agencies for highway construction. The bulk of these Federal direct expenditures are expended by FHWA.

State and Local Expenditures

FHWA collects data from states and local governments on highway construction expenditures; however, we did not use this data because we do not consider it to be as reliable as similar information provided by the Census Bureau. FHWA relies on state transportation departments to abide by FHWA guidelines for reporting highway-related expenditures and does not formally test whether states are complying with those guidelines. In some instances, state transportation departments are required to sample local governments to estimate highway expenditures. The sampling methodology varies from state to state and FHWA

[20] *Comparison of States' Highway Construction Costs*, U.S. Government Accountability Office, GAO-04-113R, Washington, DC, November 3, 2003.

does not review these sampling procedures. FHWA depends on its staff to recognize errors and anomalies and to follow-up with state transportation departments to investigate the errors.

Bureau of Labor Statistics

Producer Price Indices (PPIs)

The Bureau of Labor Statistics (BLS) constructs producer price indices to track the change over time in the prices quoted by producers of goods and services in the United States. The data for these indices are collected through voluntary surveys submitted by thousands of reporters in establishments across the United States. The data is obtained by sampling virtually every industry in the mining and manufacturing sectors of the U.S. economy. The indices published by the BLS are a popular and widely trusted source of price data.

The PPIs used in our analysis were the PPI for the highway and street construction sector and individual PPIs for commodities used in highway and street construction, and for engineering and various types of insurance. We selected the individual producer price indices based on research by ARTBA and the American General Contractors Association and interviews with other experts.

Wage Data

We used data from the BLS Quarterly Census of Employment and Wages (QCEW) to determine wages for highway and street construction workers at both national and state levels. The QCEW is a cooperative program between BLS and state employment agencies to assemble employment and wage information for all workers covered by state and Federal unemployment laws.[21] Because of the ubiquitous nature of the unemployment insurance laws, the QCEW program serves as a near census of monthly employment and quarterly wages and is considered to be a reliable source for wage data.

State Data

State Construction Cost Indices (CCIs)

Generally, the states in our sample did not have a formal process to review the data on which their CCIs were based. Personnel responsible for maintaining state CCIs collect data directly from the database that houses bid data. These databases

[21] In 1994, the most recent year data were available, over 96 percent of the total wage and salary civilian workforce was covered under either state or Federal unemployment insurance. Workers not covered by unemployment compensation laws consist mostly of agricultural workers, self-employed farmers, some domestic workers, and unpaid family workers.

generally have mechanisms to filter out erroneous data, such as negative dollar figures or quantities, that exceed a predetermined range. In all states, personnel review the index data with each update and flag any anomalous data. In addition, some states publish construction cost index data publicly, which may increase the level of scrutiny of data quality.

State Bidders Data

Not all of the states in our sample had sufficient historical data on the number of bidders on highway projects readily available. Instead, we were able to collect bidders data from Iowa, Nebraska, New Hampshire, North Carolina, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

The Census Bureau

Expenditure Data

We used data from the United States Census Bureau for estimates of highway construction expenditures by state and local governments. The Census Bureau obtains the data through annual surveys of state and local government entities, where local government entities include counties, municipalities, townships, special districts, and school districts. The data for states represent actual annual expenditures of all 50 state governments. For non-school local governments, a sample survey of 13,000 non-school governments is conducted annually except for census years when data from all 87,000 local governments are obtained. The Census Bureau collects annual financial reports electronically from states. Further, Census Bureau staff code the expenditure items according to Census Bureau rules and guidance.

Other Data Sources

Highway Construction Industry Profit

We collected data from three sources on the profitability of the highway construction industry. The first source was the Construction Financial Management Association (CFMA), which is a nonprofit organization geared towards accountants and other financial professionals working in the construction industry. The CFMA conducts an annual "Construction Industry Financial Survey" that provides comprehensive financial data for construction companies, including highway construction firms. In these survey reports, CFMA provides

breakdowns of financial data by construction sector and region. We collected its national and regional data for the heavy and highway construction sector.[22]

CFMA's 2006 Annual Financial Survey states that the survey is not intended to be statistically representative and only about 60 to 70 percent of survey respondents overlap from year to year. Despite these limitations, CFMA survey data are the only source of data that we are aware of that provide detailed financial information for the highway construction sector for recent years.

The second set of data we collected on the profitability of the highway construction industry was compiled from tax filings by the heavy construction industry, which we obtained from the Internal Revenue Service's website. At the time of our analysis, the most recent data available covered 2003. This limited the data's usefulness for the purposes of our analysis.

The third source of profitability data that we collected was ARTBA, which assembles a measure of industry profitability based on a voluntary survey of its members. However, the survey only asks respondents if their profits have increased, stayed the same, or decreased relative to the previous quarter. The measure ARTBA publishes indicates whether more respondents experienced an increase than a decrease in their profits, or vice versa, when compared with the previous quarter. We found it difficult to draw any implications from this series.

[22] The heavy and highway construction sector includes companies not directly involved in the construction of highways. Since only the overall number of survey respondents for the heavy and highway construction is reported, the number of highway construction companies that complete CFMA's survey is unknown. As a result, the financial data may be skewed by data from other heavy construction firms.

EXHIBIT B. STATES CONTACTED AND DATA OBTAINED

FHWA Region	State	Contacted by OIG	Has an Overall CCI	Has Component Price Data	Length of Data Series
1	Connecticut	No			
	Maine	No			
	Massachusetts	Yes	No		
	New Hampshire*	Yes	Yes	Yes	2000 – 2007
	New Jersey	No			
	New York	Yes	No		
	Rhode Island	No			
	Vermont	Yes	No		
	Puerto Rico	No			
3	Delaware	No			
	District of Columbia	No			
	Maryland	Yes	No		
	Pennsylvania	Yes	No		
	Virginia	Yes	No		
	West Virginia	No			
4	Alabama	No			
	Florida	Yes	No		
	Georgia*	Yes	No	Yes	1996 – 2006
	Kentucky	No			
	Mississippi	Yes	Yes	Yes	1988 – 2006
	North Carolina	Yes	Yes	Yes	1995 – 2006
	South Carolina*	Yes	Yes	Yes	1999 – 2006
	Tennessee	No			
5	Illinois	Yes	Yes	Yes	N/A
	Indiana	No			
	Michigan	No			
	Minnesota	No			
	Ohio	Yes	Yes	Yes	2005 – 2006
	Wisconsin	Yes	Yes	Yes	1982 – 2006
6	Arkansas	No			
	Louisiana	No			
	New Mexico	No			
	Oklahoma	No			
	Texas*	Yes	Yes	Yes	1999 – 2006
7	Iowa	Yes	Yes	Yes	1986 – 2006
	Kansas	No			
	Missouri	No			
	Nebraska*	Yes	Yes	Yes	1998 – 2006
8	Colorado*	Yes	Yes	Yes	1987 – 2006
	Montana	No			
	North Dakota	No			
	South Dakota	Yes	Yes	Yes	1987 – 2006
	Utah*	Yes	Yes	Yes	1990 – 2006
	Wyoming	No			

FHWA Region	State	Contacted by OIG	Overall CCI	Component Price Data	Length of Data Series
9	Arizona	No			
	California*	Yes	Yes	Yes	1987 – 2006
	Hawaii	No			
	Nevada	No			
10	Alaska	No			
	Idaho	No			
	Oregon	Yes	Yes	Yes	1987 - 2006
	Washington*	Yes	Yes	Yes	1990 - 2006

*States in our sample.

Exhibit B. States Contacted and Data Obtained

EXHIBIT C. AGENCIES VISITED OR CONTACTED

Federal Government

Department of Transportation	
Federal Highway Administration	
Office of Asset Management	Washington, DC
Office of Chief Financial Officer	Washington, DC
Office of Policy Information	Washington, DC
Office of Transportation Policy Studies	Washington, DC
Office of Program Administration	Washington, DC
Department of Labor	
Bureau of Labor Statistics	Washington, DC
Department of Commerce	
Census Bureau	
Governments Division	Suitland, MD
Manufacturing Construction Division	Suitland, MD
Department of Energy	
Energy Information Administration	Washington, DC
Department of the Interior	
Geological Survey	Reston, VA

State Departments of Transportation

California	South Carolina
Colorado	South Dakota
Florida	Ohio
Georgia	Oregon
Illinois	Pennsylvania
Iowa	Texas
Maryland	Utah
Massachusetts	Vermont
Mississippi	Virginia
New York	Washington
Nebraska	Wisconsin
North Carolina	

Industry Associations

American Road and Transportation Builders Association, Washington, DC
Association of State and Highway Transportation Officials, Washington, DC
Associated General Contractors of America, Rosslyn, VA
Construction Financial Management Association, Princeton, NJ
National Stone, Sand and Gravel Association, Alexandria, VA
Portland Cement Association, Skokie, IL
Steel Manufacturers Association, Washington, DC
The Asphalt Institute, Lexington, KY

Research Firms and Other Organizations (Grouped by Subject)

Aggregate
Vulcan Materials Company, Birmingham, AL

Asphalt
Argus Media Group, Houston, TX
Poten & Partners, New York, NY

Construction Industry
Credit Suisse, New York, NY
Goldman Sachs, New York, NY
Morgan Joseph, New York, NY

Energy
Deutsche Bank, Washington, DC
Global Insight, Washington, DC

Steel
Bradford Research, New York, NY
Metal Strategies, West Chester, PA

EXHIBIT D. MAJOR CONTRIBUTORS TO THIS REPORT

THE FOLLOWING INDIVIDUALS CONTRIBUTED TO THIS REPORT.

Name	Title
David Tornquist	Assistant Inspector General for Competition and Economic Analysis
Mitchell Behm	Program Director
Betty Krier	Supervisory Economist/Project Manager
Jovanny Roque	Economist
Keith Klindworth	Economist
Aron Wedekind	Engineer
Harriet Lambert	Writer-Editor

The following pages contain textual versions of the graphs and charts found in this document. These pages were not in the original document but have been added here to accommodate assistive technology.

Figure 1. National Highway Construction and Maintenance Cost Indices

	FHWA BPI	BHWY PPI
1990	108.5	110.7
1991	107.5	110.6
1992	105.1	110.0
1993	108.3	111.7
1994	115.1	114.3
1995	121.9	118.4
1996	120.2	122.1
1997	130.6	124.6
1998	126.9	123.5
1999	136.5	126.6
2000	145.6	136.5
2001	144.8	137.0
2002	147.9	133.7
2003	149.8	136.6
2004	154.4	148.2
2005	183.6	166.8
2006	221.3	184.8

Figure 2. Growth in Commodity Input Costs for Highway Construction in Washington State

	Crushed Surfacing (Aggregate)	Structural Concrete (Cement)	Hot Mix Asphalt (Asphalt)	Steel Reinforcing Bar (Steel)
1990	100.0	100.0	100.0	100.0
1991	112.1	139.4	87.2	100.0
1992	113.3	100.2	80.7	97.8
1993	89.2	114.7	83.0	93.3
1994	90.6	107.5	84.8	91.1
1995	108.2	123.1	86.2	97.8
1996	112.4	131.8	85.5	108.9
1997	120.0	135.3	95.5	113.3
1998	126.8	119.8	94.8	108.9
1999	130.7	139.9	87.0	100.0
2000	134.8	120.9	96.6	113.3
2001	129.1	155.2	97.5	91.1
2002	121.8	141.0	102.1	120.0
2003	119.6	164.5	106.0	111.1
2004	150.6	141.7	123.7	191.1
2005	149.4	181.1	129.9	202.2
2006	145.6	205.6	174.0	217.8

Figure 3. State Construction Cost Indices

	California	Colorado	Nebraska	Washington
1997	100.0	100.0	100.0	100.0
1998	103.0	113.3	121.3	83.5
1999	111.5	114.0	128.2	86.3
2000	117.2	122.3	120.9	92.1
2001	123.5	112.3	119.9	92.8
2002	113.9	107.5	127.3	100.0
2003	119.1	110.6	123.1	104.3
2004	173.2	120.3	139.3	123.0
2005	214.9	182.8	152.3	126.6
2006	224.8	183.0	167.7	164.0

Figure 4. State Construction Cost Indices

	New Hampshire	South Carolina	Texas
2000	100.0	100.0	100.0
2001	143.4	94.6	109.4
2002	128.3	95.6	104.3
2003	117.0	103.5	113.9
2004	154.2	116.2	122.4
2005	164.5	133.7	140.4
2006	176.4	149.0	180.9

Figure 5. Percent Changes in Measures of General Inflation and Highway Costs Between 2003 and 2006

	2003 - 2006
National Measures of General Inflation	
CPI-U	9.6%.
PPI – All Commodities	19.3%
National Measures of Highway Construction Costs	
FHWA BPI	47.7%
BHWY PPI	35.3%
State Measures of Highway Construction Costs	
New Hampshire	50.8%
South Carolina	44.0%
Texas	72.4%
Nebraska	36.2%
Colorado	65.5%
California	88.8%
Washington	57.2%

Figure 6. Federal, State, and Local Government Highway Construction Expenditures ($ millions)

	Nominal	Deflated using the FHWA BPI	Deflated using the BHWY PPI
1995	$ 37,465	$ 37,465	$ 37,465
1996	$ 38,427	$ 38,970	$ 37,262
1997	$ 40,351	$ 37,663	$ 38,343
1998	$ 42,789	$ 41,103	$ 41,022
1999	$ 46,231	$ 41,286	$ 43,236
2000	$ 50,619	$ 42,379	$ 43,907
2001	$ 54,177	$ 45,609	$ 46,822
2002	$ 59,579	$ 49,105	$ 52,761
2003	$ 58,603	$ 47,689	$ 50,795
2004	$ 59,548	$ 47,014	$ 47,574
2005	$ 61,969	$ 41,144	$ 43,987

Figure 7. Commodity Input Cost Inflation Nationally

	Construction sand, gravel, & crushed stone	Ready-mixed concrete	Hot rolled bars, plates, & structural shape	Paving mixtures and blocks
1990	125.4	111.9	105.1	101.2
1991	128.6	114.7	101.5	103.2
1992	130.6	115.3	98.6	100.2
1993	134.0	118.8	101.9	102.0
1994	137.9	123.8	108.1	103.2
1995	142.3	129.0	114.4	105.8
1996	145.6	133.1	112.5	107.6
1997	148.2	135.6	112.1	113.2
1998	152.8	139.7	111.8	112.5
1999	157.2	143.2	99.1	112.9
2000	163.1	147.1	100.5	130.4
2001	168.8	150.3	95.1	134.6
2002	173.0	150.2	95.1	136.2
2003	177.1	150.8	99.3	142.6
2004	183.3	158.7	143.8	144.9
2005	195.8	177.7	159.8	156.9
2006	213.9	198.6	170.7	200.5

Figure 8. Commodity Input Cost Inflation in New Hampshire

	Crushed Material (Aggregate)	Structural Steel (Steel)	Rebar (Steel)	Hot Mix Asphalt (Asphalt)	Structural Concrete (Cement)
2000	100.0	100.0	100.0	100.0	100.0
2001	140.7	247.9	173.3	100.5	150.1
2002	146.6	79.5	101.4	103.2	147.2
2003	133.6	80.8	104.6	112.3	104.8
2004	157.9	183.3	177.2	118.7	161.1
2005	184.1	131.4	151.6	128.0	131.4
2006	203.8	94.7	160.8	164.8	187.6

Figure 9. Commodity Input Cost Inflation in South Carolina

	Graded Aggregate Base (Aggregate)	Structural Concrete (Cement)	Hot Mix Asphalt Surface Course (Asphalt)	Reinforcing Steel (Steel)
2000	100.0	100.0	100.0	100.0
2001	99.7	134.2	95.6	133.1
2002	96.0	139.1	98.1	115.0
2003	95.7	122.3	107.3	124.8
2004	87.6	139.1	126.4	153.2
2005	128.3	161.4	133.6	177.0
2006	157.1	174.4	146.3	177.8

Figure 10 - Commodity Input Cost Inflation in California

	Aggregate Base (Aggregate)	Class "A" Portland Cement Concrete (Cement)	Bar Reinforcing Steel (Steel)	Asphalt Concrete Pavement (Asphalt)	Structural Steel "2" (Steel)	Portland Cement Concrete Pavement (Cement)
1990	100.0	100.0	100.0	100.0	100.0	100.0
1991	83.6	100.0	91.9	108.6	103.4	90.9
1992	81.0	89.9	89.3	105.5	139.1	96.9
1993	82.1	82.6	98.9	115.1	122.5	96.9
1994	86.2	94.1	116.6	120.7	105.7	96.4
1995	84.5	101.2	106.4	114.7	102.6	92.6
1996	80.8	109.0	109.2	122.4	98.3	95.6
1997	85.4	104.5	105.8	117.2	105.8	113.9
1998	95.9	108.4	117.9	126.0	117.5	110.1
1999	106.7	108.8	111.1	130.5	145.5	113.1
2000	92.4	123.2	108.1	146.6	124.7	113.4
2001	121.0	144.0	130.5	142.6	176.8	109.9

Figure 10 - Commodity Input Cost Inflation in California (cont'd)

2002	103.1	123.1	108.3	159.2	147.0	107.6
2003	124.9	122.9	127.9	157.1	77.4	159.5
2004	140.8	135.4	201.9	174.0	244.0	197.2
2005	171.0	192.2	206.4	246.1	120.7	248.4
2006	168.1	213.4	221.5	279.6	169.0	260.7

Table 2 – Wages for Heavy and Highway Construction Versus Highway Cost Indices Percent Changes from 2003 through 2005

	Wages	Highway Cost Indices
National:	6.5	N/A
FHWA-BPI	N/A	22.6
BHWY PPI	N/A	26.4
State:	N/A	N/A
California	7.7	80.6
Colorado	3.0	65.3
Nebraska	7.2	39.0
New Hampshire	2.6	40.6
South Carolina	8.1	48.2
Texas	7.8	47.2
Washington	9.1	21.4

Figure 11 - Comparison of Growth in Commodities and Other Major Costs

	Commodities	Engineering	Liability Insurance	Worker's Comp	Group Health
2003	2.17%	3.09%	3.54%	3.49%	N/A
2004	8.49%	1.74%	2.68%	4.03%	6.40%
2005	12.55%	1.09%	1.26%	1.71%	4.62%
2006	10.79%	2.45%	0.98%	1.77%	3.50%

Figure 12 - Bituminous Concrete Pavement Costs

	Georgia	Utah	California	Washington
1997	100.0	100.0	100.0	100.0
1998	105.3	86.5	107.5	99.2
1999	116.0	94.0	111.3	91.0
2000	127.4	113.3	125.1	101.1
2001	146.6	120.2	121.7	102.1
2002	117.7	105.2	135.8	106.9
2003	120.1	115.2	134.0	110.9
2004	152.2	128.5	148.5	129.5
2005	154.0	155.5	209.9	136.0
2006	232.6	206.0	238.5	182.2

Figure 13 - Reinforcing Steel Costs

	Georgia	Nebraska	Colorado	Utah	California	Washington
1997	100.0	100.0	100.0	100.0	100.0	100.0
1998	104.9	104.4	111.1	103.2	111.5	96.1
1999	136.6	102.7	120.0	104.8	105.0	88.2
2000	139.0	102.5	104.4	104.8	102.2	100.0
2001	134.1	101.5	111.1	104.8	123.4	80.4
2002	141.5	102.9	111.1	98.4	102.4	105.9
2003	131.7	101.2	122.2	100.0	121.0	98.0
2004	185.4	136.7	184.4	162.9	190.9	168.6
2005	209.8	138.4	213.3	171.0	195.2	178.4
2006	231.7	138.2	204.4	164.5	209.5	192.2

Figure 14 - Structural Concrete Costs

	Georgia	Nebraska	Colorado	Utah	California	Washington
1997	100.0	100.0	100.0	100.0	100.0	100.0
1998	83.7	112.4	114.9	99.7	103.7	88.5
1999	131.5	129.9	126.1	107.3	104.1	103.4
2000	124.9	133.7	140.8	98.5	117.8	89.4
2001	118.3	138.6	123.1	110.0	137.8	114.7
2002	125.3	120.5	115.9	109.5	117.8	104.2
2003	125.8	122.7	117.5	114.4	117.6	121.6
2004	132.2	118.3	131.3	112.0	129.5	104.7
2005	131.0	139.0	206.6	201.2	183.9	133.8
2006	192.6	125.5	174.7	192.2	204.2	151.9

Exhibit B. States Contacted and Data Obtained

FHWA Region	State	Contacted by OIG	Has an Overall CCI	Has Component Price Data	Length of Data Series
1	Connecticut	No	N/A	N/A	N/A
	Maine	No	N/A	N/A	N/A
	Massachusetts	Yes	No	N/A	N/A
	New Hampshire*	Yes	Yes	Yes	2000 – 2007
	New Jersey	No	N/A	N/A	N/A
	New York	Yes	No	N/A	N/A
	Rhode Island	No	N/A	N/A	N/A
	Vermont	Yes	No	N/A	N/A
	Puerto Rico	No	N/A	N/A	N/A
3	Delaware	No	N/A	N/A	N/A
	District of Columbia	No	N/A	N/A	N/A
	Maryland	Yes	No	N/A	N/A
	Pennsylvania	Yes	No	N/A	N/A
	Virginia	Yes	No	N/A	N/A
	West Virginia	No	N/A	N/A	N/A
4	Alabama	No	N/A	N/A	N/A
	Florida	Yes	No	N/A	N/A
	Georgia*	Yes	No	Yes	1996 – 2006
	Kentucky	No	N/A	N/A	N/A
	Mississippi	Yes	Yes	Yes	1988 – 2006
	North Carolina	Yes	Yes	Yes	1995 – 2006
	South Carolina*	Yes	Yes	Yes	1999 – 2006
	Tennessee	No	N/A	N/A	N/A
5	Illinois	Yes	Yes	Yes	N/A
	Indiana	No	N/A	N/A	N/A
	Michigan	No	N/A	N/A	N/A
	Minnesota	No	N/A	N/A	N/A
	Ohio	Yes	Yes	Yes	2005 – 2006
	Wisconsin	Yes	Yes	Yes	1982 – 2006
6	Arkansas	No	N/A	N/A	N/A
	Louisiana	No	N/A	N/A	N/A
	New Mexico	No	N/A	N/A	N/A
	Oklahoma	No	N/A	N/A	N/A
	Texas*	Yes	Yes	Yes	1999 – 2006
7	Iowa	Yes	Yes	Yes	1986 – 2006
	Kansas	No	N/A	N/A	N/A
	Missouri	No	N/A	N/A	N/A
	Nebraska*	Yes	Yes	Yes	1998 – 2006
8	Colorado*	Yes	Yes	Yes	1987 – 2006
	Montana	No	N/A	N/A	N/A
	North Dakota	No	N/A	N/A	N/A
	South Dakota	Yes	Yes	Yes	1987 – 2006
	Utah*	Yes	Yes	Yes	1990 – 2006
	Wyoming	No	N/A	N/A	N/A

Exhibit B. States Contacted and Data Obtained (cont'd)

FHWA Region	State	Contacted by OIG	Overall CCI	Component Price Data	Length of Data Series
9	Arizona	No	N/A	N/A	N/A
	California*	Yes	Yes	Yes	1987 – 2006
	Hawaii	No	N/A	N/A	N/A
	Nevada	No	N/A	N/A	N/A
10	Alaska	No	N/A	N/A	N/A
	Idaho	No	N/A	N/A	N/A
	Oregon	Yes	Yes	Yes	1987 - 2006
	Washington*	Yes	Yes	Yes	1990 - 2006

*States in our sample.

Attachment V.

21st Century Prioritization/Efficiency Topics

1. Bridge Management in NC; Current processes, future requirements, and anticipated challenges Report of NCDOT (Feb 6)_
2. Proposed transformational changes – Update of Transformation Management Team activities and recommendations (Feb 6)
3. Examination of NCDOT's Construction Inflation since 2002 (Feb 6)
4. Trust Fund Project Delivery-Intrastate System and Loop Projects –Past, Present, and Future (Feb 21)
5. Equity Formula, Loop Funds, and Transit Fund Distribution (Feb 21)
6. Organization, Roles and Responsibilities of the NC Board of Transportation (Feb 21)
7. Organization of NCDOT past and present; and plans to meet future transportation demands in NC (Mar)
8. Feasibility of Tolling all Urban Loops, Turnpike Authority and NCDOT linked responsibilities and/or division of authorities (Mar)
9. Growth of Administrative Costs, reduction of TIP Project Delivery since 2002, and pavement performance issues (Mar)
10. Driveway/Encroachment Express Permits (Apr)
11. Delivery of Projects with Team/Turn-key approach (Apr)
12. Land Use and Transportation Coordination – (Apr) (Coordinated with Intergovernmental Subcommittee)

January 9, 2008

Whitepaper for the 21st Century Transportation Committee

Transportation Leadership Team

Purpose

This brief paper has been created to provide the 21st Century Transportation Committee a general synopsis of an important dialogue among members of the transportation community in North Carolina. This dialogue has taken place over the past 18 months. This team, self-designated as the North Carolina Transportation Leadership Team (TLT), has pursued common goals and objectives for a variety of transportation improvement initiatives.

Background

The North Carolina Transportation Leadership Team was formed in the fall of 2006. The TLT is comprised of representatives from state and federal transportation agencies and the transportation industry who have common interest in improving transportation in North Carolina. The TLT is guided by a vision of the future and recognizes the need to build, operate, and maintain a smarter, more efficient transportation system. Increased population, economic development, and financial pressures present opportunities for government and industry to work together, building on long-standing existing partnerships and collaborative processes, to enhance transportation and provide excellent service to the citizens of North Carolina. Towards this end, the TLT developed a set of strategic goals for specific actions to address the most pressing transportation issues within the State.

We also would like to direct members of the Committee to two important documents as background:

1) ACEC/NC, Carolinas AGC, and NCDOT jointly sponsored a one day peer review in the spring of 2006. Participants included representatives from Virginia, Florida, and Missouri along with NC leaders. The results of that session are summarized in Attachment 1;
2) AGC's national web site has an excellent review of why construction costs have escalated so rapidly in recent years. That document is included as Attachment 2.

Membership

The North Carolina Transportation Leadership Team is comprised of representatives of the following organizations:

American Concrete Paving Association (ACPA)
American Council of Engineering Companies (ACEC)
American Society of Civil Engineers (ASCE)

January 9, 2008

Association of General Contractors (AGC)
Carolina Asphalt Pavement Association (CAPA)
Institute of Transportation Engineers (ITE)
North Carolina Aggregates Association (NCAA)
North Carolina Department of Transportation (NCDOT)
North Carolina Turnpike Authority (NCTA)
Federal Highway Administration (FHWA)
Triangle Transit Authority (TTA)

Mission

The TLT adopted as its mission to develop and implement collaborative efforts to deliver an efficient, timely, and quality transportation program in North Carolina by identifying and addressing emerging transportation issues.

Goals

The TLT adopted 3 broad goals to focus its ongoing discussions:

1. Identifying and implementing accelerated project delivery systems, specifications, processes, and procedures;

2. Improving quality in transportation projects and products;

3. Identifying and implementing cost containment strategies.

Because the TLT is an ad hoc entity, it has not focused on developing a distinct set of goals, policies or approaches separate from its individual and group membership. It has also actively supported or participated in assisting its member organizations and individuals (as well as NCGo, the Partnership for NC's Future, the ASCE Report Card and similar efforts) to support transportation improvements in North Carolina.

Many members of the TLT also assisted the NC Legislative study on Project Delivery/Value Engineering, and the NCDOT-supported McKinsey management review of NCDOT's structure and processes.

Funding

The TLT endorses the concept that transportation needs in North Carolina outstrip our current ability to meet those needs. While there may be debate over the size of the "funding gap", it doesn't really matter if it is $10 billion or $65 billion or more over the next 25 years. Additional resources will be needed to

keep our state competitive in today's global economy and prepared to meet the great mobility challenges of the future.

The 21st Century Committee must critically review our current revenue streams, our currently authorized revenue tools, e.g. tolling and similar pricing techniques, and potential new sources to support transportation investments. Any recommendations to increase public sources should follow the "user fee" principles that have served the nation well. Efforts to attract more private investment in transportation must be conducted in a transparent manner that reaffirms the public trust.

In conjunction with this review of funding, the Committee must articulate a clear and compelling vision for a level of investment that will ensure that our state can continue to grow, to innovate, to remain competitive, and to maintain the high quality of life we all enjoy.

Program Delivery

Much has been written and studied about how NC delivers transportation projects and programs. The TLT endorses many of the recommendations advanced in the 2004 Dye Management Report, the 2006 Program Delivery Workshop sponsored by ACEC/NC, AGC, and NCDOT, the 2007 NC General Assembly Study done by PBS&J, and the McKinsey study.

The key focus now must be on improving the traditional methods, adopting new methods and procedures, and continually seeking to stay at the cutting edge of delivering a robust and effective transportation program for the citizens of our state.

The Committee should review these past efforts with the goal of supporting the innovations already underway and keeping as many tools available to NCDOT and its partners as possible. AASHTO's recent publication, "Accelerating Project Delivery", offers another source of creative and effective approaches to project delivery that have proven successful in other states.

Performance Measures

Clear and concise performance measures are a critical component of ensuring the best transportation outcomes for the taxpayers and traveling public of North Carolina. Several states have recently moved aggressively in this arena and North Carolina should become a leader in this effort to link investment decisions and operational strategies to performance outcomes.

AASHTO has recently published a short summary of those efforts around the country (Florida, Maryland, Missouri, Minnesota, and Washington), and the

Program Delivery Workshop held in 2006 also provided good insight into the approaches of Virginia, Missouri, and Florida compared to North Carolina.

We encourage the Committee to acquaint itself with this trend and recommend how the state can incorporate a performance management philosophy into the development and operation of transportation projects and programs in North Carolina.

Recommended Actions

Short term

The TLT endorses the Chairman's stated goals for short term action by the Committee:

- Develop alternatives to the current transfer from the Highway Trust Fund
- Develop sound and stable approaches to "gap" funding for toll projects
- Identify approaches/sources to fund mega projects, e.g. the Yadkin River Crossing and Bonner Bridge replacement projects
- Develop and recommend implementation of congestion management strategies that incorporate alternative modes of transportation.

The legislature and DOT made some progress on these issues in the 2007 session and much of that work can bear fruit in the coming legislative session with support, and modification where appropriate, by the Committee.

Long term

The TLT believes the Committee should set the agenda for looking at transportation issues over the next 25 years. In that regard, major attention should be focused in the following areas:

- Equitable ways to both collect and distribute funds for transportation investments. This would involve looking at how state and local responsibilities and authorities are distributed as well as potential new roles for the private sector.
- The transportation enterprise in NC must be cognizant of and prepared to adjust to, changes in technology, e.g. open-road tolling, which will impact the building and operation of our transportation system. The Committee should

recommend ways to keep that cutting edge focus at the forefront over the long term.

- The "user pays" philosophy embodied in the fuel tax system can be improved over the coming decades. The Committee should recommend ways for NC to stay in the forefront on this issue.
- The traditional partnership of the public and private sectors will continue to evolve in the transport sector. The Committee should provide guidance on how the state can build and maintain its transportation system with additional private investment, while ensuring public accountability to its citizens and taxpayers.
- Local governments and the state should strengthen their partnership in the development and preservation of transportation corridors. Better coordination of land use and transportation policies will improve the efficient movement of goods and people, and reduce potential adverse impacts on communities across our state.

Conclusion

As transportation professionals, the members of the TLT will follow with great interest the activities and recommendations of the Committee. We also stand ready to assist the Committee in its endeavors, individually and/or collectively.

While the challenges are daunting, and the resources scarce, the commitment and expertise available in our state are surely up to the task.

Program Delivery – Searching For A Roadmap to Success

Every state highway department faces hurdles to efficient delivery of their program(s), for a variety of reasons: politics, limited funding (plus erosion of the buying power of gas tax revenues), regulatory agency reviews, public dissent, and so on. North Carolina is no exception. As one of the fastest growing states in the country, and with the second largest state-maintained highway system, the North Carolina DOT (NCDOT) faces these delivery challenges on many fronts.

Recently, NCDOT discussed "program delivery" with representatives of the design and construction community: the American Council of Engineering Companies (ACEC) and the Association of General Contractors (AGC). The three formed a steering committee to engage other states, ultimately leading to the idea of a **program delivery "think tank"** – a forum for exchanging ideas on what works and what doesn't. Three states were invited to attend a day-long roundtable discussion, held in Raleigh, NC on May 11th.

- ✓ **Florida** – a decentralized state DOT which has enjoyed significant success in meeting their delivery objectives,
- ✓ **Missouri** – a commission-managed agency which has recently implemented significant improvements to their business practices,
- ✓ **Virginia** – a trendsetter for innovative delivery such as public-private partnerships, and recognized for their web-based "dashboard" information system

Each state, including North Carolina, responded to a questionnaire relative to program delivery. The questionaires set the agenda for the "think tank" session:

1. What "metrics" do you use to measure program delivery?
2. What incentives do you use to enhance delivery?
3. How is accountability addressed/measured/rewarded?
4. How do you balance the use of in-house and private sector sources for delivery, and what are the pros and cons?
5. How have you dealt with external factors such as (a) political influences?, (b) inter-agency involvement, (c) funding shortfalls?

On May 11th 2006, eighteen delegates convened in Raleigh for the program delivery "think tank". Attendees included the following:

North Carolina DOT: Len Sanderson, State Highway Administrator; Debbie Barbour, Director of Pre-Construction; Steve DeWitt, Director of Construction; Art McMillan, State Design Engineer; Steve Varnedoe, Chief Engineer, Operations

Florida DOT: Ananth Prasad, Chief Engineer

Missouri DOT: Kevin Keith, Chief Engineer; Dave Nichols, Director, Program Delivery

Virginia DOT: Byron Coburn, State Scheduling/Contract Engineer; Tom Pelnik, Director, Innovative Project Delivery Systems

AGC: Berry Jenkins, Director; Drew Johnson, representing Barnhill Contracting; Dan Peter, representing Granite Construction

ACEC: Kathryn Sawyer, Executive Director; Gene Conti, representing PBSJ; Henry Liles, representing HNTB; Stu Matthis, representing Ralph Whitehead Associates; Steve Thomas, representing Mulkey

Virginia – VDOT's $3,000,000,000 transportation budget has seen challenges recen inadequate funding, resulting in program delays. Nonetheless, the department has been a for various delivery techniques, especially public-private initiatives (PPTA).

Metrics for program delivery include on-time construction (goal of 65%) and maintenan 75%), on-schedule construction (goal of 80%) and maintenance (90%), and enviro compliance (100% target). They offer incentives such as fixed date bonuses, shared from value engineering innovations, and the like.

VDOT unveiled their interactive "Dashboard" web based program in 2004, affordin visually-friendly measuring tool for their various operations. It shows performance is ar as construction, safety, environmental compliance, and so on. The web link follows:

http://dashboard.virginiadot.org/default.aspx

Following the formal presentations and Q&A, each delegate was asked to list ONE delivery concept they had heard which was, to them, most significant. Then each deleg given three "votes" as to the top concepts on the list of individual program delivery c Listed below are the results of the voting, along with the number of votes recei parenthesis) and a group assessment of how difficult this concept would be to succ implement {easy, moderate, difficult}

Educate the public and constantly reaffirm their mindset (16) {difficult} – The ne change in public perception and knowledge of transportation funding is paramount; e legislative bodies will not become receptive to our pressing needs.

Establish a more predictable TIP (12) {difficult} – The benefits from a predictable TI from improved credibility to a more stable business climate.

Implement more judgment-based design practices (11) {moderate} – The con "practical design" was discussed, where there is more reliance on common sens applications. Examples cited include code requirements for wide shoulders on bridge very low ADT – planners and designers need to adapt the design model to the site specific

Maintain a single Project Manager throughout the PE phase of the work {difficult} – T advantages of continuity from concept development through environmental documentation throu design were deemed as significant in achieving expedited delivery. Knowing the "past history" as job evolves is critical to decision-making.

Each state DOT made a brief presentation on their philosophy for successful program delivery, summarized as follows:

Florida – FDOT uses several key metrics for measuring their program delivery:

- ✓ construction lettings - 95% of construction contracts actually let, as per STIP
- ✓ construction costs – 10% variance; plus 90% of all contracts within 10% of budget
- ✓ construction delays – 20% variance; plus 80% of all contracts within 20% of schedule
- ✓ maintenance – deliver 90% of plan

FDOT also uses various incentives such as "no excuse" bonuses, lump sum construction contracts (such as maintenance of traffic). They also employ a "tool box" concept for expedited delivery as the project needs dictate, such as "fast response" contracting and design build.

FDOT recently completed a 5-year phased "reduction in force" (RIF), and currently utilizes the private sector for 80% of PE work and 100% of CEI work. Private firm utilization is heavily based on past performance. They enjoy a successful delivery rate and enjoy a relatively healthy relationship with the legislature and regulatory agencies.

Missouri – MoDOT is a decentralized agency governed by a commission, and with a separate transportation budget. They have a "development" transportation plan and a "delivery" STIP (5-years (2006-2011), $6.8 billion, 820 projects). MoDOT uses "cash flow" budgeting, recognizing a 3% inflation factor in their financial modeling.

MoDOT publishes a quarterly document called "Tracker" which rates their performance against various metrics:

- ✓ estimated construction cost versus final construction cost
- ✓ years from programming (i.e., STIP inclusion) to ribbon-cutting
- ✓ % projects within budget
- ✓ % projects on time
- ✓ % change orders

Their success rate has been impressive: 157% of their FY05 program (345 programmed projects, 543 awarded). Additionally, since 2001, MoDOT's variance on actual vs. estimated projects is within 0.2% of budget.

North Carolina – NCDOT is in the midst of several program delivery modifications aimed at enhanced program delivery, including:

- ✓ a 2-part TIP: developmental and delivery
- ✓ department-wide scheduling via their "PMII" programming system
- ✓ department-wide work plan

NCDOT has had recent successes relative to dealing with the various resource agencies, including their "Merger 01" process and establishment of their "Ecosystem Enhancement Program". Interagency leadership teams meet periodically with a common theme of balancing mobility, environmental protection, and economic vitality.

Incentives come in the form of "no excuse" bonuses, A+B contracting, and other methods. NCDOT is also aggressive relative to alternate delivery, particularly with a well-established design-build program.

Implement a management model that all staff will buy into enthusiastically {difficult} – Discussion centered around getting "buy-in" at the rank-and-file levels when change is introduced into a business model, whether that be a state DOT or a private engineering firm.

Utilize Private Engineering Firms (PEF's) more proactively {moderate} – Given that PEF's function in a highly competitive market, the utilization of PEF's via "qualification-based selection" has been demonstrated in several of the states.

Utilize accelerated techniques such as lane rentals, "rapid construction" {easy} – Programs such as "Highways for Life", for example, focus on getting into and out of a construction site quickly, and the resulting savings in cost, not to mention improved safety.

Make past performance a more substantial selection criteria {moderate} – PEF's who do good work should be rewarded with subsequent selections. Those who don't, vice versa.

The following items received lower priority rankings, but were discussed nonetheless:

Be more diligent in matching a given project with a given delivery method – The various delivery tools (design-build, public private, rapid construction, etc.) are not all applicable to the same projects, and due consideration should be given to choosing the best method.

Utilize more "performance-based" contracting – The longstanding mindset of "low bid wins" may achieve the lowest up-front cost, but in considering life-cycle costing and the cost of delays, it may be desirable to reward performance (i.e., incentives for early delivery, "no excuse" bonuses, etc.).

Utilize more "menu bidding" options – An example cited was asphalt versus concrete pavement options as a matter of practice in one state.

Focus more on end results specifications as opposed to "how to" specifications – That is, tell the contractor what you desire as the end product, then let them achieve it.

Consider decentralization of state DOT's – The advantage of decentralization was to push the system down to local levels where ownership of decision-making might be more focused. A variation mentioned was state infrastructure banking (SIB) programs, such as in South Carolina.

Other concepts included:

- ✓ Use more "cash flow" financing
- ✓ Get rid of the mindset that a design exception is a BAD thing
- ✓ Consider more incentive-based contracting for design and construction

The steering committee representatives (NCDOT, AGC, and ACEC/NC) have agreed to form a leadership team to study how these ideas can be implemented into the management model of NCDOT.

In closing, the attendees noted a common thread amongst the diverse attendees: **Regardless of one's perspective, <u>everyone</u> – most notably the traveling public – benefits from enhanced program delivery**. While program delivery requires buy-in on a multitude of fronts (some internal, some external), cooperative partnering, accountability, and incentive-based performance are keys to accomplishing expedited program delivery.

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, February 6, 2008
10:00 AM
Room 1228, Legislative Building

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, February 6, 2008 at 10:00 a.m., in Room 1228 of the Legislative Building. Senator Jenkins, Chair; Representative Carney, Representative McGee, Mr. Sewell, Mr. Wilson and Mr. Blackburn attended.

Senator Jenkins presided. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency Sub-Committee meeting and acknowledged the Sergeant at Arms.

Senator Jenkins introduced Lacy Love, Director of Asset Management, North Carolina Department of Transportation to give a power-point presentation on the *Status of North Carolina Bridges Report to the Committee* (see Attachment I). Mr. Lacy reviewed the sufficiency rating, inspection program and the status of the bridges in North Carolina. The attached presentation details the Asset Management Approach, the "Mix of Fixes", the current funding of NC Bridges and the challenges the Department of Transportation faces regarding bridges. Senator Jenkins thanked Mr. Love for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Senator Jenkins introduced Terry Gibson with the North Carolina Department of Transportation to give a power-point presentation on the *Proposed Transformational Studies* (see Attachment II). Mr. Gibson gave an overview of the department's transformation, which includes the aim of a "better performing DOT." Mr. Gibson outlined a three-step approach as an option to solve the state's transportation problems and then outlined a 21st Century vision to transform the department. Next, Mr. Gibson highlighted five key transformation initiatives followed by an explanation of the department's mission and goals. Senator Jenkins thanked Mr. Gibson for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Senator Jenkins introduced Mark Foster, Bruce Dillard and Jon Nance with the North Carolina Department of Transportation to give a power-point presentation on the *NCDOT Construction Cost Index and Cost Containment Initiatives* (see Attachment III). The presenters gave a description and history of the construction cost index and compared the index with total revenues. Market conditions during 2004-2006 were also discussed. An outline was given on contractor cost containment initiatives regarding meetings with partners, initiatives implemented and initiatives planned. Next, the presenters discussed

growth in highway construction and maintenance costs (see Attachment IV). Senator Jenkins thanked the gentlemen for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Senator Jenkins discussed the items on the agenda for future meetings (see Attachment V).

The meeting adjourned at 11:55am.

Clark Jenkins

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, February 21, 2008
9:00 AM
UNC Wilmington Executive Development Center
1241 Military Cutoff Road, Wilmington

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, February 21, 2008 at 9:00 a.m., at the UNC Wilmington Executive Development Center. Senator Jenkins, Chair; Representative Carney, Representative McGee, Mr. Sewell, Mr. Wilson and Mr. Blackburn attended.

Senator Jenkins presided. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency Sub-Committee meeting and acknowledged the Sergeant at Arms.

Senator Jenkins introduced Calvin Leggett, with the North Carolina Department of Transportation, to give a power-point presentation on the *Funds Distribution* (see Attachment I). Mr. Leggett gave an overview of the progress of the Trust Fund through the fiscal year 2007. The attached presentation details the major funding sources for the North Carolina transportation system. Also, Mr. Leggett reviewed the 1989 equity formula and associated TIP allocations and what the formula means for the transportation system in the state. Senator Jenkins thanked Mr. Love for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Senator Jenkins introduced Doug Galyon, Chairman of the North Carolina Board of Transportation, to give remarks on the roles and responsibilities of the board (see Attachment II). Mr. Galyon gave a detailed overview of the 1998 statute that reformed the North Carolina Board of Transportation (see Attachment III). Next, he shared his personal experience of serving on the board and gave a description of the role and responsibilities of a board member and how their work impacts the process of the transportation system in North Carolina. Senator Jenkins thanked Mr. Galyon for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

The meeting adjourned at 10:16 am.

Clark Jenkins

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation
Prioritization and Efficiency Subcommittee
February 21, 2008
9:00 am-11:00 am
UNC Wilmington Executive Development Center
1241 Military Cutoff Road, Wilmington

Chairs' Comments	Senator Clark Jenkins
Trust Fund Project Delivery – Intrastate System and Loop Projects; Distribution of Trust, Federal, and Highway Funds – Equity Formula, Loop Funds, Transit, and other Funds	Mr. Calvin Leggett NCDOT
Roles and Responsibilities of the NC Board of Transportation	Mr. Doug Galyon Chairman, NC Board of Transportation
Discussion	
Adjourn	

VISITOR REGISTRATION SHEET

21st Cen Trans Prior & Eff. Select — 2/21/08.

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jim Humphrey	City of Charlotte
Nancy Dunn	NCDOT Board - Div. 9
Don McCorquodale	Manning Fulton -
David Joyner	NCTA
Grady Rankin	NCTA
Johnny Hollo	MWC
Schorr Johnson	Sen. Basnight's staff
Cameron Moore	BASE
Doug Galyon	NC BOT
CS Hollis	Kennedy Covington
Steve Jones	Budget & Tax Center

VISITOR REGISTRATION SHEET

21st Gen. Trans. Privat. & Eff. Subcom — 2/21/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Earl Wood	Rinker Materials/Cemex USA
Calvin Leggett	NCDOT
Johanna Reese	DOT
SHANNON LASATER	DOT
DON VOELKER	DOT
Mary Campbell	BOT
ROBERTO CANALES	NCDOT
Allison Waller	Charlotte Chamber
Alpesh Patel	NCDOT
David Farren	SELC
MARK FOSTER	NCDOT

VISITOR REGISTRATION SHEET

21st Cen. Trans. Prior. + Eff. Lib. — 2/21/08

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lauren Padgett	City of Wilmington / MPO + Nat'l League of Cities

Attachment I.

Trust Fund Progress

Through FY 2007

	Intrastate	% of System	Loops	% of System
1989 status				
Total system miles	3600	100%	211	100%
Miles already complete in 1989	1843	51%	0	0%
Estimated total miles to complete	1757	49%	211	100%
Estimated cost to complete	$5.33 billion		$2.11 billion	
Projected cost per mile	$3.0 million		$10.0 million	

FY 2005 Status including 2003 & 2004 Legislative changes				
Total miles complete as of FY 2005	2734.5	74%	114	30%
Remaining miles to complete	945.2	26%	264[b]	70%
Estimated remaining costs	$6.79 billion		$4.50 billion[c]	
Projected cost per mile	$7.2 million		$17.0 million	

Status Ending FY 2007				
Total miles complete as of FY 2007	2783.1	75.6%	155.1	40.9%
Remaining miles to complete	900.6	24.4%	223.9	59.1%
Estimated remaining costs	$7.7 billion		$5.5 billion[c]	
Projected cost per mile	$8.5 million		$24.4 million	

Funds authorized as of FY 2007	$5.9 billion	$2.9 billion

Sutton
02/14/08

21st Century Transportation Committee

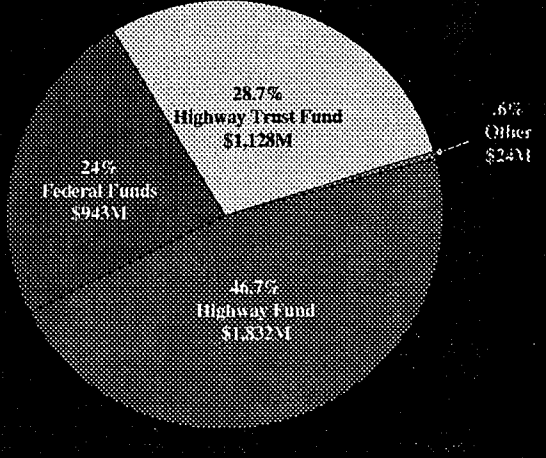
Funds Distribution

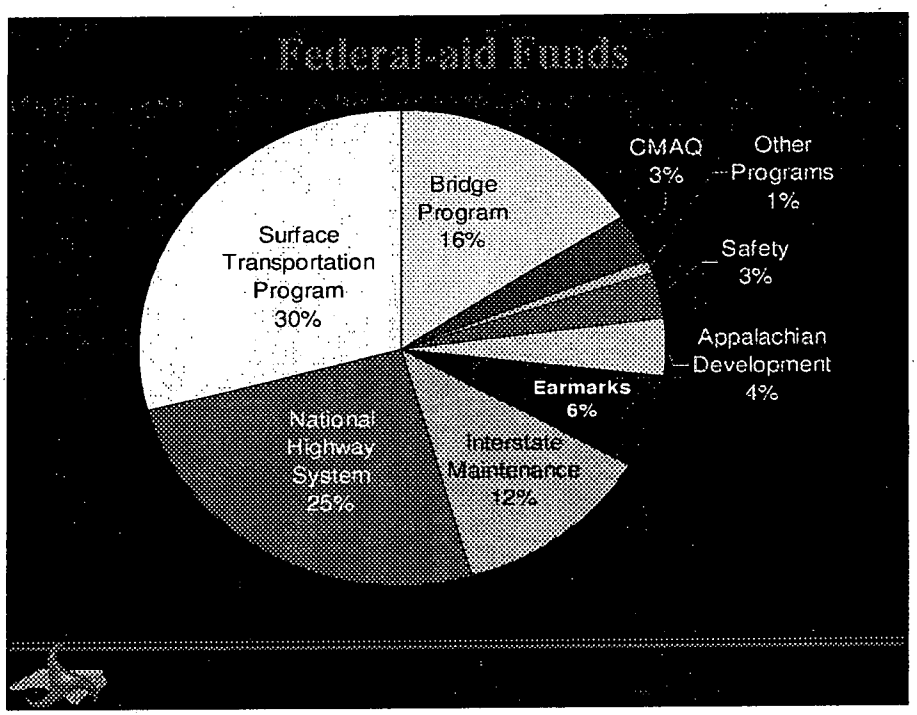
Prioritization Subcommittee

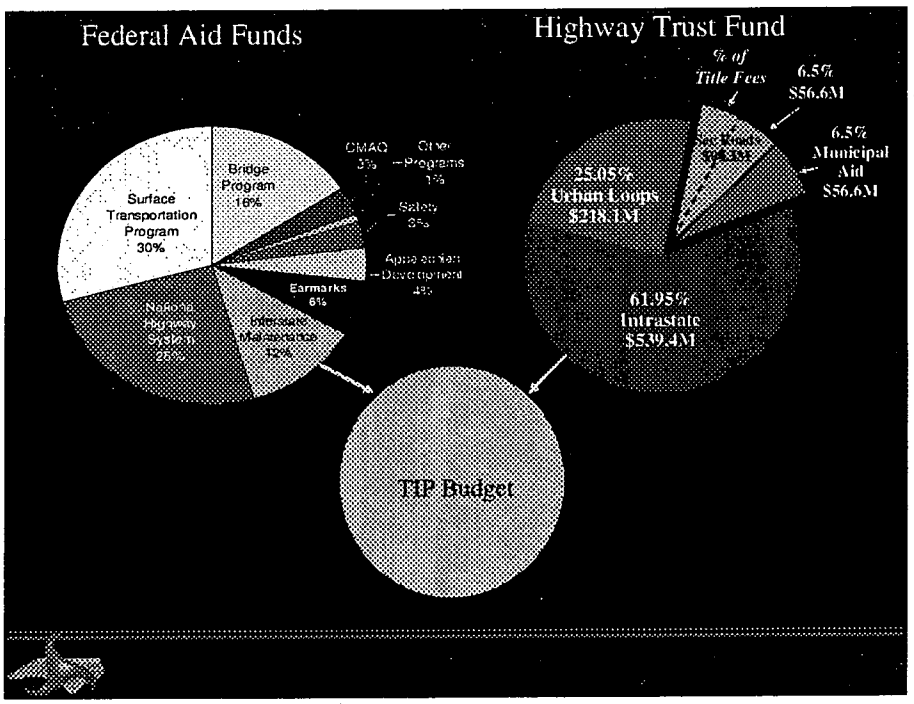
Presented by
Calvin W. Leggett, PE

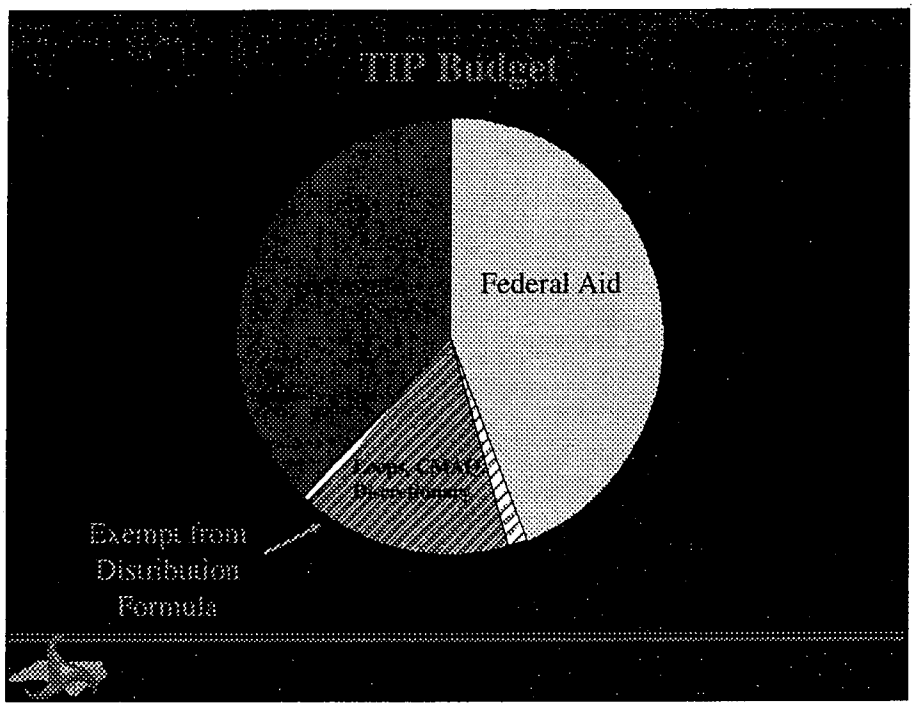
Wilmington, NC
February 21, 2008

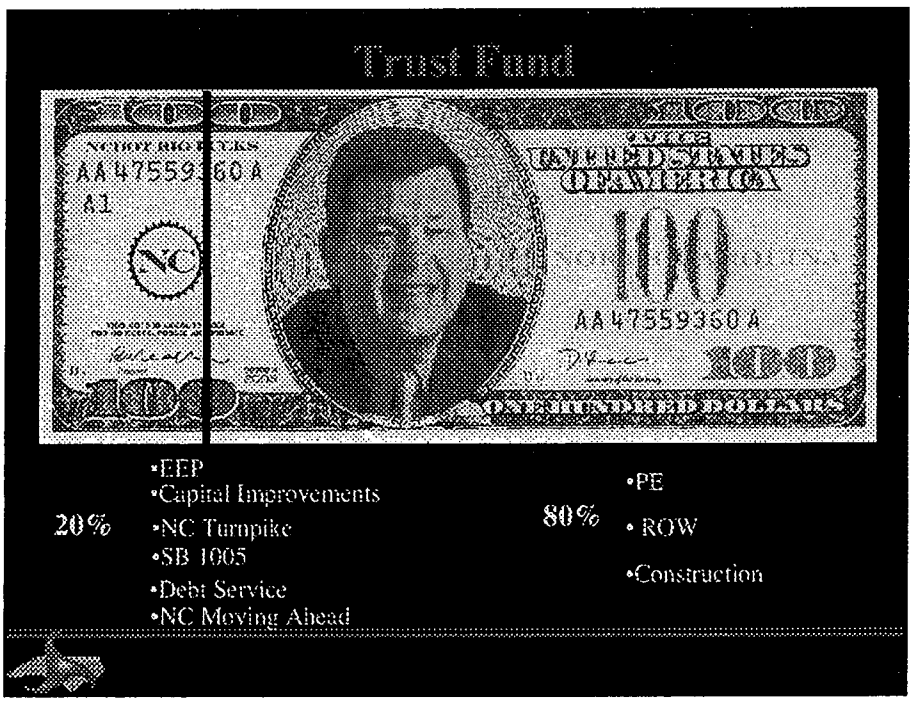
Sources of Funds
2007-08 by Major Funding Source
Total Funding = $3.9 Billion

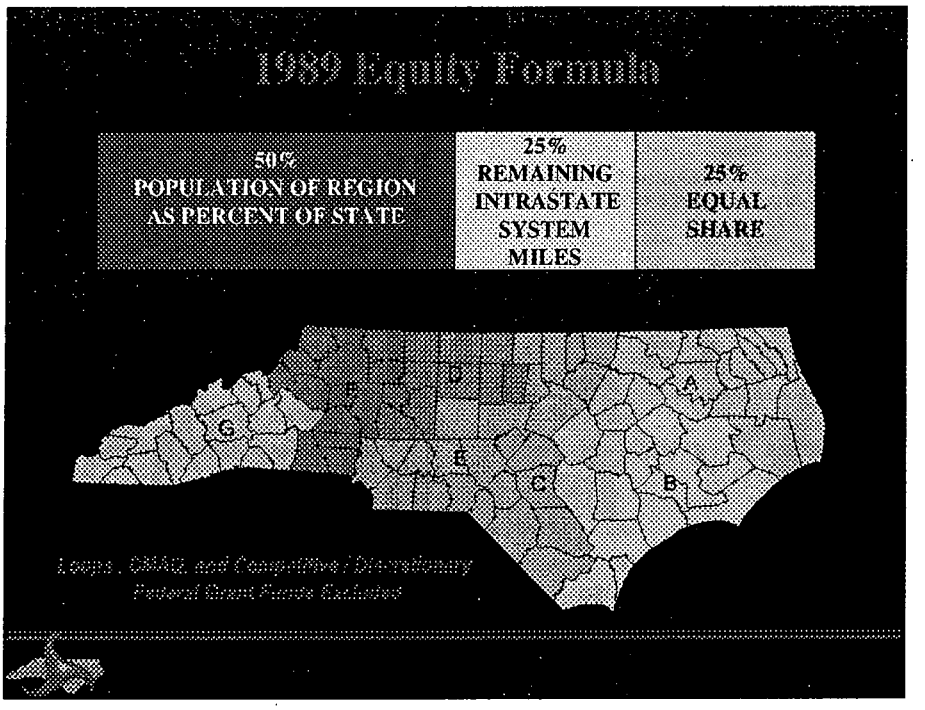


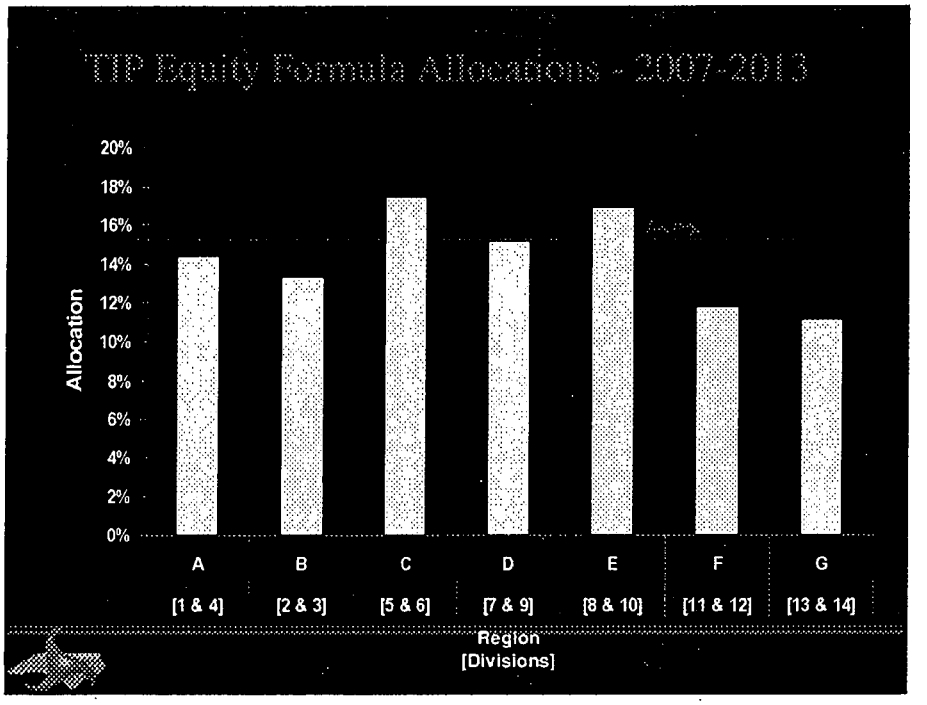

Federal-aid Funds
CMAQ 3%
Other Programs 1%
Bridge Program 16%
Safety 3%
Surface Transportation Program 30%
Appalachian Development 4%
Earmarks 6%
National Highway System 25%
Interstate Maintenance 12%

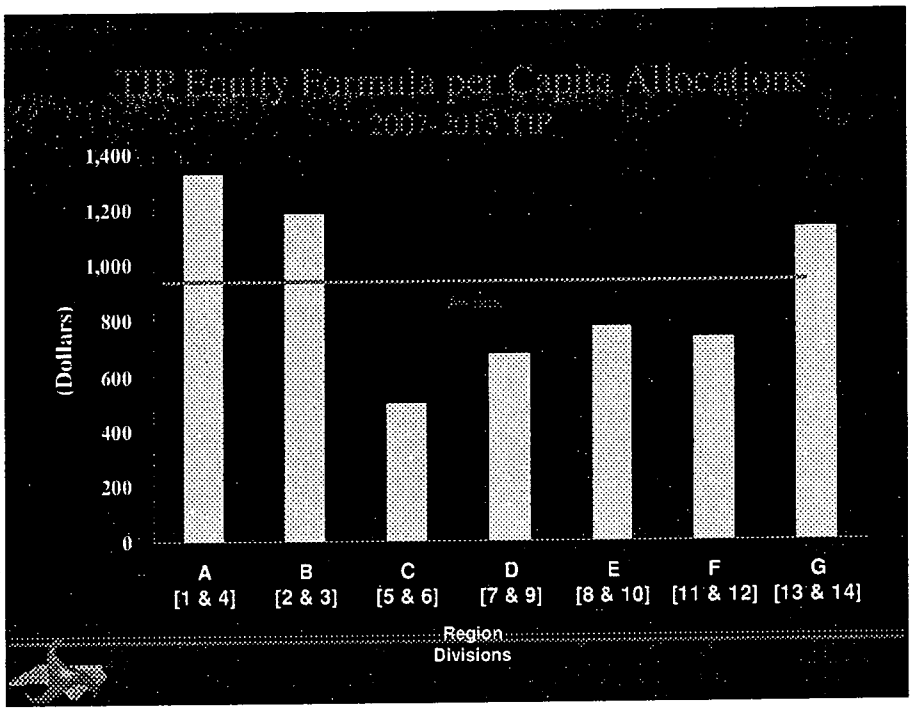

Federal Aid Funds
Highway Trust Fund
% of Title Fees
6.5% $56.6M
6.5% Municipal Aid $56.6M
25.05% Urban Loops $218.1M
61.95% Intrastate $539.4M
Surface Transportation Program 30%
Bridge Program 16%
CMAQ 3%
Other Programs 1%
Safety 3%
Earmarks 6%
Interstate Maintenance 12%
TIP Budget

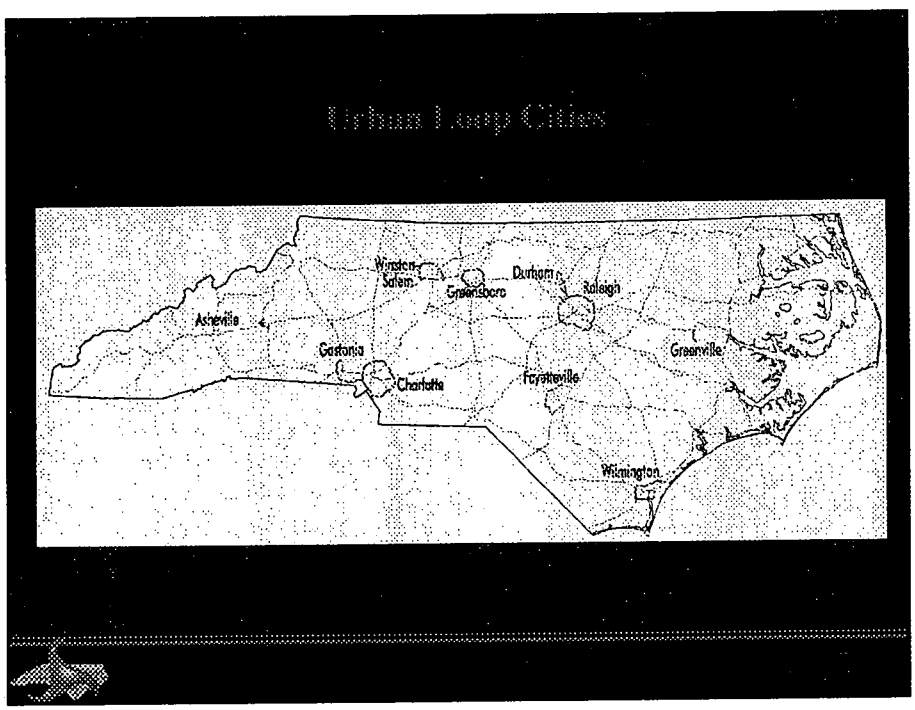

TIP Budget
Federal Aid
Exempt from Distribution Formula

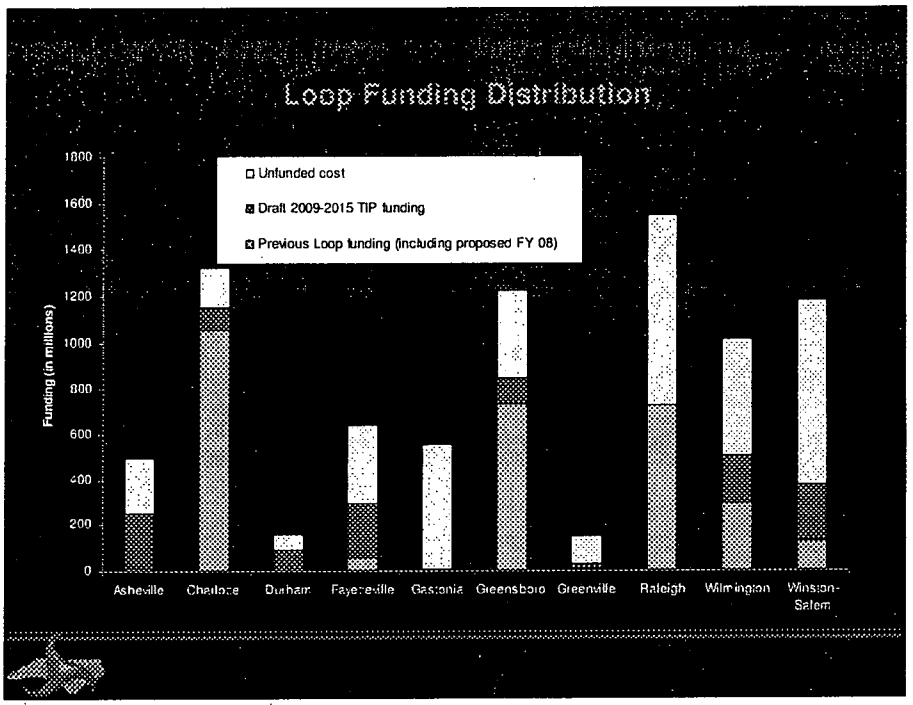

Trust Fund
20%
•EEP
•Capital Improvements
•NC Turnpike
•SB 1005
•Debt Service
•NC Moving Ahead
80%
•PE
• ROW
•Construction

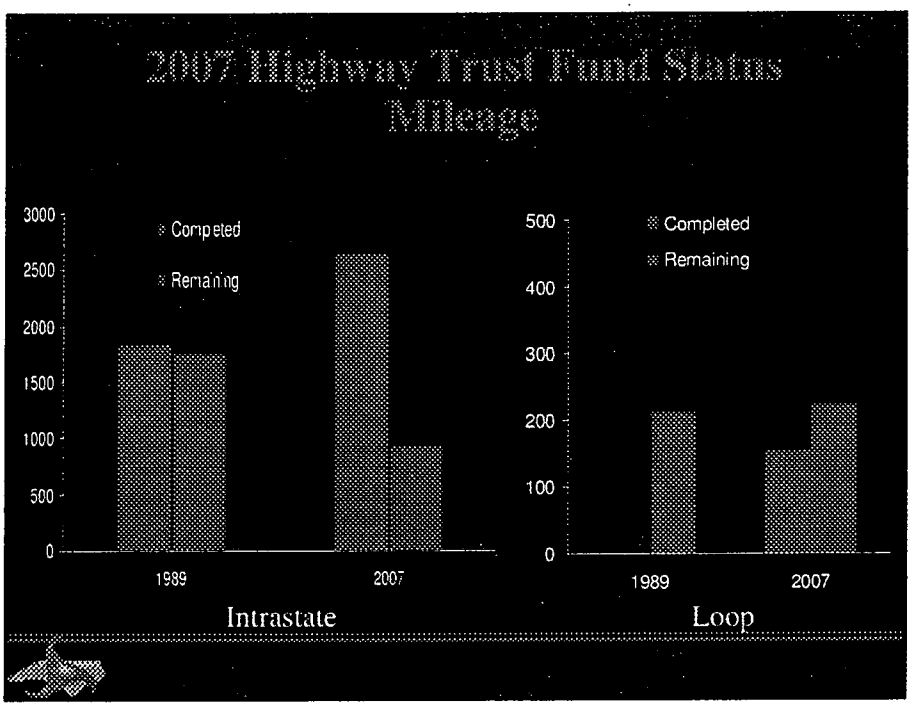

1989 Equity Formula
50%
POPULATION OF REGION
AS PERCENT OF STATE
25%
REMAINING
INTRASTATE
SYSTEM
MILES
25%
EQUAL
SHARE
Loops, CMAQ, and Competitive / Discretionary
Federal Grant Funds Excluded


TIP Equity Formula Allocations - 2007-2013
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
Allocation
A
[1 & 4]
B
[2 & 3]
C
[5 & 6]
D
[7 & 9]
E
[8 & 10]
F
[11 & 12]
G
[13 & 14]
Region
[Divisions]

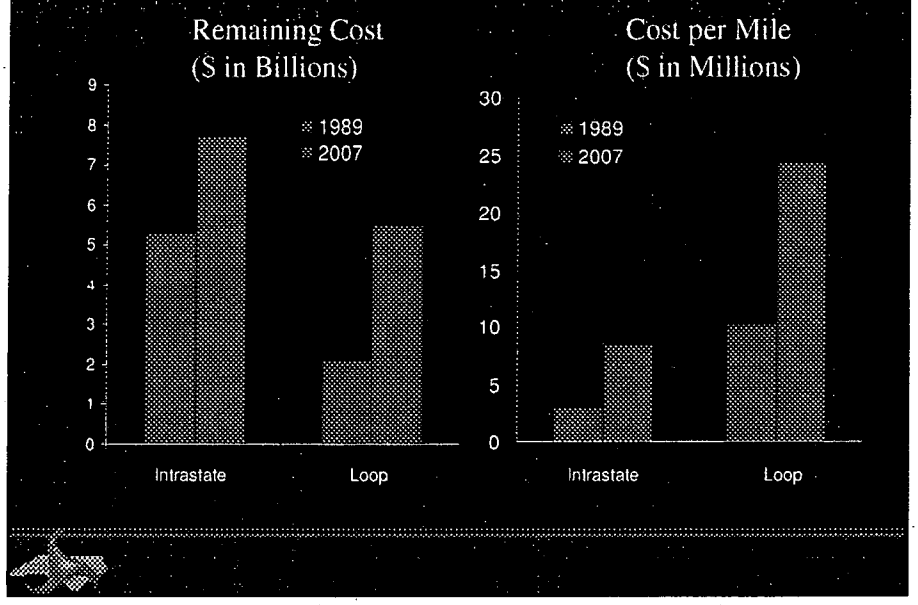

TIP Equity Formula per Capita Allocations
2007-2015 TIP
1,400
1,200
1,000
800
600
400
200
0
(Dollars)
A [1 & 4]
B [2 & 3]
C [5 & 6]
D [7 & 9]
E [8 & 10]
F [11 & 12]
G [13 & 14]
Region
Divisions


Urban Loop Cities
Winston-Salem
Greensboro
Durham
Raleigh
Asheville
Gastonia
Charlotte
Fayetteville
Greenville
Wilmington


Loop Funding Distribution
Unfunded cost
Draft 2009-2015 TIP funding
Previous Loop funding (including proposed FY 08)
Funding (in millions)
1800
1600
1400
1200
1000
800
600
400
200
0
Asheville
Cheatoga
Durham
Fayetteville
Gastonia
Greensboro
Greenville
Raleigh
Wilmington
Winston-Salem

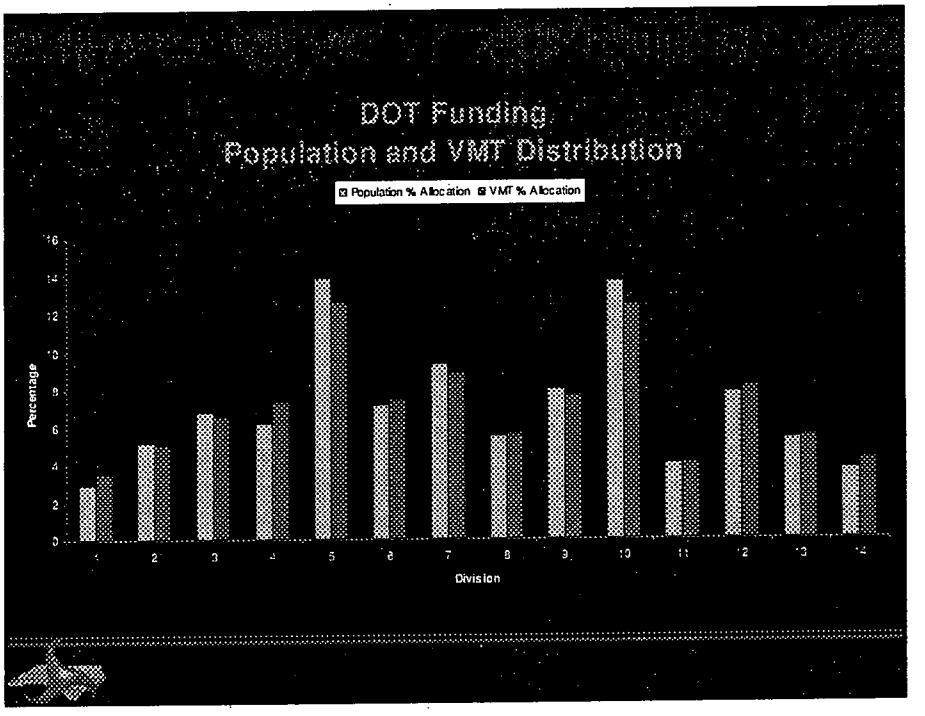

2007 Highway Trust Fund Status Mileage
Competed
Remaining
3000
2500
2000
1500
1000
500
0
1989
2007
Intrastate
Completed
Remaining
500
400
300
200
100
0
1989
2007
Loop

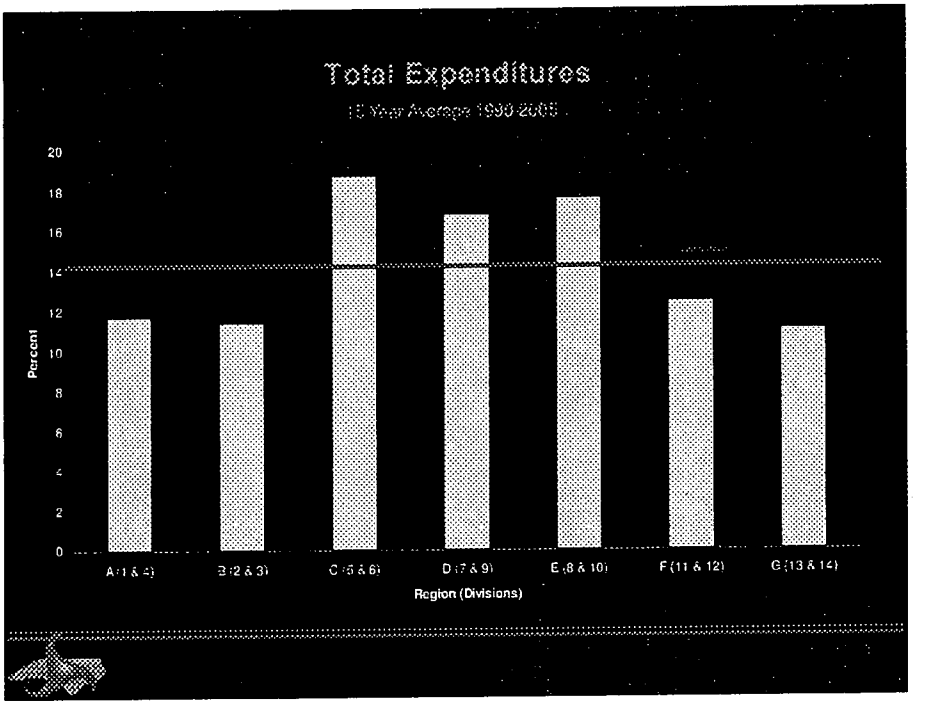
2007 Highway Trust Fund Status

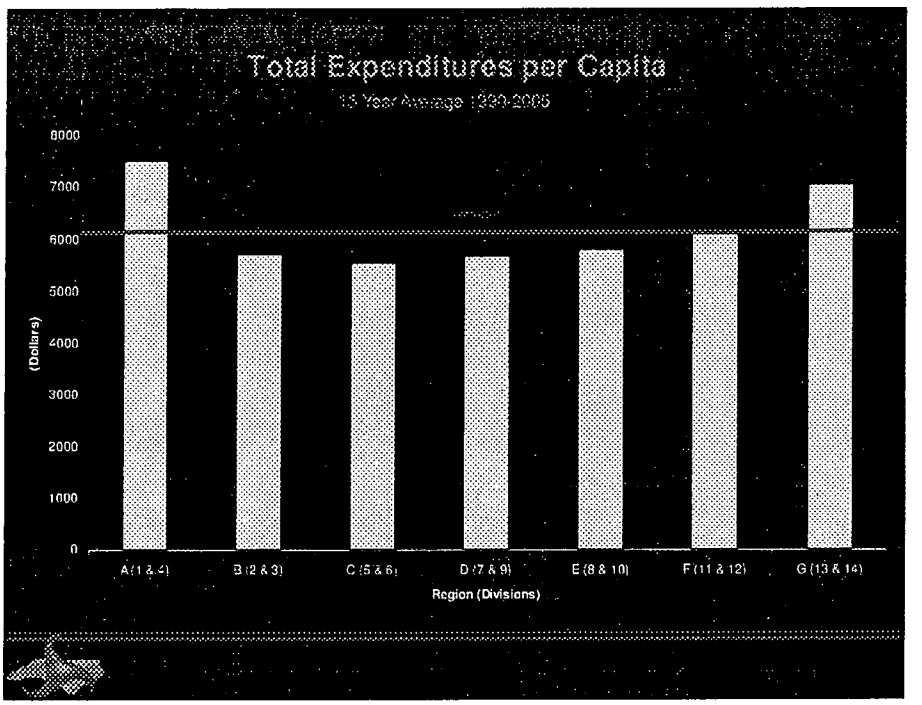


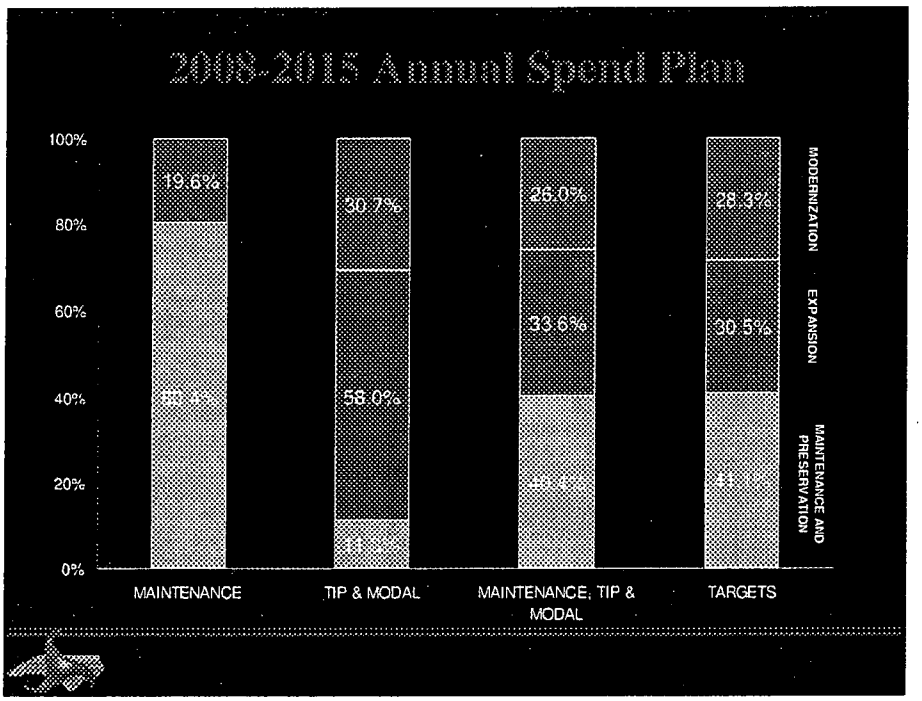
Sample Distribution Formulas

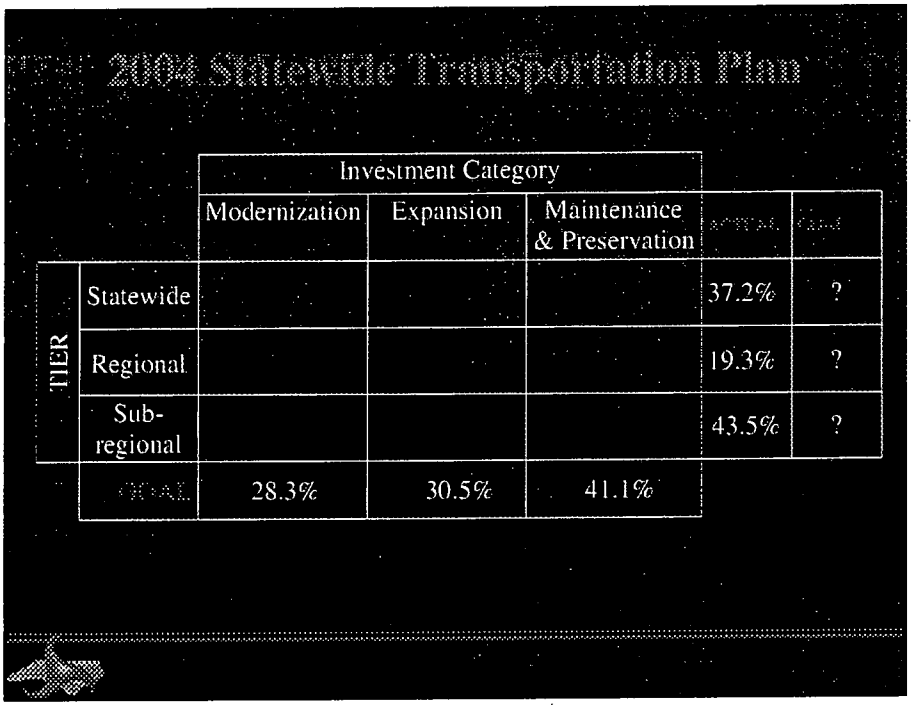
• Highways	Equity Formula (except loops, CMAQ & Competitive Federal Funding)
• Powell Bill	75% Population + 25% Mileage
• NC Moving Ahead	Equity Formula
• SB 1005	Equity Formula
• Contingency	Statewide by Request
• Contract Resurfacing	50% Needs + 37.5 % Mileage + 12.5% Population
• Small Construction	Equal by Division
• Secondary Road Construction	County Mileage Relative to Statewide Mileage
• Maintenance	90% Mileage + 10% Population
• Economic Development	Equal by Division


DOT Funding
Population and VMT Distribution
Population % Allocation
VMT % Allocation
Percentage
Division


Total Expenditures
Percent
A (1 & 2)
B (2 & 3)
C (5 & 6)
D (7 & 9)
E (8 & 10)
F (11 & 12)
G (13 & 14)
Region (Divisions)


Total Expenditures per Capita
15 Year Average (1990-2005
8000
7000
6000
5000
4000
3000
2000
1000
0
(Dollars)
A (1 & 4)
B (2 & 3)
C (5 & 6)
D (7 & 9)
E (8 & 10)
F (11 & 12)
G (13 & 14)
Region (Divisions)


2008-2015 Annual Spend Plan
100%
80%
60%
40%
20%
0%
19.6%
30.7%
26.0%
28.3%
33.6%
30.5%
58.0%
MAINTENANCE
TIP & MODAL
MAINTENANCE, TIP & MODAL
TARGETS
MODERNIZATION
EXPANSION
MAINTENANCE AND PRESERVATION


2004 Statewide Transportation Plan
Investment Category
Modernization
Expansion
Maintenance & Preservation
TIER
Statewide
Regional
Sub-regional
28.3%
30.5%
41.1%
37.2%
19.3%
43.5%
?
?
?

COUNTY	Average Population 1990-2005	% of Total Population Based on Average	Total Expenditures fr Alloc Statewide Tab	Total Expenditures Per Capita
Region A (Divisions 1 & 4)				
BERTIE	20,014	0.00261373	193,548,559.38	9,671
CAMDEN	7,456	0.000973717	60,070,138.80	8,057
CHOWAN	13,988	0.001826764	139,460,097.64	9,970
CURRITUCK	18,360	0.002397725	189,460,948.61	10,319
DARE	28,768	0.003756959	404,242,303.83	14,052
GATES	10,262	0.001340167	79,754,325.89	7,772
HERTFORD	23,091	0.003015505	198,093,411.69	8,579
HYDE	5,499	0.000718142	120,642,122.10	21,939
MARTIN	18,625	0.002432268	238,700,388.51	12,816
NORTHAMPTON	21,286	0.002779847	169,999,170.23	7,986
PASQUOTANK	35,090	0.004582581	263,465,541.91	7,508
PERQUIMANS	11,301	0.00147579	112,860,014.01	9,987
TYRRELL	4,030	0.000526233	161,686,056.54	40,126
WASHINGTON	13,708	0.001790132	201,759,529.79	14,719
EDGECOMBE	54,863	0.007164837	338,284,157.78	6,166
HALIFAX	55,885	0.00729824	315,430,930.80	5,644
JOHNSTON	113,809	0.014862894	718,053,470.82	6,309
NASH	84,111	0.010984416	427,615,056.00	5,084
WAYNE	110,190	0.014390271	533,635,041.97	4,843
WILSON	71,444	0.009330169	553,853,670.09	7,752
Total	721,776	0.094260386	5,420,614,936.39	
			11.74	7,510
Region B (Divisions 2 & 3)				
BEAUFORT	44,147	0.005765315	248,144,972.14	5,621
CARTERET	57,584	0.007520121	302,792,963.06	5,258
CRAVEN	87,241	0.011393244	506,321,318.75	5,804
GREENE	17,779	0.002321784	118,383,907.91	6,659
JONES	9,804	0.001280289	90,728,386.74	9,255
LENOIR	57,776	0.007545261	320,040,207.82	5,539
PAMLICO	12,218	0.001595611	119,703,228.63	9,797
PITT	125,844	0.01643454	566,872,882.76	4,505
BRUNSWICK	70,224	0.009170908	441,507,568.78	6,287
DUPLIN	45,958	0.006001823	342,528,138.45	7,453
NEW HANOVER	150,321	0.019631181	961,393,442.98	6,396
ONSLOW	153,793	0.020084607	717,448,849.14	4,665
PENDER	37,697	0.004922977	246,586,781.24	6,541
SAMPSON	55,432	0.007239081	309,907,076.71	5,591
Total	925,814	0.120906742	5,292,359,725.12	
			11.46	5,716
Region C (Divisions 5 & 6)				
DURHAM	212,027	0.027689681	1,285,080,199.03	6,061
FRANKLIN	45,260	0.005910733	225,446,027.07	4,981
GRANVILLE	45,849	0.005987588	281,078,999.30	6,131

PERSON	33,653	0.004394851	166,002,289.35	4,933
VANCE	41,258	0.005388091	210,803,651.78	5,109
WAKE	590,673	0.077138915	3,375,556,805.49	5,715
WARREN	18,740	0.002447352	261,275,531.39	13,942
BLADEN	30,765	0.004017692	268,306,457.06	8,721
COLUMBUS	52,056	0.006798192	334,905,426.81	6,434
CUMBERLAND	289,943	0.037865126	1,229,423,111.32	4,240
HARNETT	84,721	0.011064079	374,634,234.65	4,422
ROBESON	116,433	0.01520551	644,388,478.77	5,534
Total	1,561,375	0.203907809	8,656,901,212.04	
			18.75	5,544
Region D				
(Divisions 7 & 9)				
ALAMANCE	123,393	0.016114452	632,858,803.37	5,129
CASWELL	22,211	0.002900582	166,436,677.07	7,494
GUILFORD	394,430	0.051510547	2,612,325,598.61	6,623
ORANGE	107,827	0.014081609	544,780,202.63	5,052
ROCKINGHAM	88,941	0.011615191	555,371,177.47	6,244
DAVIDSON	140,491	0.018347432	792,446,020.88	5,641
DAVIE	33,395	0.004361157	173,102,997.20	5,184
FORSYTH	296,098	0.038668873	1,305,084,511.67	4,408
ROWAN	121,972	0.015928942	745,559,847.80	6,113
STOKES	41,729	0.005449602	239,844,572.97	5,748
Total	1,370,484	0.178978386	7,767,810,409.67	
			16.82	5,668
Region E				
(Divisions 8 & 10)				
CHATHAM	47,535	0.006207771	452,868,447.79	9,527
HOKE	31,776	0.004149789	146,536,631.07	4,612
LEE	47,580	0.006213648	370,112,272.81	7,779
MONTGOMERY	25,359	0.00331176	191,341,481.30	7,545
MOORE	69,934	0.00913297	314,882,821.27	4,503
RANDOLPH	121,915	0.015921432	678,064,324.11	5,562
RICHMOND	45,594	0.005954286	408,702,804.49	8,964
SCOTLAND	35,301	0.004610071	166,275,672.31	4,710
ANSON	24,620	0.003215251	188,800,427.26	7,669
CABARRUS	124,685	0.016283181	705,788,422.18	5,661
MECKLENBURG	653,722	0.085372804	3,619,209,673.77	5,536
STANLY	55,339	0.007226935	363,056,332.07	6,561
UNION	122,771	0.016033287	542,734,832.22	4,421
Total	1,406,127	0.183633186	8,148,374,142.65	
			17.65	5,795
Region F				
(Divisions 11& 12)				
ALLEGHANY	10,251	0.00133873	135,185,850.85	13,188
ASHE	23,855	0.00311528	269,061,224.81	11,279
AVERY	16,449	0.002148093	119,348,886.59	7,256
CALDWELL	74,601	0.009742457	405,863,328.59	5,440
SURRY	67,366	0.008797667	522,374,165.31	7,754
WATAUGA	39,943	0.005216359	375,237,834.89	9,394
WILKES	63,145	0.008246426	554,341,407.76	8,779
YADKIN	33,946	0.00443318	327,800,594.84	9,657

ALEXANDER	31,721	0.004142606	253,238,712.73	7,983
CATAWBA	133,722	0.017463434	679,716,629.35	5,083
CLEVELAND	91,007	0.011885065	481,281,292.63	5,288
GASTON	184,328	0.024072262	712,571,924.12	3,866
IREDELL	116,466	0.015209885	605,506,454.58	5,199
LINCOLN	59,924	0.007825779	332,267,162.88	5,545
Total	946,722	0.123637224	5,773,795,469.93	
			12.50	6,099
Region G				
(Divisions 13 & 14)				
BUNCOMBE	195,548	0.025537539	986,290,470.36	5,044
BURKE	82,017	0.01071095	365,388,760.71	4,455
MADISON	28,027	0.003660188	520,627,340.50	18,576
MCDOWELL	24,829	0.003242545	296,821,257.03	11,955
MITCHELL	15,157	0.001979364	122,179,881.14	8,061
RUTHERFORD	60,130	0.007852616	312,036,952.00	5,189
YANCEY	16,786	0.002192104	140,133,371.86	8,348
CHEROKEE	23,175	0.003026541	215,201,922.96	9,286
CLAY	8,516	0.001112082	222,444,341.16	26,122
GRAHAM	7,658	0.001000032	128,630,821.35	16,798
HAYWOOD	51,772	0.006761103	415,831,602.32	8,032
HENDERSON	83,770	0.010939884	472,765,581.16	5,644
JACKSON	31,294	0.004086777	238,739,017.83	7,629
MACON	39,428	0.005149102	251,016,567.34	6,366
POLK	16,732	0.002185117	162,600,453.66	9,718
SWAIN	12,427	0.00162284	117,157,208.22	9,428
TRANSYLVANIA	27,700	0.003617483	145,314,419.18	5,246
Total	724,961	0.094676266	5,113,179,968.77	
			11.07	7,053
			46,173,035,864.57	

Attachment II

Remarks for Board Chair Doug Galyon
21st Century Transportation Committee
Prioritization Subcommittee
Wilmington
Thursday, Feb. 21, 2008

Thank you for inviting me here today. Now that you've heard the nuts and bolts of the North Carolina Board of Transportation from a statutory standpoint, I'd like to share my personal experience serving on the board over the years. Lanny, feel free to chime in if there's anything I'm leaving out.

I first joined the Board of Transportation in 1993 as a representative for Highway Division 7, which includes the Triad area. In addition to this responsibility, I began serving as board chair in 2001, a role that has given me a different, more statewide perspective on the board's work.

I would describe the primary role of a board member, be it a division representative or an at-large member, as an opportunity to serve as a liaison between the N.C. Department of Transportation and the citizens of North Carolina. It's important for citizens to be able to communicate directly with someone who is accessible and understands their community.

Board members who serve on behalf of the various highway divisions live in the areas they represent, which gives them first-hand knowledge of the individual needs and priorities of their particular region. We also must work closely with our fellow board members to balance those needs with the rest of the state's priorities. Likewise, at-

large members are available to those interested in various issue areas across the state.

To this end, board members put in countless hours (often including nights and weekends) on behalf of their divisions or at-large areas of focus, meeting with citizens, speaking to groups, weighing priorities and advocating for transportation improvements that will improve quality of life for North Carolina.

While serving on the board is technically a part-time responsibility, in reality it is a full-time, ongoing process to bring about long-term improvements that support the best interest of the entire state.

Along with serving on behalf of a highway division or at-large issue area, board members serve on various committees and subcommittees focusing on specific areas of the department's operations that affect the state as a whole. This involvement helps us keep up with important initiatives and gain a better perspective on what's going on.

A good example of this type of statewide partnership is the board efforts following the flooding of Hurricane Floyd. Initially following these floods, it was estimated it would take the region more than a decade to recover. However, board members from across the state came together to focus on the region and it recovered faster than experts predicted. Getting the region back on its feet was not simply a local matter, it was something that was important to all of North Carolina, and the entire board really rallied

behind this cause. I am personally very proud of that endeavor.

The most rewarding thing about working to improve transportation is that we have the power to improve lives, and in some cases actually help save them. A solid transportation infrastructure opens the door to so many good things: quick and convenient links to jobs, schools and health care; opportunities for new growth and economic development; a faster and more direct connection to friends and family; and measures to help ensure that our loved ones get where they need to go.

It's hard to understand until you actually go to a ribbon-cutting ceremony or meet with citizens who have waited years for a transportation improvement, to see the profound difference our work makes in the lives of individuals across the state.

Serving on the board provides the opportunity to see first hand the reason why we're pouring so much energy into improving transportation and why it remains such an important issue.

I think it is critical for this committee to keep sight of this larger mission, and I would encourage those you who haven't yet, to go out in the field and actually see for yourself what DOT has going on across the state. Powerpoint presentations simply don't do their work justice, and I promise you'll gain a new appreciation for the many feats of engineering out there, as well as an

understanding of why so many of these projects are so expensive and take so long to complete.

All of this is not to say that service to the board doesn't have its share of headaches.

Various stakeholders in each region have different ideas of how and where our money should be spent. It takes a lot of teamwork and evaluation to arrive at a solution that works for everyone, and sometimes there just *isn't* an answer that makes everyone happy. With fewer resources to go around, you can imagine this task has become even more challenging.

As many of you know, the board members for each area also serve on the Transportation Advisory Committees for their respective Metropolitan or Rural Planning Organizations.

In this role, we work closely with local planning experts to determine the priorities for each region and set long-range goals for our communities. The board's involvement with the State Transportation Improvement Program is another prime example of this type of work. Public comment meetings for the 2009-2015 Draft State Transportation Improvement Program are currently being held across the state.

We are also in frequent contact with the engineers and other "transportation experts" in our region or area of concentration, relying on them to provide the information and recommendations necessary to make informed

decisions about moving forward with improvements that are in the best interest of our citizens.

Transportation is not a simple thing, and it takes years to develop a basic understanding of everything that goes into just one project—from planning and design all they way to completion. I've served on the board for years, and in many ways I feel like I'm still scraping the tip of the iceberg.

That's why we count on planners, engineers and other folks to educate us on their areas of expertise and take that combined knowledge and apply it to our decision-making process. The board could not do its job without the ongoing input of staff and other transportation professionals, and I cannot thank them enough for their patience, talent and hard work.

The Board plays an important role, but we need help from everyone to do the job the way we all want it to be done.

I've lived in North Carolina for a long time, and it never ceases to amaze me how fast the state and its transportation system have grown and evolved.

The multi-modal transportation system has moved from concept to reality, with citizens and businesses relying on a seamless infrastructure that carries them from one mode of transportation to another. Port cities, like the one we are in today, have grown into major transportation hubs and economic development engines for our state.

As you all know, there are far more people using our roads to get to more places more quickly. Many of these roads were built years ago as small farm-to-market roads and were not intended to be major arteries. There is also far more freight being moved along our transportation network.

At the same time, we are faced with budget constraints and the cost of road construction is increasing at a double-digit rate. Now, more than ever, there are no easy answers; no quick fixes.

The North Carolina Department of Transportation is doing it all it can to make efficient use of existing resources—from using GARVEE bonds to accelerate federal funding and beat inflation-related costs, to implementing project delivery improvements that help ensure projects are completed on time and on budget. Long-range planning tools like the 25-year Long-Range Statewide Multimodal Transportation Plan and the Strategic Highway Corridors initiative have also helped us come a long way in determining priorities and maximizing available funding.

We just can't give up either. The department is also in the midst of an internal transformation effort to examine the ways that it currently does business and implement changes to improve its operations. Secretary Tippett and the department's senior management are at the forefront of this effort. It is my top priority and it needs to be the priority for all of us.

However, NCDOT cannot solve North Carolina's transportation challenges alone. Meeting the demands of our state will take collaboration from all groups and agencies involved in transportation. It will also take a willingness of the people to change their transportation behaviors and look to new options to meet their needs.

Even though approval by the Board of Transportation is often the final step in moving forward with a project, the actual decision to fund and build each improvement is made by many individuals on multiple levels in various groups and agencies.

Given the transportation challenges currently faced by our state, I don't think service to the board will get any easier, but I do think that the larger the obstacles, the more rewarding our successes will be.

We have voluntarily chosen to serve the state in this capacity and to take on the increased level of accountability that comes with public service. I know that I speak for the rest of the board when I say that we take our responsibilities very seriously.
I wouldn't trade my years on the board for anything, and I know that my colleagues share my gratitude for the opportunity to be a part of something so important to the future of North Carolina.

Thank you again for inviting me to join you today. I hope I have given you some insight into the more personal side of serving on the Board of Transportation. You have a tough job before you, and I certainly wish you luck as you

move forward. I know that your work will make an immeasurable difference for transportation in North Carolina.

Attachment III

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1997

SESSION LAW 1998-169
HOUSE BILL 1304

AN ACT TO REFORM THE BOARD OF TRANSPORTATION BY ALTERING ITS GOVERNANCE STRUCTURE, AUTHORIZING A NEW ETHICS POLICY, REQUIRING DISCLOSURE OF POLITICAL CONTRIBUTIONS BY BOARD MEMBERS, INCREASING PUBLIC PARTICIPATION IN ITS DECISIONS, AND CHANGING THE PENALTIES FOR MISUSE OF A DOT BOARD POSITION.

Section 1. G.S. 143B-350 is amended by adding the following new subsections:

"(i) Disclosure of Contributions. – Any person serving on the Board of Transportation or as Secretary of Transportation on December 1, 1998, shall disclose on that date any contributions the person or the person's immediate family made to the political campaign of the appointing Governor in the two years preceding December 1, 1998. A person appointed to the Board of Transportation and a person appointed as Secretary of Transportation after December 1, 1998, shall disclose at the time the appointment of the person is officially made public any contributions the person or the person's immediate family made to the political campaign of the appointing Governor in the two years preceding the date of appointment. The term 'immediate family', as used in this subsection, means a person's spouse, children, parents, brothers, and sisters. Disclosure forms shall be filed with the Governor or the Governor's designee and in a manner as prescribed by the Governor. Disclosure forms shall not be a public record under the provisions of Chapter 132 of the General Statutes until such time as the appointment of the person filing the statement is officially made public.

(j) Disclosure of Campaign Fund-Raising. – A person appointed to the Board of Transportation on or after January 1, 2001, and a person appointed as Secretary of Transportation on or after January 1, 2001, shall disclose at the time the appointment of the person is officially made public any contributions the person personally acquired in the two years prior to appointment for: any political campaign for a statewide or State legislative elected office in North Carolina; any political party executive committee or political committee acting on behalf of a candidate for statewide or State legislative office. Disclosure forms shall be filed with the Governor or the Governor's designee and in a manner as prescribed by the Governor. Disclosure forms shall not be a public record under the provisions of Chapter 132 of the General Statutes until such time as the appointment of the person filing the statement is officially made public.

(k) Ethics Policy. – The Board shall adopt by December 1, 1998, a code of ethics applicable to members of the Board, including the Secretary. Any code of ethics

adopted by the Board shall be supplemental to any other code of ethics that may be applicable to members of the Board or to the Secretary. A code of ethics adopted pursuant to this subsection shall:

(1) Include a prohibition against a member taking action as a Board member when a conflict of interest, or the appearance of a conflict of interest, exists. The ethics policy adopted pursuant to this subsection shall specify that a conflict of interest exists when the use of the Board member's position, or any official action taken by the Board member, would result in financial benefit, direct or indirect, to the Board member, a member of the Board member's immediate family, or an individual with whom, or business with which, the Board member is associated. The ethics policy adopted pursuant to this subsection shall specify that an appearance of a conflict of interest exists when a reasonable person would conclude from the circumstances that the Board member's ability to protect the public interest, or perform public duties, would be compromised by personal interest, even in the absence of an actual conflict of interest. The performance of usual and customary duties associated with the public position or the advancement of public policy goals or constituent services, without compensation, shall not constitute the use of the Board member's position for financial benefit. The conflict of interest provision of the ethics policy adopted pursuant to this subsection shall not apply to financial or other benefits derived by a Board member that the Board member would enjoy to an extent no greater than that which other citizens of the State would or could enjoy.

(2) Require the filing of a statement of economic interest. The statement of economic interest shall include a listing of the appointee's legal, equitable, or beneficial interest in real estate holdings in the State, and a statement of the appointee's financial interest in any business related to the State's transportation system. The statement of economic interest shall be filed with the Governor, or the Governor's designee, and in a manner as prescribed by the Governor.

(3) Require the filing of a statement of association. The statement of association shall include a statement of the appointee's membership or other affiliation with, including offices held, in societies, organizations, or advocacy groups pertaining to the State's transportation system. The statement of association shall be filed with the Governor, or the Governor's designee, and in a manner as prescribed by the Governor.

Board members and the Secretary serving on December 1, 1998, shall file the statement of economic interest and statement of association on that date. Board members and the Secretary appointed after December 1, 1998, shall file the statement of economic interest and statement of association at the time the appointment of the person is officially made public. The statement of economic interest and the statement of

association shall not be a public record under the provisions of Chapter 132 of the General Statutes until the appointment of the person filing the statement is officially made public.

(l) Additional Requirements for Disclosure Statements. – All disclosure statements required under subsections (i), (j), and (k) of this section must be sworn written statements.

(m) Ethics and Board Duties Education. – The Board shall institute by January 1, 1999, and conduct annually an education program on ethics and on the duties and responsibilities of Board members. The training session shall be comprehensive in nature and shall include input from the Institute of Government, the North Carolina Board of Ethics, the Attorney General's Office, the University of North Carolina Highway Safety Research Center, and senior career employees of the various divisions of the Department. This program shall include an initial orientation for new members of the Board and continuing education programs for Board members at least once each year."

Section 2. Part 2 of Article 8 of Chapter 143B of the General Statutes, as amended by Section 1 of this act, reads as rewritten:

"Part 2. Board of ~~Transportation – Secondary Roads Council.~~ Transportation.

"§ 143B-350. Board of Transportation – organization; powers and duties, etc.

~~(a) There is hereby created a Board of Transportation. The Board shall carry out its duties consistent with the needs of the State as a whole and it shall not sacrifice the general statewide interest to the purely local desires of any particular area. The Board may, from time to time, provide that one or more of its members or representatives shall hear any person or persons concerning transportation.~~

~~(b) The Board of Transportation shall have two ex officio members. The Secretary of Transportation shall be an ex officio member of the Board of Transportation and shall be the chairman of the Board of Transportation. The chairman of the North Carolina Rail Council shall be an ex officio member of the Board of Transportation.~~

~~(c) The Board of Transportation shall have 20 members appointed by the Governor. One member shall be appointed from each of the 14 transportation engineering divisions and six members shall be appointed from the State at large. One at-large member shall be a registered voter of a political party other than the political party of the Governor. At least one at-large member shall possess a broad knowledge of public transportation matters. No more than two members provided for in this subsection shall reside in the same engineering division while serving in office. The initial members shall serve terms beginning July 1, 1977, and ending January 14, 1981, or until their successors are appointed and qualified. The succeeding terms of office shall be for a period of four years beginning January 15, 1981, and each four years thereafter. The Governor shall have the authority to remove for cause sufficient to himself, any member appointed by the Governor.~~

~~(d) The Board of Transportation shall have four members appointed by the General Assembly. Two of these members shall be appointed upon the~~

~~recommendation of the Speaker of the House of Representatives, and two shall be appointed upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The initial members appointed by the General Assembly shall serve for terms expiring June 30, 1983. Thereafter, their successors shall serve for two-year terms beginning July 1 of odd-numbered years. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122.~~

(a) Board of Transportation. – There is hereby created a Board of Transportation. The Board shall carry out its duties consistent with the needs of the State as a whole. The diversity and size of the State require that regional differences be considered by Board members as they develop transportation policy and projects for the benefit of the citizens of the State.

(b) Membership of the Board. –

(1) Number, appointment. – The Board of Transportation shall have 19 voting members. Fourteen of the members shall be division members appointed by the Governor. Five shall be at-large members appointed by the Governor. At least three members of the Board shall be registered voters of a political party other than the political party of the Governor. The Secretary of Transportation shall serve as an ex officio nonvoting member of the Board. No more than two members of the Board may reside in the same highway division.

(2) Division members. – One member shall be appointed from and be a resident of each of the 14 highway divisions. The Governor, in selecting division members, shall consider for appointment persons suggested by the Transportation Advisory Committees located within each division. Division members shall direct their primary effort to developing transportation policy and addressing transportation problems in the region they represent. Division members shall regularly consult with and consider the views of local government units and Transportation Advisory Committees in the region they represent.

(3) At-large members. – Five members shall be appointed by the Governor from the State at large. At-large members appointed pursuant to this subdivision shall develop transportation policy and address transportation problems with a statewide perspective. At-large members appointed under this subdivision shall possess the following qualifications:

a. One at-large member shall be a person with expertise in environmental issues affecting the State;

b. One at-large member shall be a person familiar with the State ports and aviation issues;

c. One at-large member shall be a person residing in a rural area of the State with broad knowledge of and experience in transportation issues affecting rural areas;

d. One at-large member shall be a person residing in an urban area with broad knowledge of and expertise in mass transit;

e. One at-large member shall be a person with broad knowledge of and expertise in government-related finance and accounting.

(c) Staggered Terms. – The terms of all Board members serving on the Board prior to January 15, 2001, shall expire on January 14, 2001. A new board of 19 members shall be appointed with terms beginning on January 15, 2001. The Board shall serve the following terms: division members representing divisions 1, 3, 5, 7, 9, 11, and 13 and the three at-large members filling the positions designated in sub-subdivisions (b)(3)a., b., and e. of this section shall serve four-year terms beginning on January 15, 2001, and four-year terms thereafter; and division members representing divisions 2, 4, 6, 8, 10, 12, and 14 and the two at-large members filling the positions designated in sub-subdivisions (b)(3)c. and d. of this section shall serve two-year terms beginning January 15, 2001, and four-year terms thereafter.

(d) Holdover Terms; Vacancies; Removal. – Members shall continue to serve until their successors are appointed. The Governor may appoint a member to serve out the unexpired term of any Board member. The Governor may remove any member of the Board for any cause the Governor finds sufficient. The Governor shall remove any member of the Board upon conviction of a felony, conviction of any offense involving a violation of the Board member's official duties, or for a violation of the provisions of subsections (i), (j), and (k) of this section or any other code of ethics applicable to members of the Board as determined by the Governor or the Governor's designee.

(e) Organization and Meetings of the Board. – Within 60 days after January 15, 2001, and thereafter within 60 days following the beginning of the regular term of the Governor, the Governor or his designee shall call the Board into session. The Board shall select a chair and vice-chair from among its membership for two-year terms. The Board may select a chair or vice-chair for one additional two-year term. The Board of Transportation shall meet once in each 60 days at such regular meeting times as the Board may by rule provide and at any place in the State as the Board may provide. The Board may hold special meetings at any time at the call of the chairman or any three members. The Board shall have the power to adopt and enforce rules and regulations for the government of its business and proceedings. The Board shall keep minutes of its meetings, which shall at all times be open to public inspection. The majority of the Board shall constitute a quorum for the transaction of business. Board members shall receive per diem and necessary travel and subsistence expenses in accordance with G.S. 138-5 and G.S. 138-6, as appropriate.

(f) Duties of the Board. – The Board of Transportation shall have duties and powers:

(1) To formulate policies and priorities for all modes of transportation under the Department of Transportation;

(2) To advise the Secretary on matters to achieve the maximum public benefit in the performance of the functions assigned to the Department;

(3) To ascertain the transportation needs and the alternative means to provide for these needs through an integrated system of transportation taking into consideration the social, economic and environmental impacts of the various ~~alternatives.~~ alternatives;

(4) To approve a schedule of all major transportation improvement projects and their anticipated cost for a period of seven years into the future. This schedule is designated the Transportation Improvement Program; it must be published and copies must be available for distribution. The document that contains the Transportation Improvement Program, or a separate document that is published at the same time as the Transportation Improvement Program, must include the anticipated funding sources for the improvement projects included in the Program, a list of any changes made from the previous year's Program, and the reasons for the changes;

(5) To consider and advise the Secretary of Transportation upon any other transportation matter that the Secretary may refer to it;

(6) To assist the Secretary of Transportation in the performance of his duties in the development of programs and approve priorities for programs within the Department;

(7) To allocate all highway construction and maintenance funds appropriated by the General Assembly as well as federal-aid funds which may be available;

(8) To approve all highway construction programs;

(9) To approve all highway construction projects and construction plans for the construction of projects;

(10) To review all statewide maintenance functions;

(11) To award all highway construction contracts;

(12) To authorize the acquisition of rights-of-way for highway improvement projects, including the authorization for acquisition of property by eminent domain;

(13) To promulgate rules, regulations, and ordinances concerning all transportation functions assigned to the Department.

(f1) Municipal Participation. – The ability of a municipality to pay in part or whole for any transportation improvement project shall not be a factor considered by the Board of Transportation in its development and approval of a schedule of major State highway system improvement projects to be undertaken by the Department under G.S. 143B-350(f)(4).

(g) Delegation of Board Duties. – The Board of Transportation may, in its discretion, delegate to the Secretary of Transportation the authority:

(1) To approve all highway construction projects and construction plans for the construction of projects;

(2) To award all highway construction contracts;

(3) To promulgate rules, regulations, and ordinances concerning all transportation functions assigned to the Department.

The Secretary may, in turn, subdelegate these duties and powers.

(h) Consultation of Board Members. – Each member of the Board of Transportation who is appointed to represent a transportation engineering division or who resides in a division shall be consulted before the Board makes a decision affecting that division.

(i) Disclosure of Contributions. – Any person serving on the Board of Transportation or as Secretary of Transportation on December 1, 1998, shall disclose on that date any contributions the person or the person's immediate family made to the political campaign of the appointing Governor in the two years preceding December 1, 1998. A person appointed to the Board of Transportation and a person appointed as Secretary of Transportation after December 1, 1998, shall disclose at the time the appointment of the person is officially made public any contributions the person or the person's immediate family made to the political campaign of the appointing Governor in the two years preceding the date of appointment. The term 'immediate family', as used in this subsection, means a person's spouse, children, parents, brothers, and sisters. Disclosure forms shall be filed with the Governor or the Governor's designee and in a manner as prescribed by the Governor. Disclosure forms shall not be a public record under the provisions of Chapter 132 of the General Statutes until such time as the appointment of the person filing the statement is officially made public.

(j) Disclosure of Campaign Fund-Raising. – A person appointed to the Board of Transportation on or after January 1, 2001, and a person appointed as Secretary of Transportation on or after January 1, 2001, shall disclose at the time the appointment of the person is officially made public any contributions the person personally acquired in the two years prior to appointment for: any political campaign for a statewide or legislative elected office in North Carolina; any political party executive committee or political committee acting on behalf of a candidate for statewide or legislative office. Disclosure forms shall be filed with the Governor or the Governor's designee and in a manner as prescribed by the Governor. Disclosure forms shall not be a public record under the provisions of Chapter 132 of the General Statutes until such time as the appointment of the person filing the statement is officially made public.

(k) Ethics Policy. – The Board shall adopt by December 1, 1998. a code of ethics applicable to members of the Board, including the Secretary. Any code of ethics adopted by the Board shall be supplemental to any other code of ethics that may be applicable to members of the Board or to the Secretary. A code of ethics adopted pursuant to this subsection shall:

(1) Include a prohibition against a member taking action as a Board member when a conflict of interest, or the appearance of a conflict of interest, exists. The ethics policy adopted pursuant to this subsection shall specify that a conflict of interest exists when the use of the Board member's position, or any official action taken by the Board member, would result in financial benefit, direct or indirect, to the Board member, a member of the Board member's immediate family, or an individual with whom, or business with which, the Board member is associated. The ethics policy adopted pursuant to this subsection shall

specify that an appearance of a conflict of interest exists when a reasonable person would conclude from the circumstances that the Board member's ability to protect the public interest, or perform public duties, would be compromised by personal interest, even in the absence of an actual conflict of interest. The performance of usual and customary duties associated with the public position or the advancement of public policy goals or constituent services, without compensation, shall not constitute the use of the Board member's position for financial benefit. The conflict of interest provision of the ethics policy adopted pursuant to this subsection shall not apply to financial or other benefits derived by a Board member that the Board member would enjoy to an extent no greater than that which other citizens of the State would or could enjoy.

(2) Require the filing of a statement of economic interest. The statement of economic interest shall include a listing of the appointee's legal, equitable, or beneficial interest in real estate holdings in the State, and a statement of the appointee's financial interest in any business related to the State's transportation system. The statement of economic interest shall be filed with the Governor, or the Governor's designee, and in a manner as prescribed by the Governor.

(3) Require the filing of a statement of association. The statement of association shall include a statement of the appointee's membership or other affiliation with, including offices held, in societies, organizations, or advocacy groups pertaining to the State's transportation system. The statement of association shall be filed with the Governor, or the Governor's designee, and in a manner as prescribed by the Governor.

Board members and the Secretary serving on December 1, 1998, shall file the statement of economic interest and statement of association on that date. Board members and the Secretary appointed after December 1, 1998, shall file the statement of economic interest and statement of association at the time the appointment of the person is officially made public. The statement of economic interest and the statement of association shall not be a public record under the provisions of Chapter 132 of the General Statutes until the appointment of the person filing the statement is officially made public.

(l) Additional Requirements for Disclosure Statements. – All disclosure statements required under subsections (i), (j), and (k) of this section must be sworn written statements. .

(m) Ethics and Board Duties Education. – The Board shall institute by January 1, 1999. and conduct annually an education program on ethics and on the duties and responsibilities of Board members. The training session shall be comprehensive in nature and shall include input from the Institute of Government, the North Carolina Board of Ethics, the Attorney General's Office, the University of North Carolina Highway Safety Research Center, and senior career employees of the various divisions

of the Department. This program shall include an initial orientation for new members of the Board and continuing education programs for Board members at least once each year.

(n) Review of Appointments by the Joint Legislative Transportation Oversight Committee. – The Governor shall submit the names of all proposed Board of Transportation appointees, along with the disclosure statements required under subsections (i), (j), and (k) of this section, to the Joint Legislative Transportation Oversight Committee prior to Board members' taking office. The Committee shall have 30 days to review and submit comments to the Governor on the proposed appointees before they take office. The Governor shall consider the views expressed by the Committee concerning the appointees to the Board. If the Committee does not review or submit comments to the Governor on the proposed Board appointees within the 30 days, the Governor may proceed to appoint the proposed members to the Board."

Section 3. Article 1 of Chapter 136 is amended by adding a new section to read:

"**§ 136-11.1. Local consultation on transportation projects.**

Prior to any action of the Board on a transportation project, the Department shall inform all municipalities and counties affected by a planned transportation project and request each affected municipality or county to submit within 45 days a written resolution expressing their views on the project. A municipality or county may designate a Transportation Advisory Committee to submit its response to the Department's request for a resolution. Upon receipt of a written resolution from all affected municipalities and counties or their designees, or the expiration of the 45-day period, whichever occurs first, the Board may take action. The Department and the Board shall consider, but shall not be bound by, the views of the affected municipalities and counties on each transportation project. The failure of a county or municipality to express its views within the time provided shall not prevent the Department or the Board from taking action. The Department shall not be required to send notice under this section if it has already received a written resolution from the affected county or municipality on the planned transportation project. 'Action of the Board', as used in this section, means approval by the Board of: the Transportation Improvement Program and amendments to the Transportation Improvement Program; the Secondary Roads Paving Program and amendments to the Secondary Roads Paving Program; and individual applications for access and public service road projects, contingency projects, small urban projects, and spot safety projects that exceed one hundred fifty thousand dollars ($150,000). The 45-day notification provision may be waived upon a finding by the Secretary of Transportation that emergency action is required. Such findings must be reported to the Joint Legislative Transportation Oversight Committee."

Section 4. G.S. 136-14 reads as rewritten:

"**§ 136-14. Members not eligible for other employment with Department; no sales to Department by employees; members not to sell or trade property with Department; profiting from official ~~position.~~ position; misuse of confidential information by Board members.**

(a) No Board member ~~of the Board of Transportation~~ shall be eligible to any other employment in connection with the ~~Department of Transportation, and no~~ Department.

(b) No Board member ~~of the Board of Transportation~~ or any salaried employee of the Department ~~of Transportation~~ shall furnish or sell any supplies or materials, directly or indirectly, to the ~~Department of Transportation, nor shall any~~ Department.

(c) No Board member ~~of the Board of Transportation,~~ shall, directly or indirectly, engage in any transaction involving the sale of or trading of real or personal property with the ~~Department of Transportation, or~~ Department.

(d) No Board member shall profit in any manner by reason of ~~his~~ the Board member's official action or ~~his~~ official position, except to receive ~~such~~ salary, fees and allowances as by law provided.

(e) No Board member shall take any official action or use the Board member's official position to profit in any manner the Board member's immediate family, a business with which the Board member or the Board member's immediate family has a business association, or a client of the Board member or the Board member's immediate family with whom the Board member, or the Board member's immediate family, has an existing business relationship for matters before the Board.

(f) No Board member shall attempt to profit from a proposed project of the Department if the profit is greater than that which would be realized by other persons living in the area where the project is located. If the profit under this subsection would be greater for the Board member than other persons living in the area where the project is located not only shall the member abstain from voting on that issue, but once the conflict of interest is apparent, the member shall not discuss the project with any other Board member or other officer or employee of the Department except to state that a conflict of interest exists. Under this subsection a Board member is presumed to profit if the profit would be realized by a Board member's immediate family, a business with which the Board member or the Board member's immediate family has a business association, or a client of the Board member or the Board member's immediate family with whom the Board member, or the Board member's immediate family, has an existing business relationship for matters before the Board. Violation of this subsection shall be a Class I felony.

(g) No Board member, in contemplation of official action by the Board member, by the Board, or in reliance on information that was made known to the Board member in the Board member's official capacity and that has not been made public, shall commit any of the following acts:

(1) Acquire a pecuniary interest in any property, transaction, or enterprise or gain any pecuniary benefit that may be affected by such information or official action; or

(2) Intentionally aid another to do any of the above acts.

(h) As used in this section, the following terms mean:

(1) 'Board'. – The Board of Transportation.

(2) 'Board member'. – A member of the Board of Transportation.

(3) 'Business association'. – A director, employee, officer, or partner of a business entity, or owner of more than ten percent (10%) interest in any business entity.

(4) 'Department'. – The Department of Transportation.

(5) 'Immediate family'. – Spouse, children, parents, brothers, and sisters.

(6) 'Official action'. – Actions taken while a Board member related to or in connection with the person's duties as a Board member including, but not limited to, voting on matters before the Board, proposing or objecting to proposals for transportation actions by the Department or the Board, discussing transportation matters with other Board members or Department staff or employees in an effort to further the matter after the conflict of interest has been discovered, or taking actions in the course and scope of the position as a Board member and actions leading to or resulting in profit.

(7) 'Profit'. – Receive monetary or economic gain or benefit, including an increase in value whether or not recognized by sale or trade.

(i) ~~Violation~~ Except as otherwise provided in this section, a violation of this section shall be a Class ~~I~~ H felony which may include a fine of not more than twenty thousand dollars ($20,000), or three times the value of the ~~transaction.~~ transaction, whichever amount is greater."

Section 5.(a) The Board of Transportation, with the assistance of the Secretary and the Department of Transportation, shall study realignment and reorganization of the 14 Transportation Divisions of the State to more closely match the urban and rural regions that have developed in the State over the past 40 years and to improve the efficiency of the operations of the Department. The Board shall give primary consideration to the boundaries of the metropolitan planning regions of the State as it considers realignment of the Transportation Divisions. The Board or its designee shall report its findings to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations on or before December 31, 1998.

(b) The Board and the Secretary shall report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations on any proposed changes to the current Transportation Division and District system prior to implementing any changes.

Section 6. The Board of Transportation, with the assistance of the Secretary and the Department of Transportation, shall develop a plan to establish Rural Transportation Planning Organizations (RPOs) as a counterpart to the existing Metropolitan Planning Organizations (MPOs). The Board or its designee shall report its plan to establish these organizations to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations on or before December 31, 1998.

Section 7. The Board of Transportation, with the assistance of the Secretary and the Department of Transportation, shall study the backlog of maintenance needs for the State's highways and suggest methods for addressing this issue, including sources of

funds. The Board or its designee shall report its findings and recommendations to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations on or before December 31, 1998.

Section 8. The Board of Transportation, assisted by the Secretary and the Department, shall develop a plan to ensure that Board members have additional appropriate technical assistance to allow them to be fully informed and active participants at each Board meeting. The Board or its designee shall submit a report on its plan to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations on or before December 1, 1998, and a report on the implementation of the plan on October 1, 1999.

Section 9. Section 1 of this act becomes effective December 1, 1998. Section 2 of this act becomes effective January 1, 2001. Section 3 of this act becomes effective January 1, 1999, and applies to actions taken by the Board of Transportation on or after March 1, 1999. Section 4 of this act becomes effective December 1, 1998, and applies to offenses committed on or after that date. The remainder of this act becomes effective October 1, 1998. Members of the Board of Transportation serving on and before January 14, 2001, shall continue to serve until the date their successors are appointed in accordance with this act.

In the General Assembly read three times and ratified this the 24th day of September, 1998.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ Harold J. Brubaker
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 10:05 a.m. this 2nd day of October, 1998

21st Century Transportation
Prioritization and Efficiency Subcommittee
March 5, 2008
10:00-12:00
Legislative Building Room 1027

Chairs' Comments	Senator Clark Jenkins
Report on Status of Five Key Transformational Initiatives and Organizational Assessment for 21st Century Transportation	Roberto Canales TMT Project Leader NCDOT
Toll Projects: Roles and Responsibilities of Turnpike Authority and NCDOT	Giles Perry NCGA Counsel
Toll Projects: Roles and Responsibilities Question and Answer.	Representative NCDOT Representative NCTA
Discussion	
Adjourn	

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency March 5, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Marvin Waters	CCPS
[illegible]	NC Rail Indy Assoc.
DAVID JOYNER	NCTA
Johanna Reese	DOT
SHANNON LASATER	DOT
Reid Simons	NCTA
CAROLYN JOHNSON	NCTA
J.J. EDEN	NCTA
S. Jackson	Budget & Tax
Grady Rankin	NCTA
BERRY JENKINS	AGC

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency March 5, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Stem	NCAA
DON VOELKER	NCDOT
Steve DeWitt	NCTA

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency March 5, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
CS Hollis	KCC
Danyale Washington	OSBM
J.J. Swain	NCDOT
M.L. Holder	NCDOT
C.E. Lassiter, Jr	NCDOT
Mark Foster	NCDOT
Darwin Graham	TTA
H. Isaac	NCDOT
J. Humphrey	CHARLOTTE DOT
Bill Carstarphen	CHARLOTTE AREA TRANSIT
Christa Marlee	CAPA

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency March 5, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Cathy Payne	MWC
[illegible]	MWC
Annette Newkirk	Governor's office
Rita Harris	NCSPA
Lori Kroll	NCDOT
Roger Bone	Bone & Assoc
Bear Mill	We Make Coalitions
Andy Ellen	NCRMA

Attachment I.

This is previous reported accomplishments/implementation of the 5 key transformation initiatives from Finance Subcommittee Presentation in January, and Prioritization Subcommittee Report in February:

1. Strategic Direction
   - Strategic Leadership Roles Identified
   - Organization Assessment Approach Identified and Plan Developed
   - Identified Strategic Organizational Changes required/desired
   - Streamlined Project and Program Delivery Models
   - Efficiency Based organizational design
   - Effectiveness based Organizational design
2. Planning and Prioritization
   - Present Strategic Planning, Direction, Prioritization, and Action cycle results
3. Program and Project Delivery
   - TIP Projects = Test of streamlined delivery models on select projects
   - Demonstrated ability to deliver projects efficiently when priorities are set
   - Mobility standard measures of congestion to allow prioritization solutions, alternatives to manage congestion, efficiency and effectiveness of resources allocated to mobility management
4. Performance and Accountability
   - Value Tree
   - Key Performance Indicators
   - Performance metrics
   - Performance based management targets
   - Executive Dashboard
5. Improved Human Resource Management
   - Assessment of current practices
   - Performance Management with metrics

Questions:

For each speaker and his/her specific functional work area:

1. What specific recommendations have your work-group made which has been approved and implemented? Which have been recommended but awaiting approval? Have been recommended and have been denied or not implemented?
2. Terry Gibson (NCDOT) presented a recommendation during our February Meeting, for increasing delivery of bridge replacement projects utilizing increased through-put of these projects by the 14 highway divisions, similar to the increased delivery of projects achieved through the Moving Ahead Program. Has this program been implemented, and are the 14 Highway Divisions been allowed to pursue and increased bridge replacement delivery program, based on the workgroup's recommendation as well as the McKinsey Report?
3. During a 21st Century Transportation Finance Subcommittee Meeting NCDOT presented a list of transformation accomplishments: Have you completed the following activities? If so, please provide a report on the findings/recommendations:
   a. Identified Strategic Organizational Changes required/desired
   b. Streamlined Project and Program Delivery Models
   c. Effectiveness based Organizational design
   d. Efficiency Based Organizational design

4. Have you conducted any trial projects to evaluate streamlined project delivery? If so, what were the outcomes to date, and describe the types of projects?
5. Have key performance indicators/metrics been developed for all divisions, departments, branches, and units? Have they been implemented? Are there weekly/monthly tracking systems to report progress against these performance indicators? Are they displayed in the Performance Dashboard?
6. What is the status of implementation of the Department's Performance Dashboard?
7. What would be your individual recommendation on the most important change or item of implementation which could be made to improve operations at NCDOT and better deliver transportation for the 21st Century?

Tolls: NCTA and NCDOT

1. Master Agreement between NCTA and NCDOT sets forth operational and administrative process to support NCTA operations:
    a. Why have individual project specific agreements, instead of a master agreement which encompasses all interaction/business?
    b. Why is NCTA required to submit for approval for an annual work plan and budget (required by GS 136-176) as well as for individual funding requests for specific activities (not required by GS 136-176)?
    c. Under what authority should NCTA be required to repay project development costs to NCDOT for projects specifically assigned to them by general statues.
    d. Are there instances where both NCDOT and NCTA both need the capability to establish and collect tolls on NC Highways?

2. Would administrative and other perceived "oversight" activities be simplified if NCTA had its own administrative budget, and personnel, and project specific development funds requested through its annual work plan with timeframe/schedules for pay-out which will allow a single review and approval step?
3. What are the current mechanisms for "oversight" by NCDOT on NCTA operations?

Guidelines for Coordination between NCDOT and NCTA during Preliminary Engineering and Environmental Study Process

4. Why would NCDOT Preconstruction Branches review the NCTA work products for basic conformance to NCDOT guidelines on NCTA Projects?
5. Why would NCDOT pre-qualify consulting firms for use by NCTA?
6. Why would NCDOT personnel attend meetings on NCTA projects?
7. If consultants are performing services for NCTA, why would NCDOT preconstruction branches need to review the work which they did not perform?

Why are we expending dollars for multiple levels of review for work done by registered professional and licensed engineers?

8. Why would NCTA need to obtain an encroachment agreement from NCDOT to connect a Toll Project to the "State System"?
9. Why would NCTA be required to provide copies of environmental documents to PDEA if PDEA is not delivering the environmental document based on a project specific agreement?
10. Draft Guidelines for NCDOT/NCTA Project Coordination with the Pre-Construction Coordination Guidelines overly complicates the relationship between these two agencies not intended by the implementing Legislation which envisioned separate organizations whose coordination would occur at the Board level. The NCTA was established in order to streamline the delivery of critical transportation projects and partially fund them through toll collections. These agreements appear to create a close operational linkage which was not intended by the legislation to create the Turnpike Authority. What recommendations do both agencies have in order to effectively separate them at the operational level, but allow synchronization and coordination at the Strategic level?

NCDOT Transformation Update for 21st Century Transportation Committee

---



Presented by
Roberto Canales

March 5, 2008

Attachment II

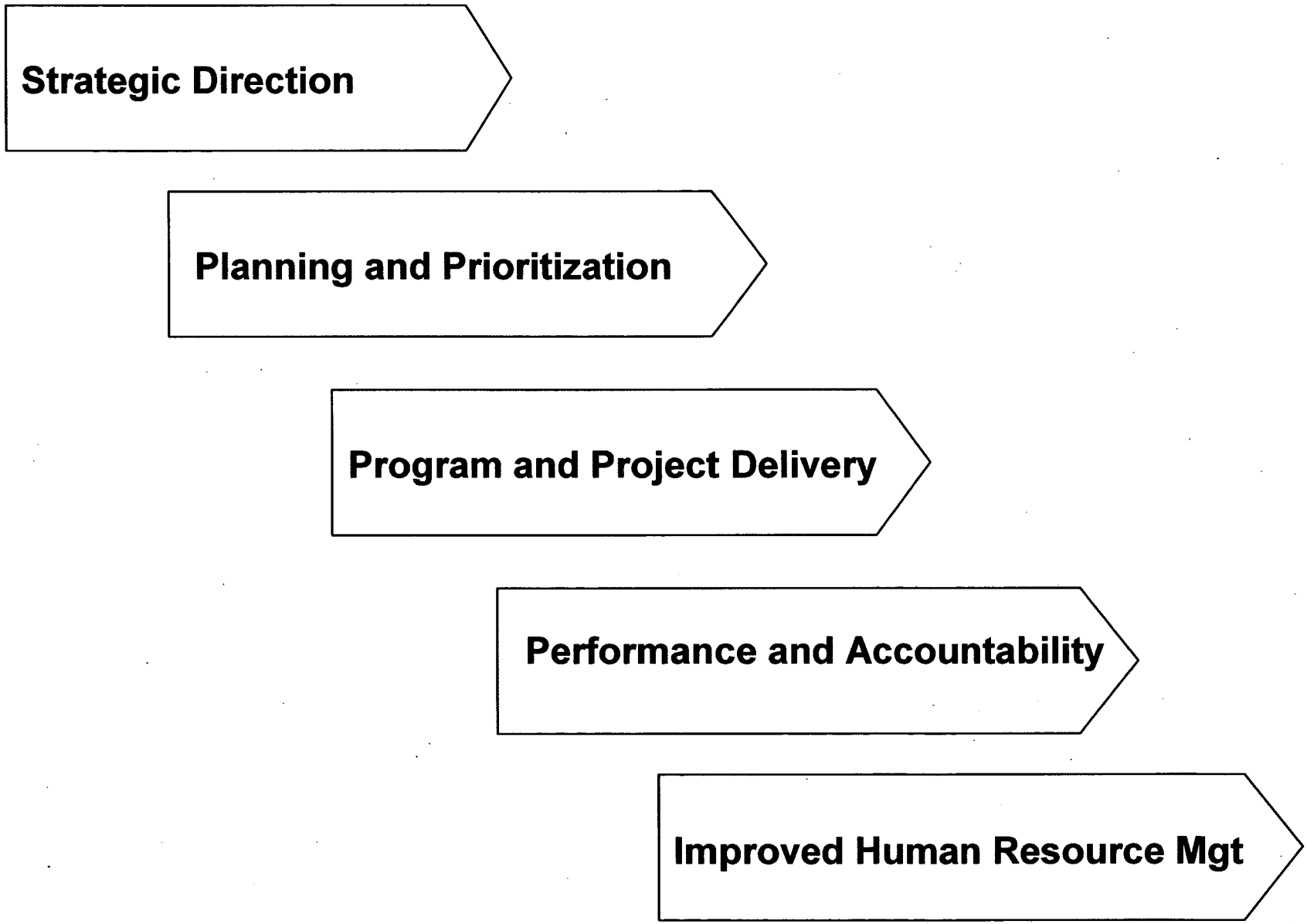
NCDOT Transformation Update

- Transformation Approach – Roberto Canales, PE
- Key Transformation Initiatives – Roberto Canales, PE
- Strategic Direction – Mark Tyler, PMP
- Planning and Prioritization – Joey Hopkins, PE
- Program and Project Delivery – Terry Gibson, PE
- Performance and Accountability – Victor Barbour, PE
- Improved Human Resources – Anthony Roper, PE
- Closing & Open Discussion – Roberto Canales, PE

NCDOT Transformation Approach

- McKinsey Diagnostic identified key transformation initiatives
- McKinsey trained NCDOT TMT staff
- Leveraged Proven Management Practices
  - General Electric
  - SAS
  - Office of State Personnel
  - UNC-Healthcare
  - Other State DOT's
  - Other NC State Agencies
- In Depth Analysis: Workstreams
- Engaged staff across organization
- Outreach to partners
  - MPO's
  - League of Municipalities
  - Association of County Commissioners
  - Industry Partners (AGC, ACEC)
  - FHWA

Key Transformation Initiatives



Strategic Direction

Alignment of Strategic Direction with New Mission and Goals

- ✓ New Mission, Goals and Values
- ✓ Strategic leadership roles identified
- ✓ Completed comprehensive organizational assessment of all business units

Strategic Direction

Mission, Goals and Values

NCDOT

OUR MISSION

Connecting people and places in North Carolina – safely and efficiently, with accountability and environmental sensitivity

OUR GOALS

- Make our transportation network safer
- Make our transportation network move people and goods more efficiently
- Make our infrastructure last longer
- Make our organization a place that works well
- Make our organization a great place to work

OUR VALUES

- **SAFETY** - We strive for safety throughout our transportation networks as well as in our work and our daily lives.
- **CUSTOMER SERVICE** - We respond to our customers, both internal and external, in an open, professional and timely manner.
- **INTEGRITY** - We earn and maintain trust by responsibly managing the states assets, acting ethically, and holding ourselves accountable for our actions.
- **DIVERSITY** - We draw strength from our differences and work together in a spirit of teamwork and mutual respect.
- **QUALITY** - We pursue excellence in delivering our projects, programs, services and initiatives.

Strategic Direction

Strategic Leadership Roles

Strategic Leadership Roles Identified

- ✓ Top 150 Leadership roles identified
  - **40 Leadership**
  - **110 Subordinates**
- ✓ Chief Operating Officer
- ✓ Strategic Planning Director
- ✓ Inspector General
- ✓ Bridge Program Manager
- ✓ Talent (HR) Strategist

Status

- Existing roles and positions
  - **Leadership planning**
  - **Accountability**
- Chief Deputy Secretary
- Position approved and filled
- Position approved
- Bridge Maint. role being modified
- Position recommended, under consideration

Strategic Direction

Business Unit Assessment

Business Unit Assessment

- ✓ Completed Comprehensive Organizational Assessment of All Business Units (BU):
  - Mission
  - End Products
  - Cost to Produce End Products
  - Efficiencies

Status

- **Deep Dive**
  - Issues cross multiple BU
  - Facilitated by the TMT staff
  - TIP Delivery, Bridge, Mobility
- **Internal Efficiency**
  - Internal efficiencies proposed by BU
  - Facilitated by the BU itself
  - TMT member assigned to ensure completion
- **Training Opportunity**
  - Budget Accountability training
  - Project Management training
  - Managerial/Leadership training
- **Procedural Changes**
  - Suggestions for procedural changes

Strategic Direction

Business Unit Assessment "Deep Dive"

Deep Dive

✓ Office of Inspector General

Status

- **NC HB Bill 1401, Internal Audit Act**
  - Established the Council of Internal Auditing
  - Requires the appointment of Audit Director that will report to agency head
- **NC HB 1551, State Government Accountability and Internal Control Act**
  - Establishes that the management of each agency bears full responsibility for establishing and maintaining proper internal controls
- **2006 Office of State Auditor Performance Report**
  - Significant Difficulties Completing Audits and Reports
  - Audit Plan not Risk based
  - Lack of Compliance with Peer Review recommendations
- **Significant Organization Restructuring**

Strategic Direction

Business Unit Assessment "Deep Dive"

Deep Dive

✓ Information Technology Assessment

Status

- Priorities / Governance
  - Aligned with Business Strategy
  - Technology Investment Decision
  - Project Monitoring & Oversight
- Data Integration
  - Improved Management Reporting
- Communication
- Technology Procurement
- Accountability
- Organization Structure

Strategic Direction

Business Unit Assessment "Deep Dive"

Other "Deep Dive"

- ✓ Bridge Program
- ✓ TIP Program
- ✓ Mobility Program
- ✓ Program/Project Delivery
- ✓ Transportation Planning

Planning & Prioritization

Planning and Prioritization

Diagnostic Findings

- Lack of formalized statewide, department-wide, long-term thinking, planning, and executing

- Little relationship exists between Department goals and staff level job duties and performance

- Too many, poorly selected priorities dilute focus, overtax resources, and slow delivery

Planning & Prioritization

Planning and Prioritization

Accomplishment

- ✓ Developed framework for strategic planning that aligns with mission and goals and is renewable
- ✓ Established new prioritization approach based on strategic priorities
- ✓ Introduced departmental leaders and stakeholders to conceptual strategic planning and prioritization process

Key Deliverables

- Further Development of Strategic Planning and Prioritization Processes
- Continued Communication of Strategic Planning and Prioritization Processes to Key Stakeholders
- Continue Pilot of Action Planning Process
- Pilot Strategic Planning Process for Business Units

NCDOT'S Strategic Planning Design Principles

Monitor, Evaluate and Adjust Using Performance Metrics

Process	Set Strategic Direction	Develop Strategic Prioritization	Create Action Plans
Target	• Department-wide	• Department & BU-wide	• Business Unit
Activities	• Collect a credible, robust fact-base to guide decision-making • Set vision, mission, goals, and objectives • Refresh strategy to reflect new assumptions and changes to context • Develop Strategic Plan • Statewide plan	• Update Strategic Plan • Develop BU Strategic Plan • Develop a compelling set of strategic options (i.e., articulating where and how to operate) • Prioritize those strategic options (e.g., by quantifying impact, estimating timing and assessing risks) • STIP/Budget request	• Identify action items & owners • Action items are the handful of items that the BU can do over the next year to contribute the most to meeting metrics and to move the needle
Frequency	• Every 8 years	• Every 2 years	• Every year
Outlook	• 30 years	• 5-10 years	• 1-2 years
Starts	• At change of administration	• Summer of odd years	• Beginning of calendar year
Duration	• ~8 months	• ~6 months	• ~6 months
Overarching Principles	• Forward looking • Top-down	• Bottom Up in response to aspiration & objectives from above • Opportunity to define performance challenges	• Bottoms up • Innovative • Identify opportunities to improve or maintain current levels of performance

Planning and Prioritization

Planning and Prioritization

Steps in Strategic Planning Process

Strategic Direction 8 year

- Assess Performance and Current and Future Operating Environment
- Develop Aspirations and Initiatives
- Gather Stakeholder Input
- Revisit Vision, Mission, Goals, Objectives, and Targets
- Update Long-Range Statewide Multimodal Transportation Plan

Strategic Prioritization 2 year

- Assess Performance and Current and Future Operating Environment
- Identify Needs (Business Unit and Transportation Infrastructure)
- Rank Needs (Projects, Services, Programs, and Initiatives) in Priority Order by Category
- **Consolidate, Evaluate, and Finalize Priorities (Unrestricted)**
- **Balance Funding with Priorities (Restricted)**
- **Finalize Budget Request and Draft and Final STIP**

Action Plan 1 year

- Review and Evaluate Performance
- Develop Draft Action Plan
- Finalize Action Plan and Launch
- Monitor Progress

Planning & Prioritization

Planning and Prioritization

Accomplishments

- ✓ Created Strategic Planning Office (SPOT)
- ✓ Hired Strategic Planning Director

Primary Functions

- Drive planning process
- Provide analysis of external environment and internal capabilities
- Provide information and recommendations on DOT priorities
- Collect, maintain, update and benchmark external environment data and best practices

Program & Project Delivery

Diagnostic Findings

- Project design and delivery processes have been slowed by a lack of prioritization, accountability and coordination
- Organizational structure "silos" some of the key processes
- Internal and external communication systems have not been sufficiently proactive
- Budget resources may not have been adequately allocated to be effective

Program & Project Delivery

Program & Project Delivery

Develop more efficient and effective business processes

- Bridge Program
- TIP Program
- Mobility Program
- Program / Project Delivery
- Transportation Planning

Program & Project Delivery

Program & Project Delivery

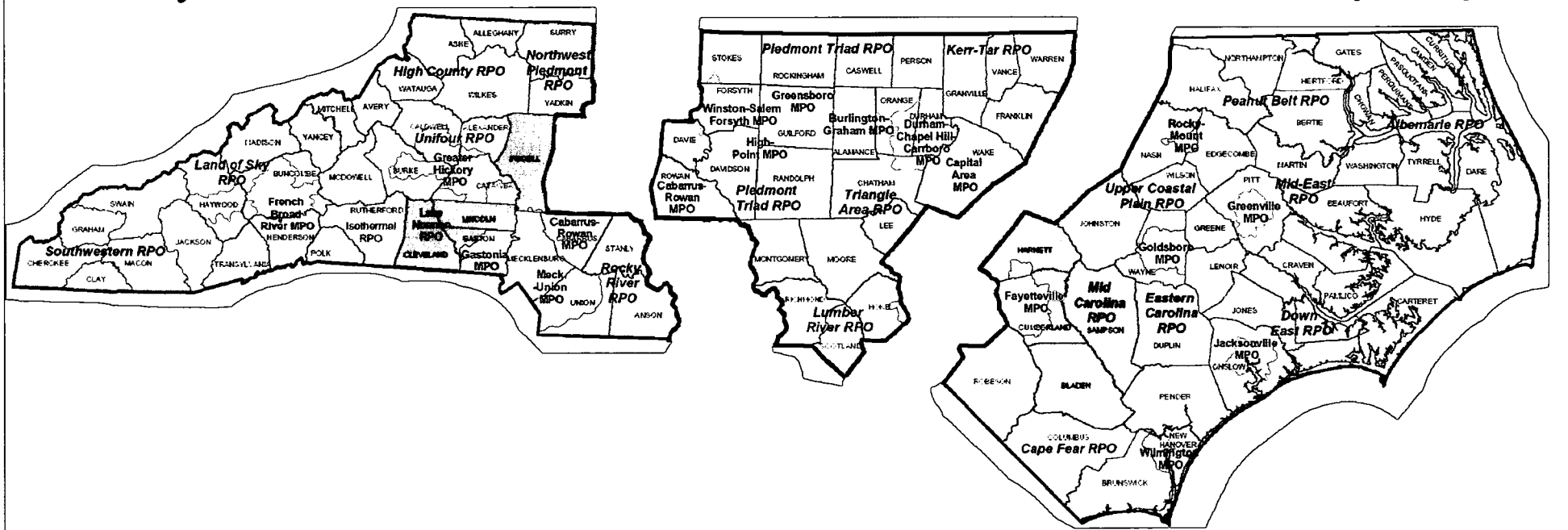
- **Bridge Program Efficiency (in progress)**
  - Cut time by Two Years
  - Instituted Regional Teams
  - Developed on-site Scoping
  - Standard Design
  - Group Lettings
  - All resulting in Cost and Time Savings

- **TIP Projects**
  - Regionalization of Pre-Construction Functions to create teams
  - Piloting New Project Delivery Models on Select TIP Projects
  - Developing a realistic two-tier TIP

Program & Project Delivery

Program & Project Delivery

Region	Western	Central	Eastern
Division	10,11,12,13,14	5,7,8,9	1,2,3,4,6
STIP Staff	Van Argabright	Mike Stanley	Ray McIntryre
PDEA Staff	Teresa Hart	Eric Midkiff	Rob Hanson
Roadway Staff	Scott Blevins	Ron Allen	Dewayne Sykes



Program & Project Delivery

- **Piloting New Project Delivery Models**
  - Project Executives
  - Project Executives with formal teams
  - Tri-technical Managers

- **Develop two tier TIP – Developmental / Delivery**
  - Provides a measurable TIP with realistic delivery dates
  - Establishes delivery expectations and budget constraints
  - Sets achievable project expectations

Program & Project Delivery

Program & Project Delivery

- **Mobility Program**
  - Establishing Standard Measures of Congestion to Allow Prioritization of Mobility Needs
  - Identifying Alternative Multi-modal Approaches to Manage Congestion
  - Exploring Alternative Approaches to Planning for Future and Managing Existing Mobility Needs
- **Program Project Delivery**
- **Transportation Planning**

Performance and Accountability

Performance and Accountability

Diagnostic Findings

- ✓ **There has been some implementation of performance management measures within business units, but those efforts are not explicitly linked to NCDOT nor other business unit priorities**

- ✓ **NCDOT's ad hoc nature of existing performance indicators sometimes leads to conflicting needs between units**

Performance and Accountability

Performance and Accountability

Accomplishments to Date

- ✓ Developed NCDOT's **Value Tree** based on department's new mission and goals
- ✓ Developed **Key Performance Indicators** that align with new mission and goals
- ✓ Developed Performance **Metrics** for department leaders that align with new mission and goals
- ✓ Implemented preliminary public facing Executive Dashboard aligned with our mission and goals

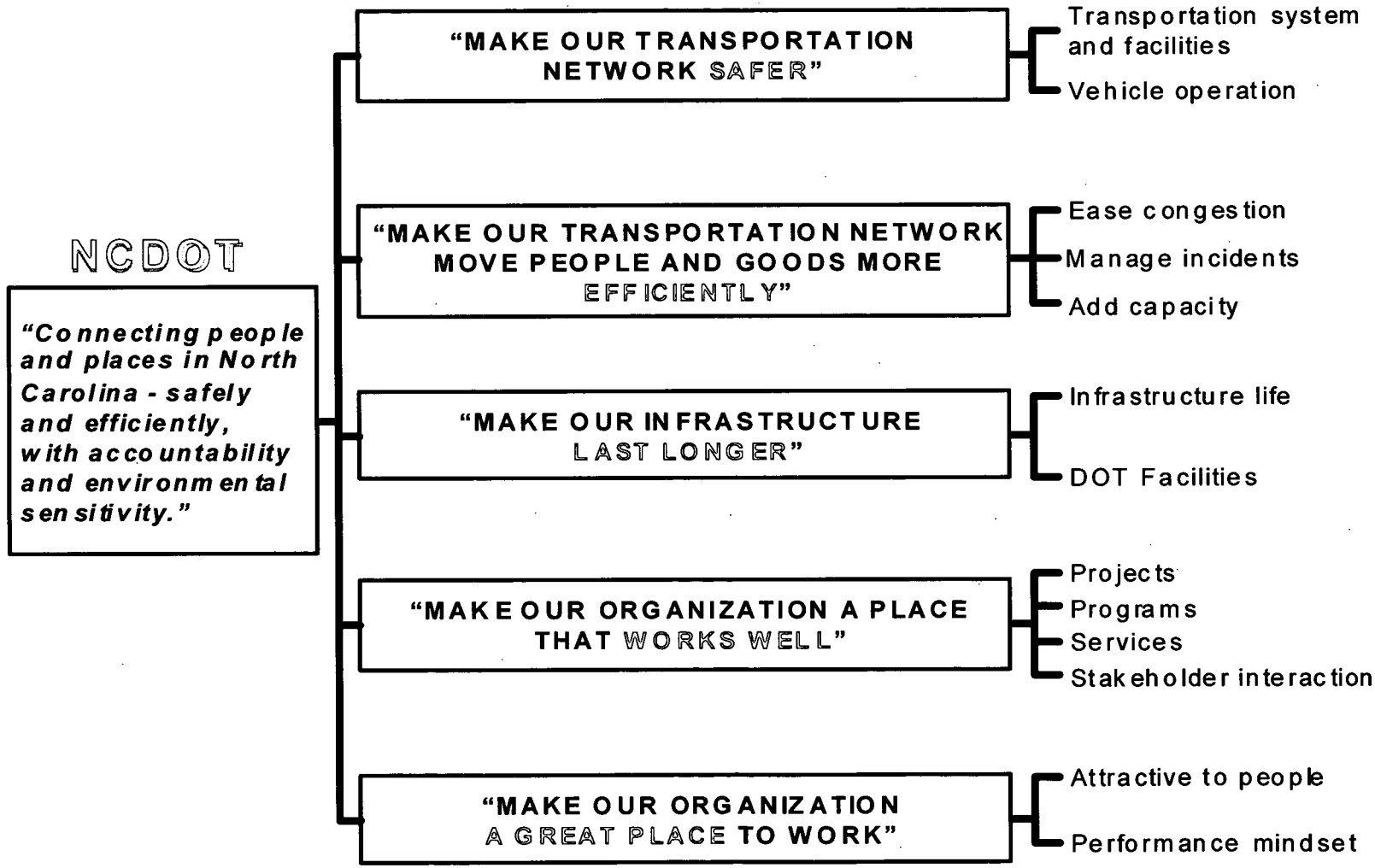
Key Deliverables - Next 12 Months

- Complete development of performance targets for all goals
- Develop performance metrics for all NCDOT employees
- Educate all employees on new performance culture
- Develop a robust Executive Dashboard that will show progress towards accomplishing performance outcomes

Performance and Accountability

Performance and Accountability

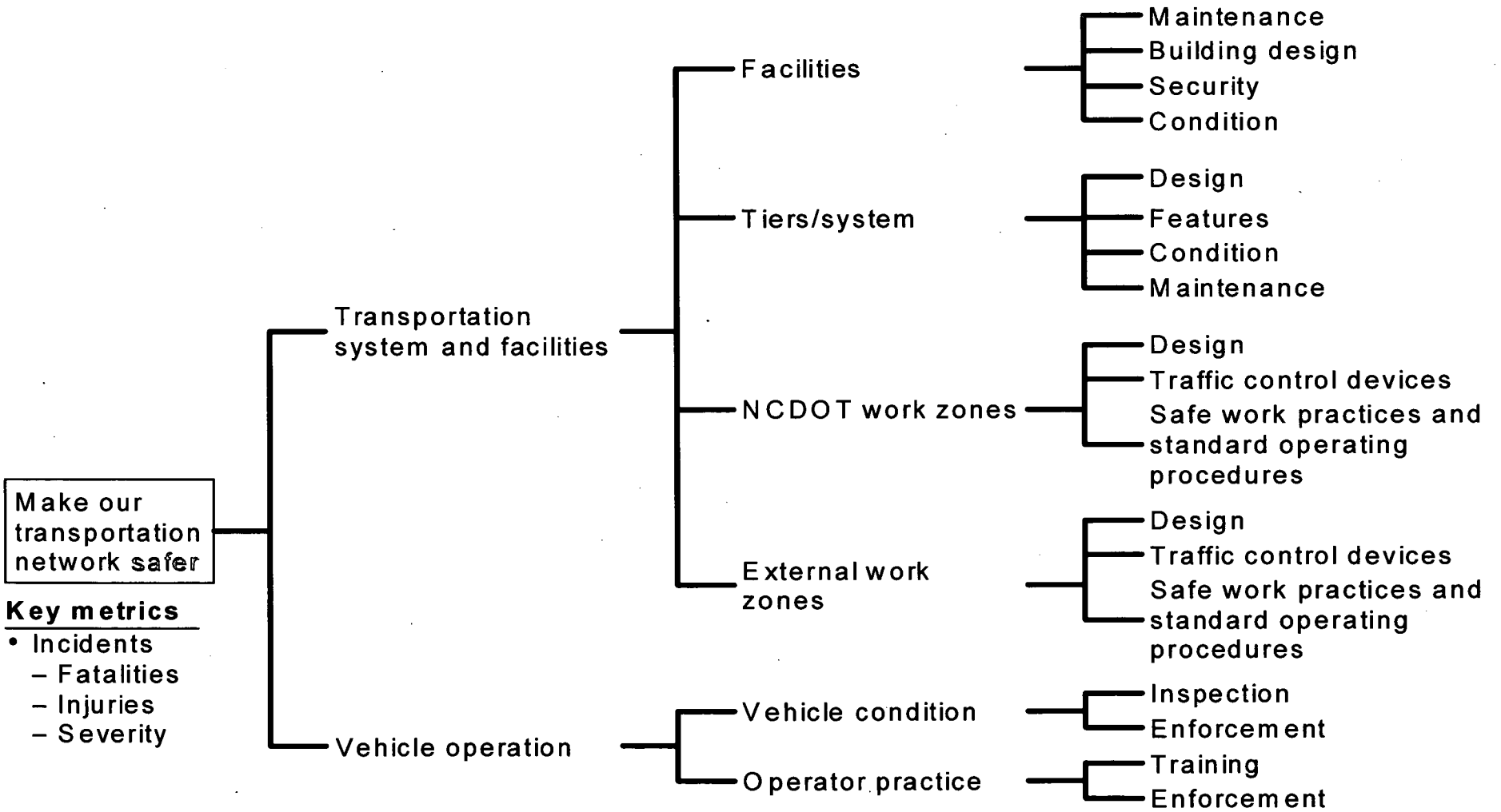
NCDOT HIGH-LEVEL VALUE TREE



Performance and Accountability

Performance and Accountability

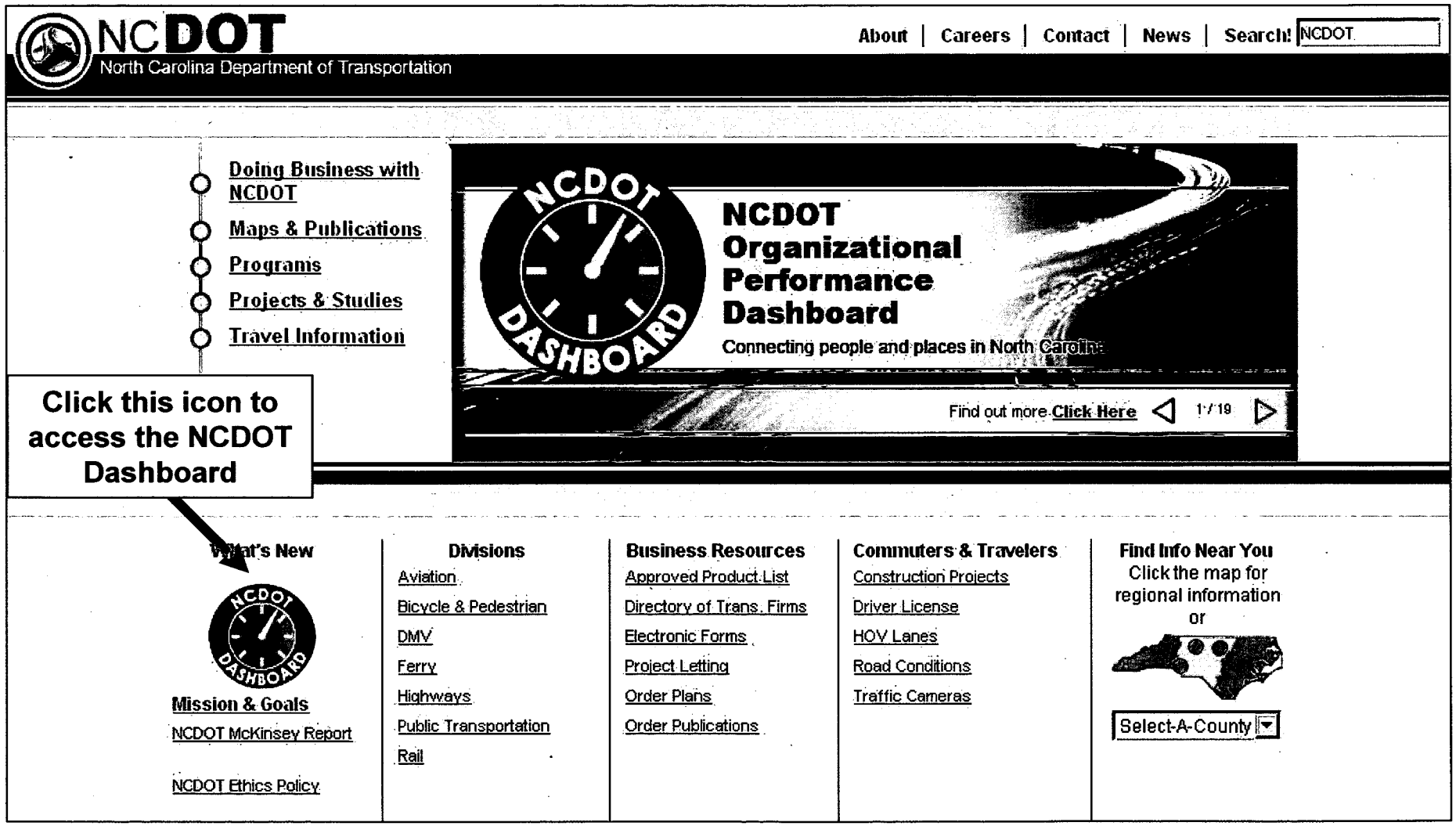
MAKE OUR TRANSPORTATION NETWORK SAFER



Performance & Accountability

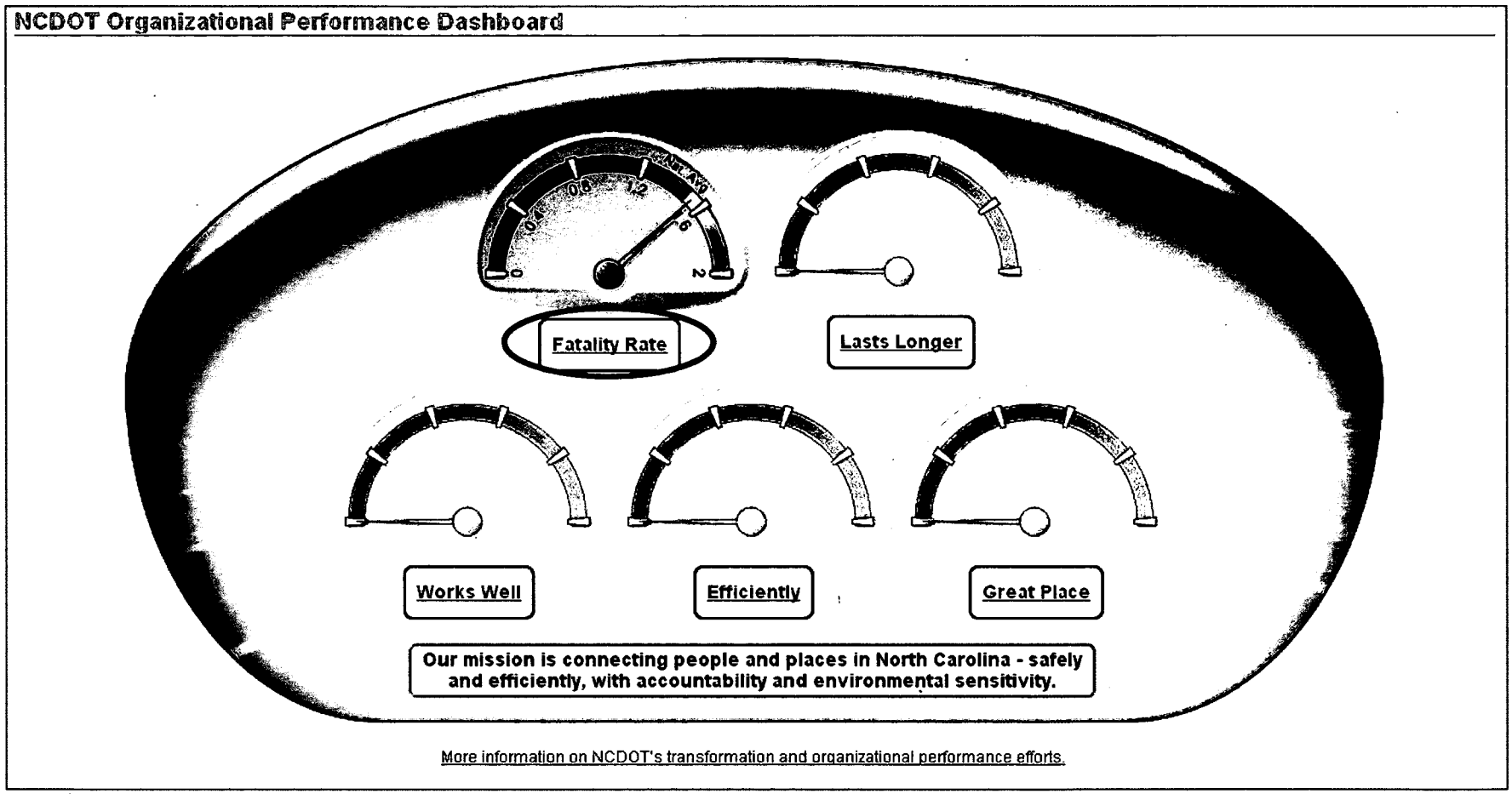
NCDOT Performance Dashboard

http://www.ncdot.org/



Performance & Accountability

NCDOT Performance Dashboard



Represents Overall Health of the Organization

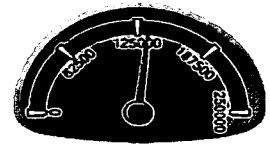
Performance and Accountability

Make Our Transportation Network "Safer"

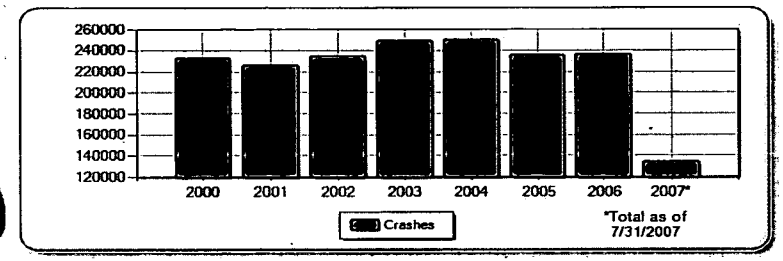
Crash Details statewide

Filter By: Statewide

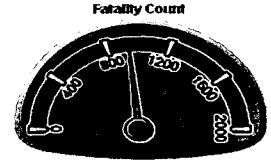
Crash Count



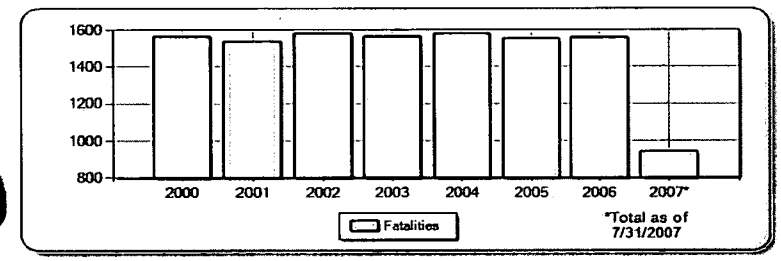
Total as of 7/31/2007



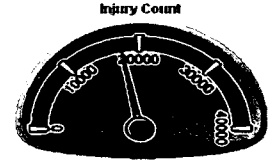
Fatality Count



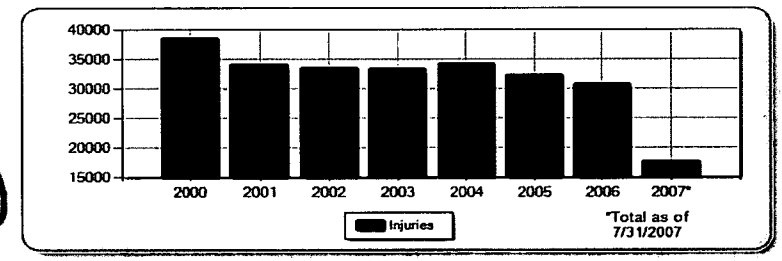
Total as of 7/31/2007



Injury Count



Total as of 7/31/2007



Yearly Statistics

	2000	2001	2002	2003	2004	2005	2006	2007*
Crashes	231647	225607	234478	248584	249155	234816	236326	133558
Fatalities	1581	1533	1577	1581	1578	1550	1555	936
Injuries	38484	34070	33424	33337	34213	32192	30766	17547
VMT (100MVM)[1]	892.46	915.71	936.86	937.83	956.27	1008.61	1016.48	610.14
	259.58	246.37	250.28	265.1	260.55	232.81	232.49	218.89
Crash Rate	1.75	1.67	1.68	1.68	1.65	1.54	1.53	1.53
Fatality Rate	43.1	37.21	35.68	35.55	35.78	31.92	30.27	28.76
Injury Rate								

1: VMT=Vehicle Miles Traveled, MVM=Million Vehicle Miles.
* Total Year to Date

Data current as of: 7/31/2007

More information on how we get these numbers..

Performance and Accountability

Performance and Accountability

PERFORMANCE METRICS
FOR N.C. DEPARTMENT OF TRANSPORTATION

WORKING DRAFT 10/23/07

SECRETARY OF TRANSPORTATION

	Metrics	Definition of Measure/Comments
"Make our transportation network safer"	• Fatalities	• % improvement in fatalities compared to national goal of 1.0 fatality per 100 million vehicle miles traveled
"Make our transportation network move people and goods more efficiently"	• Reliability on the System Strategic Highway Corridors and Regional Tier Routes	• Average operating speeds on Strategic Highway Corridors (SHC) • Travel time reliability - standard deviation of average commuter time in selected urban areas • % Decrease in congestion
	• Transit Service	• % Increase in frequency of service
"Make our infrastructure last longer"	• Department Infrastructure Health	• Statewide Level of Service scores for facilities (assets) • % Increase in value of Department infrastructure
"Make our organization a place that works well"	• Projects/Programs/Services on Schedule and on Budget	• % of projects/programs/service administered, managed and constructed on schedule and on budget (Planned vs. Actual)
	• Business Development and Outreach	• % of solicitations sent to, % of bids received from, & % of contract dollars awarded to DBEs, MBEs, WBEs, SBEs, and HUBs
	• Customer Service	• Customer survey scores (public, partners, etc.)
	• Fiscal Management	• % improvement of existing administrative budget
"Make our organization a great place to work"	• Employee Safety	• Number of incidents, lost work days, worker's comp claims
	• Employee Satisfaction	• Employee satisfaction survey composite score
	• Recruiting, Developing and Retaining Employees	• Retention rate of "Top Performers" and/or stabilization rate

Performance and Accountability

Performance and Accountability

DASHBOARD SCORECARD

WORKING DRAFT 10/23/07

STATE HIGHWAY ADMINSTRATOR

Metric	Metric Data	Target	Data Source	Wt (%)
Crash Rates	*Crashes per 100 million vehicle miles; this will be compared against a baseline TBD (% improvement)*	238-230	*Traffic Engineering Branch*	5
Reliability of Strategic Highway Corridor System	*-Average operating speeds on Strategic Highway Corridors (SHC)* *-Travel time reliability* *- Congestion (Level of Service)*		*Transportation Planning Branch*	
Statewide Infrastructure Health	*Composite Statewide Rating (Level of Service Rating)*	C- to C	*Asset Management -Maintenance Condition Reports*	30
Programs/Projects/Services on Schedule and on Budget	*# of programs/projects/services planned for year divided by # actual completed = % success rate*	70-89%	*Program Development report from STaRS and / or BW, HiCAMS*	35
Business Development and Outreach	*% Contract dollars awarded to DBEs, MBEs, WBEs, SBEs, & HUBs*	70-89%	*SAP*	10
Customer Service	*Customer Survey Scores*	70-89%	*TBD*	10
Fiscal Management	*% Improvement in Administrative Budget*	90-95%	*TBD*	5
Employee Safety	*# of reported incidents that cause lost work days and / or worker's comp claims compared to baseline, i.e previous year(s) reported incidents*	6.1-7	*Safety & Loss Control*	5
Employee Satisfaction	*Employee Survey*		*TBD*	
Recruiting, Developing and Retaining Employees	*- % retention of employees that continuously meet or exceed expectations on their PDA's* *- Overall % of employees retained at the end of cycle vs. # of employees at beginning of cycle. (Retirement or positive movement within the Dept. does not negatively affect rating)*		*TBD*	

Performance and Accountability

Performance and Accountability

DASHBOARD SCORECARD

WORKING DRAFT 10/24/07

CHIEF ENGINEER - OPERATIONS

Metric	Metric Data	Target	Data Source	Wt (%)
Crash Rates	*Crashes per 100 million vehicle miles; this will be compared against a baseline TBD (% improvement)*	238-230	*Traffic Engineering Branch*	5
Reliability of Strategic Highway Corridor System and Regional Tiers	*-Average operating speeds on Strategic Highway Corridors (SHC)* *-Travel time reliability* *- Congestion (Level of Service)*		*Transportation Planning Branch*	
Statewide Infrastructure Health	*Composite Statewide Rating (Level of Service Rating)*	C- to C	*Asset Management -Maintenance Condition Reports*	35
Programs/Projects/Services on Schedule and on Budget	*# of programs/projects/services planned for year divided by # actual completed = % success rate*	70-89%	*Program Development report from STaRS and / or BW, HiCAMS*	35
Business Development and Outreach	*% Contract dollars awarded to DBE's, MBEs, WBEs, SBEs, & HUBs*	70-89%	*SAP*	10
Customer Service	*Customer Survey Scores*	90-95%	*TBD*	5
Fiscal Management	*% Improvement in Administrative Budget*	90-100%	*TBD*	5
Employee Safety	*# of reported incidents that cause lost work days and / or worker's comp claims compared to baseline, i.e previous year(s) reported incidents*	6.1-7.0	*Safety & Loss Control*	5
Employee Satisfaction	*TBD*		*Employee Survey*	
Recruiting, Developing and Retaining Employees	*- % retention of employees that continuously meet or exceed expectations on their PDA's* *- Overall % of employees retained at the end of cycle vs. # of employees at beginning of cycle. (Retirement or positive movement within the Dept. does not negatively affect rating)*		*TBD*	

Performance and Accountability

Performance and Accountability

DASHBOARD SCORECARD

WORKING DRAFT 10-24-07

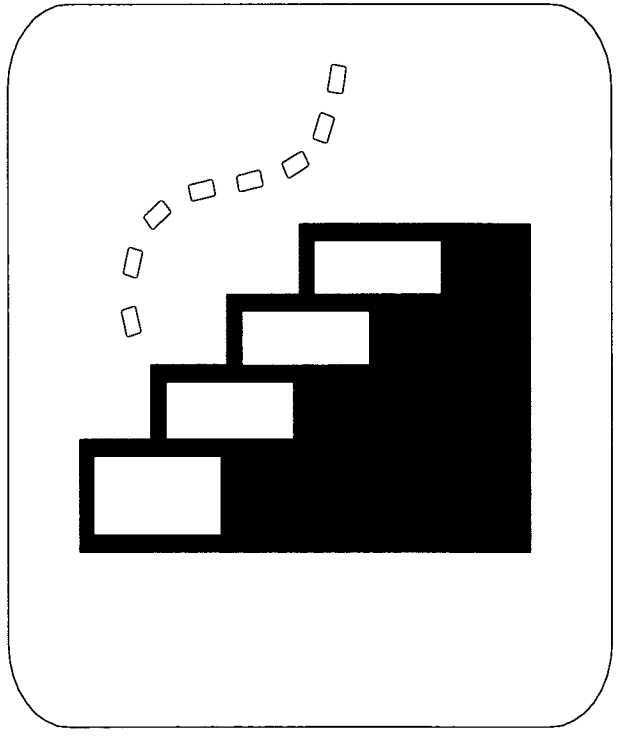
DIRECTOR OF PRECONSTRUCTION

Metric	Metric Data	Target	Data Source	Wt (%)
Crash Rates	*Crashes per 100 million vehicle miles; this will be compared against a baseline TBD (% improvement)*	238-230	*Traffic Engineering Branch*	10
Level of Congestion on Strategic Highway Corridor System (SHC)	*Miles of SHC at V/C ratio of 1.2 & above compared to total miles of SHC expresses as percentage*		*Transportation Planning Branch*	
Delivery of Bridge Replacement Program	*# of major milestones planned for year divided by # actual met = % success rate (CE, R/W, Let, Const Completed)*	70-89%	*Program Development report from STaRS and / or BW*	15
Projects/Programs/Services on Schedule and on Budget	*# of major milestones planned for year divided by # actual met = % success rate (CP's, EA, FONSI, EIS, PH's, R/W, Let, Constructed Completed)*	70-89%	*Program Development report from STaRS and / or BW*	30
Project Scope	*Once Cost Estimate Flow Chart and Scope Change Request processes are implemented, a metric needs to be developed to evaluate the performance*	70-89%	*TBD*	15
Business Development and Outreach	*% Contract dollars awarded to DBEs, MBEs, WBEs, SBEs, & HUBs*	70-89%	*SAP*	10
Customer Service	*Customer satisfaction surveys*	70-89%	*TBD*	10
Fiscal Management	*% improvement of existing administrative budget*	90-95%	*TBD*	5
Employee Safety	*# of reported incidents that cause lost work days and / or worker's comp claims compared to baseline, i.e previous year(s) reported incidents*	6.1-7	*Safety & Loss Control*	5
Employee Satisfaction	*Employee Survey*		*TBD*	
Recruiting, Developing and Retaining Employees	*- % retention of employees that continuously meet or exceed expectations on their PDA's* *- Overall % of employees retained at the end of cycle vs. # of employees at beginning of cycle. (Retirement or positive movement within the Dept. does not negatively affect rating)*		*TBD*	

Performance and Accountability

New Performance Expectations Begin

- Top 150 Managers – April 2008
- All NCDOT Personnel – April 2009



Improved Human Resource Mgmt

Diagnostic Findings

- No formal process for talent (HR) planning
- Unable to hire the best talent
- Current performance evaluation system ineffective
- No strategic employee development process
- No strategy for talent to gain cross organizational knowledge

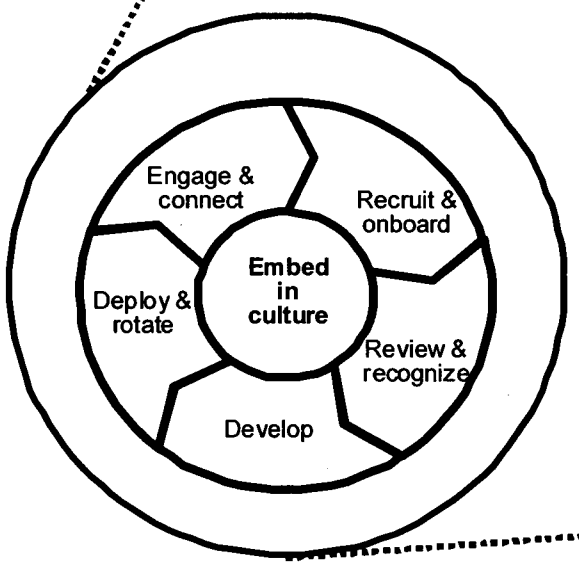
Improved Human Resource Management

Improved Human Resource Mgmt

TALENT MANAGEMENT

Policy Recommendations and Implementation

Strategy	Recruit & onboard	Review & recognize	Develop	Deploy & rotate	Engage & connect	Embed in culture
• **Talent strategy** design • Workforce Planning Model	• Recruit & Selection • Onboarding & integration to new role • **Employer value proposition**	• **Results Based Performance Management** • Mentoring & coaching to achieve outcomes • Management of talent review outcome with metrics	• **Career Paths** • Career Development • Execution, evaluation & review of effects	• **Leadership Planning** • Job rotation & mobility • Career transfer	• Creation of networks between employees • Sharing of knowledge and best practices • Activities to engage and retain top talent • Alumni management for effective recruitment	• **Mission, Goals, Values** • **Performance Culture** • Mindset changes • Organization structure alignment • Review Talent outcomes (input, output, results) • Employee Feedback



Source: TMT – Talent Management

Improved Human Resource Management

Improved Human Resource Mgmt

Accomplishments:

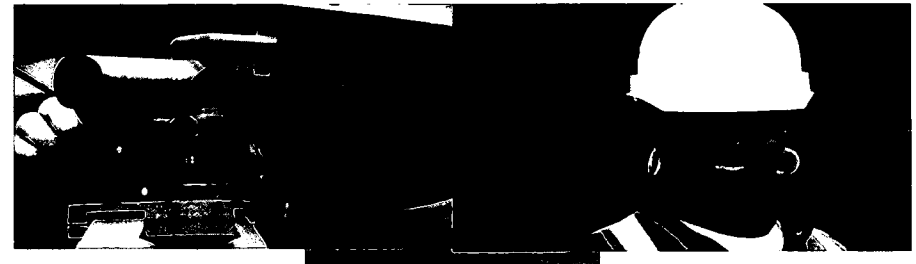
- Completed Assessment of Current Personnel Practices and Developed Recommendations
- Designed and implemented a **rigorous performance review** process tied to performance metrics
- Trained Senior Leadership on new Performance Management System
- Designed process for **leadership planning**
- Made high level recommendations on **employee recruitment, development and retention**

Improved Human Resource Management

Improved Human Resource Mgmt









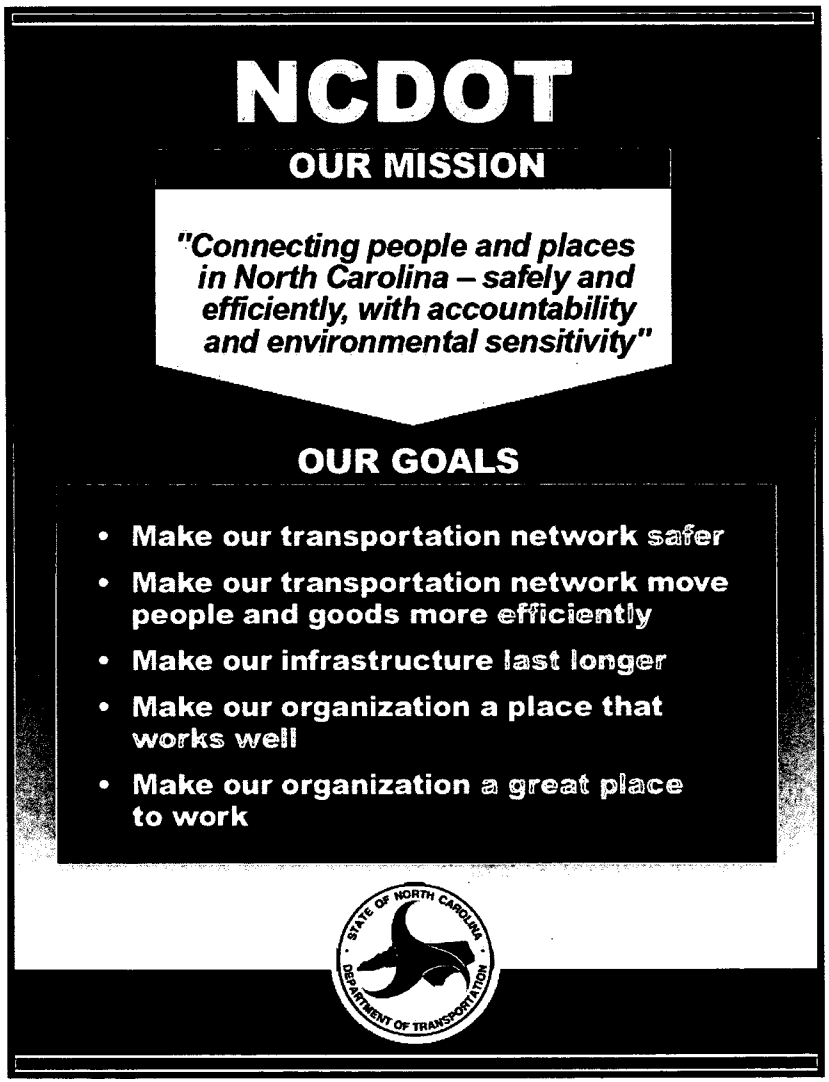
.... the ***right people*** with the ***right set of competencies*** in the ***right jobs*** at the ***right time*** to enable the organization to accomplish its mission.







It all comes down to...



- Working Together for a Common Purpose
- Planning and Prioritizing our Work
- Delivering our Projects & Programs More Efficiently
- Measuring Our Performance
- Developing Our Employees
- Fulfilling our role of .....

"Connecting People and Places in North Carolina"

Attachment III.

Statutory authority and powers of the North Carolina Turnpike Authority

March 5, 2008

1. When was the Turnpike Authority Created?

The North Carolina Turnpike Authority was created by act of the General Assembly, in 2002 (S.L. 2002-133). The full text of the statutes governing the Authority are attached.

2. What do the statutes say about its purpose?

The legislative findings enacted when the toll authority was created emphasize two reasons for its creation: *innovative approaches to transportation improvements* and *speed of implementation.*

§ 136-89.180. Legislative findings.

The General Assembly finds that the existing State road system is becoming increasingly congested and overburdened with traffic in many areas of the State; that the sharp surge of vehicle miles traveled is overwhelming the State's ability to build and pay for adequate road improvements; and that an adequate answer to this challenge ***will require the State to be innovative and utilize several new approaches to transportation improvements in North Carolina.***

Toll funding of highway and bridge construction is feasible in North Carolina and can contribute to addressing the critical transportation needs of the State. **A *toll program can speed the implementation of needed transportation improvements by funding some projects with tolls.*** (2002-133, s. 1.)

3. What are the powers of the Authority?

The general powers of the authority are set out in G. S. 136-89.183, below. Its primary powers are to: plan and develop up to 9 projects; construct and operate the 6 specific projects listed; issue bonds, and collect tolls.

§ 136-89.183. Powers of the Authority.

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

(1) The powers of a corporate body, including the power to sue and be sued, to make contracts, to adopt and use a common seal, and to alter the adopted seal as needed.

(2) ***To study, plan, develop, and undertake preliminary design work on up to nine Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:***

a. Triangle Parkway.

b. Gaston East-West Connector.

c. Monroe Connector.

d. Cape Fear Skyway.

e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia.

f. I-540 in Wake and Durham Counties.

Any other project proposed by the Authority in addition to the projects listed in this subdivision must be approved by the General Assembly prior to construction.

A Turnpike Project selected for construction by the Turnpike Authority shall be included in any applicable locally adopted comprehensive transportation plans and shall be shown in the current State Transportation Improvement Plan prior to the letting of a contract for the Turnpike Project.

(3) Repealed by Session Laws 2005-275, s. 2, effective August 12, 2005.

(4) To rent, lease, purchase, acquire, own, encumber, dispose of, or mortgage real or personal property, including the power to acquire property by eminent domain pursuant to G.S. 136-89.184.

(5) ***To fix, revise, charge, and collect tolls*** and fees for the use of the Turnpike Projects. Prior to the effective date of any toll or fee for use of a Turnpike Facility, the ***Authority shall submit a description of the proposed toll or fee to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for review.***

(6) ***To issue bonds*** or notes of the Authority as provided in this Article.

(7) To establish, construct, purchase, maintain, equip, and operate any structure or facilities associated with the Turnpike System.

(8) To pay all necessary costs and expenses in the formation, organization, administration, and operation of the Authority.

(9) To apply for, accept, and administer loans and grants of money or real or personal property from any federal agency, the State or its political subdivisions, local governments, or any other public or private sources available.

(10) To adopt, alter, or repeal its own bylaws or rules implementing the provisions of this Article, in accordance with the review and comment requirements of G.S. 136-89.182(j).

(11) To utilize employees of the Department; to contract for the services of consulting engineers, architects, attorneys, real estate counselors, appraisers, and other consultants; to employ administrative staff as may be required in the judgment of the Authority; and to fix and pay fees or compensation to the Department, contractors, and administrative employees from funds available to the Authority.

(12) To receive and use appropriations from the State and federal government.

(13) To adopt procedures to govern its procurement of services and delivery of Turnpike Projects.

(14) To perform or procure any portion of services required by the Authority.

(15) To use officers, employees, agents, and facilities of the Department for the purposes and upon the terms as may be mutually agreeable.

(16) To contract for the construction, maintenance, and operation of a Turnpike Project.

(17) To enter into partnership agreements with the Department of Transportation, agreements with political subdivisions of the State, and agreements with private entities, and to expend such funds as it deems necessary, pursuant to such agreements, for the purpose of financing the cost of acquiring, constructing, equipping, operating, or maintaining any Turnpike Project. An agreement entered under this subdivision requires the concurrence of the Board of Transportation if the Department of Transportation is a party to the agreement.

(18) To utilize incentives in any contract for development or construction of a Turnpike Project, in order to promote expedited delivery of the project.

(b) To execute the powers provided in subsection (a) of this section, the Authority shall determine its policies by majority vote of the members of the Authority Board present and voting, a quorum having been established. Once a policy is established, the Authority Board shall communicate it to the Executive Director or the Executive Director's designee, who shall have the sole and exclusive authority to execute the policy of the Authority. No member of the Authority Board shall have the responsibility or authority to give operational directives to any employee of the Authority other than the Executive Director or the Director's designee. (2002-133, s. 1; 2005-275, s. 2; 2006-228, s. 5; 2006-230, s. 1(b).

4. What is the relationship of the Authority to the Board of Transportation and the Department of Transportation? What Oversight of the Authority is required?

The Turnpike Authority is legally a separate entity, and has been authorized since its creation to "exercise all of its powers independently of the Department of Transportation except as otherwise specified in this Article". It is governed by its own board. It is housed administratively in NC DOT. The annual plan of work of the Turnpike Authority is subject to the concurrence of the Board of Transportation. The Authority is required to submit an annual report to the Board of Transportation.

§ 136-89.182. North Carolina Turnpike Authority.

(a) Creation. – ***There is created a body politic and corporate to be known as the "North Carolina Turnpike Authority". The Authority is constituted as a public agency,*** and the exercise by the Authority of the powers conferred by this Article in the construction, operation, and maintenance of toll roads and bridges shall be deemed and held to be the performance of an essential governmental function.

(b) Administrative Placement. – The ***Authority shall be located within the Department of Transportation for administrative purposes but shall exercise all of its powers independently of the Department of Transportation except as otherwise specified in this Article.***

(c) Authority Board. – ***The North Carolina Turnpike Authority shall be governed by a nine-member Authority Board*** consisting of two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, four members appointed by the Governor, and the Secretary of Transportation. Each appointing authority shall appoint members who reside in diverse regions of the State. The Chair of the Authority shall be selected by the Authority Board.

(d) Board of Transportation Members. – No more than two members of the North Carolina Board of Transportation may serve as members of the Authority Board.

(e) Staggered Terms. – One of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and three of the initial appointments of the Governor shall be appointed to terms ending January 14, 2007. One of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and one of the initial appointments of the Governor shall be appointed to terms ending January 14, 2005. The Secretary of Transportation shall serve as an ex officio voting member of the Board. Thereafter, at the expiration of each stipulated term of office, all appointments shall be to a term of four years from the date of the expiration of the term.

(f) Vacancies. – All members of the Authority Board shall remain in office until their successors are appointed and qualified. The original appointing authority may appoint a member to serve out the unexpired term of any member.

(g) Removal of Board Members. – Each member of the Authority Board, notwithstanding subsection (e) of this section, shall serve at the pleasure of the appointing authority. The Chair of the Authority serves at the pleasure of the Authority Board.

(h) Conflicts of Interest, Ethics. – Members of the Authority Board shall be subject to the provisions of G.S. 136-13, 136-13.1, and 136-14.

§ 136-89.193. Annual plan of work; annual and quarterly reports.

(a) Annual Plan of Work. – The Authority shall annually develop a plan of work for the fiscal year, describing the activities and projects to be undertaken, accompanied by a budget. ***This annual plan of work shall be subject to the concurrence of the Board of Transportation.***

(b) ***Annual Reports. – The Authority shall, promptly following the close of each fiscal year, submit an annual report of its activities for the preceding year to the Governor, the General Assembly, and the Department of Transportation***. Each report shall be accompanied by an audit of its books and accounts.

(c) ***Semiannual Reports. – The Authority shall submit semiannual reports to the Joint Legislative Transportation Oversight Committee, and more frequent reports if requested.*** The reports shall summarize the Authority's activities during the preceding six months, and shall contain any information about the Authority's activities that is requested by the Committee.

(d) ***Report Prior to Let of Contracts. – The Authority shall consult with and report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations prior to the letting of any contract for Turnpike Project construction authorized under G.S. 136-183(a)(2).***

(e) ***Report Prior to Study and Design. – The Authority shall consult with and report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations prior to the study, planning, development or design of any Turnpike Project authorized under G.S. 136-89.183(a)(3).*** (2002-133, s. 1.)

5. Can NC DOT establish toll roads, too?

NC DOT is authorized to toll a specified bridge, as described in G.S. 136-82.2. Also, there is language in the Session laws authorizing DOT to apply to the US Dept. of Transportation to toll I-95, but the Turnpike Authority is the only entity authorized by State law to collect the tolls on an interstate. (see G.S. 136-89.198) Otherwise, only the Turnpike Authority can collect tolls.

§ 136-82.2. State toll bridges.

(a) ***Toll. – The Department of Transportation may charge a toll for the use of a bridge that is included in the Highway Trust Fund Intrastate System Projects, which are listed in G.S. 136-179, and is at least three and one-half miles in length.*** The toll

may not exceed ten dollars ($10.00) for a round trip or five hundred dollars ($500.00) for an annual pass for a vehicle. The Department may set different rates of fees for passenger motor vehicles and for property-carrying vehicles. The Department may employ personnel to collect the toll and may construct and operate a toll plaza for collection of the toll. Toll revenue that exceeds the cost of collecting the toll shall be credited to the Highway Trust Fund.

(b) Report. – The Department of Transportation shall report annually to the Joint Legislative Transportation Oversight Committee on a toll imposed under this section. The report shall state the amount of toll revenue collected, the number of users paying the toll, the cost of collecting the toll, and any other information requested by the Committee. (1993 (Reg. Sess., 1994), c. 765, s. 1.)

From S.L. 2005-276

"ESTABLISHING TOLLWAYS ON FEDERALLY FUNDED HIGHWAYS DESIGNATED AS INTERSTATES

SECTION 28.21.(a) The North Carolina Department of Transportation shall apply to the United States Department of Transportation for a permit to allow tolling on established interstate highways in North Carolina. The Department shall set Interstate 95 as the priority project when applying for any permits."

§ 136-89.198. Authority to toll existing interstate highways.

(a) General. – Notwithstanding any other provision of this Article, the **Authority may collect tolls on any existing interstate highway for which the United States Department of Transportation has granted permission by permit**, or any other lawful means, to do so. The revenue generated from the collected tolls shall be used by the Authority to repair and maintain the interstate on which the tolls were collected. These revenues shall not be used to repair, maintain, or upgrade any State primary or secondary road adjacent to or connected with the interstate highways.

(b) Method. – The Authority shall establish toll locations on the permitted interstate highway in accordance with federal guidelines. Toll locations shall be erected at or near the borders of the State and at such other locations that are not impracticable, unfeasible, or that would result in an unsafe or hazardous condition.

(c) Severability. – If any provision of this section or its application is held invalid, the invalidity does not affect other provisions or applications of this section that can be given effect without the invalid provisions or application, and to this end the provisions of this section are severable. (2005-276, s. 28.21(b).)

ARTICLE 6H.

Public Toll Roads and Bridges.

§ 136-89.180. Legislative findings.

The General Assembly finds that the existing State road system is becoming increasingly congested and overburdened with traffic in many areas of the State; that the sharp surge of vehicle miles traveled is overwhelming the State's ability to build and pay for adequate road improvements; and that an adequate answer to this challenge will require the State to be innovative and utilize several new approaches to transportation improvements in North Carolina.

Toll funding of highway and bridge construction is feasible in North Carolina and can contribute to addressing the critical transportation needs of the State. A toll program can speed the implementation of needed transportation improvements by funding some projects with tolls. (2002-133, s. 1.)

Editor's Note. — Session Laws 2002-133, s. 9, provides that the North Carolina Turnpike Authority shall evaluate the feasibility of encouraging mass transit and ridesharing in its proposed toll road facilities.

§ 136-89.181. Definitions.

The following definitions apply to this Article:

(1) "Department" means the North Carolina Department of Transportation.

(2) "Turnpike Authority" means the public agency created by this Article.

(3) "Authority Board" means the governing board of the Turnpike Authority.

(4) "Turnpike Project" means a road, bridge, or tunnel project planned, or planned and constructed, in accordance with the provisions of this Article.

(5) "Turnpike System" means collectively all Turnpike Projects developed in accordance with the provisions of this Article. (2002-133, s. 1.)

§ 136-89.182. North Carolina Turnpike Authority.

(a) Creation. — There is created a body politic and corporate to be known as the "North Carolina Turnpike Authority". The Authority is constituted as a public agency, and the exercise by the Authority of the powers conferred by this Article in the construction, operation, and maintenance of toll roads and bridges shall be deemed and held to be the performance of an essential governmental function.

(b) Administrative Placement. — The Authority shall be located within the Department of Transportation for administrative purposes but shall exercise all of its powers independently of the Department of Transportation except as otherwise specified in this Article.

(c) Authority Board. — The North Carolina Turnpike Authority shall be governed by a nine-member Authority Board consisting of two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, four members appointed by the Governor, and the Secretary of Transportation. Each appointing authority shall appoint members who reside in diverse

regions of the State. The Chair of the Authority shall be selected by the Authority Board.

(d) Board of Transportation Members. — No more than two members of the North Carolina Board of Transportation may serve as members of the Authority Board.

(e) Staggered Terms. — One of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and three of the initial appointments of the Governor shall be appointed to terms ending January 14, 2007. One of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one of the initial appointments to the Authority Board by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and one of the initial appointments of the Governor shall be appointed to terms ending January 14, 2005. The Secretary of Transportation shall serve as an ex officio voting member of the Board. Thereafter, at the expiration of each stipulated term of office, all appointments shall be to a term of four years from the date of the expiration of the term.

(f) Vacancies. — All members of the Authority Board shall remain in office until their successors are appointed and qualified. The original appointing authority may appoint a member to serve out the unexpired term of any member.

(g) Removal of Board Members. — Each member of the Authority Board, notwithstanding subsection (e) of this section, shall serve at the pleasure of the appointing authority. The Chair of the Authority serves at the pleasure of the Authority Board.

(h) Conflicts of Interest, Ethics. — Members of the Authority Board shall be subject to the provisions of G.S. 136-13, 136-13.1, and 136-14.

(i) Compensation. — The appointed members of the Authority Board shall receive no salary for their services but shall be entitled to receive per diem and travel allowances in accordance with the provisions of G.S. 138-5 and G.S. 138-6 as appropriate.

(j) Bylaws. — The Authority Board shall adopt, change, or amend bylaws with respect to the calling of meetings, quorums, voting procedures, the keeping of records, and other organizational, staffing, and administrative matters as the Authority Board may determine. Any bylaws, or subsequent changes or amendments to the bylaws, shall be submitted to the Board of Transportation and the Joint Legislative Transportation Oversight Committee for review and comment at least 45 days prior to adoption by the Authority Board.

(k) Executive Director and Administrative Employees. — The Authority Board shall appoint an Executive Director, whose salary shall be fixed by the Authority, to serve at its pleasure. The Executive Director shall be the Authority's chief administrative officer and shall be responsible for the daily administration of the toll roads and bridges constructed, maintained, or operated pursuant to this Article. The Executive Director or his designee shall appoint, employ, dismiss, and, within the limits approved by the Authority Board, fix the compensation of administrative employees as the Executive Director deems necessary to carry out this Article. The Authority shall report the hiring of all administrative employees to the Joint Legislative Transportation Oversight Committee within 30 days of the date of employment.

(l) Office. — The offices of the Authority may be housed in one or more facilities of the Department of Transportation. (2002-133, s. 1.)

Cross References. — Control of vehicles on Turnpike System by erection of traffic control devices to collect tolls, see G.S. 20-158.2.

§ 136-89.183. Powers of the Authority.

(a) The Authority shall have all of the powers necessary to execute the provisions of this Article, including the following:

(1) The powers of a corporate body, including the power to sue and be sued, to make contracts, to adopt and use a common seal, and to alter the adopted seal as needed.

(2) To study, plan, develop, and undertake preliminary design work on up to nine Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:
   a. Triangle Parkway.
   b. Gaston East-West Connector.
   c. Monroe Connector.
   d. Cape Fear Skyway.
   e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia.
   f. I-540 in Wake and Durham Counties.

   Any other project proposed by the Authority in addition to the projects listed in this subdivision must be approved by the General Assembly prior to construction.

   A Turnpike Project selected for construction by the Turnpike Authority shall be included in any applicable locally adopted comprehensive transportation plans and shall be shown in the current State Transportation Improvement Plan prior to the letting of a contract for the Turnpike Project.

(3) Repealed by Session Laws 2005-275, s. 2, effective August 12, 2005.

(4) To rent, lease, purchase, acquire, own, encumber, dispose of, or mortgage real or personal property, including the power to acquire property by eminent domain pursuant to G.S. 136-89.184.

(5) To fix, revise, charge, and collect tolls and fees for the use of the Turnpike Projects. Prior to the effective date of any toll or fee for use of a Turnpike Facility, the Authority shall submit a description of the proposed toll or fee to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for review.

(6) To issue bonds or notes of the Authority as provided in this Article.

(7) To establish, construct, purchase, maintain, equip, and operate any structure or facilities associated with the Turnpike System.

(8) To pay all necessary costs and expenses in the formation, organization, administration, and operation of the Authority.

(9) To apply for, accept, and administer loans and grants of money or real or personal property from any federal agency, the State or its political subdivisions, local governments, or any other public or private sources available.

(10) To adopt, alter, or repeal its own bylaws or rules implementing the provisions of this Article, in accordance with the review and comment requirements of G.S. 136-89.182(j).

(11) To utilize employees of the Department; to contract for the services of consulting engineers, architects, attorneys, real estate counselors, appraisers, and other consultants; to employ administrative staff as may be required in the judgment of the Authority; and to fix and pay

fees or compensation to the Department, contractors, and administrative employees from funds available to the Authority.

(12) To receive and use appropriations from the State and federal government.

(13) To adopt procedures to govern its procurement of services and delivery of Turnpike Projects.

(14) To perform or procure any portion of services required by the Authority.

(15) To use officers, employees, agents, and facilities of the Department for the purposes and upon the terms as may be mutually agreeable.

(16) To contract for the construction, maintenance, and operation of a Turnpike Project.

(17) To enter into partnership agreements with the Department of Transportation, agreements with political subdivisions of the State, and agreements with private entities, and to expend such funds as it deems necessary, pursuant to such agreements, for the purpose of financing the cost of acquiring, constructing, equipping, operating, or maintaining any Turnpike Project. An agreement entered under this subdivision requires the concurrence of the Board of Transportation if the Department of Transportation is a party to the agreement.

(18) To utilize incentives in any contract for development or construction of a Turnpike Project, in order to promote expedited delivery of the project.

(b) To execute the powers provided in subsection (a) of this section, the Authority shall determine its policies by majority vote of the members of the Authority Board present and voting, a quorum having been established. Once a policy is established, the Authority Board shall communicate it to the Executive Director or the Executive Director's designee, who shall have the sole and exclusive authority to execute the policy of the Authority. No member of the Authority Board shall have the responsibility or authority to give operational directives to any employee of the Authority other than the Executive Director or the Director's designee. (2002-133, s. 1; 2005-275, s. 2; 2006-228, s. 5; 2006-230, s. 1(b).)

Editor's Note. — Session Laws 2002-133, s. 9, provides that the North Carolina Turnpike Authority shall evaluate the feasibility of encouraging mass transit and ridesharing in its proposed toll road facilities.

Effect of Amendments. — Session Laws 2006-228, s. 5, effective August 10, 2006, rewrote subdivision (a)(2).

Session Laws 2006-230, s. 1(b), effective August 1, 2006, in paragraph (a)(17), inserted "with the Department of Transportation" near the beginning of the first sentence; and added the second sentence.

§ 136-89.183A. Accelerated Pilot Toll Bridge Project.

(a) Contract to Construct Accelerated Pilot Toll Bridge Project. — The Authority shall contract with a single private firm to design, obtain all necessary permits for, and construct the toll bridge described in G.S. 136-89.183(a)(2), a bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia, in order to provide accelerated, efficient, and cost-effective completion of the project.

(b) Preconstruction Participation. — In addition to the authority granted by G.S. 136-89.191, the Department shall participate in the cost of preconstruction activities related to the project described in this section, if requested by the Authority.

(c) Report on Project. — The Authority shall report to the Joint Legislative Transportation Oversight Committee on December 1, 2005, and each Decem-

ber 1 thereafter until completion, on the progress of the accelerated pilot toll bridge project described in this section. (2005-275, s. 3.)

§ 136-89.183B. Accelerated Herbert C. Bonner Bridge Replacement Project.

(a) Contract for Accelerated Construction of the Herbert C. Bonner Replacement Bridge Project. — The Department of Transportation shall implement all reasonable measures to expedite completion of environmental reviews required by the National Environmental Policy Act. Within 90 days of receiving an approved Record of Decision from the Federal Highway Administration, the Department shall contract with a single private firm to design and build a replacement bridge for the Herbert C. Bonner Bridge at Oregon Inlet, in accordance with G.S. 136-28.11, in order to expedite and accelerate the efficient, cost effective completion of the project.

(b) Replacement Bridge; Termini. — The General Assembly recommends that the replacement bridge constructed pursuant to this section shall be located with north and south termini located in general proximity to the termini of the existing Herbert C. Bonner Bridge. It is recognized, however, that the preferred alternative for the bridge location cannot be determined prior to compliance with all federal and State laws and regulations.

(c) Department to Report on Project. — The Department shall report to the Joint Legislative Transportation Oversight Committee on December 1, 2005, and each December 1 thereafter until completion, on the progress of the accelerated bridge project described in this section. (2005-275, s. 6(b); 2005-382, s. 3.)

Editor's Note. — Session Laws 2005-275, s. 6(a), effective August 12, 2005, provides: "The General Assembly finds that:

"(1) The existing Herbert C. Bonner Bridge spanning Oregon Inlet, an essential link in the State's transportation network, is in imminent danger of failure and possible collapse due to its low stability rating and substandard condition.

"(2) The Herbert C. Bonner Bridge, which was opened to traffic in 1963, has extended beyond its original projected life span, and that Department of Transportation engineering reports indicated in 1993 that the bridge had only six years of safe usage left.

"(3) The condition of the Herbert C. Bonner Bridge poses significant imminent threats to public health and safety to thousands of residents and visitors at all times, and jeopardizes emergency management operations and evacuations during times of natural disasters.

"(4) The condition of the Herbert C. Bonner Bridge also threatens the economic stability of the tourist economy of the region, tourism being the region's main industry, and also threatens the viability of Oregon Inlet as the region's main transportation corridor for commercial and recreational fishing industries.

"(5) The replacement of the Herbert C. Bonner Bridge has been studied for over a decade, during which time the condition of the bridge has continued to deteriorate at an alarming rate.

"(6) Failure or collapse of the Herbert C. Bonner Bridge will result in catastrophic harm to public health, safety, and welfare, the potential harm to and loss of lives, and loss of access to the Pea Island National Wildlife Refuge, which is one of our country's most important natural wildlife and wildfowl habitats.

"(7) Replacement of the Herbert C. Bonner Bridge is critical to protect public health, safety, and welfare, and maintain necessary transportation access for emergency management and economic purposes.

"(8) Replacement of the Herbert C. Bonner Bridge must occur as soon as is practicable, and authorization must be given to the Department of Transportation to pursue expedited permitting, design, and construction to ensure that the replacement bridge is open to the public before the existing bridge fails or collapses."

Session Laws 2005-382, s. 3, effective September 13, 2005, rewrote the section as enacted by Session Laws 2005-275, s. 6(b).

§ 136-89.183C. Accelerated Yadkin River Bridge Replacement Project.

(a) Contract for Accelerated Construction of the Yadkin River Bridge Replacement Bridge Project. — The Authority shall study, plan, develop, undertake preliminary design work, and analyze and list all necessary permits, in preparation for construction of a replacement bridge and approaches for the Yadkin River Bridge over the Yadkin River and between Rowan and Davidson Counties, in order to provide accelerated, efficient, and cost-effective completion of the project.

(b) Replacement Bridge; Termini. — The bridge constructed pursuant to this section shall be a replacement bridge, with north and south termini located in general proximity to the termini of the existing Yadkin River Bridge. (2007-299, s. 1.)

Editor's Note. — Session Laws 2007-299, s. 2, made this section effective July 28, 2007.

§ 136-89.184. Acquisition of real property.

(a) General. — The Authority may acquire public or private real property by purchase, negotiation, gift, or devise, or condemnation that it determines to be necessary and convenient for the construction, expansion, enlargement, extension, improvement, or operation of a Turnpike Project. When the Authority acquires real property owned by the State, the Secretary of the Department of Administration shall execute and deliver to the Authority a deed transferring fee simple title to the property to the Authority.

(b) Condemnation. — To exercise the power of eminent domain, the Authority shall commence a proceeding in its name and shall follow the procedure set forth in Article 9 of Chapter 136 of the General Statutes. (2002-133, s. 1.)

§ 136-89.185. Taxation of property of Authority.

Property owned by the Authority is exempt from taxation in accordance with Section 2 of Article V of the North Carolina Constitution. (2002-133, s. 1.)

§ 136-89.186. Audit.

The operations of the Authority shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. (2002-133, s. 1.)

§ 136-89.187. Conversion of free highways prohibited.

The Authority Board is prohibited from converting any segment of the nontolled State Highway System to a toll facility, except for a segment of Interstate 540 under construction as of July 1, 2006, located in Wake and Durham Counties, and extending from I-40 southwest to N.C. 55. No segment may be converted to a toll route pursuant to this section unless first approved by the Metropolitan Planning Organization (MPO) or Rural Planning Organization (RPO) of the area in which that segment is located. (2002-133, s. 1; 2006-228, s. 3.)

Effect of Amendments. — Session Laws 2006-228, s. 3, effective August 10, 2006, added "except for a segment of Interstate 540 under construction as of July 1, 2006, located in Wake

and Durham Counties, and extending from I-40 southwest to N.C. 55" at the end of the first sentence; and added the second sentence.

§ 136-89.188. Use of revenues.

(a) Revenues derived from Turnpike Projects authorized under this Article shall be used only for Authority administration costs; Turnpike Project development, right-of-way acquisition, construction, operation, and maintenance; and debt service on the Authority's revenue bonds or related purposes such as the establishment of debt service reserve funds.

(b) The Authority may use up to one hundred percent (100%) of the revenue derived from a Turnpike Project for debt service on the Authority's revenue bonds or for a combination of debt service and operation and maintenance expenses of the Turnpike Projects.

(c) The Authority shall use not more than five percent (5%) of total revenue derived from all Turnpike Projects for Authority administration costs.

(d) Notwithstanding the provisions of subsections (a) and (b) of this section, toll revenues generated from a converted segment of the State highway system previously planned for operation as a nontoll facility shall only be used for the funding or financing of the right-of-way acquisition, construction, expansion, operations, maintenance, and Authority administration costs associated with the converted segment or a contiguous toll facility. (2002-133, s. 1; 2006-228, s. 4.)

Effect of Amendments. — Session Laws 2006-228, s. 4, effective August 10, 2006, added subsection (d).

§ 136-89.189. Turnpike Authority revenue bonds.

The Authority shall be a municipality for purposes of Article 5 of Chapter 159 of the General Statutes, the State and Local Government Revenue Bond Act, and may issue revenue bonds pursuant to that Act to pay all or a portion of the cost of a Turnpike Project or to refund any previously issued bonds. In connection with the issuance of revenue bonds, the Authority shall have all powers of a municipality under the State and Local Government Revenue Bond Act, and revenue bonds issued by the Authority shall be entitled to the protection of all provisions of the State and Local Government Revenue Bond Act. (2002-133, s. 1.)

§ 136-89.190. Sale of Turnpike Authority revenue bonds.

Revenue bonds of the Authority issued pursuant to G.S. 136-89.189 and the State and Local Government Revenue Bond Act shall be sold in accordance with and pursuant to Article 7 of Chapter 159 of the General Statutes. (2002-133, s. 1.)

§ 136-89.191. Cost participation by Department of Transportation.

The Department of Transportation may participate in the cost of preconstruction activities, construction, maintenance, or operation of a Turnpike Project. (2002-133, s. 1.)

§ 136-89.192. Equity distribution formula.

Only those funds applied to a Turnpike Project from the State Highway Fund, State Highway Trust Fund, or federal-aid funds that might otherwise be used for other roadway projects within the State, and are otherwise already subject to the distribution formula under G.S. 136-17.2A, shall be included in the distribution formula.

Other revenue from the sale of the Authority's bonds or notes, project loans, or toll collections shall not be included in the distribution formula. (2002-133, s. 1.)

§ 136-89.193. Annual plan of work; annual and quarterly reports.

(a) Annual Plan of Work. — The Authority shall annually develop a plan of work for the fiscal year, describing the activities and projects to be undertaken, accompanied by a budget. This annual plan of work shall be subject to the concurrence of the Board of Transportation.

(b) Annual Reports. — The Authority shall, promptly following the close of each fiscal year, submit an annual report of its activities for the preceding year to the Governor, the General Assembly, and the Department of Transportation. Each report shall be accompanied by an audit of its books and accounts.

(c) Semiannual Reports. — The Authority shall submit semiannual reports to the Joint Legislative Transportation Oversight Committee, and more frequent reports if requested. The reports shall summarize the Authority's activities during the preceding six months, and shall contain any information about the Authority's activities that is requested by the Committee.

(d) Report Prior to Let of Contracts. — The Authority shall consult with and report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations prior to the letting of any contract for Turnpike Project construction authorized under G.S. 136-183(a)(2).

(e) Report Prior to Study and Design. — The Authority shall consult with and report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations prior to the study, planning, development or design of any Turnpike Project authorized under G.S. 136-89.183(a)(3). (2002-133, s. 1.)

Editor's Note. — Session Laws 2002-133, s. 9, provides that the North Carolina Turnpike Authority shall evaluate the feasibility of encouraging mass transit and ridesharing in its proposed toll road facilities.

§ 136-89.194. Laws applicable to the Authority; exceptions.

(a) Motor Vehicle Laws. — The Turnpike System shall be considered a "highway" as defined in G.S. 20-4.01(13) and a "public vehicular area" as defined in G.S. 20-4.01(32). All law enforcement and emergency personnel, including the State Highway Patrol and the Division of Motor Vehicles, shall have the same powers and duties on the Turnpike System as on any other highway or public vehicular area.

(b) Contracting. — For the purposes of implementing this Article, the Authority shall solicit competitive proposals for the construction of Turnpike Projects in accordance with the provisions of Article 2 of this Chapter. Contracts for professional engineering services and other kinds of professional or specialized services necessary in connection with construction of Turnpike

Projects shall be solicited in accordance with procedures utilized by the Department of Transportation.

(c) Alternative Contracting Methods. — Notwithstanding the provisions of subsection (b) of this section, the Authority may authorize the use of alternative contracting methods if:

(1) The authorization applies to an individual project;

(2) The Authority has concluded, and documented in writing, that the alternative contracting method is necessary because the project cannot be completed utilizing the procedures of Article 2 of this Chapter within the necessary time frame or available funding or for other reasons the Authority deems in the public interest;

(3) The Authority has provided, to the extent possible, for the solicitation of competitive proposals prior to awarding a contract; and

(4) The approved alternative contracting method provides for reasonable compliance with the disadvantaged business participation goals of G.S. 136-28.4.

(d) Entry for Surveys. — The Turnpike Authority and its employees and contractors shall have the same right of entry for surveys, borings, soundings, or examinations as granted the Department of Transportation in G.S. 136-120. (2002-133, s. 1; 2006-228, s. 6.)

Effect of Amendments. — Session Laws 2006-228, s. 6, effective August 10, 2006, added subsection (d).

§ 136-89.195. Internet report of funds expended.

The Department shall publish and update annually on its Internet web site a record of all expenditures of the Authority for highway construction, maintenance, and administration. The record shall include a total expenditure amount by county. For each Turnpike Project, the record shall include a readily identifiable project name or location, the nature of the project, the amount of the project, the contractor for the project, the date of project letting, and the actual or expected project completion date. (2002-133, s. 1.)

§ 136-89.196. Removal of tolls.

The Authority shall, upon fulfillment of and subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds, remove tolls from a Turnpike Project. (2002-133, s. 1.)

§ 136-89.197. Maintenance of nontoll routes.

The Department shall maintain an existing, alternate, comparable nontoll route corresponding to each Turnpike Project constructed pursuant to this Article. (2002-133, s. 1.)

§ 136-89.198. Authority to toll existing interstate highways.

(a) General. — Notwithstanding any other provision of this Article, the Authority may collect tolls on any existing interstate highway for which the United States Department of Transportation has granted permission by permit, or any other lawful means, to do so. The revenue generated from the collected tolls shall be used by the Authority to repair and maintain the

interstate on which the tolls were collected. These revenues shall not be used to repair, maintain, or upgrade any State primary or secondary road adjacent to or connected with the interstate highways.

(b) Method. — The Authority shall establish toll locations on the permitted interstate highway in accordance with federal guidelines. Toll locations shall be erected at or near the borders of the State and at such other locations that are not impracticable, unfeasible, or that would result in an unsafe or hazardous condition.

(c) Severability. — If any provision of this section or its application is held invalid, the invalidity does not affect other provisions or applications of this section that can be given effect without the invalid provisions or application, and to this end the provisions of this section are severable. (2005-276, s. 28.21(b).)

Editor's Note. — Session Laws 2005-276, s. 1.2, provides: "This act shall be known as the 'Current Operations and Capital Improvements Appropriations Act of 2005'."

Session Laws 2005-276, s. 28.21(a), provides: "The North Carolina Department of Transportation shall apply to the United States Department of Transportation for a permit to allow tolling on established interstate highways in North Carolina. The Department shall set Interstate 95 as the priority project when applying for any permits."

Session Laws 2005-276, s. 46.5 is a severability clause.

ARTICLE 7.

Miscellaneous Provisions.

§ 136-90. Obstructing highways and roads misdemeanor.

If any person shall willfully alter, change or obstruct any highway, cartway, mill road or road leading to and from any church or other place of public worship, whether the right-of-way thereto be secured in the manner provided for by law or by purchase, donation or otherwise, such person shall be guilty of a Class 1 misdemeanor. If any person shall hinder or in any manner interfere with the making of any road or cartway laid off according to law, he shall be guilty of a Class 1 misdemeanor. (1872-3, c. 189, s. 6; 1883, c. 383; Code, s. 2065; Rev., s. 3784; C.S., s. 3789; 1993, c. 539, s. 989; 1994, Ex. Sess., c. 24, s. 14(c).)

CASE NOTES

Requisites for Indictment and Conviction. — An indictment for obstructing a neighborhood road leading to a church, which follows the words of this section, will be sustained; still, to warrant a conviction, it is essential, in the absence of proof of an actual dedication, or of a laying out by public authority under G.S. 136-71, to show a user for 20 years, and it must have been worked and kept in order by public authority. State v. Lucas, 124 N.C. 804, 32 S.E. 553 (1899).

A special verdict, rendered on a trial for obstructing a road, is also defective in that it does not find that the user of the road by the public was as of right and adversary. State v. Stewart, 91 N.C. 566 (1884).

Placing Nails in Highway. — Placing nails in the highway in order to puncture automobile tires is an obstruction within this section. State v. Malpass, 189 N.C. 349, 127 S.E. 248 (1925).

Preventing Construction of Drainage Ditch. — Where a person obstructs an overseer in cutting a ditch across his land to drain a public road, he is not guilty of obstructing justice, there being no provision of law for taking private property for this purpose and the payment of just compensation therefor. State v. New, 130 N.C. 731, 41 S.E. 1033 (1902).

Obstruction a Nuisance. — Unlawful obstruction of a highway is a public nuisance. Brooks v. Henrietta Mills Co., 182 N.C. 719, 110 S.E. 96 (1921).

Intentionally obstructing the flow of traffic constitutes an indictable nuisance, a misde-

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, March 5, 2008
10:00 AM
Room 1027, Legislative Building

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, March 5, 2008 at 10:00 a.m., in Room 1027 the Legislative Building. Senator Jenkins, Chair; Representative Cole (full committee member), Mr. Sewell, Mr. Wilson and Mr. Blackburn attended.

Senator Jenkins presided. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency Sub-Committee meeting and acknowledged the Sergeant at Arms.

Senator Jenkins recognized Roberto Canales, TMT Project Leader at the North Carolina Department of Transportation, to give a report and power-point presentation on the *Status of the Five Key Transformational Initiatives and Organizational Assessment for 21st Century Transportation* (see Attachment I and II). Mr. Canales gave a brief overview of the Transformation Update and explained the focus on the five key areas which were elaborated on by the following managers. Mark Tyler presented the Strategic Direction section (beginning on page 5); Joey Hopkins presented the Planning and Prioritization section (beginning on page 12); Terry Gibson presented the Program and Project delivery section (beginning on page 17); Victor Barbour presented the Performance and Accountability section (beginning on page 23); and Anthony Roper presented the Improved HR Management section (beginning on page 35). Roberto Canales gave the closing remarks beginning on page 39. Senator Jenkins thanked the presenters for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Senator Jenkins recognized Giles Perry of the North Carolina General Assembly Research Staff to address the committee. Mr. Perry discussed the statutory authority and powers of the North Carolina Turnpike Authority (see Attachment III). Mr. Perry also discussed toll roads and reviewed the relationship of the Turnpike Authority to the North Carolina Board of Transportation and the North Carolina Department of Transportation. Senator Jenkins thanked Mr. Perry for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

The meeting adjourned at 11:53am.

Clark Jenkins

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation
Prioritization Subcommittee
Agenda
April 24, 2008
10:00-12:00
Legislative Building 1228/1327

Chairs' Comments Senator Clark Jenkins

Discussion of Draft Interim Recommendations- Prioritization Subcommittee

Discussion of Draft Interim Recommendations- Finance Subcommittee

FRD
4/23/2008

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency April 24, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BERRY Jenkins	CAROLINAS AGC
Steve DeWitt	NCTA
Reid Simons	NCTA
Beau Memory	NCTA
David Farren	SELC
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Jeff Mixon	Civitas
SHANNON LASATER	NCDOT
DON VOELKEL	NCDOT
Susan Coward	NCDOT

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency April 24, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
C S Hollis	KCC
Kathryn Grunyer	ACEC/NC
John Mahaffey	Gov Affairs

Attachment I.

21st Century Transportation Committee
Prioritization, Best Practices, and Efficiency Subcommittee
DRAFT Interim Recommendations
For NCGA consideration
Session 2008

There are nine interim recommendations for consideration by the 21st Century Transportation Committee:

Numbers 1 & 2 – Transfer Elimination and Gap Funding : Details with Finance Subcommittee

Number 3 – Organization of NCDOT:

Based on NCDOT's internal assessment, there is a lack of formalized statewide long-term thinking, planning, and executing. There is little relationship between the Department's goals and staff level duties and performance. Too many poorly selected priorities dilute focus, overtax resources, and slow delivery, and there is a lack of accountability in delivery of transportation projects. There has been a considerable amount of work done by NCDOT's Transformation Management Team, and numerous options and recommendations for improvement are being development. Several critical activities are scheduled for completion within the next few months such as a completed organizational review, transportation delivery program improvements, mobility measures and improvements, project dashboard, etc. We commend the managers and employees directly involved with these efforts and encourage NCDOT to allow greater empowerment of these teams to immediately implement new ideas and strategies and encourage much more transparency and communications between these efforts and stakeholders, including this Committee.

The Board of Transportation plays a critical role in balancing diverse requirements and providing a strong linkage between transportation policy, programs, local governments, and our citizens. Additional laws or revised ethics policies can not improve upon the various changes and reorganizations that of previously occurred. Only strong leadership can ensure the NCDOT effectively fulfills its critical responsibilities and objectives. Therefore, the Prioritization Subcommittee recommends that the Secretary of NCDOT be legislatively selected as the Chairman of the Board of Transportation. As the only full time member of the board, the Secretary should provide the leadership to all members of the board necessary to maintain focus on transportation policies, programs, and long-term transportation needs. Additionally, the Subcommittee recommends that the Secretary not serve as the Chairman of the Board for the NC Turnpike Authority. The Legislative intent to provide some level of autonomy to the NCTA to improve on existing delivery processes is somewhat restricted with the existing organization. The State Highway Administrator should serve as the Chief Executive and be solely responsible for the Division of Highways operations and all Departments responsible for planning, programming, preconstruction, construction, maintenance, and operations. The current role for the Secretary to serve as a "CEO equivalent" and ex-officio Board member has

resulted in producing a Chief Executive without a strong professional transportation background, decision making retained at a high level significantly impacting responsiveness, and a Board of Transportation that was marginalized by its ex-officio Secretary acting as CEO.

Number 4 – Roles and Responsibilities of the Board of Transportation –There are currently no recommended changes to the composition of the Board of Transportation. However, it is recommended that the roles and responsibilities of the board be adjusted, as authorized under the current statues by the Secretary, to include increased oversight in the scheduling, delivery, and costs of Transportation Projects and Programs, with less emphasis on reviewing and approving individual project expenditures for rights-of-way acquisition, utility relocation, secondary road additions and expenditures, etc. The Board of Transportation should increase their oversight responsibilities in the area of long term transportation needs and financing options, transportation policies, transportation program delivery, and coordination and cooperation with Municipal Planning Organizations, and local governments.

Number 5 – Mobility Corridors and Congestion Relief-
The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed on loops and interstate routes according to measures of congestion indices, travel time, average daily traffic, and accident rates, to modernize existing facilities, maximize capacity, remove bottlenecks which increase congestion, and add capacity where necessary, based on benefit/cost factors. These funds can also be used to accelerate planned loop projects where measurable congestion relief is provided.

Number 6 – Intrastate System and Bridge Preservation The Prioritization Subcommittee proposes that 50% of new revenues and/or bonding authorization be programmed against completion of the current Intrastate System and/or Bridge Replacement and Preservation allocated through the existing equity formula. If Intrastate System projects are not available for construction, these funds can only be used for replacing structurally deficient or functional obsolete bridges within a region or on mobility corridors according to item 5 above on statewide tier routes.

Number 7 – Remove Interstate Maintenance from Equity Calculations - The Prioritization Subcommittee recommends removing the Federal Interstate Maintenance Funds from Equity Formula. IM Funds are approximately 3 % of the total federal and state transportation revenues. By removing them from equity calculations, similar to Congestion Mitigation and Air Quality funds, the Interstate System in NC can be maintained at a higher level of service without competing against other critical projects within a region, and would allow the establishment of an Interstate Resurfacing and Preventive Maintenance funding allocation annually to the Highway Divisions based on their Interstate Mileages to more economically provide preventive maintenance treatments in a timely manner.

Number 8 – Implementation of Key Studies Recommendations

Implement immediately (next 60 to 90 days) key recommendations from previous studies that to date have not been implemented:

- The NCDOT should develop meaningful and reliable highway performance objectives, measures and indicators for preconstruction and construction schedules and costs. Results should be compared to stabled goals as well as the results of prior periods, and should be reported internally and externally. Management should analyze results for variances, trends, and relationships and use them in budgetary, decision making, and improvement processes.
- Change the TIP structure to improve the ability to deliver projects as planned. Improve the Program and Project Delivery processes through streamlining of planning processes, improvements and decentralization of the bridge replacement.
- Establish measurable department-wide strategic objectives for program delivery, an annual business plan for improvements, and management accountabilities for accomplishing them. Provide proactive and standardized delivery reports at the program and project level to policy makers, customers, and business partners.

Number 9 – Use of Highway Trust Funds for Secondary Roads for Bonding Authority for Item Numbers 5 and 6 Above

Currently, 37 percent of state transportation expenditures are on the statewide tier of facilities, 19 percent on the regional tier, and 44 percent on the sub-regional tier. However, based on percentage of needs, the statewide tier accounts for 49 percent of the needs while carrying 50 percent of all traffic, the regional tier is 12 percent of the needs and 15 percent of the traffic, and sub-regional tier is 39 percent of the need and 35 percent of the traffic. The creation of the Highway Trust Fund mandated that all unpaved roads be paved. In 1989 there were over 16,000 miles of unpaved secondary roads, and currently less than 5,500 miles of unpaved roads, of which 1,800 can not be paved due to right-of-way and/or environmental issues. Therefore, the approximately 3,000 miles of unpaved roads remaining to be paved can be programmed and paved using the Highway Fund portion of the secondary roads program allowing the use of the Highway Trust Funds for increased bond authority in order to reduce congestion, and replace critical substandard bridge infrastructure. By using the $94 Million per year Highway Trust Fund allocation to Secondary Roads for existing and additional bonding authority for projects under item numbers 5 and 6, the percent expended by tier will better model the percentage of needs while increasing the priority for reducing congestion, and critical bridge infrastructure

Attachment II.

21st 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.

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
Cost	$391.7

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

21st 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.

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, April 24, 2008
10:00 AM
Room 1228, Legislative Building

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, April 24, 2008 at 10:00 a.m., in room 1228 of the Legislative Building. Senator Jenkins, Chair; Representative Carney and McGee; Mr. Richard Blackburn, Mr. Billy Sewell, Mr. Lanny Wilson attended the meeting.

Senator Jenkins presided the meeting, but requested that General Jim Trogdon, the Director of Strategic Transportation Planning at the North Carolina General Assembly, commence the meeting. General Trogdon opened discussion to all members to make comments on the draft interim recommendations (see Attachment I). At the request of a committee member, General Trogdon went line by line through the list of recommendations; further discussion took place. Next, General Trogdon briefed the committee on the recommendations being reviewed by the 21st Century Transportation Finance Subcommittee (see Attachment II). Senator Jenkins thanked General Trogdon for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

Further discussion took place regarding the procedure of voting on the recommendations, which will take place at a future meeting after the adjournment of the 2008 Short Session.

The meeting adjourned at 11:01 am.

Clark Jenkins

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation Committee
Agenda
September 11, 2008
09:30 AM
Four Points Sheraton Downtown Asheville Hotel Ballroom
22 Woodfin Street

Welcome	Mr. D. Jordan Whichard
Powell Bill Funds for Municipal Road Maintenance	Mr. Mark Foster Chief Financial Officer NCDOT
Considerations for Increased Municipal Responsibility of Urban Secondary Roads	Mayor William Bell League of Municipalities NC Metropolitan Coalition
Discussion	
Adjourn	



STATE STREET-AID

(POWELL BILL)

GS. 136-41.1 - GS. 136-41.4

Attachment I.

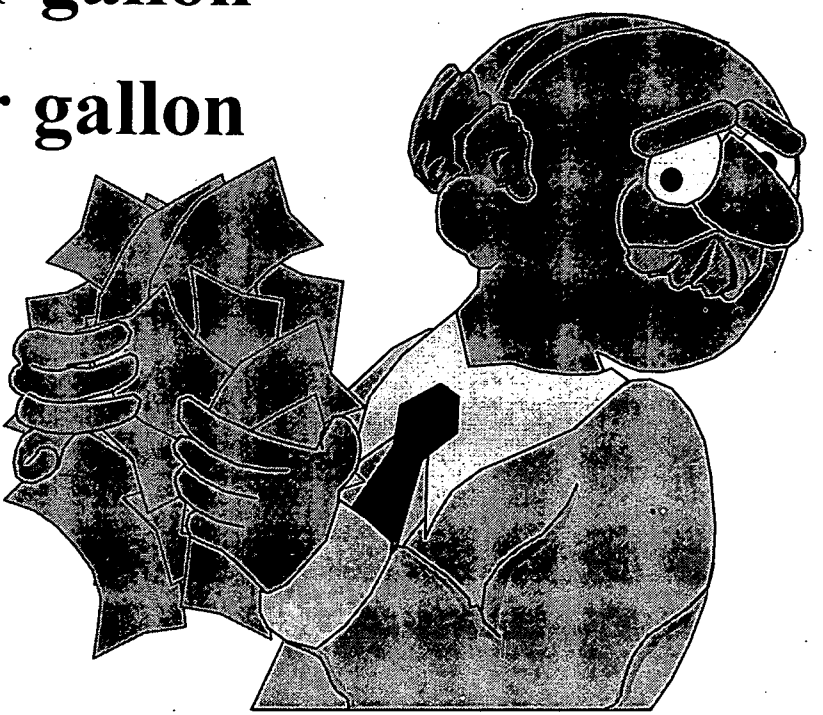
PURPOSE

- 1949 Legislation
- Provides financial assistance for municipal maintained streets
- Eligible activities
  - Construction
  - Maintenance
  - Sidewalks
  - Bike Lanes
  - Traffic Control Devices
  - Municipal Street Bond Debt Service

REVENUES

State Highway Fund

- 1951 – 1971 -- 1/2 ¢ per gallon of motor fuel
- 1972 – 1981 -- 1 ¢ per gallon
- 1982 – 1986 -- 1 3/8¢ per gallon
- 1987 – Present -- 1 3/4¢ per gallon



Highway Trust Fund

- 1990 – Present -- 6.5%

ALLOCATION FORMULA

Population	Certified Mileage
75%	25%

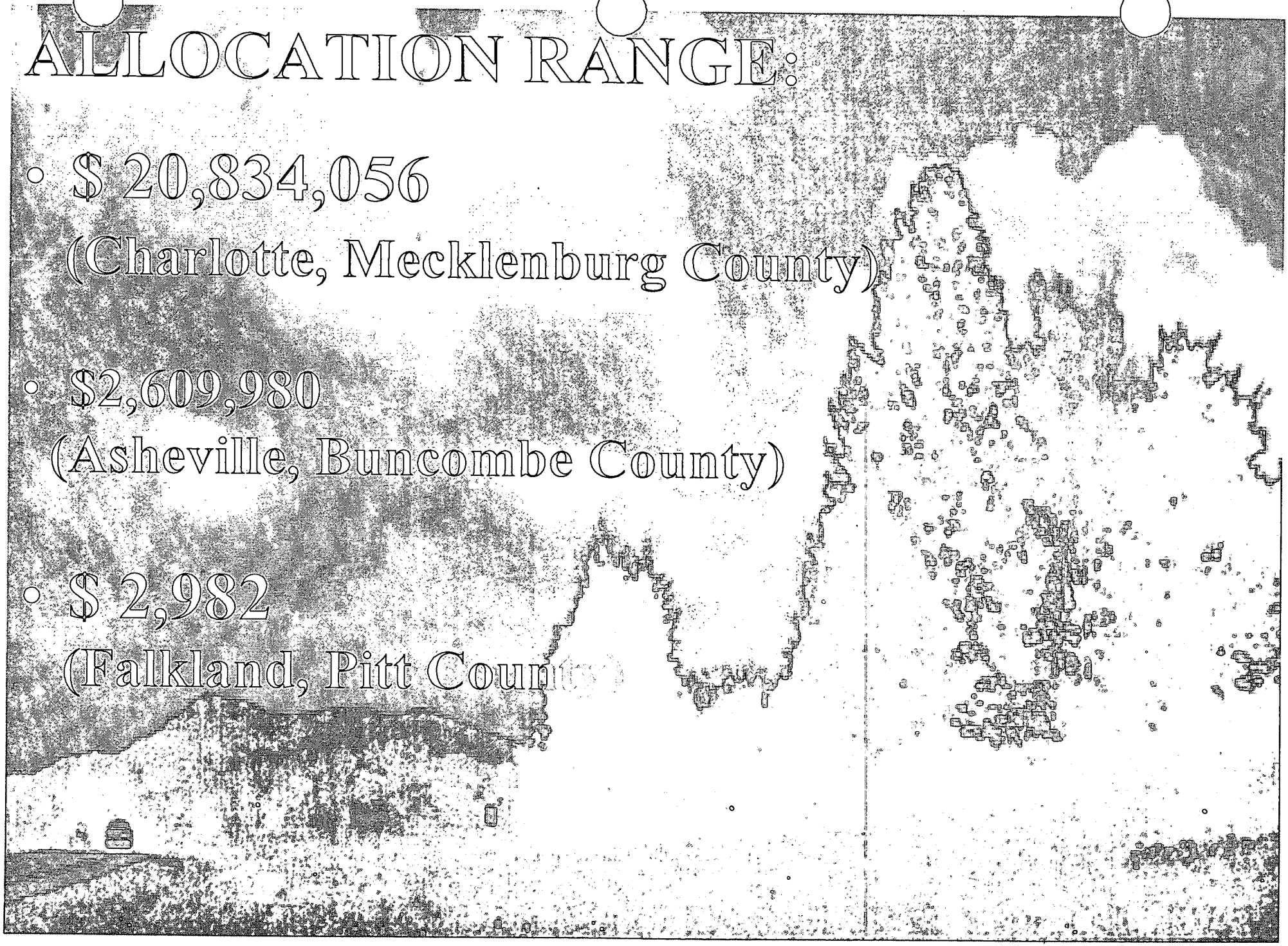
2007 Allocation

4,709,218 population = $25.12 per capita

20,894.93 miles =$1,886.91 per mile

ALLOCATION RANGE:

- $ 20,834,056
  (Charlotte, Mecklenburg County)
- $2,609,980
  (Asheville, Buncombe County)
- $ 2,982
  (Falkland, Pitt Coun[illegible])



Municipal Participation Requirements

Incorporation Date:

Prior to 1945	1945 through 1999	After Dec. 1999
• Election	• Election	•Election
• Ad valorem tax or other operating funds	•Ad valorem tax > $.05 on a $100 valuation	• Ad valorem tax > $.05 on a $100 valuation
	• 2 qualifying municipal services	• 4 qualifying municipal services

PROGRAM GROWTH



- **1951 -- First allocation**

  ($4.5 million / 386 municipalities)

- **2007 -- Past year allocation**

  ($157.7 million / 505 municipalities)

ALLOCATION DISTRIBUTION

**$$$



- **Web site**

  http://www.dot.state.org/programs/Powell_Bill/

- **Program Manager**

  Betsy Williams 733-3624x303

  bgwilliams@ncdot.gov

STATE SECONDARY HIGHWAY SYSTEM

PAVED AND UNPAVED MILEAGE BY COUNTIES AND NON-MUNICIPAL - MUNICIPAL

NC 500 ST

January 1, 2007

COUNTY	NON-MUNICIPAL			MUNICIPAL			TOTALS		
	PAVED	UNPAVED	TOTAL	PAVED	UNPAVED	TOTAL	PAVED	UNPAVED	TOTAL
JOHNSTON	1287.30	37.57	1324.87	60.39	0.41	60.80	1347.69	37.98	1385.67
JONES	227.65	17.59	245.24	1.33		1.33	228.98	17.59	246.57
LEE	330.62	15.59	346.21	60.38	0.15	60.53	391.00	15.74	406.74
LENOIR	553.47	36.46	589.93	35.04	0.70	35.74	588.51	37.16	625.67
LINCOLN	621.59	14.20	635.79	17.58		17.58	639.17	14.20	653.37
MACON	438.70	116.11	554.81	17.82	7.71	25.53	456.52	123.82	580.34
MADISON	399.07	108.54	507.61	18.71		18.71	417.78	108.54	526.32
MARTIN	364.45	36.23	400.68	15.02		15.02	379.47	36.23	415.70
MCDOWELL	406.97	35.20	442.17	12.38	0.53	12.91	419.35	35.73	455.08
MECKLENBURG	352.78	15.68	368.46	337.47	1.42	338.89	690.25	17.10	707.35
MITCHELL	193.83	40.37	234.20	9.35	0.02	9.37	203.18	40.39	243.57
MONTGOMERY	455.15	50.93	506.08	17.27		17.27	472.42	50.93	523.35
MOORE	758.93	69.12	828.05	65.17	1.12	66.29	824.10	70.24	894.34
NASH	723.96	23.82	747.78	72.95	0.05	73.00	796.91	23.87	820.78
NEW HANOVER	329.76	1.35	331.11	42.54		42.54	372.30	1.35	373.65
NORTHAMPTON	402.25	31.52	433.77	12.36		12.36	414.61	31.52	446.13
ONSLOW	552.78	18.94	571.72	35.63		35.63	588.41	18.94	607.35
ORANGE	622.99	34.97	657.96	48.30	0.93	49.23	671.29	35.90	707.19
PAMLICO	176.06	27.73	203.79	17.22	1.35	18.57	193.28	29.08	222.36
PASQUOTANK	231.39	20.26	251.65	21.04	0.26	21.30	252.43	20.52	272.95
PENDER	468.38	37.80	506.18	22.40	1.11	23.51	490.78	38.91	529.69
PERQUIMANS	260.95	15.77	276.72	9.19		9.19	270.14	15.77	285.91
PERSON	506.99	56.57	563.56	11.93		11.93	518.92	56.57	575.49
PITT	721.24	64.58	785.82	65.93	0.10	66.03	787.17	64.68	851.85
POLK	314.07	36.43	350.50	11.22	0.70	11.92	325.29	37.13	362.42
RANDOLPH	1270.00	113.19	1383.19	102.45	1.05	103.50	1372.45	114.24	1486.69
RICHMOND	562.87	40.94	603.81	33.14		33.14	596.01	40.94	636.95
ROBESON	1296.13	71.80	1367.93	63.25	0.08	63.33	1359.38	71.88	1431.26
ROCKINGHAM	799.19	116.10	915.29	66.12	0.58	66.70	865.31	116.68	981.99
ROWAN	905.96	46.80	952.76	82.37	1.00	83.37	988.33	47.80	1036.13
RUTHERFORD	804.92	69.71	874.63	55.12	0.95	56.07	860.04	70.66	930.70
SAMPSON	1147.56	26.74	1174.30	39.00		39.00	1186.56	26.74	1213.30
SCOTLAND	387.20	28.57	415.77	36.84	0.06	36.90	424.04	28.63	452.67
STANLY	630.63	36.55	667.18	52.80	0.57	53.37	683.43	37.12	720.55
STOKES	681.79	77.48	759.27	17.71	0.20	17.91	699.50	77.68	777.18
SURRY	858.41	84.93	943.34	31.10		31.10	889.51	84.93	974.44
SWAIN	147.85	39.32	187.17	7.67	1.16	8.83	155.52	40.48	196.00
TRANSYLVANIA	244.04	44.65	288.69	13.39	0.06	13.45	257.43	44.71	302.14
TYRRELL	124.03	21.81	145.84	1.16		1.16	125.19	21.81	147.00
UNION	1104.22	50.64	1154.86	198.61	3.14	201.75	1302.83	53.78	1356.61
VANCE	345.47	23.99	369.46	17.15	0.86	18.01	362.62	24.85	387.47
WAKE	1533.55	78.81	1612.36	295.66	6.23	301.89	1829.21	85.04	1914.25
WARREN	485.31	64.98	550.29	4.50	0.11	4.61	489.81	65.09	554.90
WASHINGTON	179.89	33.48	213.37	12.19		12.19	192.08	33.48	225.56
WATAUGA	341.47	128.73	470.20	10.63	1.09	11.72	352.10	129.82	481.92
WAYNE	810.66	22.88	833.54	50.36	0.52	50.88	861.02	23.40	884.42
WILKES	952.76	209.59	1162.35	15.59		15.59	968.35	209.59	1177.94
WILSON	497.76	19.73	517.49	59.34	0.49	59.83	557.10	20.22	577.32
YADKIN	554.97	49.12	604.09	18.05		18.05	573.02	49.12	622.14
YANCEY	257.25	35.04	292.29	4.33		4.33	261.58	35.04	296.62
TOTALS	54118.55	5085.06	59203.61	4919.26	86.32	5005.58	59037.81	5171.38	64209.19

STATE PRIMARY AND SECONDARY HIGHWAY SYSTEM
PAVED AND UNPAVED MILEAGE BY DIVISIONS NON-MUNICIPAL - MUNICIPAL
NC 102 TL

January 1, 2007

DIVISION	PRIMARY					SECONDARY					TOTAL ALL SYSTEMS
	NON-MUNICIPAL		MUNICIPAL		TOTAL	NON-MUNICIPAL		MUNICIPAL		TOTAL	
	PAVED	UNPAVED	PAVED	UNPAVED		PAVED	UNPAVED	PAVED	UNPAVED		
1	1,178.29		173.96		1,352.25	3,283.52	358.45	133.16	1.20	3,776.33	5,128.58
2	917.74		173.04		1,090.78	3,366.98	314.20	227.61	6.71	3,915.50	5,006.28
3	1,034.82		179.52		1,214.34	3,848.26	159.35	256.83	2.48	4,266.92	5,481.26
4	1,220.13		222.19		1,442.32	4,360.45	168.30	298.79	1.90	4,829.44	6,271.76
5	757.58		281.04		1,038.62	4,498.51	386.57	504.62	8.95	5,398.65	6,437.27
6	1,106.89		200.59		1,307.48	4,187.55	319.44	296.46	3.53	4,806.98	6,114.46
7	646.29		242.69		888.98	3,567.27	285.46	631.29	14.98	4,499.00	5,387.98
8	891.91		194.78		1,086.69	4,970.65	419.70	343.12	3.15	5,736.62	6,823.31
9	575.52		211.89		787.41	3,669.79	228.16	465.48	6.03	4,369.46	5,156.87
10	492.89		374.76		867.65	3,218.67	174.67	744.86	7.39	4,145.59	5,013.24
11	779.11	8.08	132.54		919.73	4,033.61	926.28	169.12	3.99	5,133.00	6,052.73
12	644.97		276.82		921.79	4,451.74	280.63	454.29	6.97	5,193.63	6,115.42
13	785.68	10.57	183.19		979.44	3,468.15	413.86	254.05	5.59	4,141.65	5,121.09
14	838.13	10.09	87.50		935.72	3,193.40	649.99	139.58	13.45	3,996.42	4,932.14
TOTALS	**11,869.95**	**28.74**	**2,934.51**		**14,833.20**	**54,118.55**	**5,085.06**	**4,919.26**	**86.32**	**64,209.19**	**79,042.39**

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

The North Carolina Metropolitan Coalition and the North Carolina League of Municipalities presentation to the 21st Century Transportation Committee

September 11, 2008

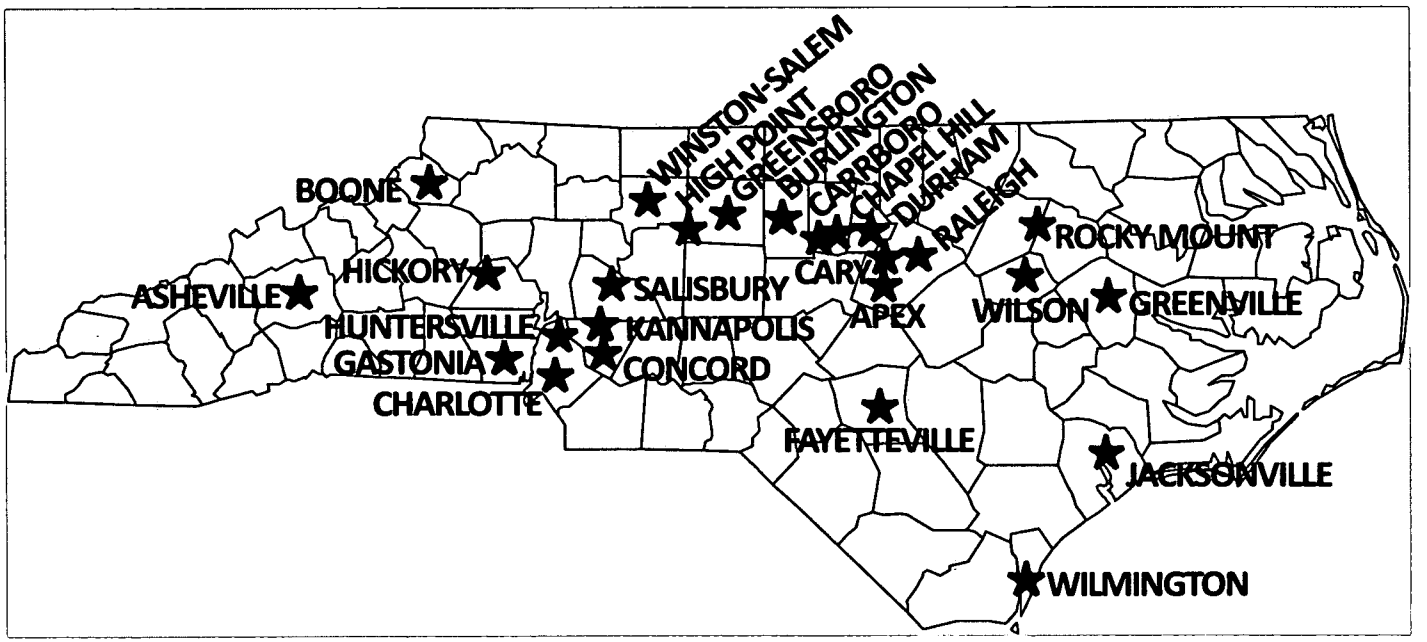
Durham Mayor
William V. "Bill" Bell

Attachment II

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA LEAGUE OF MUNICIPALITIES nclm

North Carolina Metropolitan Coalition Members



NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

Historical perspective

"Those localities where good roads have been built are becoming richer, more prosperous, and more thickly settled, while those which do not possess these advantages in transportation are either at a standstill or are becoming poorer and more sparsely settled."

--U.S. Government Bulletin, circa 1940

North Carolina became the "Good Roads State" because of consistent secondary roads and streets

User Pay Model

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

Powell Bill

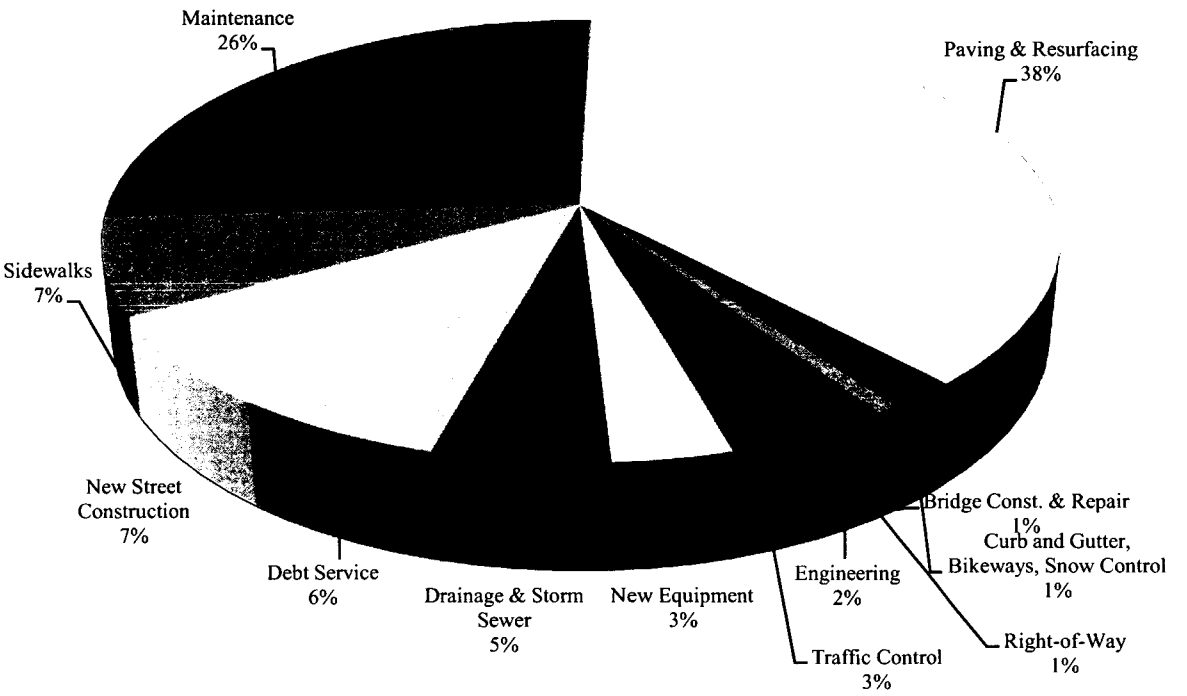
Revenue Formula = 1.75 cents per taxed gallon of motor fuel
+ 6.5 percent of highway trust fund collections

Allocated based on population (75%) and street mileage (25%)

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

2007 Municipal Use of Powell Bill Funds

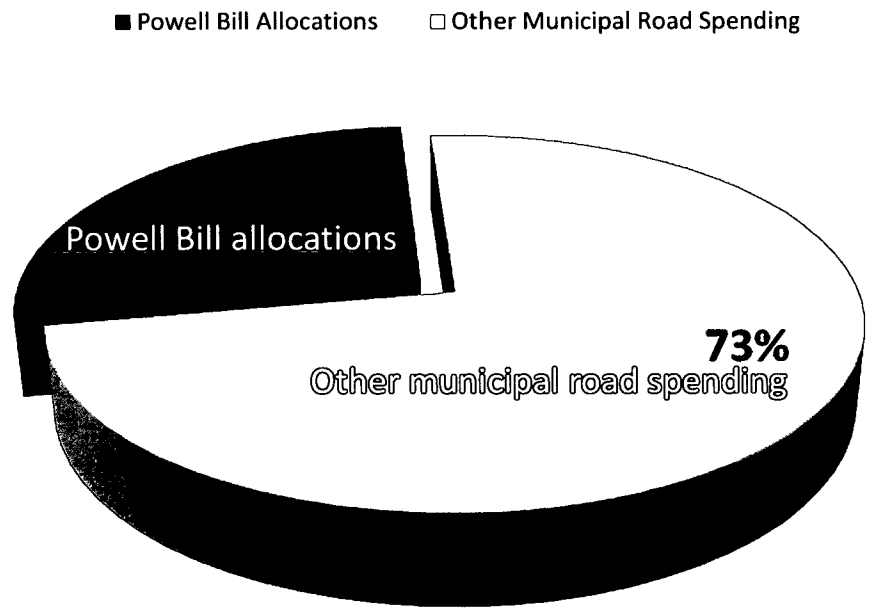


Source: Annual Financial Information Reports, State Treasurer

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

The Powell Bill covers less than 1/3 of municipal road spending

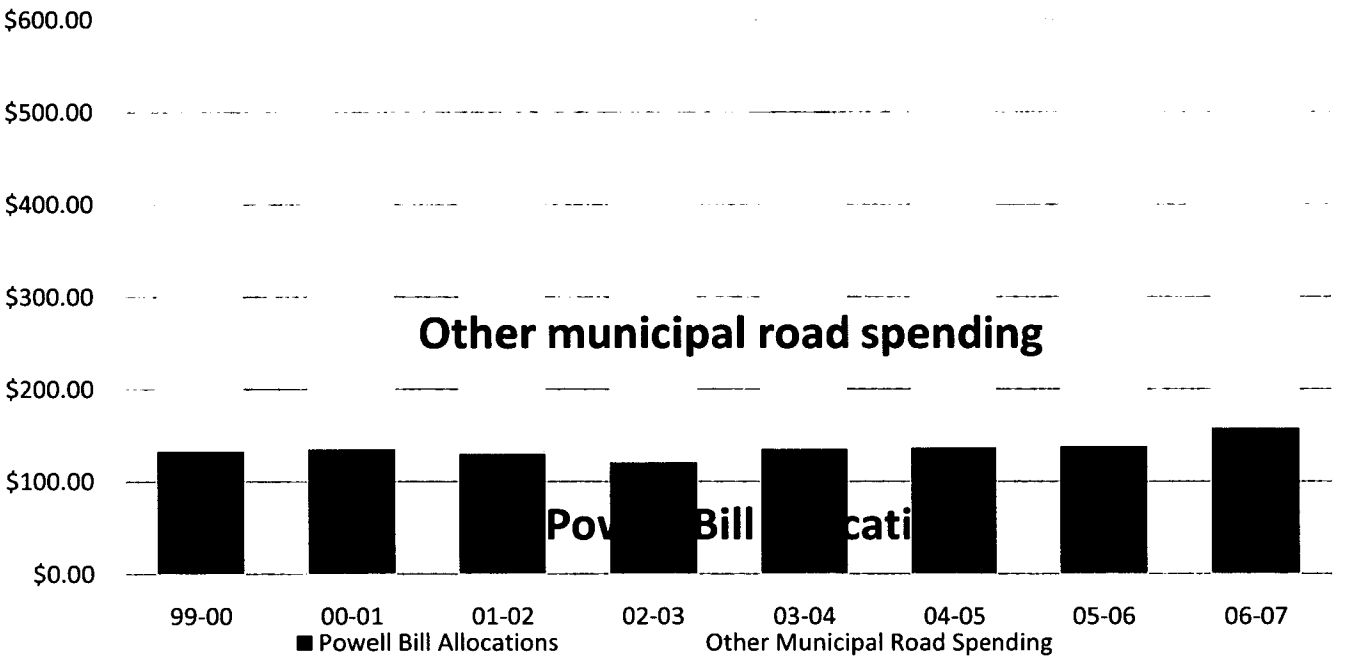


Source: 2006-07 Annual Financial Information Reports, State Treasurer

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

Cities' share of municipal road spending is growing



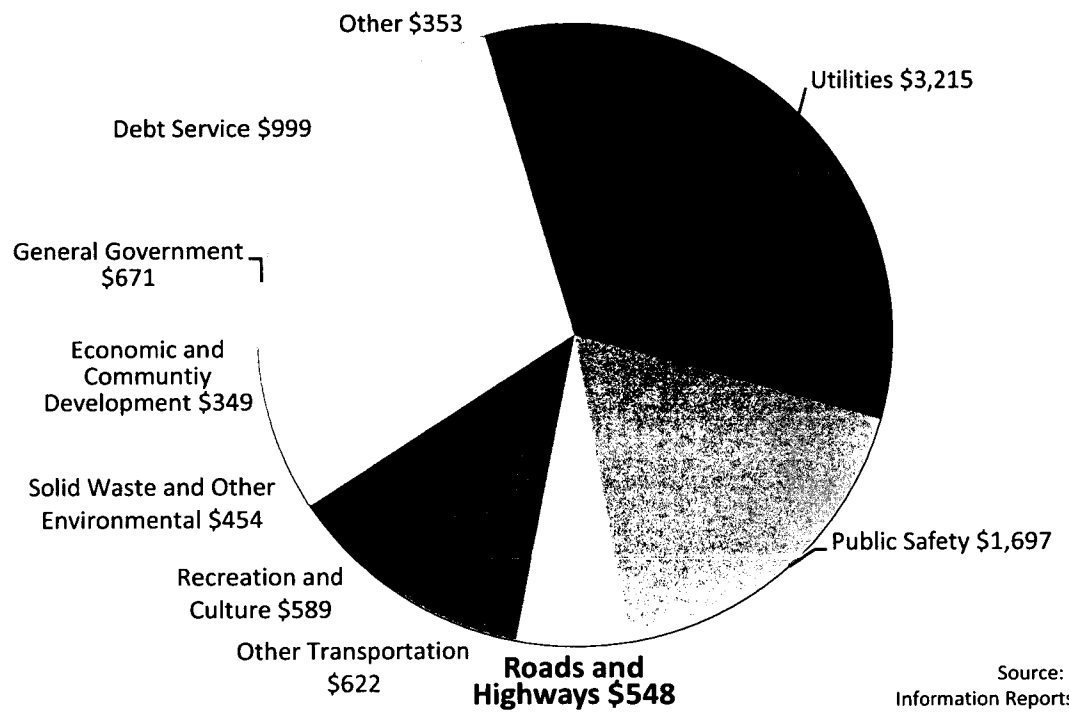
Source: Annual Financial Information Reports, State Treasurer

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

Municipal Expenditure by Function FY 06-07

(in Millions)



Source: Annual Financial Information Reports, State Treasurer

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

Local property taxes already pay to build and maintain roads

$57 of the average annual Durham homeowner's tax bill goes to supplement what the Powell Bill doesn't cover. (40 year paving schedule.)

The average Durham homeowner's annual tax bill would rise an additional $56 to support current city roads on a 20-year repaving schedule.



NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm. LEAGUE OF MUNICIPALITIES

North Carolina's other economic engine – Tax Structure

Ranked #1 best business climate 6 our of 7 years, based in part on the state and local tax scheme and transportation infrastructure.

A 2007 study by Ernst and Young for the Council on State Taxation indicated that North Carolina ranked 3rd best in terms of state and local business taxes (including property tax) as a percent of Gross State Product.

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm LEAGUE OF MUNICIPALITIES

Recent General Assembly tax relief action



Despite the state's low tax rates, rising property values are causing property taxes to increase for many North Carolina homeowners.

The General Assembly has passed several property tax reform measures in the last two years designed to reduce local property taxes by at least $50 million. (HB1449, HB2436, S1878)

NORTH CAROLINA METROPOLITAN COALITION

NORTH CAROLINA nclm LEAGUE OF MUNICIPALITIES

Relationship with DOT

- Generally the feedback from our cities was positive about their relationship with the DOT district and division offices.
- Cities would advocate for expanding the talent pool in district offices and empowering them with more decision-making authority.
- Cities would argue that each district has different needs and their staffing levels and expertise should reflect that.
- Some of the more urban cities suggested revising the boundaries of the districts given the growth in the state and considering more urban district offices with staff more familiar with urban issues.
- Cities would benefit from faster turnaround on decisions that must be made in Raleigh rather than the district offices.
- Municipalities see themselves as a partner with DOT, not a customer, so they would like to work to restore that partnership.

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency September 11, 2008
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mike Bruff	NCDOT, Raleigh
SHANNON LASATER	NCDOT
Bryant Burns	City of Wilson
Roberto Canales	NCDOT
Larry Goode	NCCA
Julie White	NC Metro Coalition
Allison Waller	Charlotte Chamber
Jim Humphreys	CHARLOTTE DOT
Thomas Caves	Dept of NC Crime Control & Public Safety
RL CLARK	Candidate N.C. Senate 49 Quail Cove Rd. Ash. 28804
Anthony Anton	NACC

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency September 11, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DAVID HYDER	CITY OF HIGH POINT
AMY SIMES	DENR
Michael W. Nicosia	Transportation Consultant Charlotte, NC MNICOSIA@CAROLINA.RR.COM
Gardner Payne	McGuireWoods Consulting
CS Hollis	K&L Gates

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Thursday, September 11, 2008
09:30 AM
Hotel Ballroom, Four Points Sheraton in Asheville

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Thursday, September, 2008 at 09:30 a.m., at the Sheraton in Asheville. Representative Carney, Representative Coates, Representative McGee, Mr. Richard Blackburn, Mr. Chuck McGrady, Mr. Billy Sewell, Mr. Jordy Whichard, and Mr. Lanny Wilson attended the meeting.

Mr. Whichard presided as chair and welcomed everyone to the 21st Century Transportation Prioritization and Efficiency and Intergovernmental sub-committee meeting and acknowledged the Sergeant at Arms.

Mr. Whichard recognized Mr. Mark Foster, Chief Financial Officer of NCDOT, to address the committee. Mr. Foster gave a power-point presentation on the *Powell Bill*, which was created in 1949 to provide financial assistance for municipal maintained streets (See Attachment I). Mr. Foster explained how revenues are collected to fund the transportation system and then gave details on how the revenue is allocated. Mr. Foster concluded by detailing the expansion of the program since its inception. Mr. Foster welcomed any questions from the committee and further discussion followed.

Mr. Whichard then recognized Mayor William Bell of Durham to address the committee. Mayor Bell gave a power-point presentation on the *Considerations for Increased Municipal Responsibility of Urban Secondary Roads* from the perspective of the North Carolina Metropolitan Coalition and from the North Carolina League of Municipalities (See Attachment II). After giving a brief historical perspective of the *Good Roads State,* Mayor Bell outlined the Powell Bill and presented a pie chart of the 2007 municipal use of the Powell Bill funds in North Carolina. Mayor Bill stated that the cities' share of municipal road spending is growing and consequentially taxes are mandated to supplement what the Powell Bill does not cover. Mayor Bell concluded his presentation by discussing the perceived relationship between the cities and municipalities with the Department of Transportation. Mayor Bell welcomed questions from the committee and further discussion followed.

Mr. Whichard thanked the presenters for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

The meeting adjourned at 10:15am.

Clark Jenkins

Senator Clark Jenkins, Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation – Prioritization, Efficiency, Best Practices and Intergovernmental Sub-Committee
Agenda
November 5, 2008
10:00 AM
Room 544 Legislative Office Building

Welcome	Senator Clark Jenkins Mr. D. Jordan Whichard
Statewide Mobility and Assessment	Mr. Kevin Lacy, PE State Traffic Engineer NCDOT
Discussion	
Adjourn	



Outline

- Definitions
- Strategic Highway Corridors (SHC) VMT Growth
- Strategic Highway Corridors Performance
- Prioritization Model and Top Congestion Reduction Projects
- Program Prioritization
- Congestion Reduction Toolbox
- Mobility Performance Measures



Mobility vs. Congestion

Mobility

- Reasonable travel times
- Predictability/Reliability in travel

Congestion

- Unreasonable travel times
- Little or no reliability in travel
- Recurring Congestion – lack of physical capacity to meet demand
- Non-Recurring Congestion – incidents, weather, special events, or work zones/maintenance



Highway Tiers

Statewide Tier – The Strategic Highway Corridors. Includes the Interstates, Intrastate System routes, National Highway System routes, and other major highways

7% of the system miles; Carries 45% of the traffic

Regional Tier – Primary routes (US and NC) not on the Statewide Tier.

12% of the system miles; Carries 30% of the traffic

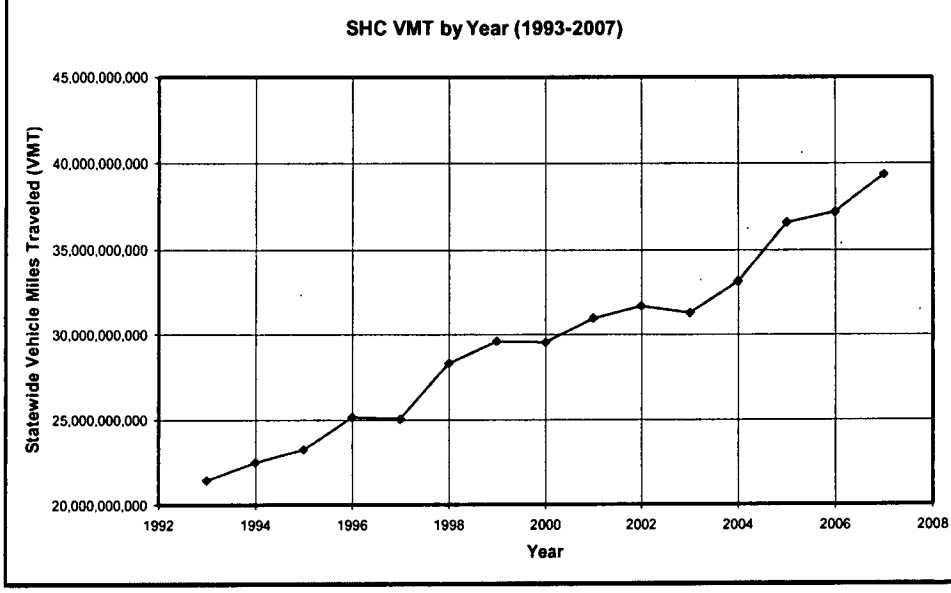
Subregional Tier – Secondary routes (SR) not on the Statewide Tier.

81% of the system miles; Carries 25% of the traffic



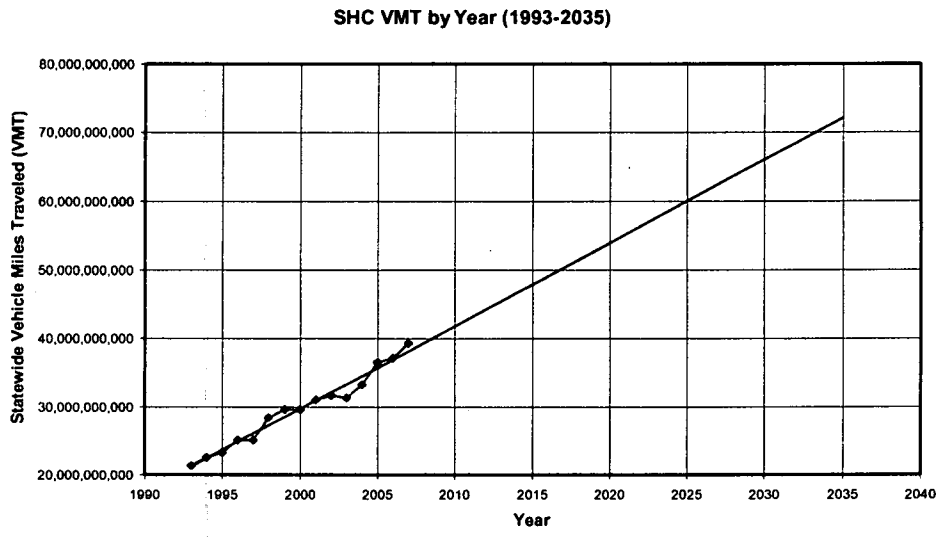


SHC VMT Growth



SHC VMT Growth

VMT has increased by 84% between 1993-2007



SHC Performance

Maps illustrate Performance of SHC vs. STIP Projects

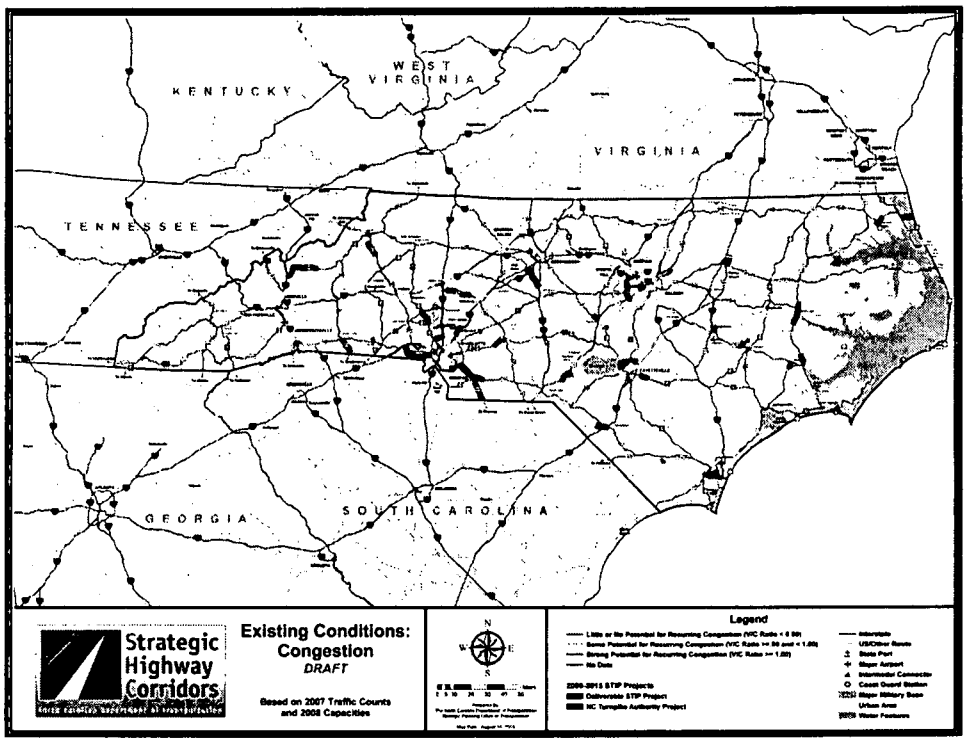
- Relates to Department's Goals of Efficiency, Safety, and Last Longer
  - Congestion (Recurring) based on Volume/Capacity Ratio
  - Safety based on Critical Crash Rates
  - Pavement Condition based on Pavement Condition Rating

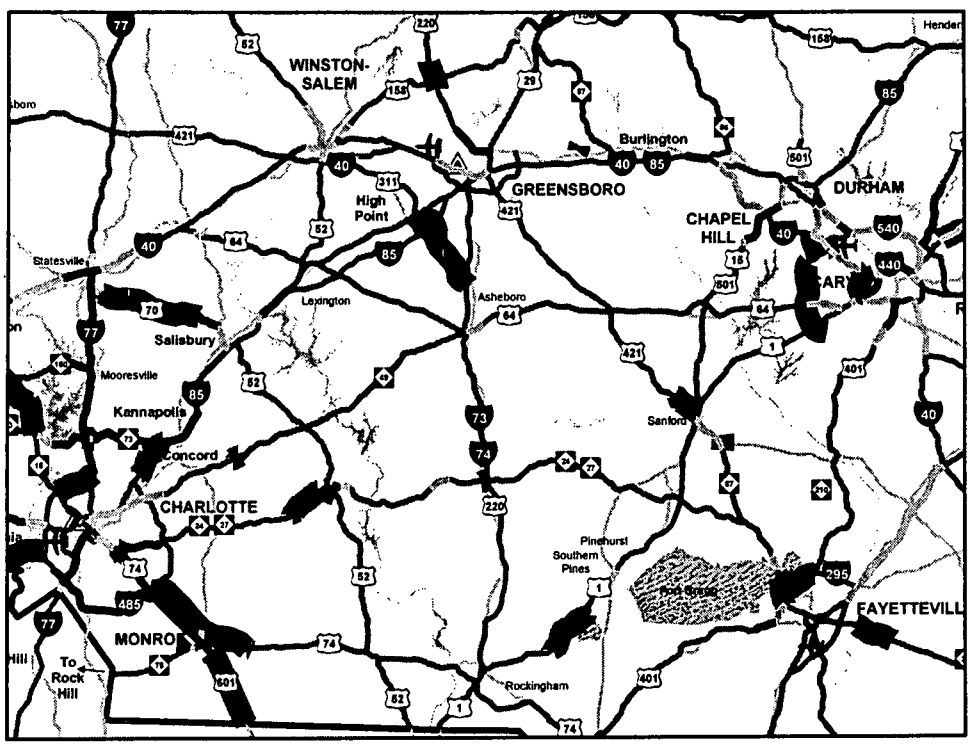
STIP Projects

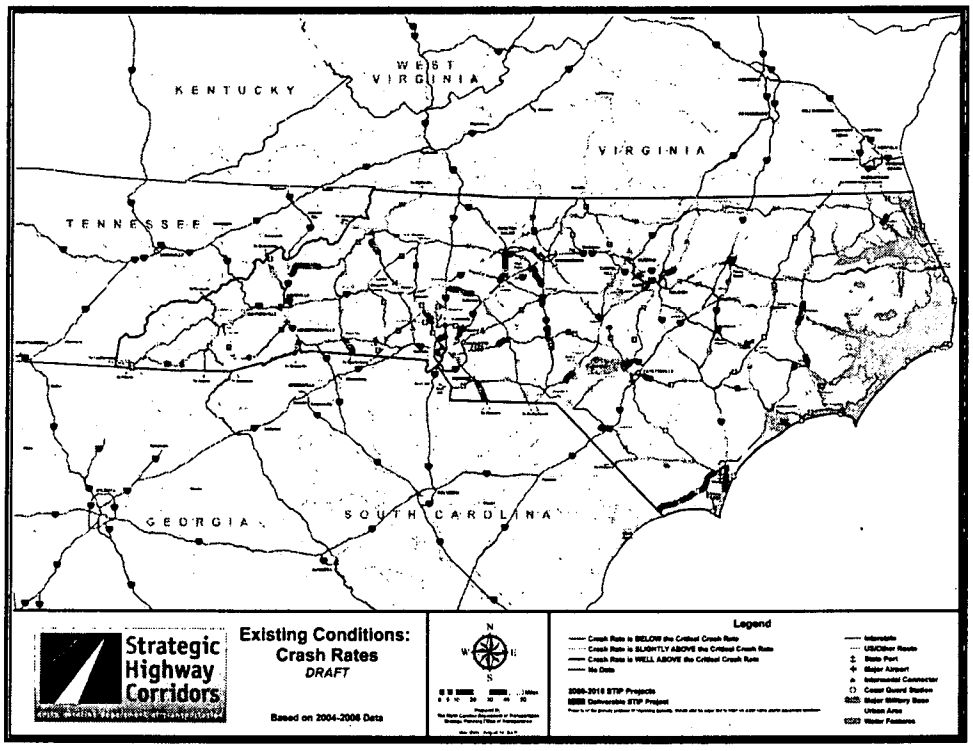
- Includes only projects in Delivery STIP (first 3 years)

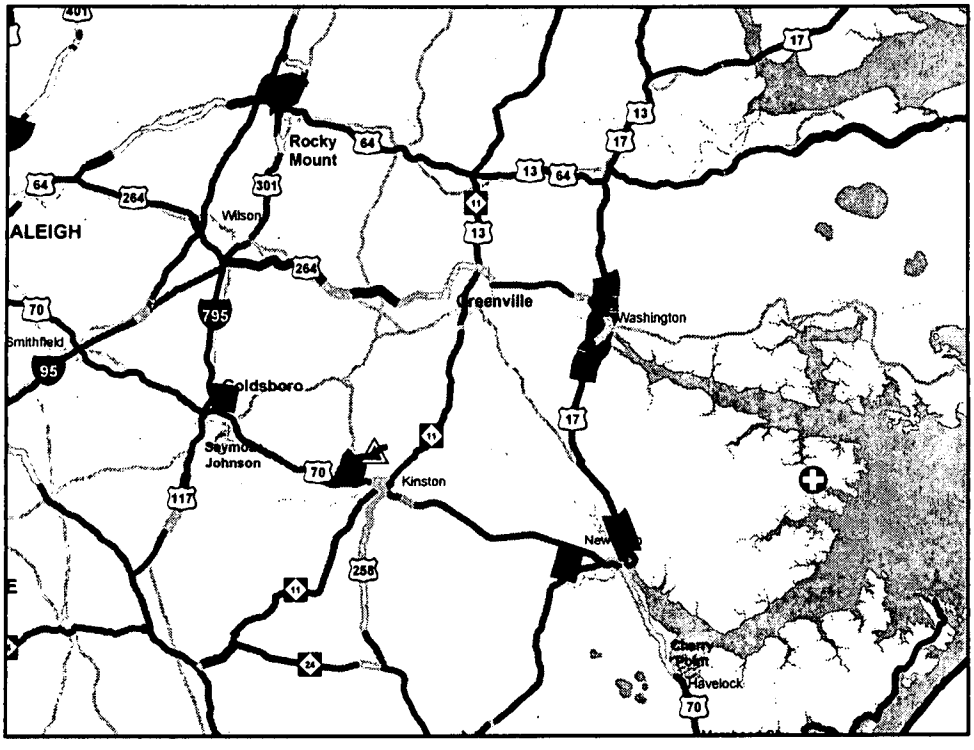
Easy to understand maps

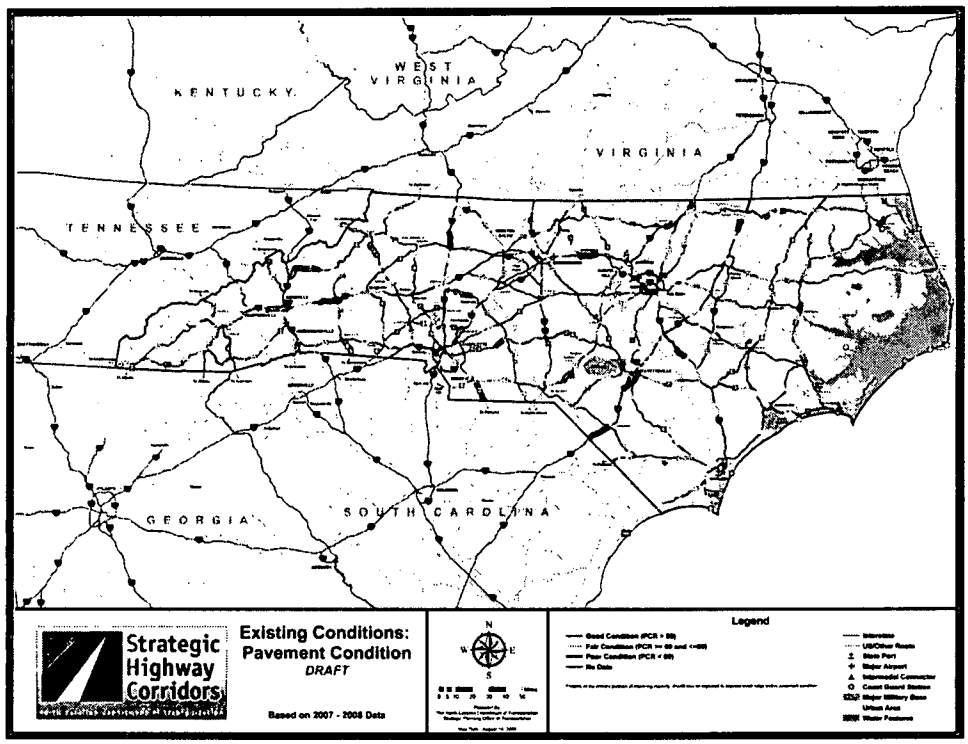
- Green = Functions Adequately
- Orange = Functions Satisfactorily, but Trending towards Needing Attention
- Red = Needs Attention
- Blue = STIP Delivery Projects

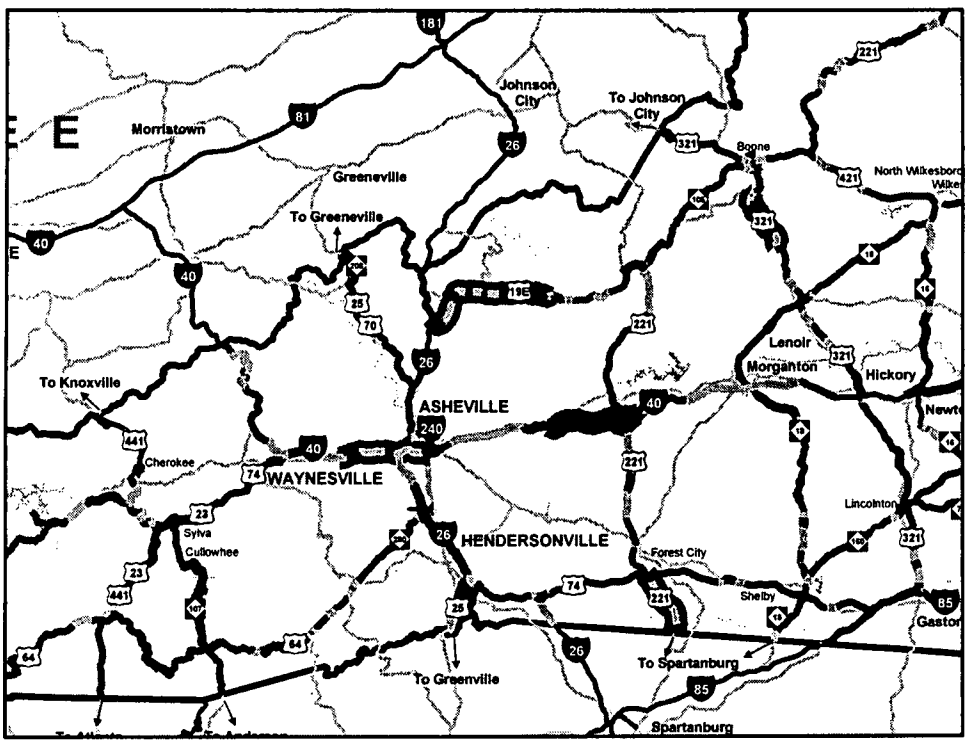

KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Existing Conditions: Congestion
DRAFT
Based on 2007 Traffic Counts and 2008 Capacities
Legend


WINSTON-SALEM
Burlington
GREENSBORO
High Point
DURHAM
CHAPEL HILL
Statesville
Lexington
Asheboro
Salisbury
Mooresville
Kannapolis
Concord
CHARLOTTE
Sanford
Pinehurst
Southern Pines
FAYETTEVILL
MONRO
To Rock Hill
Rockingham


KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Existing Conditions: Crash Rates
DRAFT
Based on 2004-2006 Data
Legend


Rocky Mount
Wilson
ALEIGH
Smithfield
Goldsboro
Seymour Johnson
Kinston
Greenville
Washington
Havelock
Cherry Point


KENTUCKY
WEST VIRGINIA
VIRGINIA
TENNESSEE
GEORGIA
SOUTH CAROLINA
Strategic Highway Corridors
Existing Conditions: Pavement Condition
DRAFT
Based on 2007 - 2008 Data
Legend


Morristown
Johnson City
To Johnson City
Greeneville
To Greeneville
Boone
North Wilkesboro
Wilke
To Knoxville
ASHEVILLE
Lenoir
Morganton
Hickory
Newt
Cherokee
WAYNESVILLE
Sylva
Cullowhee
HENDERSONVILLE
Forest City
Lincolnton
Shelby
Gaston
To Greenville
To Spartanburg
Spartanburg

SHC Performance

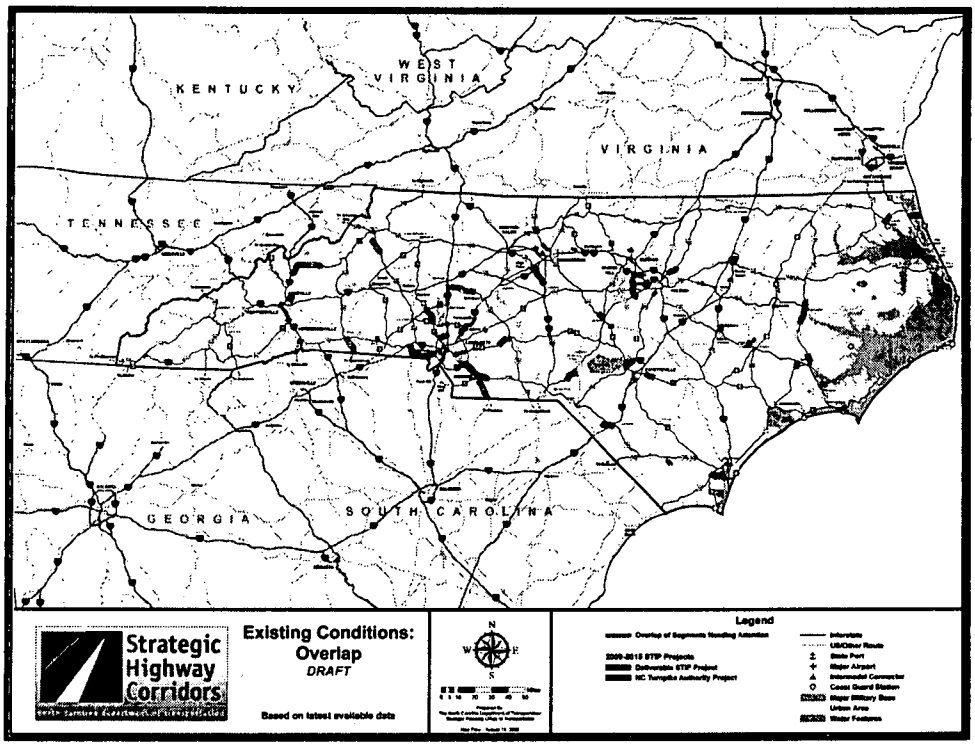
"Red" miles on Safety Map = 197 (105 in Urban Areas)

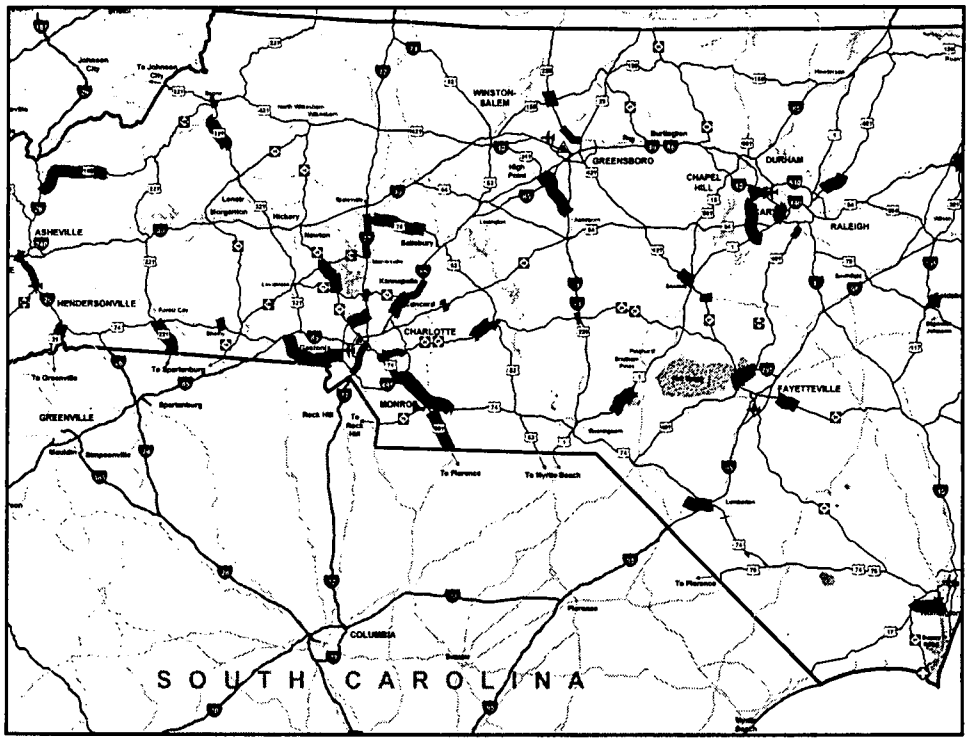
"Red" miles on Congestion Map = 271 (214 in Urban Areas)

"Red" miles on Pavement Condition Map = 766 (201 in Urban Areas)

Combined Map illustrates Overlap of "Red" Areas

- 67 miles of overlap
- 9 segments of improvements
- $2.2 B total cost





SHC Prioritization Model

Allows ranking of SHC Needs based on data

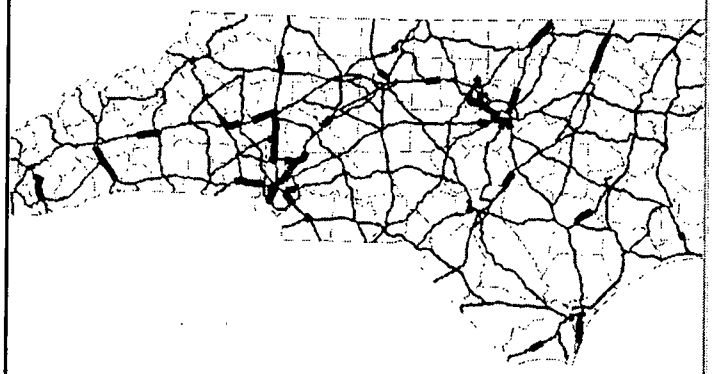
- Congestion (V/C Ratio & Volume)
- Safety (Critical Crash Rate)
- Pavement Condition (Rating)

Ability to rank projects based on weights and quickly see location

SHC Prioritization Model

Example: Equally Weighted Amongst Goals
33% Cong. - 33% Safety - 33% Pvmt.

Top 50 Needs = $7.1B

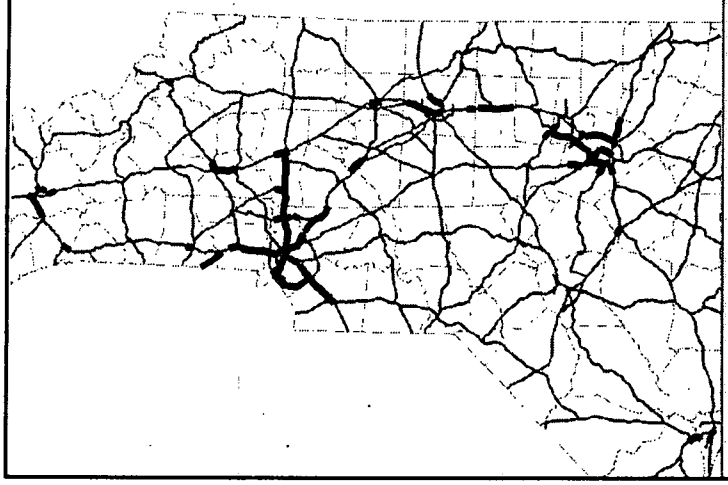


CONG_SCORE	PCR_SCORE	TOTAL_SCOR
95.80	81.00	80.46
109.81	33.30	80.23
91.29	91.60	80.15
49.63	93.00	80.07
121.47	16.60	78.56
86.46	51.00	78.36
110.69	58.50	78.01
82.05	87.00	77.90
98.28	77.50	77.81
72.63	94.00	77.12
95.86	68.50	75.65
46.94	79.30	74.66
74.83	84.20	74.55
101.87	24.10	74.57
79.67	45.60	74.34
87.14	37.40	74.10
81.86	82.40	74.01
92.54	64.10	73.80
114.41	41.00	73.35
115.68	6.60	73.35
69.03	82.40	73.07
88.41	65.90	73.03
82.83	87.40	72.61
78.43	39.00	71.75
82.78	65.90	71.17
83.74	64.10	70.90
68.75	44.80	70.58
113.40	0.00	70.42
84.24	48.00	70.06
82.12	29.90	69.57
71.19	40.60	69.05
54.91	56.20	69.67
73.56	37.40	69.62
64.46	46.00	69.45
77.82	64.10	68.94
67.30	41.40	68.87
69.92	91.00	68.61
92.82	47.50	68.42
83.07	37.50	68.17
77.95	60.90	67.93

SHC Prioritization Model

Example: 100% Congestion

Top 50 Needs = $9.6B



VC_SCORE	VOL_SCORE	CONG_SCORE
127.19	154.20	137.98
142.04	94.33	122.96
112.79	136.67	122.30
164.65	58.00	121.99
87.12	158.00	121.47
163.82	52.75	119.39
95.43	155.25	119.36
93.13	151.50	118.48
156.13	68.00	115.68
92.20	150.00	115.32
133.15	98.43	115.26
155.35	53.00	114.41
105.17	127.50	114.10
131.00	87.00	113.40
129.50	86.00	112.10
143.98	63.00	111.59
120.37	86.67	110.09
141.65	62.00	109.91
100.96	122.40	109.54
100.22	121.50	109.73
148.55	47.83	108.26
99.25	120.33	107.63
94.41	127.00	107.45
122.97	81.67	106.45
92.93	125.00	105.76
158.76	25.50	105.46
155.65	25.00	103.39
141.92	45.67	103.36
121.79	97.67	102.14
81.45	132.50	101.87
83.21	113.00	101.12
92.79	112.50	100.69
129.50	56.67	100.37
149.42	24.00	99.25
133.42	47.00	98.85
98.75	95.00	98.85
133.54	48.00	97.32
130.90	46.11	96.98
95.76	96.00	95.86
110.67	73.50	95.80
111.86	70.00	95.11

Program Prioritization

Allows ranking of Process to prioritize candidate NCDOT Programs, Services and Initiatives (**PSIs**) with:

- Immediate, positive impact to system performance
- Strategic investment opportunity IF funds become available

Definitions:

- **Programs** – a collection of projects, services or initiatives with dedicated resources, which deliver a common objective *(example - Interstate Maintenance).*
- **Services** – functions, procedures or processes that are performed to address particular needs and may also delivery of a collection of projects *(example – DMV driver license renewal).*
- **Initiatives** – efforts to address particular issues or challenges which may eventually become formally recognized programs or services *(example – Spot Mobility and Bottleneck Reduction Initiative).*

Program Prioritization

Methodology

Identify PSIs with a strong link to new NCDOT System Goals

- Make transportation network safer
- Make transportation network move people and goods more efficiently
- Make infrastructure last longer

Apply simple benefit/cost analysis to narrow candidate PSI selection

Validate candidate PSI selection with staff and against future performance targets

Determine funding level to support candidate PSIs

Summarize recommendations

Candidate Program Prioritization

Top Candidate PSIs - Total Needed Funding = $ 650 M / year

Candidate PSI	Associated Division	Investment Needed	Notes
Sealed Corridor Program	Rail	$10 M / year	Prevention of fatalities at high volume crossings
Incident Management & Traveler Information	ITS Operations	$18 M / year	**Less than 50% of 1200 miles are covered**
Interstate Maintenance	Pavement Management Unit	$174 M annually for 10 years	Raises current LOS "D" to "A"
Hwy Safety Improvement	Division of Mobility and Safety	$50 M / year	136 safety projects went unfunded in 2006
Bridge Program Expansion	Construction Unit / Structure Design	$300 M annually for 10 years	NCDOT needs to quadruple bridge repair/replacement
Clear Zone Improvement Program	Roadside Environmental / Div of Mobility and Safety	$25 M / year	Raises LOS above "C"
Spot Mobility and Bottleneck Reduction	Division of Mobility and Safety	$65 M / year	**NEW candidate program to improve statewide mobility & congestion**
Traffic Signal Timing	Division of Mobility and Safety	$ 1 M / year	**NEW candidate program to optimize traffic flow**
GIS Expansion	Quality Enhancement Unit	$ 9 M annually for 5 years	$50 M / year cost savings to enhance planning, economic, & environmental analysis

Congestion Reduction Toolbox

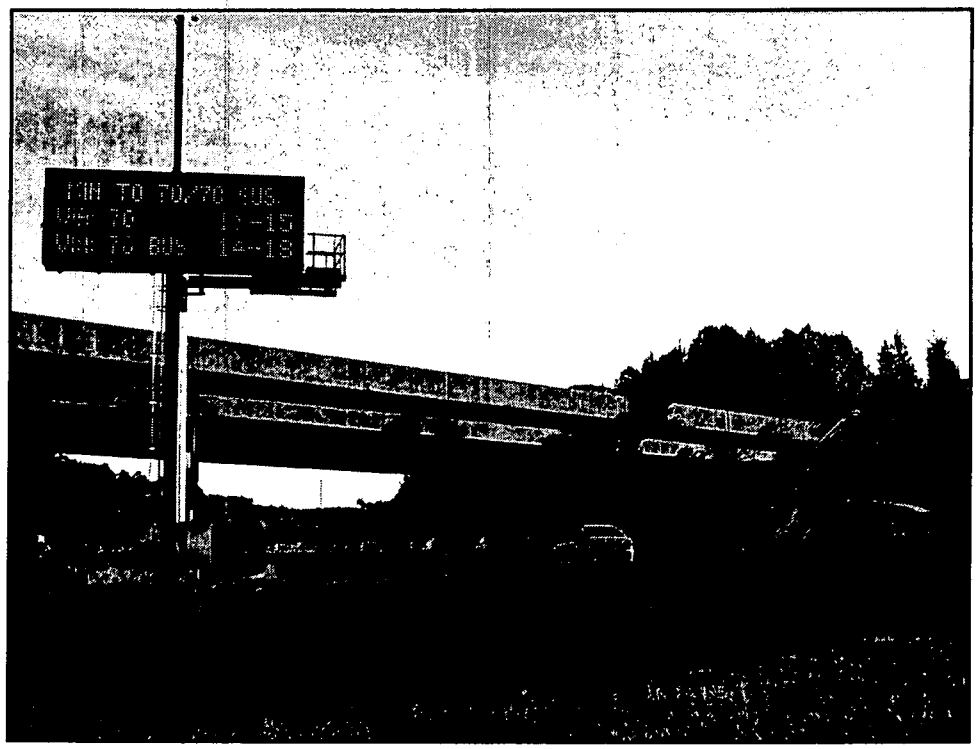
Resource of various methods for decreasing the effects of congestion on highways

Notes:

- $ = Less than $1,000,000
- $$ = $1,000,000 to $5,000,000
- $$$ = Greater than $5,000,000
- Capital Costs include R/W and Construction Costs, but Not Maintenance or Operating Costs

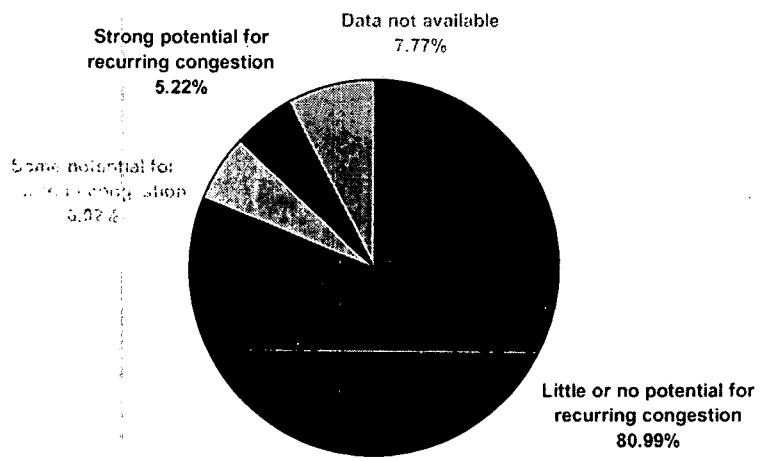
Tool	Examples	Initial Capital Cost*	Implementation Effort	Benefit to Motorists
Improve Service on Existing Roads				
Traffic Incident Management	IMAP, Improving Incident Clearance Times	$	Low	High
Traffic Signal Timing	Improving and maintaining signal timing	$	Low	Medium
Arterial Management	Coordinating Signals, Conversion to Superstreets, Upgrading Signal Systems	$-$$$	Low	High
Access Management	Managing access onto the highway system, restricting median openings	$	Low	Medium to High
Freeway Management and Traffic Operations	Traffic Management Centers, Speed Detection, Traffic Cameras, Message Boards, Ramp Metering, Speed Harmonization, Variable Speed Limits, Shoulder Use	$ to $$$	Low to High	High
Road Weather Management	Weather Detection Systems, Bare Pavement Program, Variable Speed Limits	$	Low	Low
Pricing				
Value Pricing	HOT or Express Lanes	$$$	High	Medium
Add Capacity				
Adding Capacity/Easing Bottlenecks	Widening, New Location, Upgrade Intersection to Interchange	$$ to $$$	Low to High	High
Public Private Partnerships	New Toll Facilities	$	High	High

Tool	Examples	Initial Capital Cost*	Implementation Effort	Benefit to Motorists
Better Work Zones				
Work Zone Management	Travel Time Information, Work Zone Coordination (programmatic)	$-$$	Low	Medium
Travel Options				
Travel Demand Management	Telecommute, Alternate Work Schedules, Increasing Multimodal Travel Options	$	Medium	Low
Planned Special Events Traffic Management	Improving Coordination between Parties, Travel Time Information	$	Low	Medium
Traveler Information				
511 Traveler Information Telephone Services	Improving 511	$	Low	Medium
Travel Time Message Signs	Installing Additional Message Signs and Providing Real-Time Travel Time	$$	Medium to High	Medium
National Traffic and Road Closure Information	Improving Coordination with Other States	$	Low	Low
Real-Time Travel Time Information	Providing Real-Time Travel Information for Highways, Rail, Public Transportation, and Ferry	$$	Medium to High	Medium
Freight Shipper Congestion Information	Providing Real-Time Travel Information along Freight Significant Corridors	$	Low	Medium



Mobility Performance Measures

Highway Reliability Gauge (SHC)



Mobility Performance Measures

Incident Clearance Time - duration of time it takes to clear a major incident on a North Carolina highway
Target = 90 minutes or less to re-open the facility to traffic

Ferry Service Reliability - success rate of each ferry meeting its daily scheduled runs
Target = 97% success rate

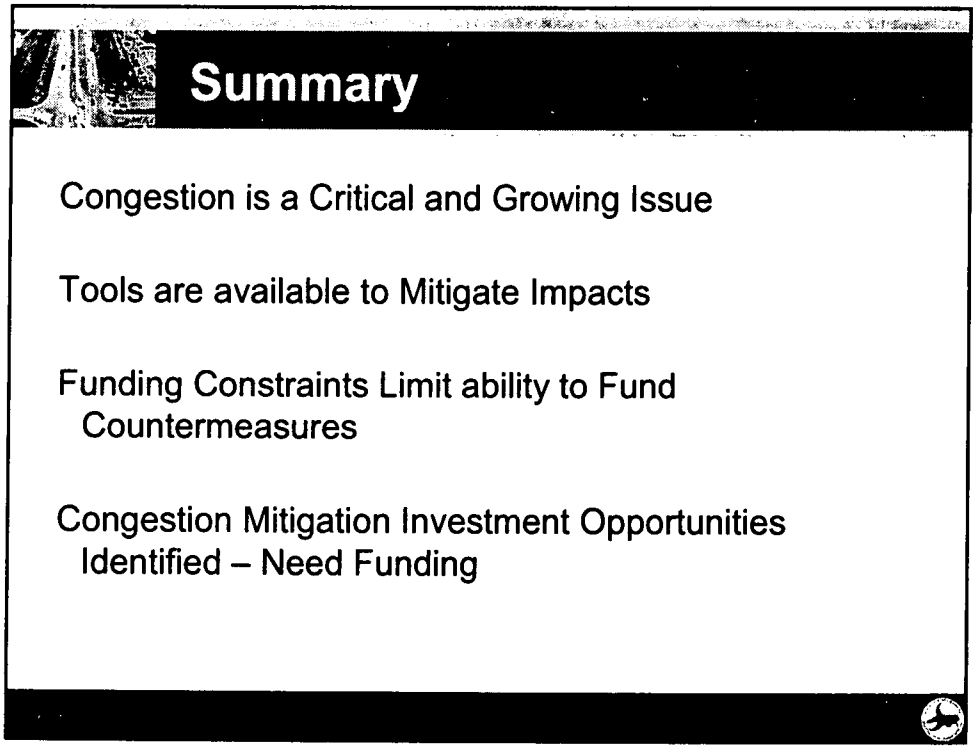
Rail Service Ridership - total number of intercity rail passengers served per year
Target = an increase of 3% from the previous year

Public Transit Utilization - total annual commuter vehicle miles traveled (VMT) saved through public transit options
Target = reduce VMT growth by 25% by July 1, 2009

Mobility Performance Measures

Under Development

- Travel Time Index – the actual travel time divided by the ideal travel time
- Travel Time Reliability Factor – the actual time it takes to travel a length 95% of the time.


Summary
Congestion is a Critical and Growing Issue
Tools are available to Mitigate Impacts
Funding Constraints Limit ability to Fund Countermeasures
Congestion Mitigation Investment Opportunities Identified – Need Funding

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency November 5, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Stem	NCAA
Jackson	Budget & Tax Coker.
Roberto Canales	NCDOT
Ram Carpenter	
Beau Memory	NCTA
John Goodman	NC Chamber
C Stellis	GGL Gates
Anita Watkins	NCLM

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency November 5, 2008

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michelle Frazier	MFS
Miriam Perry	NCDOT
Rhonda Rose	LCPS
Grady McGee	NC Chamber Network.

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, November 5, 2008
10:00 AM
Room 544, Legislative Office Building

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, November 5, 2008 at 10:00 a.m., in room 544 of the Legislative Office Building. Senator Jenkins, Chair; Representative Carney, Representative Coates, Representative McGee, Mr. Richard Blackburn, Mr. Chuck McGrady, Mr. Billy Sewell, Mr. Jordy Whichard, and Mr. Lanny Wilson attended the meeting.

Senator Jenkins presided the meeting. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency and Intergovernmental sub-committee meeting and acknowledged the Sergeant at Arms.

Senator Jenkins recognized Mr. Kevin Lacy, State Traffic Engineer with NCDOT, to address the committee. Mr. Lacy gave a power-point presentation on *Mobility Update* (See Attachment I). Mr. Lacy defined the meaning of mobility and congestion and highlighted their differences. Mr. Lacy outlined the three different highway tiers in North Carolina and argued that a growing state is more efficient with a good robust transportation system. Mr. Lacy discussed several Strategic Highway Corridors maps during his power-point presentation, which are included in the attachment. Mr. Lacy presented the Department's program prioritization model, which he asserted allowed more flexibility to reach goals. Mr. Lacy concluded his presentation by discussing mobility performance measures and funding constraints faced by the Department. Mr. Lacy welcomed any questions from the committee and discussion followed.

Senator Jenkins thanked Mr. Lacy for sharing the information and welcomed comments and questions from the committee. Additional discussion followed.

The meeting adjourned at 11:17am.

Clark Jenkins

Senator Clark Jenkins, Presiding Chair

Tazra Mitchell

Tazra Mitchell, Subcommittee Clerk

21st Century Transportation – Prioritization, Efficiency, Best Practices and Intergovernmental Sub-Committee
Agenda
November 19, 2008
10:00 AM
Room 643 Legislative Office Building

Welcome	Mr. D. Jordan Whichard
Presentation of Draft Subcommittee Recommendations	Mr. Jim Trogdon, PE NC General Assembly
Discussion	
Adjourn	

VISITOR REGISTRATION SHEET

21st Century Transportation Prioritization & Efficicency November 19, 2008
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DON VOELKER	NCDOT
Julie White	NC Metro Coalition
Beau Memory	NCTA
Bill Martin	Martin/Alexander/Brown
Ed Turlington	BP
James Bean	City of Wilmington
Casandra White	Gov. Office
Josh Mello	Wilmington MPO
Mike Kozlosky	Wilmington MPO

VISITOR REGISTRATION SHEET

1st. Cent Investigation: Privitization

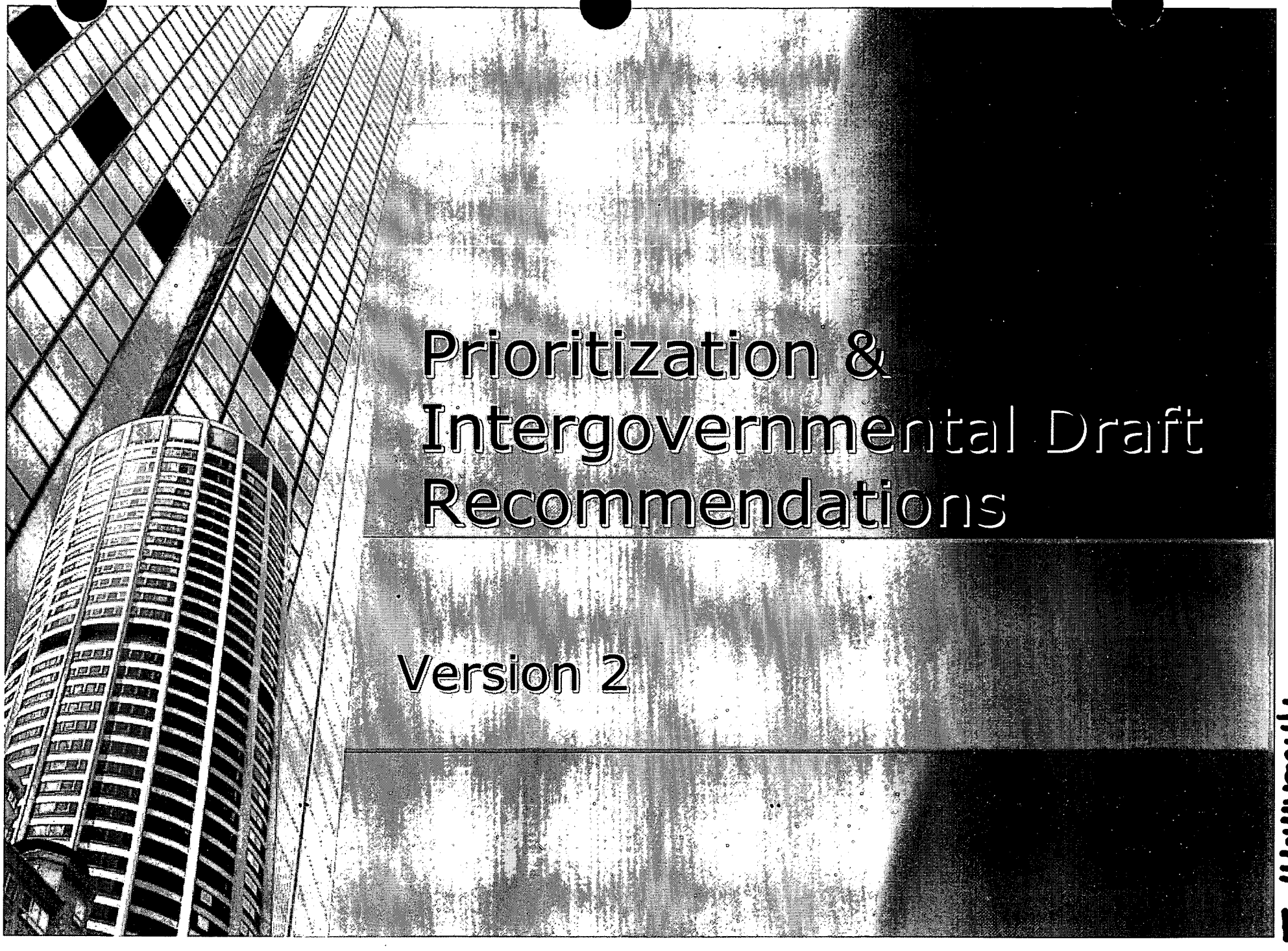
Name of Committee

11-19-08

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Stem	NCAA
David Farron	SELC
Michelle Frazier	MFS
Joe Mizzio "	RTA
Kelli Kuluva	NCLM
Jack Cozart	Womble



Prioritization & Intergovernmental Draft Recommendations

Version 2

Attachment I.

Priorities

- Mobility
- Preservation
- Safety

Mobility

- Create a Congestion Reduction program focused on the Strategic Highway Corridors and the 7% of the highway system miles which carries 45% of the traffic – Estimated cost $120 million per year focused on decreasing travel time and increasing travel reliability
- Maximize capacity and utilization of rail freight movement consistent with the recommendations of Intermodal Committee and the North Carolina Railroad long range plans
- Enhance mobility within all areas of the state by continued investment and the completion of Intrastate System Projects and the Strategic Highway Corridors allowing regions to re-prioritize and re-program existing funding consistent with changing transportation demands and economic growth patterns within each region
- Enhance mobility and reduce congestion by continued investment and completion of all planned urban loops
- Expand use of tolling and congestion pricing to include High Occupancy Tolls (HOT) lanes consistent and complimentary with North Carolina Turnpike Authority projects

Preservation

- Fully fund existing Bridge Replacement Needs in North Carolina - $300 Million
- Create an effective Bridge Maintenance and Rehabilitation Program within existing maintenance funds
- Create an annual Interstate Resurfacing Program within each Highway Division with Interstates from existing Federal Interstate Maintenance Funds and Remove Interstate Maintenance Funding from equity calculations
- Implement a measurable system preservation and maintenance program with quantitative measures of performance and measures of effectiveness (i.e. MOE = remaining service life of road network, MOP=annual miles resurfaced and reconstructed)

Safety

- Focused external safety and enforcement programs to reduce fatal accidents and serious injuries on transportation facilities
- Fully fund spot safety programs but hold program accountable for accident and injury reduction
- Focus enforcement efforts on top priority of accident and injury reduction based on frequency and severity of occurrence

Performance and Accountability

- Reduce Transportation Administrative Costs which do not directly improve road, bridge, or other key infrastructure within the State
- Examine existing and recently proposed Department of Transportation organizational structure for opportunities to consolidate policy and programming responsibilities, decentralize project delivery to the greatest extent feasible to Highway Divisions, and reduce redundancy
- Complete the implementation of planned measured performance objectives across the Department of Transportation for all key personnel and offices

Increased Cooperation and Collaboration at all levels of Government

- The Department of Transportation should work to develop a closer relationship with local government to leverage state/local resources and better coordinate land use with transportation planning through empowerment of decision making responsibilities and accountability to Division Engineers working closely with Board of Transportation Members and Municipalities
- Push strategic and operational objectives and framework for a range of solutions with adequate resources to field Divisions targeting measurable outcomes allowing for increased flexibility and innovation
- NC General Assembly and NC Department of Transportation should continue to work with League of Municipalities, NC Metropolitan Coalition, and NC Association of County Commissioners to explore opportunities to best deliver transportation services cooperatively and efficiently within these areas

Discussion

- *Additions*
  -
  -
  -
  -

MINUTES

21ST CENTURY TRANSPORTATION – PRIORITIZATION AND EFFICIENCY SUBCOMMITTEE

Wednesday, November 19, 2008
10:00 AM
Room 643, Legislative Office Building

The 21st Century Transportation Prioritization and Efficiency Sub-Committee met on Wednesday, November 19, 2008 at 10:00 a.m., in room 643 of the Legislative Office Building. Representative Carney, Representative Coates, Honorable Chuck McGrady, Honorable George Miller, Honorable Allen Joines, Mr. Richard Blackburn, Mr. Billy Sewell, Mr. Jordy Whichard, and Mr. Lanny Wilson attended the meeting.

Mr. Whichard presided the meeting. He welcomed everyone to the 21st Century Transportation Prioritization and Efficiency and Intergovernmental sub-committee meeting and acknowledged the Sergeant at Arms.

Mr. Whichard recognized Jim Trogdon, PE of the North Carolina General Assembly to address the subcommittee. General Trogdon gave a Power-point presentation on *Prioritization and Intergovernmental Draft Recommendations* (see Attachment I). General Trogdon discussed the top three priorities in the draft, which include mobility, preservation and safety. Speaking on the priority of mobility, General Trogdon discussed the recommendation of creating a congestion reduction program and maximizing capacity and utilization of rail freight movement. He also discussed the recommendation of enhancing mobility within all areas of the state by continued investment and the completion of Intrastate System Projects and the Strategic Highway Corridors allowing regions to re-prioritize and re-program existing funding and by continued investment and completion of all planned urban loops. The last recommendation that he made regarding mobility was to expand the use of tolling and congestion pricing to include High Occupancy Tolls lanes.

Next, General Trogdon discussed the list of recommendations regarding preservation, which include the following four major points: Fully fund existing Bridge Replacement Needs in North Carolina, $300 million; create an effective Bridge Maintenance and Rehabilitation Program within existing maintenance funds; create an annual interstate resurfacing program within each highway division with interstates from existing Federal Interstate Maintenance Fund and remove interstate maintenance funding from the equity calculations; and to implement a measurable system preservation and maintenance program with quantitative measures of performance and measure of effectiveness.

Next, General Trogdon discussed the list of recommendation regarding safety, which include the following three major points: Focused external safety and enforcement programs to reduce fatal accidents and serious injuries on transportation facilities; fully fund spot safety programs but hold program accountable for accident and injury

reduction; focus enforcement efforts on top priority of accident and injury reduction based on frequency and severity of occurrence.

The Chair thanked General Trogdon for sharing the information and welcomed comments and questions from the committee. Additional discussion followed. A formal vote was not taken on the list of recommendations. General Trogdon was instructed by the Chair to incorporate the discussed modifications into the final list of recommendations to be later discussed and presented to the full 21st Century Transportation Committee.

The meeting adjourned at 11:16am.

Senator Clark Jenkins, Chair

Tazra Mitchell, Subcommittee Clerk