



# Transportation Guide

## Corruption & Ethics Issues

2007 *Prison time*. Three NCDOT workers are sentenced to federal prison on corruption charges. Prosecutors say the NCDOT employees extorted kickbacks from contractors and that investigations are ongoing. A member of the Transportation Board, Tom Betts, resigns amid a campaign fundraising scandal.

2008 *Diversionary tactics*. Senator Tony Rand (D-Cumberland) lobbied in 2003 to make the city of Fayetteville eligible for loop money. His close friend, Transportation Secretary Lyndo Tippet (also of Fayetteville), helped ensure work began at the year's end. While many other loop projects were delayed by years last autumn due to soaring raw material prices, NCDOT recommended Fayetteville's outer belt stay on schedule.

2008 *Diversionary tactics 2*. Ethics concerns about N.C. Senator David Hoyle (D-Gaston) arise when the *Charlotte Observer* reports the veteran legislator owns property adjacent to a planned Garden Parkway in his home district. Hoyle, a staunch advocate for the Parkway (including three separate votes in support of its construction), has prompted questions as to whether he has "used his public office for personal gain."

2008 *Diversionary tactics 3*. A state Transportation Board member, Louis Sewell of Jacksonville resigned after steering roughly \$375,000 in taxpayer dollars to road improvements adjacent to properties that he or a son co-owned at the time. (He steered road monies similarly in 2004-2005—with \$200,000 and \$125,000 in diversions).

2007 *Light Workload*. The *News & Observer* reports vehicle inspections auditors at the NCDOT have an inordinately light workload – a fact that seems to have escaped NCDOT higher-ups. Despite the light workload, NCDOT added three more specialist positions over the past year, suggesting "cronyism."

## Transit

2006 *Triangle Rail*. Less than a year after being denied federal funding for light rail, Durham Mayor Bill Bell puts the project back on the agenda, refusing to "let financing drive the vision."

2006 *Charlotte Rail*. The total budget for Charlotte's project swells in-excess-of \$550 million in the wake of problems with engineering contractor Parsons, not to mention dubious forecasting by CATS and other city officials – both from the project's beginnings, and during construction. In 2007 the system goes online. The South Line is heralded a "success" despite massive federal and state subsidies. While the system exceeds initial ridership estimates, such estimates fall woefully short when one considers cost-effectiveness measured as total cost per rider (including capital costs). In other words, riders would have to pay anywhere from 10-15 times more for a ticket for the system to be self-funding. Those who never ride Lynx will shoulder most of the costs.

2008 *Transit Fund?* Former Transportation Secretary Sam Hunt proposes a multi-billion dollar transit fund, modeled after the Highway Trust Fund (HTF), to fund transit projects including expensive light rail.

## Money Matters

2006 *Driving on fumes*. Now that \$950 million from a 1996 road bond referendum has been spent on reimbursing the fund for Governor Easley's Moving Ahead initiative, the state may no longer use the bonds as contingency backing for construction contractors concerned about the state's dwindling

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transportation funding sources. "In the past, the large cash balance and available bonding authority gave NCDOT ample funds," writes analyst Chloe Gossage. "Now, NCDOT has already encumbered much of the revenue that will come into the [HTF] over the next two years. The cash has been spent, and the bonds have been issued. [HTF] projects will continue, but only at the pace of the revenue stream."

*2007 Gas tax capped.* The Legislature extends the 2006 cap on the variable wholesale component of the motor fuels tax at 12.4 cents per gallon through June 2009. This means the total gas tax citizens pay at the pump will be no more than 30.15 cents per gallon. By contrast, residents of Virginia pay 17.5 cents per gallon while South Carolinians pay 16 cents per gallon in state excise taxes.

*2008 Road Bond?* After a long series of meetings, discussions, and presentations by guest experts, the 21<sup>st</sup> Century Transportation committee recommends the N.C. General Assembly introduce a government bond to pad the two major road funds in the state after years of fiscal mismanagement. There are no recommendations to change the Equity Formula, which has contributed to more waste than any other single factor. No action was taken on the bond recommendations during the 2007-2008 session.

### **DOT Problems**

*2006 NCDOT bungled project.* 10.6 miles of brand new I-40 interstate pavement must be ripped up and repaved with asphalt -- a project that will begin in Spring 2007 and extend into 2008. The poorly engineered pavement was the outcome of NCDOT officials who didn't know exactly what they were doing and failed to communicate the nature of the project to contractor Granite Construction Co. The snafu came to light when highway concrete that had been widened and repaved, cracked and buckled.

*2007 Bridge Collapse Causes Local Concern.* The Minneapolis bridge collapse causes concern about the condition of N.C. bridges. According to a Reason Foundation study, nearly a third of N.C. bridges are in disrepair or obsolete (more than 3500). North Carolina ranks ninth-worst among 50 states.

*2007 Funding Gap.* An NCDOT study finds that a \$65 billion funding gap over the next quarter century will emerge unless the NCDOT makes significant changes. This figure is troubling considering that \$170 million-plus per annum diversions from the HTF continue, despite transportation needs. When one considers additional transfers by the Governor and General Assembly between 2000 and 2004, the funding challenge seems more intractable. While the Legislature has taken no measures to resolve the crisis, some legislators are advocating for additional taxes while others are pushing for better management of resources and increased use of tollways.

*2007 McKinsey Report.* According to the *Raleigh News & Observer*, McKinsey - a management consulting company - was paid \$2.5 million to make the following assessment of NCDOT: "inefficient, unfocused and inflexible." The report is based on surveys of nearly 9,000 NCDOT employees and interviews with dozens of state, business and local officials. Employees believe NCDOT wastes money and time because upper managers frequently change priorities. Projects languish for years. Workers fear consequences if they express ideas and "better leadership could shave years off" time to complete major projects.

### **Legislation**

*2007 Legislative Neglect.* In the \$20.7 billion budget, infrastructure needs are largely neglected. Legislators choose, instead, to expand funding for programs benefitting special interests. The neglect is no more obvious than in the area of transportation. While a number of transportation bills are offered during the session, most are overlooked or shelved. In the 2007 budget bill, the Legislature continues an annual appropriation of \$14 million in "economic development" funds to be used at the discretion of the Transportation Board. The appropriation does not appear in the 2008 budget. Finally, resources that were once diverted from the HTF to the General Fund are now being diverted to the N.C. Turnpike Authority (\$25 million beginning in FY2008-09, growing to \$99 million FY2010-11).