



BREAKING THE GRIDLOCK 1985-2010

*A Guide to North Carolina
Transportation Policy*

THE CIVITAS INSTITUTE PUBLIC POLICY SERIES

Breaking the Gridlock 1985-2010

*A GUIDE TO NORTH CAROLINA
TRANSPORTATION POLICY*



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ABOUT THE SERIES

Civitas Institute Public Policy Series

The purpose of the Civitas Institute Public Policy Series is to equip the legislator, as well as the layman, with the tools necessary to understand public policy in North Carolina. Toward this end, each guide does three things: defines basic terms, answers essential questions, and provides a legislative and political history regarding a particular policy area. Thus each guide consists of three distinct sections — Key Terms, Q & A, and a year-by-year timeline — that can be used to easily find specific information on a particular issue or time period. Detailed charts and graphs provide additional data for those readers interested in learning more about select topics. Overall, the guides provide a roadmap for the citizen legislator — and perhaps more important, the average citizen — interested in learning more about essential policy ideas and long-term trends.

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Special thanks to all those who helped make this project a success.
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Jameson Taylor assisted in the editorial process,
while Christie Adams worked on the layout and graphics.
Thanks also to David Hartgen for his helpful comments on the first draft.

*I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I —
I took the one less traveled by,
And that has made all the difference.*

Robert Frost

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EXECUTIVE SUMMARY

Sometimes we complain about traffic congestion, potholes and delays. But generally, we take for granted the roads we drive on daily to and from work. We know that roads are different from other goods and services. They are called common goods and we fund them with taxes. But how exactly do we pay for our roads? How do they get planned and built? Who gets what, where and why? Why are some roadways congested while others are empty? And, who should we complain to since we can't take our business elsewhere?



North Carolina was once affectionately known as “The Good Roads State.” After consistently ranking in the top 10 in terms of quality, safety and congestion, the state’s transportation ratings rapidly fell during the second Jim Hunt (D) administration (mid-1990s). In recent years, North Carolina’s transportation system has climbed up from the lower 30’s and 40’s to being slightly better than average. As of 2008 North Carolina’s transportation system was 21st overall, with specific component ratings as follows:

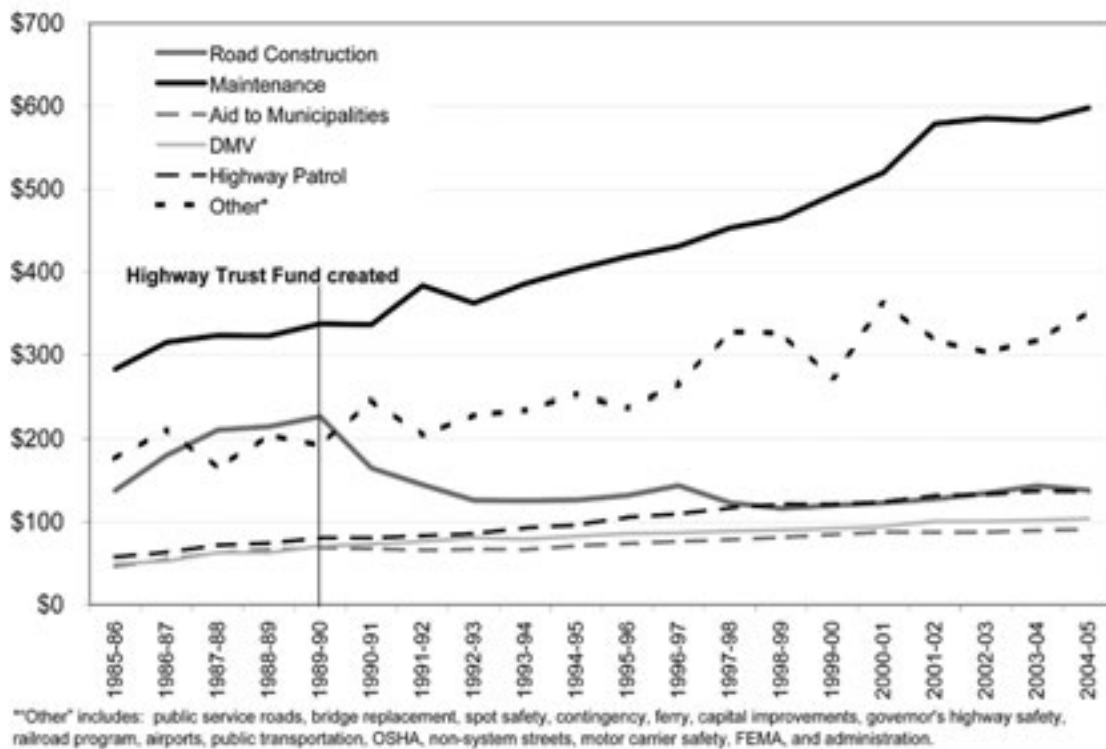
- ▶ Rural Interstate poor pavement – 35th
- ▶ Urban Interstate poor pavement – 24th
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- ▶ Urban Interstate congestion – 42nd
- ▶ Fatality Rate – 34th
- ▶ Deficient Bridges – 41st

During this period – 1995 to 2010 – North Carolina’s transportation spending grew by over 90 percent, from \$1.68 billion to \$3.2 billion. Spending has risen, in part, because North Carolina has experienced unprecedented growth over the last 20 years. But how state authorities have responded to such growth is telling.

In order to understand the big picture, this guide tells this tale in three parts:

- Part One is a series of Key Terms that should help familiarize readers with the basic jargon and concepts of transportation policy.
- Part Two is a Question & Answer (Q&A) section designed to get to the heart of transportation issues in North Carolina, including both problems and possibilities for improvement.
- Part Three is a Timeline that lays out, in broad strokes, some major transportation policy-related events in the 25 years between 1985 and 2010.

Highway Fund Appropriations (millions of dollars)



The 25-year period between 1985 and 2010 is a series of discrete events in the history of North Carolina transportation policy, but these make up a larger picture. Our approach is to highlight these events chronologically to allow that overall picture to form in the reader's mind. But before we get started, certain trends and historical threads are worth emphasizing.

Take, for example, the long, winding route that brings light rail to North Carolina. Charlotte's light-rail project began as a disparate set of ideas about transit improvement that cropped up in the early 1990s. Governor Jim Hunt had begun

pushing intermodal transportation, emphasizing both intercity rail and mass transit within cities. Prominent figures in Charlotte became enamored with rail projects in “world class cities” like Portland, despite the expense and heavy subsidies. The Triangle had a vision of tracks linking its cluster of urban research centers and residential areas. This confluence of events — studies, meetings and visions — has taken more than a decade to realize. Light rail succeeded in Charlotte, failed in the Triangle thus far.

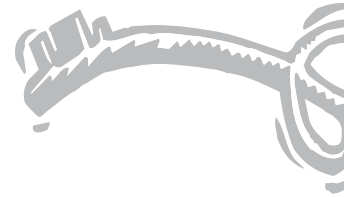
And what about the story of the Highway Trust Fund (HTF), the most ambitious public works project in North Carolina history? From its inauspicious beginnings in the minds of a team formed around Governor Jim Martin (R) in the late 1980s, to a maturing fund with massive surpluses, to subsequent raids by Governor Mike Easley (D) and the General Assembly — the HTF’s story crosses four administrations. Linked to the HTF’s history are mixed accounts of how public officials spend money on transportation in the state. At the time of its crafting, the HTF seemed like a technocratic wonder. But over the years, its weaknesses would be exposed as surely as the weaknesses of those responsible for guarding it.

Of course, any timeline of North Carolina transportation issues cannot omit references to scandal. Good old boy networks, dubious projects, quid pro quo arrangements, political appointments, and patronage seem like permanent fixtures of North Carolina’s Board of Transportation. These scandals give us only a glimpse of how much has been wasted on unnecessary projects and ethical lapses, but a glimpse nevertheless. Can the system be changed through reform? Or is such corruption inevitable?

Finally, images are often worth more than words, so we have included charts and graphs to give readers an idea about various transportation trends. As one might imagine, North Carolina spends more and more each year on transportation. The question becomes: are taxpayers getting value for their money? National rankings suggest no.

As we look back at some of the events that have carried us to the present time, we should try to make sense of them as part of a larger narrative. For if we can, we may find elements of state transportation policy worth keeping and elements better left in the past. Indeed, we may even find a spark or insight that will light the way for constructive change.

key terms



Bus Rapid Transit (BRT)

A general term given to various public transportation systems that, through both improvements in infrastructure (i.e. the buses themselves) and scheduling, provide higher quality services compared to ordinary bus lines. The aim of BRT systems is often to approximate the service quality of rail transit while enjoying the cost savings and flexibility of buses.

Charlotte Area Transit System (CATS)

This public transportation system is managed by the Charlotte-Mecklenburg Public Transit Department, which is responsible for public transportation issues in the greater Charlotte metropolitan area. Officials with CATS have succeeded in getting a light rail line built in Charlotte, despite increasing expenses and technical problems associated with the project. CATS is currently working with local government in Charlotte to plan additional light rail lines. The body's agenda doesn't end with light rail, however: "An integral element of [our] effort is proactive participation in virtually every facet of land use and development planning in Mecklenburg County." See also Light Rail and TTA.

Division of Highways

Charged with planning, designing and maintaining state roads, the Division of Highways within the NCDOT is responsible for the upkeep of one of the country's largest intrastate systems.

Division of Motor Vehicles (DMV)

Perhaps the most visible division of the North Carolina Department of Transportation (NCDOT), the DMV is responsible for licensing motorists and registering vehicles. Fees from

these activities are allocated to the Highway Fund and the Highway Trust Fund (HTF). The DMV takes in about \$650 million per year in revenue, about \$100 million of which goes back to the DMV. See also NCDOT, Highway Fund, and HTF.

Environmental Impact Assessment

An assessment of the likely ecological health effects, risk to human health, and reduction in nature's benefits that may result from a transportation project. The purpose of the assessment is to ensure that decision-makers consider environmental impacts before deciding whether to proceed with a new project. The trouble with these assessments, however, is that they can add both costs and delays to projects, which affect the state's ability to keep up with economic and population trends.

Equity Formulas

Or "equitability" formulas — uniform distribution measures set in statute that NCDOT uses to allocate resources for road construction projects around the state. The formulas are meant to ensure that all seven North Carolina super districts get fair and adequate funding for new projects, including the four-laning of highways in rural areas or loop construction in urban areas, depending on the super district. While population is factored into the main equity formulas, many analysts feel they should be updated to include dimensions such as congestion relief, or cost-effectiveness (as determined by cost per vehicle-mile served). At the time the formula was written, the option of using vehicle miles traveled was discussed but ultimately rejected in favor of population.

Federal Highway Administration (FHWA)

The federal body that sets national transportation standards and directs federal transportation funding for every state. About one-third of the NCDOT budget — \$1.1 billion — comes from the FHWA. In turn, North Carolina's transportation policy, particularly with respect to interstate highways, is dictated by federal guidelines such as those pertaining to minimum safe speeds, controlled access, and shoulder/median widths. State taxpayers pay for this federal "assistance" primarily through an 18.4 cent per gallon federal gas tax (averaging around \$25 billion per year), which is then redistributed back to each state.

GARVEE Bonds

Grant Anticipation Revenue Vehicle, or GARVEE, bonds are bonds or notes repayable, either exclusively or primarily, with future federal-aid highway funds. These federal tax-exempt financing mechanisms are designed for funding state and municipal transportation projects. GARVEE bonds were authorized in the National Highway System Designation Act of 1995, which amended the Federal Aid Highway Act to expand the eligibility of bond and other debt instrument financing costs for federal-aid reimbursement. While GARVEE bonds represent a creative financing mechanism for cash-poor states that need immediate resources, they can tie up federal funding of future projects. See also SIBs and Tollways.

General Fund

Funds general needs, as opposed to specific or restricted purposes, such as those projects funded by the Highway Trust Fund. The General Fund is the central operating fund of the state and accounts for about half of the state's total budgetary financing. The fund is supplied by revenue from a wide variety of taxes and fees, as well as money from judicial

fees, disproportionate share receipts, investment earnings and bonds, the tobacco settlement, the Highway Fund, and the Highway Trust Fund.

High-Occupancy Traffic Lanes (HOT lanes)

HOT lanes are pay-per-use lanes that include variable pricing according to traffic conditions. During high-traffic times, motorists can pay to ride in HOT lanes (often HOV lanes converted to accommodate paying users). Because the price is determined by the flow of traffic in the lane, motorists pay less if HOT lane traffic is moving slowly, more if it's moving rapidly. See also HOV lanes.

High-Occupancy Vehicle Lanes (HOV Lanes)

Designed to relieve traffic congestion and encourage carpooling by providing a specially designated lane for cars with multiple passengers. Some states use mixed HOV/HOT lanes, allow single drivers of hybrid vehicles to use HOV lanes, or designate HOV lanes only during commute hours. The number of passengers required to qualify for travel in a HOV lane is generally two or three. In North Carolina, the first HOV lane opened on I-77 in the Charlotte area at the end of 2004. The I-77 HOV lanes operate 24 hours a day, seven days a week, and do not allow single drivers of hybrid cars as well as require two people per vehicle. See also HOT lanes and ITS.

Highway Fund

Dedicated to supporting the operations and capital construction needs of the North Carolina Department of Transportation (NCDOT) and related services, the Highway Fund is derived from the following sources: 75 percent of fuel tax revenues, various fees collected by the Division of Motor Vehicles, and investment income from the existing Highway Fund. The Highway Fund pays for

road maintenance and construction, the operations and capital needs of the Division of Motor Vehicles and the State Highway Patrol, and other transportation-related functions. While the Highway Trust Fund is focused on construction, the greatest expenditures from the Highway Fund are for road maintenance. The Highway Fund also pays for some non-DOT operations that were originally part of the DOT, such as highway patrol and motor carrier enforcement (now in the Department of Crime Control and Public Safety), and prison road crews. Under the auspices of the Highway Patrol, the Highway Fund was also used to pay for part of the development of the proposed 800 MHz statewide emergency communications network, VOICE. In addition to roadwork, the NCDOT is directly responsible for various matters related to aviation, ferries, bikeways and walkways, bridges, public transportation, and rail.

Highway Trust Fund (HTF)

Created in 1989 with the goal of rapidly expanding North Carolina's highway/road system for economic development purposes, the HTF is supplied by the following taxes and fees, totaling \$1 billion annually: 25 percent of motor fuel and related tax revenues; a 3 percent highway use tax levied on title transfers; various title and registration fees; and investment income from the existing trust fund. In 1996, voters approved an additional \$950 million in general obligation bonds to support the HTF. By law, \$170 million was transferred annually from the HTF to the General Fund, but between 2001 and 2005 the governor and the Legislature raided the fund to subsidize other projects (See Moving Ahead). The transfer to the General Fund was reduced in the FY08-09 budget, scheduled to be phased down by \$99 million over a three year period. The HTF was originally projected to be fully funded at \$8.2 billion by 2003 — triggering the elimination of the tax increases that supply the fund. As of 2006, only half the original mileage had been funded, at a cost to taxpayers of \$8 billion.

**Excerpt from
Secretary Tippet's Remarks
Joint Subcommittee for Transportation
Appropriations
March 19, 2003**

We are asking you to change Highway Trust Fund restrictions to allow us to invest \$700 million in maintenance, modernization and public transportation - bringing unprecedented safety and mobility to the state's transportation system.

Currently, the law requires that Highway Trust Funds must be used solely for expansion projects.

We will then sell \$700 million in bonds already approved by the voters to reimburse the Trust Fund.

... We will keep our commitment to Highway Trust Fund projects using the Trust Fund's revenue stream, which generates about \$1 billion per year.

http://www.ncdot.org/public/speeches/transappro03_03.html

IMPACT

NCDOT's public information program for road construction, IMPACT stands for Information Management Public Affairs, Construction and Traffic Control. The program has three primary goals according to NCDOT: promote safety in the work zone; inform the public of impacts from construction; and provide exceptional customer service. IMPACT uses various communications strategies, including: news releases to media outlets and interested organizations; brochures, fliers, and posters distributed to communities; construction information meetings held in areas around the state; news stories or interviews highlighting work zone safety and specific project impacts.

Industrial Access/Road Access Fund

Administered by NCDOT, this program provides funds for the construction of roads to provide adequate access to new or expanding industrial sites. Adequate access — normally determined by the type and volume of traffic anticipated to be generated by a site — may require construction of new roadways or improvements to existing roadways.

Institute for Transportation Research and Education (ITRE)

An academic nonprofit chartered by the General Assembly to research issues

pertaining to transportation in North Carolina. In 2005, ITRE received nearly half its \$10 million funding from state (31 percent) and federal (14 percent) contracts, with most of the remainder coming from individual “pass-through” projects. Housed at North Carolina State University, the ITRE’s research includes studies on bicyclers and pedestrians, environmental impacts, and public transportation. North Carolina and other states commission the ITRE to look into issues of interest to both leaders and concerned citizens.

Intelligent Transportation Systems (ITS)

Intelligent transportation systems are primarily aimed at integrating the needs and movements of individual vehicles with a wider transportation infrastructure. For example, ITS technology can be used to link vehicles with GPS devices to a HOT lane highway network so as to automate the collection of user fees. Motorists enter and exit the HOT lanes at specific locations where electronic readers identify the vehicle from an onboard transponder and deduct charges from a prepaid account.

Interstate Highway System

The National Highway System includes a subset of approximately 160,000 miles of roadway comprising a network called the Interstate Highway System. Championed by the Eisenhower Administration, this freeway network was created for both civilian and military purposes. About 56 percent of the construction and maintenance costs are funded through fees such as titles and licenses, gasoline taxes (collected by states and the federal government) and tolls. The remainder of the cost is borne by the federal budget. While Interstate Highways usually receive substantial federal funding and must comply with federal standards, they are owned, built and operated by the states

in which they are located. Primary interstates are given one- or two-digit route numbers; auxiliary interstates have three-digit numbers. East-west highways are assigned even numbers (like I-40); north-south highways, odd (as in I-77).

Intrastate Highway System

In contrast to the federal interstate system, which is both more heavily funded and controlled by the federal government, the Intrastate Highway System is limited to a specific state. While intrastate projects sometimes receive federal subsidies, the system is primarily funded and regulated by each state. Although North Carolina ranks 11th in population and 28th in total area, it has the second largest state road system in the United States. (Only Texas, which is ranked second in population and second in total area, has a more extensive system.) Yet much of the 78,000 mile network is relatively underused, with just over 14,000 miles carrying 60 percent of vehicle miles traveled. See also TIP and Urban Loops.

Joint Legislative Transportation Oversight Committee (JTLOC)

Select members of both chambers of the N.C. General Assembly comprise this committee established to oversee major transportation projects. More recently, however, the JTLOC has studied issues related to HTF mismanagement at the executive level, as well as project delivery problems within NCDOT. The JTLOC meets during the interims between state legislative sessions.

Light Rail

A form of urban rail transit that normally uses less massive equipment and infrastructure than other rapid transit systems like subways. Projects planned initially for Charlotte and Raleigh-Durham would offer light rail service with the intention of relieving traffic congestion. Charlotte’s \$550 million, nine-mile

project is now complete, but was dogged by technical and budgetary problems.

Metropolitan Planning Organizations (MPOs)

MPOs are the urban counterpart to North Carolina's rural planning organizations (RPOs). These localized committees were formulated to help the state's major urban centers better plan, communicate and fund needs unique to their communities, such as loops, light rail and public transportation. The MPOs may also contribute their own resources to certain local projects. See also RPOs, Light Rail.

Motor Fuels Tax

The Motor Fuels Tax, also known as the gas tax, is North Carolina's sales tax on gasoline and diesel consumption. This tax dates back to 1921, when it cost drivers a fixed one cent per gallon. Today the tax consists of two parts: a fixed rate of 17.5 cents per gallon, plus a variable component that is 7 percent of the average wholesale price of gasoline and diesel as reported by the US Department of Energy—a rate that is adjusted every six months. The variable component was introduced in 1986 at 3 percent of the average wholesale price—this rate was increased in 1992 to the present level of 7 percent. The variable component was capped at 12.4 cents per gallon in 2006 until 2009, when the level of the cap was turned into a floor. This meant that as of June 30, 2009 the former maximum variable component of 12.4 cents per gallon became the minimum rate, allowing the variable component to climb. As of December 2011, the variable rate amounted to 17.5 cents per gallon, in addition to the fixed rate of 17.5 cents per gallon, bringing the total tax amount to 35 cents per gallon—the highest in the Southeast.

Moving Ahead

A 2003 statewide initiative by Governor Easley — implemented by S.L. 2003-383 —

DID YOU KNOW?

North Carolina has the 2nd longest highway system in the country, larger than California, New York and 46 other states. Texas, with the 2nd largest population and land area, ranks No. 1. North Carolina has the 10th largest population and 28th largest land area.

that funded relatively small road construction, reconstruction, bridge repair and public transportation projects with the goal of improving roads and public transit to keep pace with economic and population growth. At the administration's urging, the General Assembly allocated \$700 million for 2004 and 2005 to Moving Ahead. (Unspent portion could be rolled into 2006.) The plan allowed for the \$700 million to be spent from the cash balance in the HTF, which would then be replenished by issuing \$700 million remaining in bonds from a \$950 million transportation bond passed by voters in 1996. (The bond was issued to accelerate completion of urban loops and pave secondary roads.) Critics charge the bond sales were already earmarked for HTF coffers and so were not supposed to be used for Moving Ahead — a diversion that effectively negated \$700 million of the voters' intentions for the original bond.

North Carolina Department of Transportation (NCDOT)

The primary executive agency responsible for implementing transportation measures, constructing and maintaining highways, licensing drivers and registering vehicles. NCDOT is the state's primary recipient of funds from the U.S. Department of Transportation (USDOT). NCDOT divisions include: Aviation, Bicycle & Pedestrian, DMV, Ferry, Highways, Public Transportation and Rail. See also FHWA.

Rural Planning Organizations (RPOs)

Multicounty organizations, with both unique and overlapping functions, that promote comprehensive transportation planning, as well as increased local involvement regarding transportation decisions. The organizations are the result of a 2001 General Assembly mandate and are counterparts to Metropolitan Planning Organizations (MPOs), which focus on urban transportation needs. North Carolina currently has 20 RPOs, with Albemarle in eastern North Carolina being the largest and Isothermal in western North Carolina being the smallest. See also MPOs.

Smart Growth

An urban planning model that aims to create communities that are more compact, transit-oriented and environmentally friendly. Advocates of smart growth wish to increase urban density as a means of minimizing the negative impact of “sprawl” on communities and the environment. The theory behind smart growth is that keeping populations concentrated in the center of a city prevents rapid outward growth and suburban development. Critics point out that smart growth policies often result in increased regulatory measures and higher prices that often hurt low-income families living in urban centers.

State Infrastructure Banks (SIBs)

Investment funds created at the state or multi-state level with funding from the federal government. Intended to provide states with new financing capabilities, SIBs (also known as capitalization grants) complement other programs offered by the USDOT, offering a range of loan and credit enhancement assistance options (like lines of credit), giving states and municipalities maximum flexibility regarding project selection and financial management.



Stimulus Funds

Also known as the American Reinvestment and Recovery Act (ARRA), President Obama signed the stimulus act into law on February 17, 2009. ARRA spent three quarters of a trillion dollars, pumping billions of dollars into North Carolina’s coffers. North Carolina received over \$1 billion for infrastructure projects. \$735 million of stimulus funding was directed towards bridge and highway projects, \$103 million for transit, and another \$545 million as part of a discretionary grant from the Federal Railroad Administration for rail projects across the state.

Telecommuting

An employment arrangement in which employees enjoy limited flexibility in working location and hours. Since telecommuters are often able to work from home offices via the Internet, some traffic congestion is eliminated as those workers never get onto roads.

Transportation Improvement Program (TIP)

A formal planning document that outlines the state’s major highway construction projects and balances anticipated construction costs against projected revenues. The TIP originated in a 1973 mandate by Governor Jim Holshouser that NCDOT develop a temporary “seven-year” transportation plan. Subsequently, plans of cost-to-revenues projections have become a

fixture of transportation policy, especially as federal rules require all state transportation departments regularly to compile such documents for major projects. North Carolina's document, the TIP, is updated every two years. Many projects in the TIP are unfunded. Calvin Leggett – NCDOT's chief planner – said about the state's TIP: "We have \$2 in projects for every \$1 we have coming in."

Triangle Transit Authority (TTA)

Local government unit responsible for public transport issues in Durham, Orange, and Wake counties. It is governed by a 13-member Board of Trustees, of whom 10 members are appointed by local governments and three are appointed by the secretary of NCDOT. Specifically, the TTA was created in 1989 to "plan, finance, organize, and operate a public transportation system for the Research Triangle area." The TTA has three primary program areas: bus service, rideshare service, and transit planning. TTA has legislative authority to levy a vehicle registration tax of up to \$5 per registration and a tax on rental vehicles of up to 5 percent of gross receipts (the latter tax is to finance light rail).

Tollways

Or "turnpikes" are pay-per-use roads, often administered by non-state entities in order more rapidly to raise revenue for a project, usually at the point of need. According to the N.C. Turnpike Authority, "a projected \$65 billion gap between transportation needs and revenues during the next 25 years means we will be able to meet less than half of the state's transportation needs." So North Carolinians face a choice: "find new sources of funding that could speed the construction of some critical highway projects or wait years, perhaps even decades, until traditional funds are available to build free roads."

Turnpike Authority

Non-major component unit (a legally separate entity from the state of North Carolina) created in 2002 to manage the design, financing, operation and upkeep of turnpikes and tollways in the state. The General Assembly established the North Carolina Turnpike Authority to raise more private money for faster delivery and funding of transportation services and infrastructure. Integrating toll roads has become increasingly important to the North Carolina system, particularly as a means of serving hard to reach coastal areas like the Outer Banks.

Urban Loop

A curved roadway (loop) or series of loops that either encircle or bypass large urban centers, such as Charlotte (Outer Beltway), Raleigh-Durham (Beltline) and Wilmington (Wilmington Bypass). Also known as "beltways," these urban loops are primarily funded by the HTF. Although loops can relieve traffic congestion, they are costly and can take a long time to build. The TIP currently includes planned or partially complete loops for Asheville, Charlotte, Durham, Fayetteville, Gastonia, Greensboro, Greenville, Raleigh, Wilmington and Winston-Salem. See also HTF, TIP and Moving Ahead.

Vehicle Miles Traveled (VMT)

The number of miles residential vehicles are driven in a specified length of time, generally a day or a year. VMT helps analysts determine road construction and maintenance needs, predict future surface demands, and estimate environmental costs.



1

How are they funded? Transportation Projects

Funding for state transportation projects is derived from both state and federal sources. The amounts vary annually, but 2005 offers a snapshot. In that year alone, state transportation planners managed a budget that exceeded \$3.5 billion. Of this, approximately \$1.1 billion consisted of aid from federal taxpayers, with the remaining \$2.4 billion coming from state taxes and fees.

When we tally up all these funding sources, it means North Carolina takes in around \$3.5 billion per year in revenue for transportation.

State funding comes from four areas:

- **MOTOR FUELS TAX.** At 35 cents per gallon as of Dec. 2011, N.C. has the highest state fuel excise tax in the Southeast.”
- **HIGHWAY USE TAX.** A 3 percent tax collected on every vehicle title transfer. For 2010, revenue from the highway tax was \$440 million.
- **FEES.** These include license fees, registration fees, and title fees. For FY 2009-10, the total sum of transportation fees exceeded \$800 million. (See the Highway Fund and HTF under Key Terms and Question 4 below.)
- **INVESTMENT INCOME.** Derived from interest on the Highway Trust Fund and Highway Fund, which in 2005 brought in less than a tenth of transportation revenues.

**Transportation Revenue Sources
2004-2005**



The federal funding portion of the state’s transportation budget comes from allocations distributed by the U.S. Department of Transportation (USDOT). Where does USDOT get these funds? **Gas taxes:** the federal government collects 18.4 cents per gallon of gasoline purchased. Each state’s share of this pot is then redistributed back to the states through both formulae and special funding requests. **Earmarks** from congressional bills are also used to fund special projects. In 2005, for example, Charlotte received \$2 million in federal money to fund 15 miles of “greenways” (bike trails and parks) in the Sugar Creek area. Beginning in 2004, federal redistributions to North Carolina have exceeded \$1 billion annually for those projects listed on the state’s Transportation Improvement Program (TIP). For 2005, the federal government gave the state about \$1.1 billion.

2

HOW CAN IT BE DONE?

Making Roads More Cost Effective

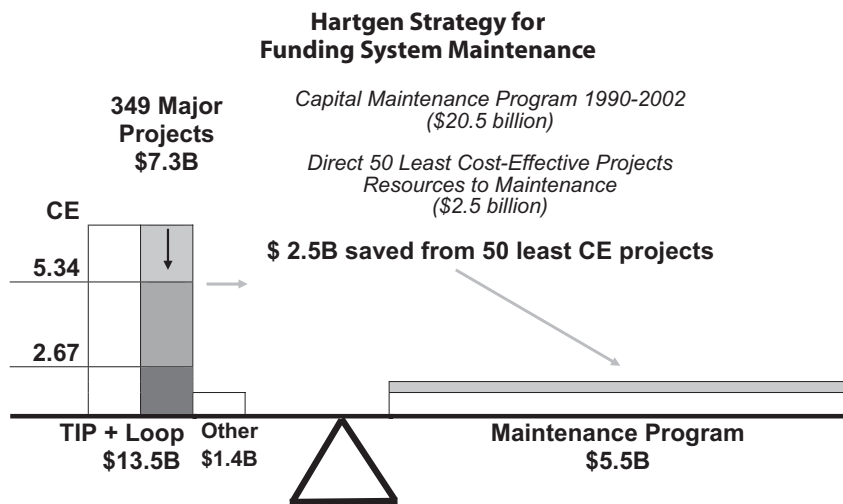
According to UNC-Charlotte Professor Emeritus David Hartgen, North Carolina doesn't need new taxes to fund repairs of its deteriorating state highways. Instead, the state should end wasteful road projects, such as the following highlighted in his 2004 study¹:

- A new exit and frontage road on I-40 at Newfound Road in Haywood County, constructed in 1995 for \$4.9 million to serve just 500 vehicles per day.
- A new exit on US 64 in Edgecombe County at SR 1207, constructed in 1998 for \$7.7 million, serving just 800 vehicles per day.
- A two-mile widening of US 19/74 in Swain County from NC 28 to the Little Tennessee River, finished in 1992 for \$21.7 million, serving 5400 vehicles daily.

Many new highway projects, such as widening urban roads and freeways or creating climbing lanes (which allow slow vehicles to move over when going uphill), are generally worthwhile. Others, such as new exits on rural freeways, new rural four-lane arterials and some new freeways, are of dubious value because they serve so few cars.

On average, major highway projects in North Carolina cost about 2.7 cents per vehicle-mile served, but they vary widely in effectiveness. According to Hartgen, if a given project costs more than 5.3 cents per vehicle-mile (a standard roughly twice the state average), officials should consider delaying or even foregoing the project altogether. Why use this threshold? First, says Hartgen, had state leaders done so between 1990 and 2003, North Carolina could have saved an estimated \$2.5 billion, making any new transportation taxes unnecessary. Second, Hartgen calculated a mock deferral of expensive (exceeding the 5.3 cost-point) projects and found that no particular part of the state would have been unduly burdened. Indeed, most of the projects that exceed the cost-point are unnecessary exits and additional lanes in rural areas throughout the state.

In addition to eliminating unnecessary and expensive projects, transportation officials can do some other things to save money:



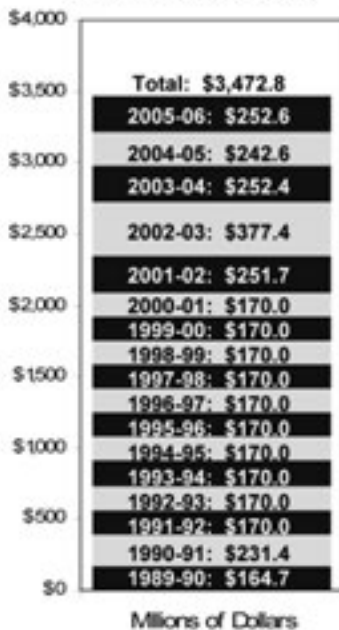
- Review all Highway Fund diversions and non-road expenditures so that revenues intended for highways are spent on highways. (Q & A #3)
- Explore more innovative financing options such as HOT lanes, tollways and infrastructure banks. (Q & A #8)
- Streamline impact studies.
- Evaluate public transit projects based on cost and potential ridership. (Q & A #7)
- Revise the formulas for highway funding so that new construction is dictated by demand, not by “geographic equity” criteria or special interests. (Q & A #5 and #6)

In short, if officials turn their priorities back to maintenance, meeting traffic demand, and finding creative, cost-effective solutions, North Carolina can be the good roads state once again.

3 WHERE HAS THE MONEY GONE? Highway Trust Fund

The North Carolina Highway Trust Fund was established in 1989 to fund select road construction for economic development purposes. Funds were to be spent on expanding more than 1,800 miles of specified roads and highways to four lanes, building more than 200 miles of urban loops in seven metropolitan areas, paving secondary roads, and supplementing municipalities’ funds for city streets.

Highway Trust Fund Transfers to the General Fund



Although the General Assembly anticipated that Trust Fund projects would be fully funded by 2003, most of the projects are still partially funded and completion of the Trust Fund’s mission is decades away. Internal and external factors have delayed projects, construction costs have risen, new projects have been added, and money has been diverted from the Trust Fund for other purposes.

Who Pays for the Trust Fund?

The Highway Trust Fund is made up of revenues from 25 percent of motor fuel and related taxes, the highway use tax, and the certificate of title fee and other fees. The largest source of revenue is the 3 percent highway use tax. In 1989, this tax replaced a 2 percent sales tax on motor vehicles, which went to the General Fund. The Trust Fund also earns interest and income and has annual revenues in the range of \$1 billion.

In 1996, North Carolina voters approved the issuance of \$950 million in general obligation bonds to accelerate Highway Trust Fund projects.

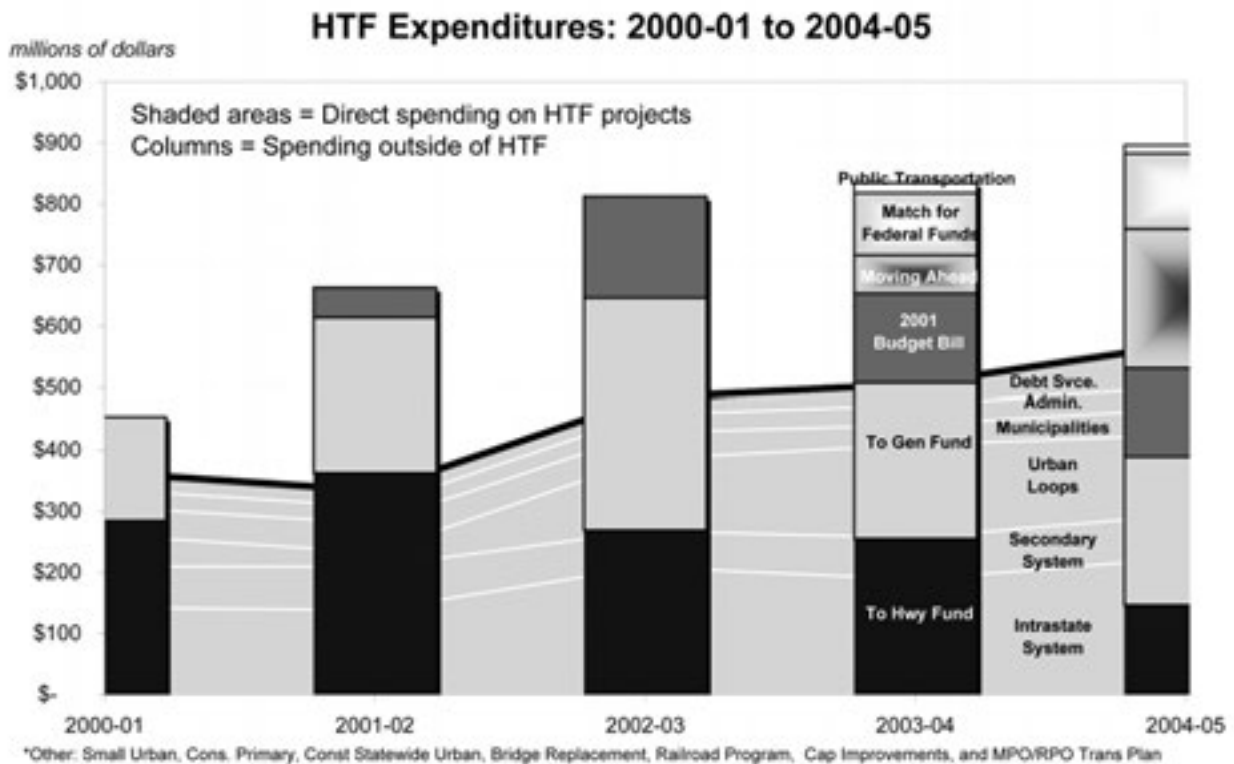
The state issued \$250 million in bonds soon afterwards, and the remaining \$700 million in 2003 and 2004. That \$700 million, however, was issued to conduct smaller maintenance, improvement, bridge replacement, and public transportation projects across the state through the North Carolina Moving Ahead! program.

How Was the Money Supposed to Be Spent?

The original distribution of funds was as follows:

- **TRANSFER TO GENERAL FUND.** In the last two years it was collected, the sales tax on motor vehicles generated approximately \$170 million for the General Fund. The Trust Fund was required to transfer the amount collected in 1989-91, and thereafter \$170 million annually, to the General Fund. The transfer amount has since been increased by the governor and General Assembly.
- **ADMINISTRATION.** This was an amount not to exceed 5 percent of the fund revenue from taxes and fees. This percentage has been reduced to 3.8 percent.
- **PROJECTS.** The remaining funds are to be used as follows:
 - 61.95 percent for intrastate projects and related debt service.
 - 25.05 percent for Urban Loops and related debt service.
 - 6.50 percent for municipal street aid.
 - 6.50 percent + \$15 of each certificate of title fee for Secondary Road Construction and related debt service.

For intrastate projects, the state is divided into seven regions, and funds are distributed based on population, Intrastate road miles, and an equal base amount. Urban loops are excluded from this



distribution formula, but the N.C. Department of Transportation's (NCDOT) practice has been to spread funds throughout the state each year rather than focus the urban loop revenue on one project at a time. For secondary road construction, funds are allocated using a formula based on each county's percentage of the state's unpaved roads.

How Has the Money Been Spent?

As of July 2010, over \$11 billion had been authorized for intrastate and urban loop projects. The funds appropriated to secondary road projects and municipal aid have followed the allocation formula laid out in statute. However, in the 1990s, projects did not proceed as quickly as expected and money built up in the Trust Fund. This built-up cash became a focus of legislative attention beginning in 2001, and money was spent more rapidly by NCDOT, the governor and General Assembly.

HIGHWAY TRUST FUNDS APPROPRIATED FOR OTHER PURPOSES Fiscal Years 1990-2006			
	Original <u>Legislation</u>	Actual <u>Authorized</u>	<u>Difference</u>
• Transferred to General Fund (all years)	\$2.946 billion	\$3.473 billion	+ \$527 million
• Highway preservation, modernization & maintenance (2002-05)	\$0	\$1.143 billion	+ \$1.143 billion
• Match Federal Funds (2004 forward, as needed; July 03 - Dec. 05 expend. shown)	\$0	\$289 million	+ \$289 million
• Public Transportation (2002-05)	\$0	\$190 million	+ \$190 million
• Economic Dev./Discretionary (2002-04)	\$0	\$47 million	+ \$47 million
• Small Urban Construction (2003)	\$0	\$7 million	+ \$7 million
• TOTAL	\$2.946 billion	\$5.149 billion	+ \$2.203 billion

	Estimated Mileage		Estimated Cost	
	<u>Intrastate</u>	<u>Loops</u>	<u>Intrastate</u>	<u>Loops</u>
1989	1,844	205	\$5.95 billion	\$2.21 billion
1998	1,848	226	\$8.24 billion	\$3.37 billion
2005	1,837	378	\$12.14 billion	\$7.12 billion

SOURCE: N.C. State Auditor and N.C. DOT

Legislative changes in the last few years have allowed NCDOT more flexibility in how it constructs Highway Trust Fund projects, added new projects to the list, and permitted Trust Fund monies to be used to match federal highway funds. In addition, more money has been transferred to the General Fund, and \$1.4 billion has been authorized for two new groups of smaller transportation projects – 2001 Budget Bill and N.C. Moving Ahead! – that focus on road preservation, improvements and public transportation.

- **2001 BUDGET BILL.** The 2001 and 2002 Budget Bills (SB 1005 and SB 1115) directed the state department of transportation to use \$687 million of the cash balance in Highway Trust Funds for primary route preservation (\$470 million), preliminary engineering costs (\$45 million), traffic signals (\$45 million), public transportation (\$120 million), and small urban construction (\$7 million). Ten percent of the \$470 million was authorized for discretionary economic development projects. As of February 2006, these funds had been used in 63 counties to build or improve roads to attract new industries, and to make other improvements for economic development purposes. Project funds range from \$20,000 to \$800,000, and may be supplemented by other state or local transportation dollars.
- **NORTH CAROLINA MOVING AHEAD!** The 2003 Budget Bill (HB 397) allowed the NCDOT to use \$700 million of the cash balance in the Highway Trust Fund for Moving Ahead programs. This money was to be replaced with \$700 million in bonds: in effect, spending bonds authorized for Highway Trust Fund construction projects on Moving Ahead projects.

Examples of Moving Ahead projects include widening and resurfacing roads, installing turn lanes, and upgrading turn signals. The bulk of the \$630 million was allotted to preserving and modernizing highways and replacing bridges. Common projects include widening and resurfacing roads, installing turn lanes, and upgrading turn signals. The remaining \$70 million was allocated to public transportation projects.

Where Are We Now?

The original legislation (S.C. 1989-692) defined completion of the Trust Fund as full funding for all projects. This was expected to occur in 2003, with a total of approximately \$8.2 billion. However, many projects have not been fully funded, and new projects were added to the list in 2003 and 2004. Three new loops — Fayetteville, Gastonia and Greenville — were added, and the estimated mileage for the Durham Northern Loop has increased from 16.4 miles to 50.5 miles. Other projects have had smaller adjustments in mileage.

As of July 2005, approximately 50 percent of the original intrastate and urban loop mileage, and 45 percent of the overall intrastate and urban loop mileage, had been fully funded. A total of \$8.0 billion has been authorized and NCDOT estimates it will require another \$11.3 billion to complete all projects except the Durham Northern Loop (cost of that project is unknown). As of 2006, approximately 898 miles of intrastate highways and 131 miles of urban loops were open to traffic.¹

Some Trust Fund projects have not been started, and many are in multiple pieces and stages. As of July 2005, only 39 percent of the Raleigh Outer Loop (I-540) project had been funded. The northern segment is complete or under construction; the western segment is in design phase; and the southern and southeastern segments, which were added by legislation in 2004, are still in the planning phase.

Why Aren't We Finished?

The use of the Trust Fund cash balance for other purposes has required NCDOT to manage its cash and project schedules more carefully. The addition of new Trust Fund projects has also increased the total funds required to complete its mission. In addition, increased construction costs, project complexity, environmental and local obstacles, and internal issues inside NCDOT have contributed to delays.

Out of concern over the pace of Trust Fund and other NCDOT projects, the Joint Legislative Committee on Transportation Oversight commissioned a study in 2003 of NCDOT's project delivery schedule.² The study found that the delivery of construction projects had become more difficult and complex over the years. One reason is because the Highway Trust Fund law, which required NCDOT to pursue the construction of specific projects, did not take into account whether these projects could be permitted and approved by environmental agencies, and whether these projects were still regional or local priorities at the time of construction.

When the Trust Fund was initiated, the secretary of transportation instituted measures for advanced planning and streamlined environmental reviews. However, the 2003 Transportation Oversight study found that over the past few years environmental sensitivity had increased, as had the vigilance of the many environmental and other regulators. There was also more public involvement and litigation. The study also found that NCDOT was lacking in strong project and program management systems, and hampered in developing processes and systems because of difficulties in recruiting and retaining personnel.

What is Being Done to Speed Things Up?

Recent sessions of the General Assembly have attempted to address some of these issues. The Legislature has made changes to the scope of the Trust Fund, attempted to streamline the environmental permitting process, and initiated organizational changes in NCDOT.

- **CHANGES TO TRUST FUND SCOPE.** In the 2003 and 2004 Budget Bills, the General Assembly made statutory changes that allowed NCDOT flexibility in four-lane expansions, permitted Trust Fund monies to be used as the state match for federal funds, and added a new list of projects, making the original list “priority” projects. As a result, NCDOT has begun more projects.
- **CHANGES AFFECTING ENVIRONMENTAL PERMITS.** The 2003 Budget Bill significantly limited cases in which environmental permits on a transportation project can be cancelled or modified. It directed agencies issuing environmental permitting rules to analyze in advance the impact of those rules on NCDOT costs and provide the analysis to the Board of Transportation.
- **ORGANIZATIONAL CHANGES.** The 2005 Budget Bill also aimed to streamline processes and improve efficiency by reorganizing NCDOT branches and instituting personnel policy changes in the Project Development and Environmental Analysis branch. NCDOT was directed to offer competitive salaries for specialized positions and develop, but not implement, an incentive pay pilot program to increase efficiency and productivity.

ENDNOTES:

¹ N.C. Department of Transportation, Program Management Division, data received March 2006.

² Study conducted by Dye Management Group, Inc. “North Carolina General Assembly. NCDOT Project Delivery Study: Final Report.” July 19, 2004.

The stated mission of NCDOT is “to provide and support a safe and integrated transportation system that enhances the state.” But does enhancing the state mean building unnecessary roads? And who benefits from these roads?

4 WHY IS IT HAPPENING? **Building Unnecessary Roads**

Unnecessary roads can be built in North Carolina for three purely political reasons: 1) politicians seeking votes from constituents who think a certain district needs a new exit, bridge or bypass; 2) transportation officials who succumb to the undue influence exercised by developers, road contractors and business interests; and 3) economic incentives for companies who plan to relocate to or expand in North Carolina.

Perhaps the most visible illustration of the first reason is the infamous “road to nowhere,” which is viewed by some old-timers in the state as long overdue compensation for what their community lost when the Tennessee Valley Authority (TVA) built the Fontana Dam, a project which flooded part of western North Carolina during the 1940s. The federal government began rebuilding the flooded road, but the U.S. Park Service halted construction on the road in the early 1970s after only seven of the 33 proposed miles had been built (at which point the road picked up its nickname). U.S. Representative Charles Taylor (R) revived the Road to Nowhere project and got \$16 million in federal money to continue the road through undeveloped tracts of the Great Smoky Mountains National

Park. According to advocates for the road, it would not only replace the original N.C. Highway 223 but also would compete with a scenic parkway in Tennessee. Still, many view resurrecting the 30-year-old project as nothing more than a ploy to get goodies for votes — the displacing effect of Fontana Lake notwithstanding.

Local pork is as big an issue as federal pork. It is difficult to say how many unnecessary projects have been built due to special interests and business contacts in North Carolina, but currently a number of visible state politicians have been allowed to divert money from road maintenance to low-priority projects by way of a special transportation fund.

In 2005, the John Locke Foundation's Don Carrington turned up a number of apparently political funding approvals in just one four-month period:

- "In April the board approved \$87,500 to pave Sharpe Road in Mecklenburg County. The request came from former House Speaker Jim Black, and the amount was charged to his account."
- "In May the board approved \$15,000 to improve Buffalo City Road in Dare County. The request came from former Senate Pro Tempore Marc Basnight, and it was charged to his account."
- "In June the board approved \$320,000 for improvements to Main Street in Raeford. Basnight and Black split the cost, and their accounts were charged accordingly. The project had already received substantial funding from other NCDOT sources."
- "In July the board approved a request of about \$185,000 from Black to widen and pave four dirt driveways and a parking lot at the Central Children's Home orphanage in Oxford. The request originated with North Carolina Representatives Michael Wray and Jim Crawford. The spreadsheet shows that the money was charged to Black's column."

While currently legal, these discretionary funds raise serious questions, particularly since so much money is ostensibly being diverted for the sake of political favors.

Unfortunately, all of this points to how special interests often win out over the public interest. This brings us to the second reason unnecessary roads get built: business interests.

Road subsidies are a primary component of many economic incentive packages for corporations. Much of the funding for this kind of road project comes from the Industrial Access/Road Access Fund administered by NCDOT, but some comes from the \$10 million per annum contingency purse held by General Assembly members and Transportation Secretary Lyndo Tippet who controls another \$5 million in discretionary funds.

Consider this 1997 account from the *Charlotte Observer's* Jim Morrill:

“Paving Flynt Road, a dirt road in Stokes County’s Sauratown community, wasn’t exactly a top priority for NCDOT. In fact, 170 roads in that county alone ranked higher in need. But last week state officials began acquiring right-of-way for the nearly mile-long stretch. The \$110,000 project leap-frogged others because it was requested by a state lawmaker using money from a little publicized N.C. highway fund.”

In that instance, Jim Morrill cites then-state Senator David Hoyle (D) who in a two-year period had spent “\$570,000 — more than any other North Carolina lawmaker. His 11 projects include a connector to a new manufactured-housing plant [in Cherryville].” While no one denies that industries need road access to their facilities, these subsidies can be excessive, used for political leverage, and launch companies to the head of the line in front of citizens.

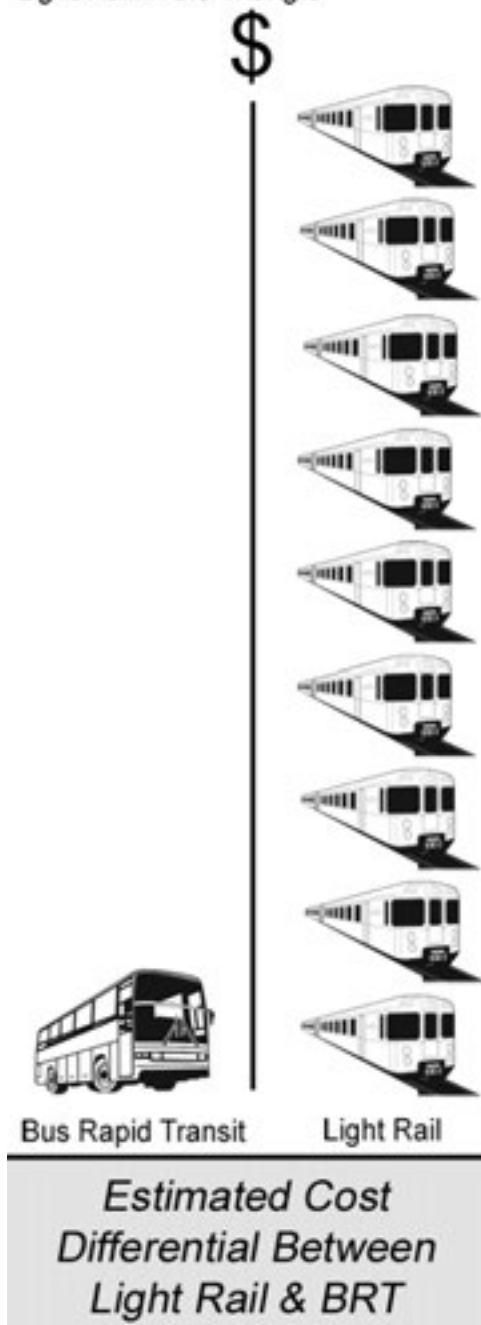
5 WHAT IS ITS FUTURE? Light Rail In North Carolina

Across the country, light rail has been seen as a force for significantly mitigating pollution and congestion problems. But many cities have seen far less success than anticipated, and light rail has proven to be far more costly per commuter than other forms of public transit. While many urbanites could theoretically adjust their commuting habits, the real question is whether enough people actually would. In cities where light rail has been tried, most drivers remain unconverted. Consider:

- ▶ **PORTLAND.** Hailed as a light rail “success story,” Portland’s current system carries less than 1 percent of its commuter travel. According to the Thoreau Institute’s Randall O’Toole: “In the 1970s, [light rail] got cars off of the highways at a cost to taxpayers of less than \$1 per car. [Portland’s] eastside light rail costs taxpayers at least \$10, and probably much more, for each auto trip it saves. Portland’s west side line, now under construction, and south-north lines, now in the planning stages, will cost considerably more than that.”
- ▶ **HOUSTON.** Even though it is the fourth-most populous city in the United States, Houston’s cost of attracting customers to its Main Street line is 10 times higher than the cost of attracting customers to bus service, according to Reason Public Policy Institute. And Houston’s project cost more than \$40 million per mile (roughly the same price as a 4-lane highway, but only carries as much traffic as one lane on a good day).

The light rail saga in North Carolina began in the mid-90s when officials in two of the state’s major urban centers — the Raleigh-Durham Triangle area and Charlotte — began pushing for and planning projects. Raleigh expanded the Triangle Transit Authority (TTA) and Charlotte expanded the Charlotte Area Transit System (CATS) to go beyond buses. These centers both had consistent population increases over the last decade, but the similarities end there. As its hyphen suggests, Raleigh-Durham is an urban area based on a cluster of population districts separated by university hubs, research centers and dispersed neighborhoods. By contrast, Charlotte is a city that has evolved more closely to the axis-and-spoke concept of the traditional city — that is, a dense downtown with surrounding suburbs. These geographic realities have gone far in shaping each area’s light rail destiny. Not to mention lobbying and a little luck.

Light Rail in the Triangle



- RALEIGH-DURHAM. The Triangle's story starts out, as many public projects do, as one of good intentions. According to *News & Observer* transportation columnist Bruce Siceloff, "the Federal Transit Administration had given high marks to TTA as it developed its plans over the past decade. But starting in 2004, the federal agency began raising alarms about soaring costs, weak local funding and shaky ridership forecasts. None of these problems was solved over the next two years."

In truth, there is no way TTA could have solved these problems. Predictive models used to gauge the value of light rail projects revealed a poor investment in the Triangle, despite the sanguineness of the TTA. "TTA cut four rail stations and seven miles of tracks from its plans," writes Siceloff. "Costs fell but quickly rose again. The federal agency ordered an overhaul of a computer model used to predict Triangle traffic congestion and transit demand. A new report predicted only 10,200 daily train riders by 2030, half the number in earlier projections."

In terms of traffic congestion alone, Ted Balaker of the Reason Foundation asks: "Is it worth it to spend nine times more on the next most expensive alternative, to decrease traffic by one percent?"

Federal planners ultimately rejected the Triangle's 2004, \$810 million light rail proposal because the projected population density and ridership numbers didn't add up. (Note that Charlotte's \$550 million nine-mile track would have been rejected had the proposal been submitted just one week later, as federal standards for public transportation funding became stricter the following week, eventually tripping up the Triangle proposal.)

Yet today, city officials in the Triangle remain undeterred. Already, the city has spent \$60 million on more than a decade of planning and land acquisition. Determined not to be left out, many city leaders – such as Durham Mayor Bill Bell – have regrouped to figure out how to bankroll light rail – with or without federal funding.

- ▶ CHARLOTTE. The Queen City's light rail story turned out differently from the Triangle's. The first line (South Boulevard) of Charlotte light rail opened in November of 2007. As of 2010, Charlotte still has plans to build an additional four lines that would together total well over \$1 billion in costs. The "Blue Line" running along South Boulevard nearly doubled original costs estimates, with overruns of more than \$240 million. But what will Charlotte get for its investment? A comprehensive report² in 2004 by Ted Balaker of the Reason Public Policy Institute says:

"The huge disparity between costs and returns is even more dramatic when examined on a per-unit-of-congestion-relief basis.

- ▶ Cost per vehicle trip reduced \$ 43,725
- ▶ Cost per vehicle mile reduced \$ 9,578
- ▶ Cost per vehicle hour reduced \$ 384,537

At \$6,747, Charlotte's annual cost per new rail rider — although less than the Triangle — is still steep."

Since Balaker's 2004 Reason study, Charlotte has encountered a series of technical and budgetary problems with the engineering firm—Parsons— and has filed a law suit. Past issues with the company threatened to delay the 2007 grand opening, and officials blame the design contractor for mistakes that helped push the budget from "\$371 million in 2003 to \$462.7 million today [2006]," according to the *Charlotte Observer*.

6 WHAT ARE THEY? HOT Lanes

HOT (High-Occupancy Toll) lanes are a new variation on High-Occupancy Vehicle (HOV) lanes and often work in conjunction with them. HOV lanes are designed to relieve traffic congestion by providing a specially designated lane for cars with multiple passengers. The idea is to get people to

carpool so there are fewer cars on the road and, therefore, less congestion and pollution overall. While these lanes were once considered innovative, it turns out the benefits of HOV lanes are marginal at best, and they may be underused during peak traffic times.

Pay-per-use HOT lanes promise to make better use of HOV lanes, increase capacity more efficiently than conventional lanes, and "reduce the number of lanes on new highways by limiting peak-hour demand," says transportation expert Robert Poole of Reason Foundation.³

Citing Poole's research, Benita Dodd of the Georgia Public Policy Institute argues that those sprawling urban areas, like Atlanta and Charlotte, that characterize the "New South" could benefit greatly if they converted their HOV lanes into HOT lanes. Writes Dodd:

"To be considered a good performer, an HOV lane needs to carry about 950 vehicles per hour. ... Georgia Department of Transportation counts show that the metro area's busiest HOV lanes —

northbound and southbound I-75/85 at 14th Street — average 582 cars per hour, vs. the 12 general-use lanes that each average 1,205 cars per hour. Atlanta’s busiest HOV lanes, in other words, average just 48 percent of the traffic of a general-use lane.”

Critics of HOT lanes fear that they will serve to improve traffic conditions only for those who can afford to pay. Others note that, as taxpayers, the commuters on these roads have already paid for them once. With HOT lanes, they would be asked to pay again.

Supporters of HOT lanes argue that these lanes:

- Reduce traffic, and thereby increase productivity, for both paying drivers and those who continue to use conventional lanes.
- Can continue to serve as HOV lanes and are easily converted at low cost.
- Help reduce emissions by reducing stop-and-go traffic.
- Bring in transportation revenues from paying customers at the point of need.
- Are generally affordable for lower-and-middle income drivers.

North Carolina - Urbanized Area Congestion Needs 2006 Results

Urbanized Area	Population (000s) 2003	Population (000s) 2030	Travel Time Index 2003	Travel Time Index 2030	Lane-Miles Over 1.0, Total 2030	TOTAL Lane-Miles Needed 2030	TOTAL Lane-Mile Costs to Relieve Severe Congestion, 2030, \$M	Cost per Resident per Year	Cost per Commuter per Day	Average Annual Delay Hours Saved	Annual Cost per Delay Hour Saved
Charlotte	725	1,185	1.31	1.62	429.1	1,070.0	\$2,908.1	\$121.81	\$0.97	40,626,254	\$2.86
Raleigh	528	970	1.19	1.37	378.6	1,203.9	\$4,123.9	220.29	1.76	12,767,882	12.92
Fayetteville	314	387	1.05	1.15	70.6	280.2	\$21.0	59.43	0.48	2,534,934	8.22
Durham	281	406	1.19	1.37	109.9	796.5	\$2,442.0	284.44	2.28	5,015,482	19.48
Winston-Salem	266	362	1.05	1.11	78.9	306.5	\$89.3	103.17	0.83	1,327,132	24.39
Greensboro	243	333	1.05	1.10	73.7	95.1	\$310.5	43.13	0.35	1,273,389	9.75
Wilmington	168	278	1.04	1.10	60.5	89.6	\$176.6	31.65	0.25	926,991	7.62
Gastonia	135	221	1.04	1.09	69.9	130.7	\$253.6	57.05	0.46	671,899	15.10
Concord	131	185	1.04	1.10	64.7	127.7	\$267.8	67.87	0.54	655,329	16.35
Asheville	129	178	1.04	1.09	78.0	97.8	\$278.8	72.53	0.58	502,096	22.21
High Point	110	151	1.04	1.08	22.4	44.8	\$62.9	19.29	0.15	431,066	5.83
Jacksonville	104	111	1.04	1.08	10.4	18.5	\$25.9	9.64	0.08	418,622	2.47
Hickory	94	126	1.04	1.09	28.6	28.6	\$62.0	22.50	0.18	393,229	6.31
Burlington	92	132	1.04	1.08	17.8	13.3	\$36.6	13.09	0.10	372,937	3.93
Greenville	71	102	1.04	1.08	16.3	14.5	\$31.5	14.55	0.12	263,935	4.77
Goldensboro	60	67	1.04	1.07	12.0	21.3	\$29.9	18.78	0.15	154,543	7.73
Rocky Mount	56	64	1.04	1.07	15.6	22.6	\$35.7	23.87	0.19	148,132	9.58
North Carolina (Urban Area)	3,507	5,258			1,537	4,381.4	\$12,376.0	\$112.97	\$0.90	68,484,850	\$7.23

Source: Building Roads to Reduce Traffic Congestion in American Cities:
How Much and at What Cost?
(Hartgen and Fields for the Reason Foundation)

EXPERIENCES IN OTHER STATES. Most HOV-to-HOT conversions pay for themselves within two years. For example, San Diego’s I-15 toll revenues range between \$1.3 million to \$2.2 million per fiscal year. According to Michael Replogle of Environmental Defense,

“On California’s Route 91, diversion of traffic onto HOT lanes has reduced congestion on the entire road and increased the number of passengers per car to 1.6, compared to the average of 1.2.” Texas uses HOT lanes on I-10, and Virginia completed an I-64 HOT lane in 2010.

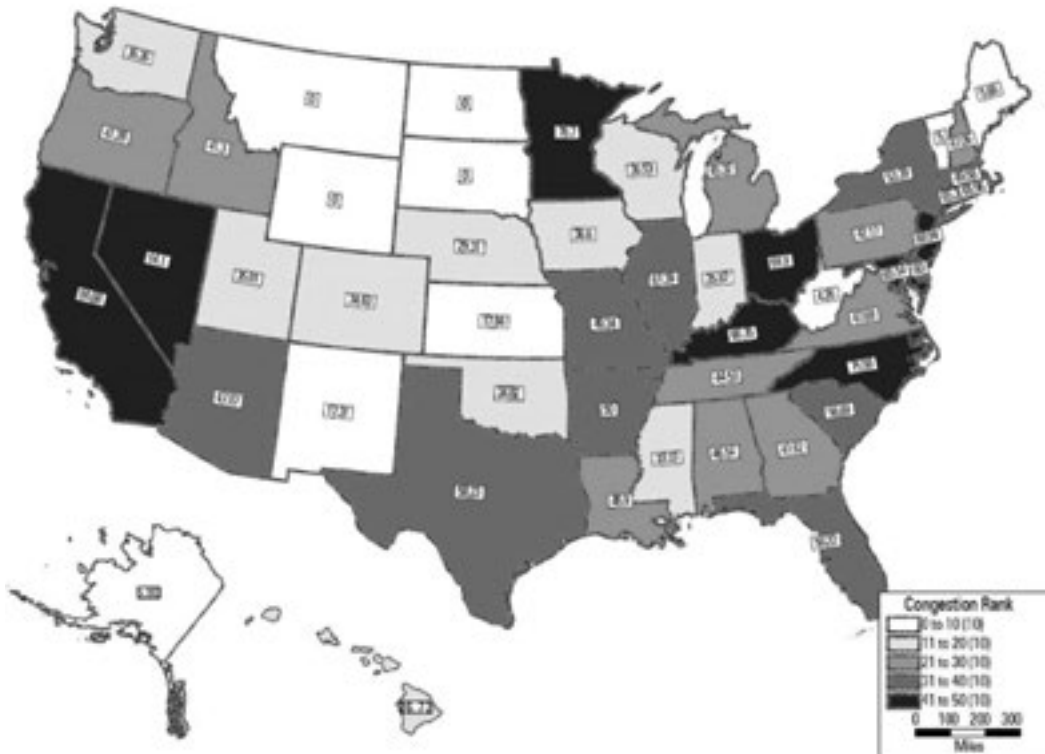
With the introduction of Intelligent Transportation Systems (ITS) technology, HOT lanes can be made even more efficient and effective. In areas like San Diego, HOT lanes employ variable pricing algorithms that allow drivers to pay more or less according to traffic conditions. If the HOT lane is full and not moving much faster than conventional lanes, drivers will pay a lot less (say 25 cents). If traffic is moving more quickly in the HOT lane than in the conventional lanes, drivers can choose to pay more to use the lane (say \$3). Drivers can also prepay with transponder cards and other devices that eliminate the need for entry booths like those found at tollways.

7 WHAT CAN BE DONE ABOUT TRAFFIC CONGESTION? New Innovations and Ideas

TELECOMMUTING INCENTIVES – States like Virginia, Arizona and Georgia offer companies incentives to let their employees work from home at least one day per week. According to Jane Anderson, director of the Midwest Institute for Telecommuting Education, as many as 18 million Americans

telecommute. And that number is growing. In fact, says transportation analyst Ted Balaker, “Telecommuters outnumber mass transit commuters in a majority (27) of the 50 most populous U.S. cities.” In North Carolina, while the state does not offer incentives, many companies in Research Triangle Park encourage telecommuting.

Urban Interstates Congested, Ranking, 2004



Source: 15th Annual Performance of State Highway Systems (Hartgen and Karanam for the Reason Foundation)

TRAFFIC SIGNAL OPTIMIZATION – Upgrading traffic signals is one of the best ways to reduce congestion. Newer traffic signals that can be programmed to adjust to varying traffic periods can improve traffic flow. In a 1994 study,⁴ the U.S. Government Accountability Office found that the benefits of signal optimization include reducing “accidents, congestion, travel time, fuel consumption, and air pollutants.” Some optimization has been done in North Carolina. For example, the 2001 budget bill designated \$45 million of the cash balance in the Highway Trust Fund to upgrade traffic signals.

IMPROVED INCIDENT MANAGEMENT – According to the Federal Highway Administration, traffic accidents are responsible for 25 percent of traffic congestion. Clearing roadways of accidents quickly and safely should remain a priority for North Carolina, whose IMAP patrols already scout major arteries. In Atlanta, the introduction of new comprehensive incident management systems reduced maximum cleanup times (between verification and clearance) from 6.2 hours to 1.5 hours during the first three weeks of service.

INTERSECTION CHANNELIZATION – A lot of congestion can be reduced simply by redesigning intersections (a process called “channelization”). Channelization entails giving drivers adequate turning radii, better medians, and upgraded road alignments. But perhaps the single most important channelization measure is simply to improve left turn capacity.

BETTER BUS RAPID TRANSIT – As compared to light rail, for example, improvements in bus rapid transit are superior in almost every way. According to the John Locke Foundation, buses offer “greater flexibility, faster operating speeds, greater service reliability, increased comfort, rapid boarding, lower capital costs, and energy efficiency – all at lower costs.”

8

WHO IS RESPONSIBLE?

The I-40 Paving Fiasco

In August of 2005, engineers discovered poorly constructed pavement in Durham County. (A smaller problem, a sinkhole, caused holiday traffic delays near the end of 2006.) The 10.6 mile stretch of I-40 was supposed to use state of the art building materials and construction practices. But soon after the roadway

was built, the pavement began to buckle, crack and would have to be ripped up and completely repaved. Why? It turns out engineers at NCDOT were not familiar with the new materials used in construction, and they failed to tell the contractor, Granite Construction, what precisely needed to be done. And while NCDOT employees maintain they verbally told Granite what to do, in the end, specs are supposed to be delivered in writing as a matter of policy.

The Durham County pavement problem has been well chronicled by Bruce Sicheloff of the *News & Observer*. Recounts Sicheloff:

- “NCDOT pavement experts were not familiar with bonded concrete overlay, a paving process rarely used in North Carolina, when they chose it in 1999 for a major project to relieve congestion on the Triangle’s busiest freeway.
- Engineers who drafted paving instructions for the \$44.8 million contract in 2001 lifted the bonded overlay details from plans for a small Raleigh Beltline paving job. They thought – mistakenly – that it was similar to the I-40 project.

- NCDOT did not give its engineers any training in the new paving method until October 2003, five months after overlay paving began on I-40. [NCDOT] did not update its technical manuals to include the special requirements of overlay work.”

Ultimately, this new pavement required special expansion joints be cut in the concrete. The joints that were cut were not nearly as deep as they needed to be for this type of construction. Had the process been done properly, the road would have lasted 30 years. Instead it lasted only two years. Despite arguments over who is more to blame — NCDOT or the construction contractor – this pavement failure will cost North Carolina taxpayers \$18.6 million to repair.

The fiasco has already cost a high-level job and some settlement money. The first to go was Len Sanderson, who led the investigation into the botched project and took his share of the blame shortly before announcing his “retirement.” But many think the purging should not have stopped with Sanderson. Some suggested the resignation of Transportation Secretary Lyndo Tippet, a long-time supporter of Governor Easley, was in order. Tippet, however, continued his role until the end of Easley’s term as Governor. Granite Construction accepted its portion of the blame and contributed \$3 million to the reconstruction effort. But the lion’s share came from taxpayers – i.e. state and federal coffers.

The repair expenses had to be drawn from funds earmarked for other Triangle projects. Wrote Siceloff: “That means the I-40 fix will gobble up federal and state money that could otherwise have been spent on other road improvements in a seven-county area that includes Wake and Durham counties. The estimated \$18.6 million cost could be diverted, for example, from the planned \$18 million widening of Aviation Parkway in Morrisville or a \$15 million widening of T.W. Alexander Drive in Durham.”

ENDNOTES

- ¹ David Hartgen, “Cost-Effectiveness of North Carolina’s Major Road Projects” John Locke Foundation Policy Reports, < http://www.johnlocke.org/policy_reports/2004100649.html>(6 October 2004).
- ² Ted Balaker, “Past Performance v. Future Hopes: Will Urban Rail Improve Mobility in North Carolina?” Reason Public Policy Institute, < <http://www.reason.org/ps321.pdf>>(1 June 2004).
- ³ Robert W. Poole, Jr. and C. Kenneth Orski, “Building a Case for HOT Lanes: A New Approach to Urban Highway Congestion” Reason Public Policy Institute Policy Study No. 257 < <http://www.reason.org/ps257.html>>(1 April 1999).
- ⁴ Allen Li, “Transportation Infrastructure: “Benefits of Traffic Control Signal Systems are Not Being Fully Realized” GAO Report to the House Committee on Energy and Commerce, 30 March 1994.



9 DOES NORTH CAROLINA NEED IT? Light Rail

The short answer is no. Consider the following facts:

- For the much-touted “successful” LYNX light rail system in Charlotte, “taxpayers are paying \$6.30 per LYNX trip, about 91 percent of the cost,” writes transportation expert Dr. David Hartgen, “and the LYNX rider is paying about \$0.60, about 9 percent of the cost.”
- The proposed Triangle light rail plan is estimated to cost \$2 billion, but will service less than 2 percent of the Triangle population. (Taxing options include a “transit” sales tax on 100% of the population, which is highly regressive.)
- According to transportation expert Randal O’Toole, the average light rail mile in America costs 5 times that of the average highway mile, but carries only 1/5 the number of passengers.
- A 2002 average of 18 regional transportation plans concluded that transit takes only 2 percent of the share of the overall travel, but requires 50 percent of the funding. (see charts)

If light rail is so expensive, serves so few people and requires such massive subsidies, why have light rail systems become so popular around the country? It’s due to a phenomenon called “concentrated benefits and dispersed costs.”

Before your eyes glaze over, consider that concentrated benefits and dispersed costs mean simply this: special interests use political power to benefit themselves and spread the costs over the whole population. It’s difficult to organize popular opposition to a tax that amounts to a nickel out of every \$10 one spends. And it’s far simpler for a small group of light rail enthusiasts to campaign for light rail, particularly when they can expect the backing of developers, banks and those living along the line (special interests all of whom stand to benefit from the project).

The Triangle’s latest proposal is an ambitious two-line plan that would service Chapel Hill, Durham, Cary and North Raleigh for a combined estimated cost of \$2 billion-plus. How will they pay for it? According to the Raleigh News & Observer, 50 percent would be paid by the counties being served, 25 percent by the state, and 25 percent by the federal government (i.e., folks in Kentucky and



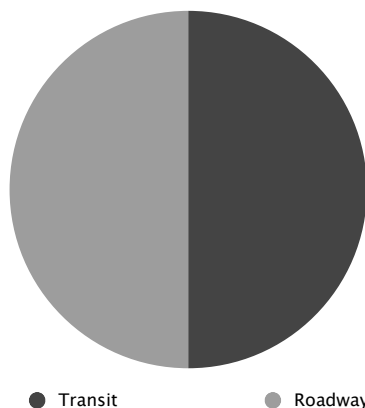
Alaska). That means they'll be soaking the rest of North Carolina's residents for \$500 million. And that was the original estimate. Charlotte's light rail ended up costing three times original estimates.

But it's not a great deal for most Triangle denizens, either—though they may be dazzled into thinking they live in a 'world-class city' by virtue of having it. Ninety-nine percent of the people who live in Wake, Orange and Durham Counties – though they will rarely have occasion to take light rail – will still get stuck with \$1 billion of the tab. That's because those Triangle counties are likely to model their revenue sources after Charlotte, whose local government introduced a half-cent sales tax. Half a cent? Doesn't sound like much. But it's about \$38.00 per household per year on average for a Wake County household – 99 percent of whom will never have occasion to use these lines and will "benefit" from only about 1 percent reduction in traffic (and only for about a year, due to continuing population growth).

Rich urbanites don't want to take buses, apparently. Consider this from a woman quoted in the Charlotte Observer: "I am never going to get on a bus in my entire life, but I used trains every day when I lived in Baltimore and Washington," says transplant Ruth Henry. "I am totally on board for using tax dollars to build trains." Of course she is. She doesn't have to pay the full costs of it. Indeed, if Ruth is now taking Charlotte's light rail, her round-trip ticket only costs 1/9th of what it would if others weren't footing the bill. Very few people would pay \$7 to ride LYNX one way. Hint: this is why governments, not entrepreneurs, build rail systems. (And they have Greensboro, Gastonia, and Greenville to thank for their expensive projects).

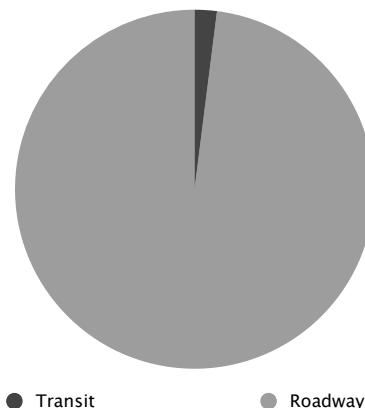
A nine-to-one subsidy by those who do not use LYNX cannot credibly be called successful, fair or progressive. But what is more, no positive environmental impact of light rail can be measured.

Transit v. Roadway : Share of Spending
(Average of 18 Proposed Regional Plans)



Source: Orski, Kenneth. "The Myth of Underfunded Mass Transit" Innovation Briefs – July–August 2002

Transit v. Roadway : Share of Travel
(Average of 18 Proposed Regional Plans)



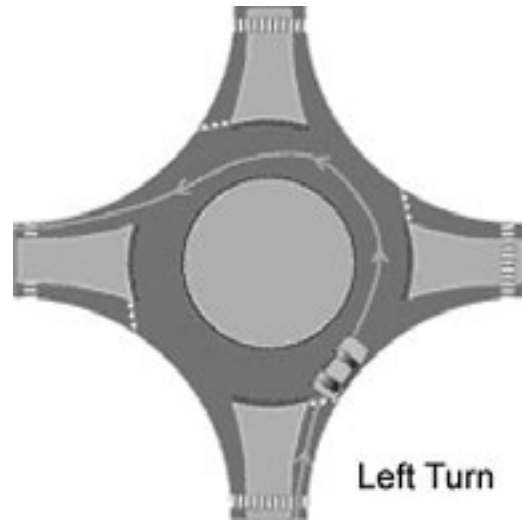
Source: Orski, Kenneth. "The Myth of Underfunded Mass Transit" Innovation Briefs – July–August 2002

Consider this from David Hartgen: "Emissions savings attributable to LYNX constitute less than 1/10 of 1 percent of major compounds. Savings of this magnitude would not be measurable in the region's air quality monitoring programs." Of course, Prof. Hartgen's figures do not include the tremendous energy and pollution required for constructing the line, nor do they factor in the fact that "feeder" buses and cars add tremendous pollution to the calculations. Indeed, cars are more likely to achieve greater efficiency (more quickly) into the future than is light rail.

10

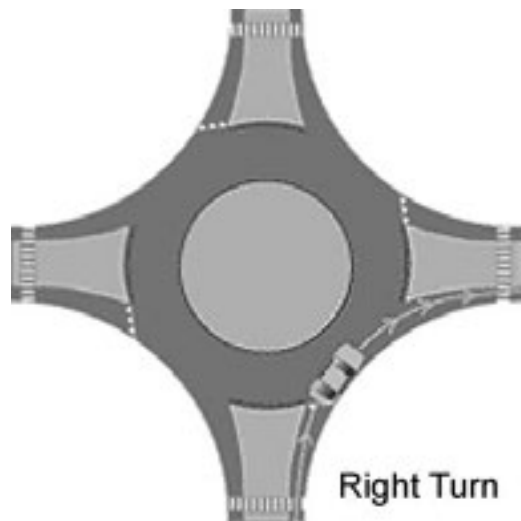
WANT TO KNOW MORE?
Roundabouts

Roundabouts – or circular traffic patterns – developed in the UK during the 1960s. Americans have historically made fun of them in films like "European Vacation," but could roundabouts be a long-overdue solution to problems of traffic congestion and safety? Based on a number of studies, as well as anecdotal evidence, we conclude roundabouts could work very well here in North Carolina.



What is a Roundabout?

The contemporary roundabout is a circular intersection. Vehicles travel counterclockwise around a raised center island. Traffic entering the circle must yield the right-of-way to traffic traveling in the circle. Upon entering, vehicles reduce speed down to 15-20 mph. Within the circle (and as vehicles exit), this speed is maintained both by the relatively tight radius of the circle. At such speeds, vehicles can move smoothly into, around, and out of the circle. Once in the roundabout, drivers proceed to the appropriate exit using signs and markings as a guide.



Do they help relieve traffic?

Yes. Of course, when it comes to traffic, nothing is a silver bullet. But several studies conducted by the Insurance Institute for Highway Safety (IIHS) and others have reported significant improvements in congestion relief after conversion of legacy intersections to roundabouts:

"A study of three intersections in Kansas, Maryland, and Nevada, where roundabouts replaced stop signs, found that vehicle delays were reduced 13 to 23 per-

cent and the proportion of vehicles that stopped was reduced 14 to 37 percent. A study of three locations in New Hampshire, New York, and Washington, where roundabouts replaced traffic signals or stop signs, found an 89 percent average reduction in vehicle delays and a 56 percent average reduction in vehicle stops. A study of 11 intersections in Kansas found a 65 percent average reduction in delays and a 52 percent average reduction in vehicle stops after roundabouts were installed.”

Because cars merely slow down – rather than come to a complete stop – in order to proceed through an intersection, the roundabout is less likely to experience the congestion associated with timed signal intersections. Roundabouts keep vehicles moving.

Are they safer?

Yes. Unlike normal intersections it is not possible to have a head-on collision in a roundabout. In addition, the slower speeds also minimize the severity of injuries. A study conducted by the IIHS analyzed 23 locations where roundabouts had been installed and found:

- Accidents decreased by 39%
- Accidents involving injuries decreased by 76%
- Accidents involving fatalities and/or incapacitating injuries decreased by 90%
- Vehicle delay was reduced by 62 to 74%, saving motorists 325,000 hours of time annually (10 locations studied)
- Fuel consumption declined by 235,000 gallons annually
- Eliminated intersection stoppage results in a reduction of vehicle emissions
- Cost savings of \$5,000 per year, per intersection in electricity and maintenance costs

Will North Carolinians accept roundabouts?

Many people are skeptical of (and fearful of) roundabouts. But studies have shown that once people grow accustomed to them – and have only to slow down rather than to stop – they quickly support them. According to an IIHS study:

“A 2002 Institute study in three communities where roundabouts replaced stop sign-controlled intersections found 31 percent of drivers supported the roundabouts before construction compared with 63 percent shortly after. A more recent study surveyed drivers in three additional communities where roundabouts replaced stop signs or traffic signals. Overall, 36 percent of drivers supported the roundabouts before construction compared with 50 percent shortly after. Follow-up surveys conducted in these six communities after roundabouts had been in place for more than one year found the level of public support increased to about 70 percent on average.”

Are roundabouts expensive?

While safety and congestion relief are important factors to analyze when discussing the viability of roundabouts, expense must also be considered. The good news is, roundabouts cost roughly the same as a traditional criss-crossed intersections to construct, if not slightly more expensive. But when you take into account the long-term electricity and maintenance costs required for signals, roundabouts become more cost-effective overall.

Conclusion

Roundabouts are a successful intersection model in Britain, Australia and continental Europe. They reduce traffic, fuel consumption and lower accident rates. North Carolina should seriously consider roundabouts as an alternative to the traditional intersection. Experience proves that whatever suspicions people have will soon pass. Roundabouts can prove how borrowing from international best practices can make N.C. roads both safer and more efficient.

11 IS NOW THE TIME? Pay-per-Use Road Pricing

Gas tax receipts are shrinking. Road revenues are in decline as infrastructure needs increase. Technology is making cars more fuel efficient and at the same time making different methods of tax collection viable. Is it time to use a vehicle-mile tax?

In November 2007, the Oregon DOT published results of a one-year pilot of a pay-per-use road pricing system. The report, titled "Oregon's Mileage Fee Concept and Road User Fee Pilot Program," got a lot of attention from transportation experts.

In the pilot test, Oregon's DOT equipped 285 volunteers' vehicles in Portland with on-board GPS systems able to record and upload mileage within a certain time-frame to gadgets attached to pumps at area filling stations. The pilot used filling stations because the Oregon concept calls for a phase-in period, in which vehicles would go on paying motor fuels taxes at the pump, as new vehicles with factory-installed GPS systems would pay mileage fees. Making the filling station the taxation point for all vehicles means no taxes fail to be recorded.

After the year-long pilot, the researchers concluded that the concept is viable. Viability includes: paying the mileage fee at the pump; minimal potential for evasion; and low implementation and administration costs. As we move to a future in which cars use less (or no) fuel, governments need to think of creative ways to collect revenues for public roadways. At the same time, people ought to pay for what they use. The Oregon pilot is a great start.

Indeed, North Carolina has tried out its own system.

In 2007, the University of Iowa Public Policy Center oversaw a "Road User Charge Study" in North Carolina and five other states. According to the Raleigh News & Observer's Bruce Sicheloff: "The mileage fee idea is fueled by the same forces that are pushing North Carolina into the business of collecting tolls from expressway drivers. North Carolina and 14 other states joined Congress in commissioning the Iowa study to weigh collecting user fees for city streets and rural highways as well."

The study was designed to discover revenue neutral rates compared with the gas tax. Government would ultimately decide where to set fees, but revenue neutrality is a good starting point. The Iowa researchers outfitted volunteer cars with technology to record where and how far they drive. The Center tested the "hardware, the billing system and the popular support that would be needed for a shift to mileage fees. The on-board computer will know which state the car is traveling in, and it will calculate the mileage fees payable to each state at the end of the month," said Sicheloff.

The benefits of such a system should be obvious: we may not use motor fuels in the future and vehicles are already becoming considerably more efficient; people will continue to pay for what they actually use; and congestion pricing would reflect the scarcity of road space during peak traffic hours and encourage people to drive earlier or later.

But there are some concerns we should consider, as well.

- 1) Bureaucrats and activists enamored of “alternative” or low-emission vehicles will try to use the mileage tax to socially engineer society by incentivizing people to drive a certain type of vehicle.
- 2) People who value privacy will not like that the technology can track their driving patterns, including location.
- 3) How do we ensure taxes are collected from people driving in from out of state?
- 4) How do we ensure that we don’t have a VMT and a gas tax – we certainly don’t need both.

On net, however, the idea seems viable. Concerns about social engineering, privacy and out-of-state drivers are not insurmountable, though they will require serious reflection. Still, it is clear that something must be done to ensure the integrity of North Carolina roads into the future. Short of privatizing the public roads or building toll booths on every street, using technology to track road usage makes a lot of sense.

12 IS IT TIME TO SCRAP IT? **Equity Distribution Formula**

In 1989, back when the movie “Field of Dreams” was still playing in theaters, Gov. Jim Martin (R) and the Democratic-controlled General Assembly introduced highway reform legislation. The legislation provided more transportation revenue to

build roads in rural areas around the state for the sake of economic development. In other words: “if we build it, they will come.” The trouble is, nobody came. The centerpiece of that legislation – the state equity distribution formula – remains to this day. As it happens, if you think resources ought to track road usage rather than geography, the formula is not terribly equitable. Here is what the equity formula actually does:

The formula takes a quarter of the state’s Highway Trust Fund resources for building out the “intrastate system.” That sounds reasonable until one understands how this plays out in reality: build four-lane highways in the middle of nowhere. The state has used the equity distribution formula for decades and, as evidenced, it has not worked. According to demographic data, instead of spurring economic development, we have managed to build expensive highways, exits and bridges in areas where the population is declining. (Of course doing so is great for eastern N.C. politicians who can claim they “brought” the new roadways to their districts.)

The Formula divides yet another quarter of the Highway Trust Fund revenue “equally” among seven geographical super-districts. These super-districts have no connection whatsoever with population-centers, traffic patterns, or any other factor that might help the state get road

money to places that undoubtedly need it. Instead, these district lines are drawn based on pre-Depression-era prison regions, because the state used to use chain gangs to build roads. As of the 21st Century, we are still distributing a full quarter of precious Highway Trust Fund resources by consulting a map drawn in the heyday of Henry Ford.

Also as the formula currently stands, half of the Highway Trust Fund is distributed to locations based on population. This is the best thing we can say about the equity formula—which is not saying much. For instance, the number of people residing in one particular location doesn't necessarily reflect an accurate depiction of the number of vehicles traveling on the state roadways and highways there. Population figures also don't take into account seasonal traffic patterns; for example, traffic created by folks traveling south from New Jersey here to see the Outer Banks, or visiting up from Florida to vacation in the Blue Ridge Parkway. In short, the way we distribute road resources in North Carolina is comparable to the secretary of transportation flying around in the governor's airplane dropping bags of cash from its windows.

But there is some method to the Equity Formula's madness. Leaving aside dubious discretionary projects ordered by members of the Legislature and the Board of Transportation, powerful rural and Eastern North Carolina politicians benefit from the equity formula as it is. As long as we're not distributing resources based on vehicle usage and maintenance needs – you know, where the cars and potholes are – eastern North Carolina benefits at the expense of all the major urban centers around the state. Cities sit in traffic while good ole boys win elections.

As Charlotteans learned, Sen. Tony Rand's (D-Cumberland) hometown loop – added by statute in 2003 – was thrust way ahead of Charlotte's loop (485) which was added in 1989. Charlotteans may also be interested to know that the exorbitant \$120 million Neuse River Bridge in New Bern was a pet project of then-state Sen. Bev Perdue, and was, at the time, the largest public works project ever built in N.C. During the 2008 gubernatorial campaign, her Democratic primary challenger suggested Perdue benefitted personally from that project, citing a 150-acre residential development she co-owned and profited from once the bridge was finished. Whether or not there were conflicts for Perdue is unclear. Suffice it to say that compared with other potential projects around the state, the Neuse River mega-bridge would never have passed any cost-effectiveness smell test, had one been in place.

North Carolina desperately needs to move away from political networks and outmoded formulas towards a system of prioritization that eliminates projects of excess. How? Allocate resources based on vehicle usage, maintenance needs, and safety—not highway boondoggles attached to "Field of Dreams" hopes or quid pro quo deals.

Almost every year the General Assembly comes, hat in hand, to ask citizens for more money to build roads. Until the equity formula is scrapped, however, this will virtually assure that cities like Charlotte and Salisbury will continue to pay more for roads and continue to get less. We need political leadership who will be stewards of our tax dollars—putting road money where it is needed, instead of using it for down payments on re-election. The transportation status quo is no longer sustainable. It is time for an overhaul.

13

WHAT IS IT – WHAT DOES IT FUND?

The Mobility Fund

The Mobility Fund, created through the FY 2010-11 state budget, establishes a new way to generate funds for transportation projects “of statewide and regional significance that relieve congestion and enhance mobility

across all modes of transportation.” The creation of the Mobility Fund came on the heels of an unsuccessful bid by North Carolina officials to get a federal grant to improve the Yadkin River Bridge, a vital piece of infrastructure that carries I-85 from Rowan to Davidson County. It also creates flexibility in paying for large transportation projects that would be difficult to afford under the current infrastructure funding dispersal system known as the equity formula.

How is the Mobility Fund Different from Other Transportation Funds?

Legislation allows the Mobility Fund the ability to circumvent the state’s equity formula – a system created in 1989 for equalizing transportation funding between urban and rural regions that is largely believed to be responsible for slowing down the construction of many infrastructure projects. Bypassing the equity formula is vital to securing the Mobility Fund’s first project: Phase II of the Yadkin River Bridge Project, which will improve a vital portion of I-85 that connects Atlanta, GA to Washington, D.C. and travels over a deficient bridge built in 1955. Without the ability to bypass the equity formula, as an article¹ from the NC Metro Mayors Coalition points out, the Rowan and Davidson County region would be adversely affected by the bridge project. “If the formula had been used to pay for the entire I-85 corridor improvement project, it would have taken up the whole district’s funding for about a decade.” DOT Communications Director Greer Beaty also commented on this weakness in the current equity formula, telling the NC Metro Mayors Coalition, “When you have large projects of state, regional or national significance that are very expensive, the current equity formula really doesn’t have a tool to fund those projects without taking a lot of resources away from other communities that need them.” An article written by Thomas Gremillion for the North Carolina Bar Association, reiterates concern over the equity formula and the need for the Mobility Fund to operate outside of its constraints. The equity formula, “allocates transportation funding on the basis of arbitrary administrative districts, and results in some rural areas receiving over twice the funding of major metro areas on a per capita basis,” Gremillion writes.² Thus, by bypassing the formula, the Mobility Fund provides flexibility in infrastructure expenditures.

Mobility, More than Just Highways?

DOT stresses the importance of the Mobility Fund improving all modes of infrastructure, not just highways. “Very importantly,” NCDOT Deputy Secretary of Communication Ted Vaden said on Open Net TV, “this funding will be available for all modes of transportation, not just highways. We’re talking about the opportunity to provide extra funding for rail, transit, ferry, aviation, bike and pedestrian.” Prioritization of multimodal forms of transportation projects is built into the selection criteria for potential Mobility Fund projects. Twenty percent of the evaluation scales used to assess potential Mobility Fund projects, according to the DOT, is designated to award points to a potential project based upon its utilization of more than one mode of transportation.

How is the Mobility Fund paid for?

First-year funding for the Mobility Fund comes by siphoning off \$39 million in unused gap funding for North Carolina Turnpike Authority projects (\$15 million from the Garden Parkway and \$24 million from the Monroe Connector projects). The Mobility Fund will receive funding in future years through the phasing out of the Highway Trust Fund to General Fund transfer, and rerouting those monies to the Mobility Fund. As the DOT website points out, “The Mobility Fund will generate \$173 million from fiscal year 2011 to fiscal year 2014 and \$58 million each fiscal year thereafter. Approximately \$120-\$130 million is dedicated to phase two of the I-85 Corridor Improvement Project near the Yadkin River in Davidson County.”

Governor Perdue’s original proposal for the Mobility Fund included raising passenger vehicle and light truck registration fees by 25 percent,³ bringing in \$70 million in extra revenue for the fund. Perdue’s proposed fee hikes, however, were not included in the General Assembly’s adoption of Perdue’s proposal.

How are Mobility Fund Projects Chosen?

The NCDOT sets out certain minimum eligibility requirements for potential Mobility Fund projects. According to NCDOT documents, the stipulations include:

- Projects must be on Statewide or Regional Tier facilities (“Tier” designation is defined by the Department). Light rail, bus rapid transit and commuter rail are all eligible for Mobility Funds.
- Projects must be ready to have funds obligated for construction within 5 years.
- Projects must be consistent with Metropolitan Planning Organizations and Rural Planning Organizations transportation planning efforts. Projects must be included in an adopted transportation plan; and must be found to be consistent with local land-use plans where available.
- Projects must be in a conforming transportation plan in non-attainment or maintenance areas.
- Only project capital costs (right-of-way and construction) will be eligible for the Mobility Fund, not maintenance, operation, or planning costs.
- No minimum project capital cost will be established as a threshold for funding.

Project ratings scale: Mobility Fund project proposals are rated on a 0 to 100 point scale that is weighted according to the follow factors:

- Mobility/Congestion (60%): Measured by the estimated travel time savings the project will provide.
- Multimodal (20%): Measured by whether the project provides an improvement to more than one mode of transportation and thus improves the efficiency of the overall transportation system.
- Congestion and Intermodal Fund (20%): Measured by whether the project meets the requirements cited in the Mobility Fund legislation.

¹ <http://ncmetromayors.com/news/new-plan-surfaces-for-i-85-bridge-salisbury-post/>

² <http://environmentenergyandnaturalresourceslaw.ncbar.org/newsletters/envnewsoct2010/ncmobilityfund.aspx>

³ <http://ncmetromayors.com/news/perdue%E2%80%99s-mobility-fund-unnecessary-the-progressive-pulse-blog/>

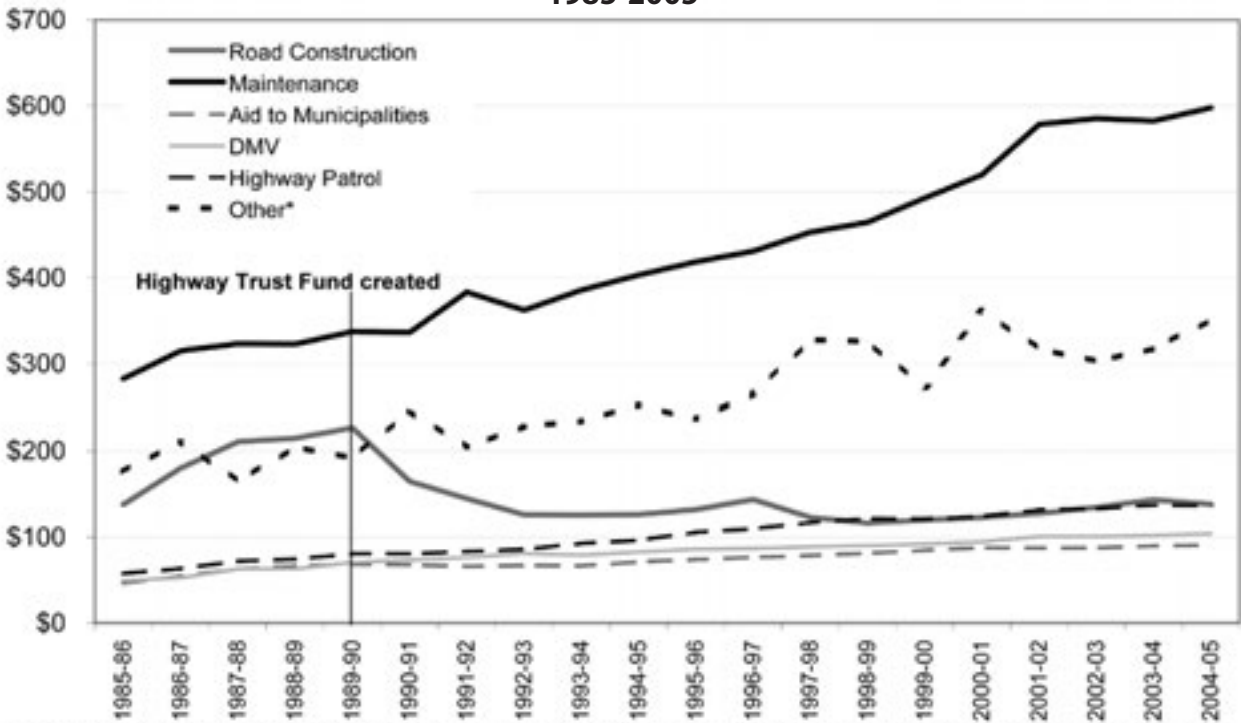


Transportation Timeline

The legislature and the DOT administration have 'reorganized' the DOT and the Board of Transportation in a way that the systems set up to expedite construction projects have become systems designed to delay those projects. The constitutional protection written into the Highway Trust Fund legislation has been violated repeatedly by the governor and the General Assembly. I really resent that.

Jim Harrington
Former Secretary of Transportation
1985-1989

Transportation Appropriations 1985-2005



Other includes: public service roads, bridge replacement, spot safety, contingency, ferry, capital improvements, governor's highway safety, railroad program, airports, public transportation, OSHA, non-system streets, motor carrier safety, FEMA, and administration.

1985

TRANSPORTATION TASK FORCE.

Governor Jim Martin assembles a Transportation Task Force that will recommend a variety of tax increases and other measures as alternatives for bailing out the state's ailing Highway Fund.

RURAL NEGLECT. House Speaker Liston Ramsey

(D-Madison), citing "public confusion" over the state's 10-year Transportation Improvement Plan, says he wants the General Assembly to look into whether metropolitan areas are getting top priority for roads. "I decided somebody ought to look and see what they are doing," says Ramsey. "These roads, they are all needed. It's just a matter of whether all the rest of us are waiting while they take care of Raleigh and Charlotte." Ramsey directs the Legislature's Fiscal Research Division to compare Governor Jim Martin's recently announced transportation plan to the one prepared by former Governor Jim Hunt (D).

North Carolina's National Ranking in Highway Quality and Performance - 1985

Rural Interstate Pavement Condition	17th
Urban Interstate Pavement Condition	10th
Urban Interstate Congestion	29th

HIGHWAY FUND APPROPRIATIONS 1985-1986

Administration	\$ 47,175,620
State Construction	137,853,420
Total Other Construction (spot safety improvements, bridge replacement)	- 0 -
State Maintenance	282,821,197
Ferry, Railroad, Public Transportation, Airports	11,916,657
State Aid to Municipalities	46,562,500
Division of Motor Vehicles	49,513,859
Governor's Highway Safety Program	276,104
Highway Patrol (xfr to CCPS)	57,417,249
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	28,321,167
Employer's Contrib., Salary & Benefits Reserves	20,500,000
Other Reserves	3,550,000
Capital Improvements	5,574,500
Debt Service	38,445,500
Total Highway Fund	\$729,927,773

FEDERAL LOOP FUNDING. Charlotte gets \$8 million in right-of-way funding from the federal government for its loop project. "I think it's almost like we're blessed," says Richard Vinroot, a Charlotte City Council member and future mayor quoted in the *Charlotte Observer*. "I guess the right people sat down and talked about it. The right people are in Raleigh. The right people are in Washington." (The Charlotte loop project remained incomplete as of 2010.)

- A new sales tax on fuel sales. A combined state and local sales tax of 4.5 cents would raise \$48.3 million a year;
- A lifting of the cap on motor vehicle sales taxes – currently 2 percent of the vehicle's value up to \$15,000 – and allowing local governments to impose their own sales tax of 1.5 percent for an increase of \$100 million a year. The Task Force concludes: "inadequate revenue and increasing demand have combined to produce staggering highway needs."

1986

T RANSPORTATION TASK FORCE PRESENTATION.

A committee made up of legislative and civic

leaders, called the Transportation Task Force, issues a well-documented presentation concerning the pressures facing the N.C. Highway Fund. The Task Force's recommendations include:

- An increase in the gas tax, with the amount depending on other revenue-generating moves. (A 1-cent increase in the current 12.25-cent per gallon gas tax that would produce about \$36 million a year):

ROAD TO THE HIGHWAY TRUST FUND 1986-1987

The Highway Fund generates about \$800.4 million in revenues in 1986-87. This is 21.9 percent more than the 1985-86 revenues, an increase of \$143.6 million. Motor fuels tax collection for this period is \$559.8 million, as compared with \$429.5 million in the year-prior period—a 30.4 percent increase). These growth rates are due to the tax increases enacted by Governor Martin's "Roads to the Future" legislation, passed by the General Assembly, consisting of 1) an additional 2 cent per gallon tax on motor fuel and 2) a 3 percent sales tax on the wholesale price of gasoline. Motor vehicle licenses and fee collections are \$232 million, a 6 percent increase from the year-prior period.

NEW TAXES LOOM. Governor Jim Martin says he would not be deterred from proposing a motor fuels tax increase if he decided one was necessary to rescue an "increasingly desperate" state highway fund. Martin, addressing the final meeting of his Transportation Task Force, says he will unveil a program to raise money for road construction and maintenance. He insists he is still undecided on "the \$200 million question" – that is, whether or not to seek an increase in the 12.25 cent per gallon motor fuel tax, as well as other funding alternatives.

NEW TAXES ARRIVE. In a short legislative session that becomes the longest in N.C. history, Governor Jim Martin (R) and Lieutenant Governor Bob Jordan (D) compromise on a \$200

HIGHWAY FUND APPROPRIATIONS 1986-1987

Administration	\$ 47,604,631
State Construction	180,203,750
Total Other Construction (spot safety improvements, bridge replacement)	- 0 -
State Maintenance	315,228,694
Ferry, Railroad, Public Transportation, Airports	11,416,657
State Aid to Municipalities	54,843,750
Division of Motor Vehicles	52,685,983
Governor's Highway Safety Program	276,698
Highway Patrol (dir to CCPS)	63,490,024
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	27,716,155
Employer's Contrib., Salary & Benefits Reserves	39,400,000
Other Reserves	2,477,106
Capital Improvements	9,591,000
Debt Service	33,701,000
Total Highway Fund	\$838,635,448

million highway package. The legislation is a version of Martin's 'Roads to the Future' program that includes concessions to the lieutenant governor. The major components of the bill are a 2-cent increase in the gas tax – from 12 ¼ cents per gallon to 14 ¼ cents – and a 3 percent sales tax on motor fuel at the wholesale level. The package is expected to boost the gasoline tax by about 3.5 cents per gallon.

1987

FEDERAL TRANSPORTATION BILL.

The Federal-Aid Highway Act of 1987 gives power to apportion money to the U.S.

Secretary of Transportation. Most notably, the act also allows states to raise the speed limit to 65 miles per hour on rural interstate highways. The 121 earmarks in the bill prompt President Reagan to veto it. He tells reporters: "I haven't

HIGHWAY FUND APPROPRIATIONS 1987-1988	
Administration	\$ 51,835,549
State Construction	210,980,323
Total Other Construction (spot safety improvements, bridge replacement)	6,200,000
State Maintenance	323,506,341
Ferry, Railroad, Public Transportation, Airports	15,062,458
State Aid to Municipalities	62,851,923
Division of Motor Vehicles	62,936,065
Governor's Highway Safety Program	256,902
Highway Patrol (odr to CCPS)	71,862,969
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	5,634,790
Employer's Contrib., Salary & Benefits Reserves	16,058,664
Other Reserves	5,250,000
Capital Improvements	10,285,100
Debt Service	37,955,215
Total Highway Fund	\$880,676,299

program that will allow the state to raise the speed limit to 65 mph on certain rural highways.

HIGHWAY STUDY COMMISSION. Governor Jim Martin and the General Assembly put together a broad-based (and bipartisan) commission called the "Highway Study Commission" to investigate ambitious new possibilities for revenue generation. The revenues are meant to address looming problems associated with backlogged projects, demographic changes, and economic development around the state.

**ROAD TO THE HIGHWAY TRUST FUND
1987-1988**

Highway Fund revenues for fiscal year 1987-88 total \$896 million, compared to \$829.8 million in the year-prior period (an increase of approximately 8 percent). The majority of Highway Fund revenue growth occurs in two areas: licenses and fees administered by the DMV; and investments made by the State Treasurer of funds on deposit in the Highway Fund.

Highway Fund collections (motor fuels, as well as licenses and fees) for 1987-88 increase 7.25 percent over the previous fiscal year. Motor fuels tax collections are 7.53 percent higher in 1987-88 compared to 1986-87, an increase of \$42.9 million. And revenues collected by the DMV for licenses and fees increase by 6.55 percent (\$15.1 million). Net Highway Fund collections for fiscal year 1987-88 are \$858.4 million, compared to \$800.4 million in the year-prior period.

seen this much lard since I handed out blue ribbons at the Iowa State Fair." Congress overrides Reagan's veto, however, and the bill passes.

SPEED LIMIT INCREASES. North Carolina officials announce they will apply for a new federal

You might say these [discretionary] funds amount to a \$10 million-per-year election war chest for incumbents of the heavily Democratic General Assembly.

1988

TRANSPORTATION BOND

DIES. Governor Martin proposes \$450 million bond with which he hopes to reduce the state's transportation backlog. The bill dies in the General Assembly along partisan lines. "We've totally missed a great opportunity to do something that was very practical," says Senate Minority Leader Larry Cobb (R-Mecklenburg). "All over the state people are concerned about the lack of roads."

Jim Harrington to retain a private bond counsel to study the legality of the expenditures. If the attorney determines they were illegal, Martin threatens to file suit to block them. "The General Assembly has made a raid on the Highway Fund ... and I intend to stop it if it's legally possible to do so," Martin says. House Speaker Liston Ramsey (D-Madison) calls Martin's probe a "political gimmick."

COMMISSION PLANS HIGHWAY TRUST FUND.

Governor Jim Martin pledges support for a multibillion-dollar highway construction program to be paid for with bonds, taxes and fee increases. The Highway Study Commission, a panel composed of residents and legislative leaders, are to deliver recommendations to the 1989 General Assembly. Martin suggests raising \$5 billion to \$6 billion over 12 years in a state highway trust fund to bolster the current spending level of \$400

million a year. Commission members agree with Martin in principle, but stress that his endorsement alone will not be enough to carry the bill through the General Assembly. "While we are willing to contribute in any way we can, we will oppose the package if it does not address the needs of Eastern North Carolina," says Senator Marc Basnight (D-Dare).

**ROAD TO THE
HIGHWAY TRUST FUND
1988-1989**

Total collections for the Highway Fund for fiscal year 1988-89 are \$913.7 million, a 1.9 percent increase over the previous fiscal year.

Motor fuel taxes bring in \$625.8 million, followed by about \$255.2 million in DMV vehicle licenses and fees. Revenue from investments total \$32.7 million.

**HIGHWAY FUND APPROPRIATIONS
1988-1989**

Administration	\$ 54,379,265
State Construction	215,051,370
Total Other Construction (spot safety improvements, bridge replacement)	6,200,000
State Maintenance	322,990,049
Ferry, Railroad, Public Transportation, Airports	15,187,458
State Aid to Municipalities	66,656,370
Division of Motor Vehicles	63,032,516
Governor's Highway Safety Program	257,375
Highway Patrol (ldr to CCPS)	74,618,882
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	5,955,286
Employer's Contrib., Salary & Benefits Reserves	29,708,664
Other Reserves	6,950,000
Capital Improvements	19,293,284
Debt Service	37,295,105
Total Highway Fund	\$917,575,624

MARTIN THREATENS SUIT. Governor Martin says the General Assembly acted improperly and possibly illegally when it appropriated money from the Highway Fund for three programs that should be paid for from the state's General Fund. Martin instructs Transportation Secretary

1989

**HIGHWAY TRUST
FUND IS BORN.** The

N.C. Legislature passes a bill to create the largest public works

project in North Carolina history. Governor Jim Martin and the General Assembly establish the HTF, the main provisions of which are suggested by The Highway Study Commission appointed by the executive and legislature in 1987.

HIGHWAY FUND APPROPRIATIONS 1989-1990	
Administration	\$ 60,141,933
State Construction	227,010,709
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	337,516,150
Ferry, Railroad, Public Transportation, Airports	20,259,436
State Aid to Municipalities	68,672,240
Division of Motor Vehicles	70,539,416
Governor's Highway Safety Program	264,840
Highway Patrol (xfr to CCPS)	80,753,078
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	12,672,335
Employer's Contrib., Salary & Benefits Reserves	17,900,000
Other Reserves	3,650,000
Capital Improvements	11,460,280
Debt Service	38,491,163
Total Highway Fund	\$958,431,580

WHAT THE HTF LEGISLATION DOES. The bill introducing the HTF:

- Creates the "Intrastate Highway System" by listing each road making up the system, as well as the improvements needed for that road ("When this 3600-mile network is finished, a four-lane highway will stretch to within 10 miles of 96 percent of North Carolina's citizens," writes Transportation Secretary Jim Harrington of the legislation he helped to craft);
- Starts urban loop projects around major metropolitan centers;
- Establishes revenue sources for the trust fund and spending formulas;
- Establishes a target for paving

Highway Trust Fund Appropriations 1989-1990	
Intrastate System	\$151,551,382
Secondary Roads Construction	36,166,275
Urban Loops	61,281,068
State Aid to Municipalities	15,901,275
Program Administration	11,000,000
Transfer to the General Fund	279,400,000
Total Highway Trust Fund	\$555,300,000

- all secondary roads carrying at least 50 vehicles per day; and repeals the predecessor Trust Fund.
- The bill also creates the Joint Transportation Legislative Oversight

Committee (JTLOC) to review major projects.

HTF REVENUE SOURCES. Revenues coming into the HTF originate from the following sources:

- Motor Fuel Taxes, which the legislation raises from 12.25 to 17.5 percent, plus a variable component of 7 percent of the wholesale fuel price (the variable rate is to be determined every six months and go no lower than 3.5 cents per gallon). In 1990, this tax rate amounts to a total of 20.9 cents per gallon. The legislation also designates 25 percent of the total fuel tax revenue to the HTF;
- Highway Use Tax, a new tax on three percent of the retail value of a motor vehicle (up to \$1,500), replacing a 2

**ROAD TO THE
HIGHWAY TRUST FUND
1989-1990**

Highway Fund net collections fall \$31.6 million behind projections for fiscal year 1989-90. Officials had estimated a 3.4 percent increase in revenues. But as of June 30, 1990, actual collections of \$902.8 million showed a 1.0 percent decrease over the previous fiscal year's revenues of \$913.6 million. Negative growth in the Highway Fund had last been experienced in 1981, during an economic downturn. There are two main reasons for the 1989-1990 shortfall: Motor fuel consumption does not increase over the previous fiscal year; and HB 399 (Highway Trust Fund) enacted at the end of the 1989 Session contains provisions that decrease Highway Fund availability for FY 1989-90.

percent sales tax on motor vehicles that went to the General Fund;

- Title Fees, which were increased by the HTF law (6/7 of the fees are designated to the HTF);
- Transfers from Highway Fund. Starting in 1994-95, money is transferred from the Highway Fund to the HTF to represent the lowered payments on bonds that were refinanced. The fund also keeps any investment proceeds.

HTF REVENUE ALLOCATIONS.

Revenues from the HTF are to be allocated as follows: 61.95 percent to the intrastate system; 25.05 percent to bypasses and loops; 6.5 percent to secondary roads; and 6.5 percent to the Powell Bill Program. (A geographic distribution “equity” formula is written into the law.)

1990

FUNDING SHORTFALL, DESPITE HTF.

The NCDOT delays contracts for highway construction to save money due to a projected \$300 million budget shortfall. Governor Martin says: “I believe we can and should avoid any layoffs or delayed paychecks.” He adds: “But to be honest and fair, I cannot guarantee – no one can guarantee – that at this point. As I have explained, the budget shortfall I now face has forced the state into a difficult spot.” (The shortfall swells to \$400 million before officials can take action.)

North Carolina's National Ranking in Highway Quality and Performance - 1990

Rural Interstate Pavement Condition	14th
Urban Interstate Pavement Condition	1st
Urban Interstate Congestion	47th

transportation officials add that North Carolina receives only 83 cents back for every \$1 in taxes collected from the state for the federal highway trust fund, and that North Carolina has been under funded since the federal highway building program began in

1956. “We’ve been made a donor state,” Martin told the U.S. House Public Works Subcommittee on Surface Transportation. “A fair federal program ought to ensure a more equitable distribution of funds.”

Highway Trust Fund Appropriations 1990-1991

Intrastate System	\$152,768,700
Secondary Roads Construction	43,029,000
Urban Loops	61,773,300
State Aid to Municipalities	16,029,000
Program Administration	14,400,000
Transfer to the General Fund	264,000,000
Total Highway Trust Fund	\$552,000,000

HIGHWAY FUND APPROPRIATIONS 1990-1991

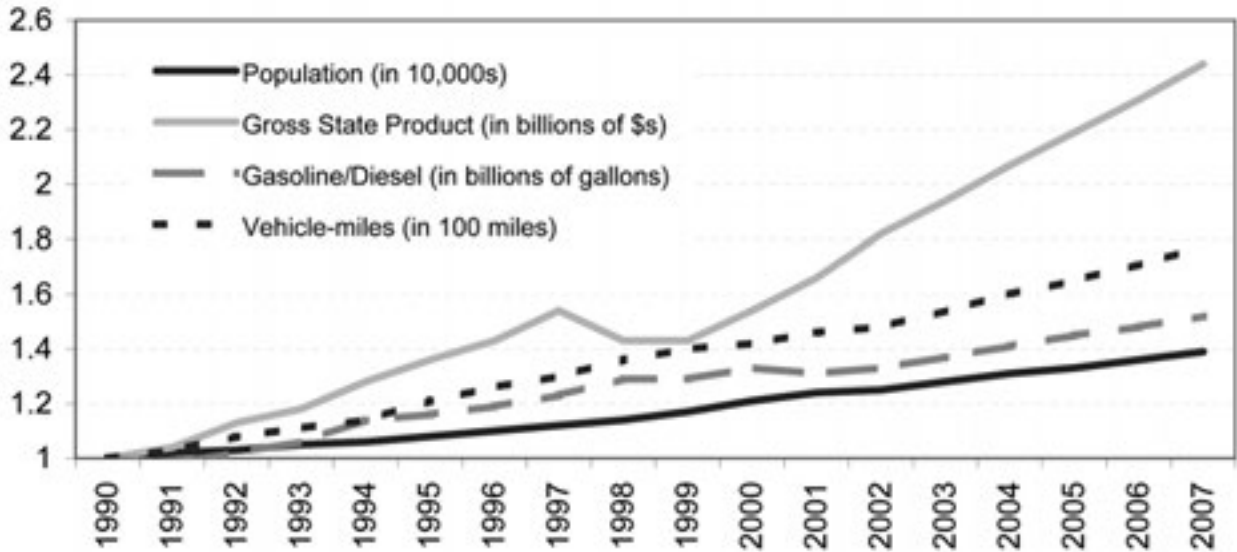
Administration	\$ 63,872,253
State Construction	164,956,282
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	336,547,528
Ferry, Railroad, Public Transportation, Airports	20,548,405
State Aid to Municipalities	67,942,014
Division of Motor Vehicles	73,590,029
Governor's Highway Safety Program	265,249
Highway Patrol (dir to CCPS)	80,785,966
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	32,787,857
Employer's Contrib., Salary & Benefits Reserves	36,945,177
Other Reserves	6,100,000
Capital Improvements	2,812,112
Debt Service	37,392,600
Total Highway Fund	\$933,645,472

I-40 IS COMPLETE. Construction crews finished the final section of Interstate 40 in N.C., a highway that starts at the Tennessee border west of Asheville, crosses the piedmont through Raleigh, and traverses the coastal plain to Wilmington. A study led by UNCC professor of transportation, David Hartgen, details how I-40 will affect development between Raleigh and Wilmington. The study predicts US 70 at Garner, I-95 at Benson, and NC 132 in Wilmington will all be hot spots for growth. Not far behind will be NC 24 in rural Duplin County. “It’s going to open up this whole area,” says Governor Jim Martin at a ribbon-cutting ceremony.

DONOR STATE. North Carolina hopes to shed the “dubious distinction” of getting a smaller proportion of federal highway dollars than any other state, says Governor Martin. State

N.C. Economic & Traffic Trends: 1990-2006

Ratio to 1990



HIGHWAY FUND APPROPRIATIONS 1991-1992

Administration	\$ 68,133,645
State Construction	144,924,656
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	383,497,614
Ferry, Railroad, Public Transportation, Airports	21,586,662
State Aid to Municipalities	66,121,926
Division of Motor Vehicles	76,311,791
Governor's Highway Safety Program	290,279
Highway Patrol (ldr to CCPS)	83,263,687
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	46,598,694
Employer's Contrib., Salary & Benefits Reserves	2,896,383
Other Reserves	10,066,509
Capital Improvements	4,619,275
Debt Service	38,227,230
Total Highway Fund	\$955,638,351

1991

FEDERAL TRANSPORTATION BILL.

The U.S. Congress passes the Intermodal Surface

Transportation Efficiency Act of 1991 (ISTEA). The legislation, the first federal law on the subject to appear in the "post-interstate highway system era," represents a major shift in U.S. transportation planning and policy. The legislation places emphasis on an intermodal approach, which

involves tighter integration of various transportation modes, and allows for greater collaboration among

levels of government. Significant additional powers are given to metropolitan planning organizations (municipalities with populations of over 50,000). The law is due to expire in 1997.

MOTOR FUEL TAXES INCREASE. The General Assembly passes S.L. 1991-538, which increases the motor fuel tax to 17.5 cents, effective in 1992. The bill would then decrease the rate to 17.25 cents per gallon plus the variable component, effective 1995 and then decrease it again to 17 cents (the 1989 rate) plus the variable component, effective in 1999. (The subsequent decreases are all repealed.)

ASSEMBLY MEMBERS EYE HTF. North Carolina's continuing budget problems are causing some lawmakers to look for relief from

Highway Trust Fund Appropriations 1991-1992

Intrastate System	\$201,475,367
Secondary Roads Construction	46,139,465
Urban Loops	81,468,248
State Aid to Municipalities	21,139,465
Program Administration	14,476,455
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$534,699,000

EQUITY DISTRIBUTION FORMULA

Here's how it works, according to the Institute for Transportation Research and Education (ITRE):

- Twenty-five percent on the number of miles to complete the intrastate system projects in a distribution region compared to the estimated miles to complete the total intrastate system.
- Fifty percent on the estimated population of the distribution region compared to the total estimated population of the state; and
- Twenty-five percent on the fraction 1/7, which is an equal share to each region.

The idea behind the formula was not only to ensure equitable distribution among the seven regions, but also to ensure "economic development" projects such as four-lane highways were built statewide.

the Highway Trust Fund. Representative Larry Justus (R-Henderson) says the Legislature should borrow from the fund what it needs to balance next year's budget. "This is a schools-before-roads bill," says Justus, one of the few Republican legislators who voted against the Highway Trust Fund in 1989.

1992

POLITICAL FAVORITISM AT NCDOT. Critics say North Carolina's Transportation Department must be overhauled,

charging that political patronage wastes millions. Renewed accusations follow an independent publication entitled "Highway Robbery" conducted by the Durham-based Institute for Southern Studies. The study concludes that big campaign contributors divert millions in state resources (taxpayer dollars) to highway projects that serve special interests, rather than the public interest. "A road gets built when another road should have a higher priority," says 27-year NCDOT veteran Billy Rose. "It's what I call bad politics."

HIGHWAY TRUST FUND APPROPRIATIONS 1992-1993

Intrastate System	\$206,741,398
Secondary Roads Construction	47,991,995
Urban Loops	83,597,612
State Aid to Municipalities	21,691,995
Program Administration	14,877,000
Transfer to General Fund	170,000,000
Total Highway Trust Fund	\$544,900,000

HIGHWAY FUND APPROPRIATIONS 1992-1993

Administration	\$73,300,142
State Construction	133,288,757
State Maintenance	370,541,576
Ferry, Railroad, Public Transportation, Airports	21,087,456
State Aid to Municipalities	67,163,425
Division of Motor Vehicles	83,164,839
Governor's Highway Safety Program	295,430
Highway Patrol (xfr to CCPS)	87,829,876
Transfer to Highway Trust Fund	-0-
Transfers to Other State Agencies	54,359,630
Employer's Contrib., Salary & Benefits Reserves	-0-
Other Reserves	2,381,798
Capital Improvements	9,021,966
Debt Service	38,018,250
Total Highway Fund	\$943,412,794

HTF FUNDING BEHIND SCHEDULE. The HTF is behind schedule, but officials hope more federal transportation funding will help. The 13.5 year HTF program laid out in 1989 has become a 17-year program. Gasoline and vehicle taxes imposed to pay for the program have brought in less money than projected, putting the program behind schedule. NCDOT officials say the HTF could be as much as \$1 billion behind anticipated revenues by the end of 1995. "We don't have any choice but to extend the length of the program," says Charles Lowdermilk, a member of the Transportation Board.

SAM HUNT DEFENDS TRANSPORTATION BOARD. Joint Transportation Legislative Oversight Committee (JTLOC) co-chair Sam

Hunt (D-Alamance) argues the NCDOT uses a fair process to determine road construction, despite criticisms: "When it comes to planning and building new roads, and to making improvements to existing ones, North Carolina has a process that is cited to other states as a good example of how to do things right. Every year the Board of Transportation solicits public comment on transportation needs. Then the board develops and publishes its update to the Transportation Improvement Program (TIP). Before a road in the program is built, there are many additional opportunities for the public to be heard, and there is plenty of evidence that the department listens to the comments and concerns it hears from local governments and citizens. The business at the [NCDOT] takes place in broad daylight under the toughest ethics policy in state government. Both board members and [NCDOT] staff must strictly adhere to special ethical conduct regulations to keep their jobs."

1993

HUNT AND HUNT. Governor-elect Jim Hunt (D) selects large campaign contributor Sam Hunt as his transportation

secretary. The governor renews campaign promises to take politics out of road-build-

Administration	\$ 74,454,832
State Construction	125,507,249
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	385,958,052
Ferry, Railroad, Public Transportation, Airports	26,137,916
State Aid to Municipalities	66,486,917
Division of Motor Vehicles	79,025,411
Governor's Highway Safety Program	290,923
Highway Patrol (dir to CCPS)	92,671,325
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	48,004,826
Employer's Contrib., Salary & Benefits Reserves	11,489,369
Other Reserves	6,897,750
Capital Improvements	9,286,100
Debt Service	37,359,875
Total Highway Fund	\$972,670,545

ing, to streamline the NCDOT, to put greater emphasis on road maintenance and mass transit, and to involve parties outside the traditional highway lobby. The governor-elect also announces he will appoint a new Deputy Transportation Secretary of Public Transportation, and will back a proposed high-speed rail line linking Charlotte and Raleigh.

TAX DECREASES REPEALED. The General Assembly repeals two tax decreases built into a 1991 bill that raised the motor fuels tax to 17.5 cents at that time: the ¼ cent tax cut scheduled to take effect in 1995 and the additional ¼ cent tax cut scheduled to take effect in 1999.

'STOP DIPPING INTO THE HIGHWAY FUND' State Transportation Secretary Sam Hunt says it's time for

legislators to quit balancing the budget by dipping into the Highway Fund."It's getting to be a serious

problem," Hunt says to the JTLOC. The practice has cost NCDOT more than half a billion dollars, Hunt adds, citing budget reports that show legislators' habit of diverting transportation money to other programs has grown every year since the HTF Act was passed. This year, records show the diversions to the General Fund amount to \$144.1 million out of \$944.1 million to be used on non-transportation-oriented expenditures.

Intrastate System	\$213,689,246
Secondary Roads Construction	49,470,987
Urban Loops	86,407,031
State Aid to Municipalities	22,420,986
Program Administration	15,711,750
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$557,700,000

1994

TRANSPORTATION 2001. Governor Jim Hunt unveils a plan

to speed up highway construction, eliminate the road maintenance backlog, and develop a master plan for public transportation. "This is unlike any other transportation program that this state has put together," Hunt tells the Board of Transportation. "It goes beyond highways. ... It goes beyond piecemeal efforts to take a comprehensive look at the state's transportation needs."

TRIANGLE LIGHT RAIL. Triangle transit officials begin conversations about the possibility of

Administration	\$ 71,474,243
State Construction	126,337,792
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	403,406,348
Ferry, Railroad, Public Transportation, Airports	34,529,376
State Aid to Municipalities	71,184,639
Division of Motor Vehicles	82,757,839
Governor's Highway Safety Program	291,575
Highway Patrol (cfr to CCPS)	96,336,809
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	49,676,289
Employer's Contrib., Salary & Benefits Reserves	26,007,646
Other Reserves	5,506,500
Capital Improvements	3,000,000
Debt Service	27,631,295
Total Highway Fund	\$1,007,240,351

light rail in the region: "We consider these beginning points, and not by any stretch of the imagination final plans," says Christie Cameron, Chair of the Triangle Transit Authority (TTA) board. "You have to start somewhere. You have to put something on paper."

CHARLOTTE LIGHT RAIL. Charlotte's county commission rejects a proposed 1-cent sales tax increase for the purpose of starting what could be a decade(s)-long light rail quest in Charlotte: "This new county commission is not going to approve a 1-cent tax increase for light rail," says Mecklenburg commissioner-elect Tom Bush. "The residents of this county aren't interested in a glorified bus ride."

Intrastate System	\$269,136,508
Secondary Roads Construction	56,038,698
Urban Loops	108,827,596
State Aid to Municipalities	28,238,698
Program Administration	18,958,500
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$651,200,000

BRIDGES DETERIORATING. State inspectors report that 273 bridges in North Carolina have "serious" flaws in some aspect of their structures. NCDOT records describe more than 1,800

bridges as "basically intolerable, requiring high priority of replacement." Nearly 9,000 bridges built in the 1950s and 1960s will soon wear out, according to officials, widening the gap between what the state should invest in bridge preservation and the amount (\$150 million a year) it spends on repair or replacement. "Clearly, politicians favor construction of new roads over the maintenance of existing bridges and roads," says Bill Holman, a lobbyist for the N.C. Public Transportation Association. "It's more fun to cut ribbons for new highways than it is for resurfacing a road or replacing a bridge."

1995

TRANSIT 2001 COMMISSION.

Governor Jim Hunt forms the Transit 2001 commission to provide recommendations on how public transportation might be improved for the 21st century. The commission has 26 members, including government, business and community leaders from across the state. (A technical committee composed of 29 industry professionals, NCDOT officials and a consultancy team also support the commission's work.) In a statement, Governor Hunt expresses his views on the way forward for North Carolina: public transportation. He believes that without affordable mass

Intrastate System	\$295,184,649
Secondary Roads Construction	61,918,898
Urban Loops	119,360,379
State Aid to Municipalities	30,971,755
Program Administration	20,996,319
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$698,432,000

transit – practical rail systems, good airports, and van systems for rural counties – the state will not be competitive when it comes to good jobs and quality of life. Says Hunt: “We’ve got to do something about this.”

CRITICS QUESTION BOND PROPOSAL.

Lawmakers are suggesting \$800 million in bonds to accelerate loop projects. But critics of the bond are asking why

NCDOT has transferred \$884 million out of the HTF to finance other, smaller, state projects not included on the list approved for trust fund spending. (To replenish the fund, NCDOT has

Rural Interstate Pavement Condition	32nd
Urban Interstate Pavement Condition	44th
Urban Interstate Congestion	32nd

Administration	\$ 81,134,517
State Construction	132,053,153
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	418,716,452
Ferry, Railroad, Public Transportation, Airports	34,794,915
State Aid to Municipalities	73,900,000
Division of Motor Vehicles	86,104,676
Governor's Highway Safety Program	302,968
Highway Patrol (xfr to CCPS)	105,703,452
Transfer to Highway Trust Fund	12,100,000
Transfers to Other State Agencies	44,123,729
Employer's Contrib., Salary & Benefits Reserves	8,122,385
Other Reserves	4,575,000
Capital Improvements	9,397,590
Debt Service	25,133,780
Total Highway Fund	\$1,045,262,617

drawn down hundreds of millions in federal funds from Washington.) The central premise of the critics' argument is that such practices amount to 'supplanting' – using federal monies on HTF projects and using the money originally dedicated to HTF projects on projects that don't qualify for federal funds.

FAYETTEVILLE LOOP ADDED TO LIST.

Governor Jim Hunt responds to complaints of neglect by Cumberland County interests with a proposal to pump \$25 million into an outer loop for Fayetteville. The original HTF bill allocated money for loops in seven urban areas, but Fayetteville was not among them. Cumberland County legislators had threatened to scuttle highway funding unless their county received a larger share. “The message we tried to send a few weeks ago was that for years and years our county has been out of the loop, so to speak,” says Lyndo Tippet, a board of transportation member from Fayetteville. “The governor answered with \$25 million. That’s progress.”

SPEED LIMIT INCREASE GOES TO STATES.

President Clinton signs the National Highway System Designation Act, which allows states to set maximum speed limits. “Safety will be our first issue, our second issue, our last issue,” says an NCDOT spokesperson.

GARVEE BONDS. The National Highway System Designation Act also establishes GARVEE bonds, or federally backed tax-exempt debt financing mechanisms for use in funding state and municipal transportation projects receiving federal aid. See also GARVEE Bonds.

1996

BOND VOTE. Voters elect to issue \$950 million dollars in bonds to help fund HTF projects faster. The money would speed

up construction or paving of three road-types: \$500 million for loops around Charlotte, Raleigh, Wilmington, Greensboro, Winston-Salem, Asheville and Durham; \$300 million to widen intrastate roads (like US 64 and US 74); and \$150 million to pave 1,232 miles of dirt roads. Roads are built as money comes into the HTF, which was begun in 1989 with a 5.25-cent gas tax increase. (Note: As of 2003, only \$250 million in bond resources had been used to fund HTF projects more quickly. In 2006, the remaining \$700 million of the bond was issued by the General Assembly and Governor Mike Easley to repay HTF monies spent for purposes outlined by the Moving Ahead initiative.) See also Moving Ahead, HTF, and Q & A #5.

Intrastate System	\$327,951,827
Secondary Roads Construction	65,567,796
Urban Loops	132,610,061
State Aid to Municipalities	34,409,796
Program Administration	22,124,520
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$752,664,000

CHARLOTTE LIGHT RAIL. Charlotte becomes more serious about light rail and begins trying to acquire rights of way for the city from Norfolk Southern, a railway freight company. "If we allow the rail right of way to get away from us, we'll never get it back," says Charlotte City Councilmember Charlie Baker. Despite advice from engineers from Ottawa, Canada, who suggest rapid bus transit due to its flexibility and price, Charlotte officials seem dazzled by St. Louis' Metrolink' light rail after an exploratory visit: "Metrolink is the most connected light-rail service I've seen," says Charlotte Chamber President Carroll Gray. "Most of their public facilities are located on the rail line. And they used a two-state approach at the federal level to obtain more than \$300 million." But the *Charlotte Observer's* Doug Smith adds: "Last year [Metrolink] subsidies accounted for \$83.3 million of the system's total revenue of \$109.8 million."

TRIANGLE LIGHT RAIL. The federal government awards the Triangle \$2 million to support its quest for light rail. While it's a miniscule amount needed to make the project materialize, the aid encourages light rail advocates. U.S. Senator Lauch Faircloth (R-N.C.), who has lobbied hard to get federal aid for the project, says: "With the region's population growth and increasing traffic congestion, planning a public rail system is important to the Triangle's continued quality of life."

TRANSIT 2001 DRAFT REPORT. Governor Hunt's commission releases a draft of their Transit 2001 report. Among the highlights:

- Of NCDOT's annual budget of more than \$2.2 billion, only 2.2 percent (\$48 million) is for public transportation;
- Charlotte has the 34th largest population among U.S. cities, but the nation's 83rd largest transit system;
- Since 1991, states have had more flexibility to spend federal money for transit under the ISTEA law;
- North Carolina has used no ISTEA money for transit;
- Most other Southeastern states have used ISTEA money for transit.

Administration	\$ 84,688,359
State Construction	134,820,094
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	431,107,938
Ferry, Railroad, Public Transportation, Airports	34,794,915
State Aid to Municipalities	76,666,941
Division of Motor Vehicles	86,833,065
Governor's Highway Safety Program	303,237
Highway Patrol (xfr to CCPS)	109,761,497
Transfer to Highway Trust Fund	32,300,000
Transfers to Other State Agencies	45,029,179
Employer's Contrib., Salary & Benefits Reserves	22,982,785
Other Reserves	5,725,000
Capital Improvements	1,958,126
Debt Service	4,978,215
Total Highway Fund	\$1,081,049,351

The draft covers the possibility of giving authority to cities to tax for transit (5 percent on rental cars, half-cent sales tax, or higher vehicle registration fees). In light of the report, Charlotte Mayor Pat McCrory begins talking about increasing mass transit for the Queen City. City leaders in both Charlotte and Raleigh begin to see light rail as a real option, with the potential for funding coming from all levels of government.

STRICTER AIR QUALITY STANDARDS, CALLS FOR ALARM. Jonathan Howes – N.C. Secretary for Environment, Health and Natural Resources – warns that the state’s urban counties expect to have problems meeting new air quality standards from the EPA. Howe explains North Carolinians are driving more. One way experts measure traffic is called “vehicle miles of travel.” Howes explains that in every urban area in North Carolina, vehicle miles of travel number is growing faster than the population: “In the Triangle, vehicle travel is going up at a greater rate than Atlanta’s. Charlotte’s rate of increase equals Atlanta’s.” Howes says that means we can expect serious air-pollution problems. Until this point, more fuel efficient cars have kept the increased driving from worsening air pollution. But technology can only go so far, Howes avers. He predicts sometime between 2002 and 2005 driving increase will overtake the decrease in emissions per car. See also Vehicle Miles Traveled.

in the nation, growing from about 54,000 miles during the 1930s when the state took over the counties’ road systems to the current number.

TRANSIT 2001. A commission put together by Governor Jim Hunt unveils a comprehensive plan to improve public transportation. Through various public forums and four subcommittees, the report breaks down the examination of key

Administration	\$ 92,601,892
State Construction	113,818,437
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	453,235,320
Ferry, Railroad, Public Transportation, Airports	60,945,211
State Aid to Municipalities	78,620,024
Division of Motor Vehicles	89,007,931
Governor's Highway Safety Program	311,609
Highway Patrol (ldr to CCPS)	116,792,706
Transfer to Highway Trust Fund	38,000,000
Transfers to Other State Agencies	47,773,518
Employer's Contrib., Salary & Benefits Reserves	30,034,902
Other Reserves	7,020,100
Capital Improvements	12,100,000
Debt Service	- 0 -
Total Highway Fund	\$1,149,361,650

issues: rural and human service transportation, urban and regional transit, intercity rail service, and land use and development. Governor Hunt places emphasis on high-speed rail service between Raleigh and Charlotte, including incentives to reduce travel time to two hours by 2000. Seeds of preoccupation with light rail originate in the Transit 2001 report, as well, which has a number of short-term goals including: “Complete design, funding and financing plans for new regional rail in the Research Triangle and busways in Charlotte.”

1997 **SECOND-LARGEST STATE-OWNED SYSTEM.** Of the total 98,039 miles of roads in the state, 78,503 are under state control. North Carolina’s intrastate system becomes the second largest system

Intrastate System	\$381,880,586
Secondary Roads Construction	71,497,038
Urban Loops	154,416,605
State Aid to Municipalities	40,068,181
Program Administration	25,918,895
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$843,781,305

SCANDAL FOUR-OF-FOUR. James Cartrette says his family contributed about \$25,000 to Governor Jim Hunt’s campaign and the state Democrat Party. In return, at Hunt’s fundraiser,

[Smart growth] policies' real effects appear to be increases in traffic congestion, air pollution, consumer costs, taxes, and just about every other impediment to urban livability.

Randall O'Toole, Thoreau Institute

Jim Bennett had promised him a seat on the Transportation Board, as well as a seat for his son on the Wildlife Resources Commission. Cartrette says Transportation Secretary Garland Garrett confirmed Bennett's offer of a board seat in return for \$25,000 in contributions, insisting Garrett promised a "seat at the table." Neither appointment came through. Cartrette wants his money back and has written to Governor Hunt asking him to return his contribution. Citing a Columbus County man's failed attempt to buy a seat on the state transportation board as the body's fourth scandal in less than a year, the N.C. Republican Party asks for a criminal investigation.

RESPONSE TO SCANDALS. Transportation Secretary Garland Garrett announces he will hire an independent auditing firm to review all of NCDOT's operations and the problems that are caused by the current composition of the Board of Transportation. "The rising body count at the Board of Transportation would lead most people to conclude that the problem is systemic" writes a *Greensboro News & Record* editorialist. "Board membership has been conferred almost exclusively for big contributors to the governor's campaign. Road projects have become part of a political spoils system."

EASLEY LOOKS THE OTHER WAY. Attorney General Mike Easley distances himself from NCDOT and Board of Transportation scandals by claiming he has no authority to investigate ethics violations. As a *Winston Salem Journal* editorialist suggests: "An aggressive attorney general would leap at this opportunity to investigate. He would direct the SBI to start knocking on doors. But North Carolina's attorney general is hunkered down behind closed doors, looking for excuses not to investigate, in the hopes of not

alienating anyone whose help might be needed in the coming campaign for governor."

BOARD MEMBERS RESIGN. Three Transportation Board members, including Brunswick County developer Odell Williamson, resign after reports they used their influence to promote projects that would benefit them personally.

INFRASTRUCTURE BANKS. The General Assembly empowers NCDOT with the authority to establish infrastructure banks with funding from the federal government. These banks are designed to enable states to take advantage of more flexible funding schemes for various infrastructure projects. See also State Infrastructure Banks.

1998

FEDERAL TRANSPORTATION BILL. The

Transportation Equity Act for the 21st century (TEA-2) authorizes the federal surface transportation programs for highways, highway safety, and transit for a six-year period. TEA-2 requires that seven planning factors be included in regional transportation plans.

These plans must:

- Support the economic vitality of the metropolitan planning area, especially by enabling "global competitiveness, productivity and efficiency";
- Increase the safety and security of the transportation system as a whole;
- Increase the accessibility and

Highway Trust Fund Appropriations 1998-1999

Intrastate System	\$377,292,874
Secondary Roads Construction	73,306,823
Urban Loops	152,561,525
State Aid to Municipalities	39,586,823
Program Administration	27,215,955
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$839,964,000

HIGHWAY FUND APPROPRIATIONS 1998-1999	
Administration	\$ 107,052,407
State Construction	107,233,000
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	464,747,200
Ferry, Railroad, Public Transportation, Airports	60,945,211
State Aid to Municipalities	81,233,000
Division of Motor Vehicles	90,046,330
Governor's Highway Safety Program	312,080
Highway Patrol (xfr to CCPS)	121,625,653
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	48,704,923
Employer's Contrib., Salary & Benefits Reserves	42,993,284
Other Reserves	9,986,285
Capital Improvements	4,070,348
Debt Service	- 0 -
Total Highway Fund	\$1,148,049,721

mobility options available to people and for freight;

- Protect and enhance the environment, promote energy conservation and improve quality of life;
- Enhance the integration of connectivity of the transportation system, among modes, for people and freight;
- Promote efficient system management and operation;
- Emphasize the efficient preservation of existing transportation system.

TRANSPORTATION SECRETARY RESIGNS.

Under allegations of patronage in road construction projects, Transportation Secretary Garland Garrett resigns. The resignation comes in the wake of a number of 1997 NCDOT scandals involving favoritism, corruption and dubious campaign-finance practices benefiting Governor Jim Hunt. The governor appoints Norris Tolson (D-Edgecomb) secretary of transportation.

REFORMS IN WAKE OF SCANDALS. The General Assembly reforms the N.C. Board of Transportation in an effort to contain ethical misconduct. Specifically, SB 1567 does the following (effective in 2001):

- Reduces the board to 19 members, instead of 26, and requires five of the board members to have expertise in environment, public transportation,

ports and aviation, rural and urban transportation, or government finance. (It also provides that at least three of the board members – all of whom will be appointed by the governor – must be of the opposition party. Prior to SB 1567, the lieutenant governor had one Transportation Board appointment, the speaker of the house had two, and the president pro tempore had two.);

- Requires board members to file more detailed economic disclosure statements and requires board members to disclose any contributions they or their family members make to the governor. As of 2001, board members must disclose any campaign fund-raising activities they engage in for statewide offices or for legislative races;
- Makes it a felony for board members to use their positions to benefit themselves, their family members, or associates. (Violations are subject to fines up to \$20,000.);
- Boosts local input into transportation policymaking by requiring NCDOT to inform local governments of any project affecting them (costing \$150,000 or more). Said governments would have 45 days to comment on the project. The reforms, despite the improvements, further concentrate control of transportation policy under the governor, who also appoints the transportation secretary.

AUDIT OF NCDOT AND HIGHWAY TRUST

FUND. The Office of the State Auditor conducts and publishes a performance review of NCDOT and a performance audit of the HTF. In these two audits, the auditor makes a number of recommendations for improvements in the operations of NCDOT, as well as suggestions for legislation that might result in more efficient spending of state transportation investments. "Tolson and State Auditor Ralph Campbell reviewed the department and found it full of inefficiencies and

undeliverable promises," writes an editorialist for the *Winston Salem Journal*. "In November and December, Tolson announced that the Highway Fund and the Highway Trust Fund were, in total, more than \$3 billion short of the money needed to complete projects promised for the next decade." The report also gives new cost estimates for the HTF.

1999

NEW TRANSPORTATION SECRETARY. David McCoy (who would later become the budget

director under Governor Easley) begins his tenure as transportation secretary by questioning the fiscal wisdom of some NCDOT projects. Writes the *Charlotte Observer's* Jack Betts: "Exactly why, [McCoy] wanted to know did some staffers think it made more sense to build a \$26 million, 35-foot-high draw-

North Carolina's National Ranking in Highway Quality and Performance - 1999

Rural Interstate Pavement Condition	36th
Urban Interstate Pavement Condition	42nd
Urban Interstate Congestion	33rd

Intrastate System	\$401,102,481
Secondary Roads Construction	75,899,292
Urban Loops	162,189,139
State Aid to Municipalities	42,085,006
Program Administration	28,768,082
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$880,044,000

bridge there instead of an \$18 million, 65-foot-high fixed bridge that would allow uninterrupted vehicle traffic on and off the island and unobstructed commercial and pleasure craft traffic on the waterway? Why did it make sense to hold up vehicular traffic when the drawbridge was up? What about evacuations during hurricanes? What about the pollution from idling car engines waiting for the drawbridge to come back down?" McCoy succeeds Norris Tolson, a retired DuPont executive briefly given responsibility for reforming the NCDOT after some legal and ethical lapses by appointees of Governor Hunt.

COSTLY BRIDGE. The most expensive bridge ever constructed in North Carolina — costing taxpayers \$120 million — opens in New Bern. The bridge crosses the Neuse River and connects US-17 with US-70.

Administration	\$ 100,882,127
State Construction	110,777,000
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	493,079,469
Ferry, Railroad, Public Transportation, Airports	75,255,948
State Aid to Municipalities	84,777,000
Division of Motor Vehicles	92,030,749
Governor's Highway Safety Program	338,121
Highway Patrol (dir to CCPS)	121,285,445
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	52,715,887
Employer's Contrib., Salary & Benefits Reserves	21,868,715
Other Reserves	(10,380,110)
Capital Improvements	- 0 -
Debt Service	- 0 -
Total Highway Fund	\$1,150,833,179

TRANSPORTATION STUDY ONE. The General Assembly resolves to create a commission to study the future of transportation in the state. The Blue Ribbon Transportation Finance Study Commission is directed to study: 1) the Highway Trust Fund — adopted 10 years prior; 2) the adequacy of current funding sources for needs related to projects into the next quarter century; 3) the problems of funding system maintenance; and 4) the transfer of Highway Fund moneys to agencies other than NCDOT, such as the General Fund. Recommendations of the Blue Ribbon Commission are to be presented to the Joint Transportation Legislative Oversight Committee (JTLOC) in 2001.

TRANSPORTATION STUDY TWO. The General Assembly asks for a second study to discover why so much road construction is delayed in North Carolina. The study will investigate and make recommendations about:

- NCDOT's inability to obtain environmental and historic preservation permits expeditiously;
- Cooperation among NCDOT and other agencies related to permitting;
- Issues related to obtaining rights-of-way; and
- Other delays such as those associated with public hearings, planning and design.

TRANSPORTATION STUDY THREE. In yet another study commissioned by the General Assembly, researchers are directed to investigate the demands placed on NCDOT to maintain its secondary road network.

TRANSITWAYS. Legislation approved by the General Assembly allows NCDOT and municipalities around the state to designate "transitways" — that is, lanes reserved for public transportation vehicles and specially designated private vehicles.

Intrastate System	\$468,213,303
Secondary Roads Construction	84,626,354
Urban Loops	189,325,960
State Aid to Municipalities	49,126,497
Program Administration	34,247,886
Transfer to the General Fund	170,000,000
Total Highway Trust Fund	\$995,540,000

Administration	\$ 102,119,738
State Construction	113,902,000
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	519,924,321
Ferry, Railroad, Public Transportation, Airports	80,428,631
State Aid to Municipalities	87,902,000
Division of Motor Vehicles	94,649,688
Governor's Highway Safety Program	338,121
Highway Patrol (dr to CCPS)	124,148,817
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	54,220,830
Employer's Contrib., Salary & Benefits Reserves	45,696,315
Other Reserves	14,466,290
Capital Improvements	9,000,000
Debt Service	- 0 -
Total Highway Fund	\$1,243,153,179

powers of eminent domain on behalf of a tollroad's private sponsor if said sponsor has made all reasonable efforts to acquire property through negotiation.

2000

TOLL ROADS PILOT PROJECT. In a major shift for N.C. transportation, the General Assembly approves a pilot program

authorizing the construction of a single, privately financed toll road or bridge project. "I don't know anybody who's going to have any real opposition to it," says Representative Drew Saunders (D-Mecklenburg). "If you talk to anybody in the House, any district, they'll tell you they're pretty desperate for roads." North Carolina is one of only 15 states without toll roads – a situation that North Carolinians had generally prided themselves on. S.L. 2000-145 allows the state to exercise

Rural Interstate Pavement Condition	38th
Urban Interstate Pavement Condition	39th
Urban Interstate Congestion	41st

MILLENNIAL SNAPSHOT.

At the cusp of the millennium change, North Carolina has 99,813 miles of public roads. There are 6,305,150 motor vehicles registered, including

3,743,066 automobiles, 2,448,806 trucks, and 30,631 buses. Licensed drivers number

5,690,494. The major interstate highways are I-95, which stretches north-to-south across the coastal plain, I-85, which parallels it across the piedmont, and I-40, which leads from the mountains from the Tennessee border to the coast at Wilmington. I-26 and I-77 also handle north-south traffic in the western part of the state. I-73 and I-74 add 325 miles of interstate highway and handle north-south traffic in eastern North Carolina.

LOCAL GOVERNMENT PARTICIPATION. The ability for N.C. municipalities to contribute financially to highway construction is returned to them after 13 years of limitations on such practices. 1987 legislation placed limitations on town contributions to TIP projects, with sliding scales that tied funding to population. That legislation had been an outgrowth of concerns that rural projects were being postponed so that NCDOT could take advantage of the financial leverage from the larger towns and cities. S.L. 2000-188 removes the limitations on funding from municipalities, with the caveat that no other projects in the TIP be disadvantaged by the additional funding. Additionally, the state may not reward the municipality by giving it state funds for other projects.

METROPOLITAN PLANNING ORGANIZATIONS. North Carolina statutes formally acknowledge the existence of metropolitan planning organizations (MPOs) already set up pursuant to federal statutes requiring the formation of such organizations. S.L. 2000-80 also requires MPOs in federally designated “non-attainment areas” to develop a joint plan for improving air quality. The legislation also encourages MPOs to merge into larger, more regional organizations.

RURAL PLANNING ORGANIZATIONS. The Legislature authorizes NCDOT to form rural planning organizations (RPOs) to function much like MPOs. This strictly state-based initiative is designed to better serve needs of rural areas and is not connected to any federal legislation

(unlike the formation of the MPOs). RPOs must develop region-specific transportation plans to be submitted to the state’s Transportation Improvement Program (TIP).

2001

REFORMS TAKE EFFECT.

1998 reforms of the state board of transportation, passed by the General Assembly, take

effect. Governor Mike Easley names a mélange of developers, conservationists and business leaders to the board responsible for spending billions on transportation projects. The list of 19 proposed appointees to the board includes seven members who served on the board under former Governor Jim Hunt. Prior to the change, the governor selected most of the 26 members while legislative leaders chose four. The board will now be composed of only 19 members and at least three members must

Highway Trust Fund Appropriations 2001-2002

Intrastate System	\$464,295,516
Secondary Roads Construction	83,827,858
Urban Loops	187,741,771
State Aid to Municipalities	48,715,429
Program Administration	34,142,426
Transfer to the General Fund	170,000,000
Highway Trust Fund	\$988,723,000

HIGHWAY FUND APPROPRIATIONS 2001-2002

Administration	\$ 97,997,545
State Construction	118,462,000
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	578,632,263
Ferry, Railroad, Public Transportation, Airports	120,332,966
State Aid to Municipalities	87,462,000
Division of Motor Vehicles	100,746,629
Governor's Highway Safety Program	266,693
Highway Patrol (xfr to CCPS)	131,697,852
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	57,097,174
Employer's Contrib., Salary & Benefits Reserves	5,995,680
Other Reserves	17,609,869
Capital Improvements	1,634,000
Debt Service	- 0 -
Total Highway Fund	\$1,313,477,734

This “Build it. They will come” mentality has contributed to considerable waste. Indeed, rural areas often need road maintenance more than they need new construction.

belong to a political party different from the governor’s. Despite being in full compliance with the new rules, the *News and Observer* reports: “Sixteen of Governor Easley’s just announced appointees to the state Board of Transportation count themselves, and their families, among his political contributors. In naming these individuals to a board responsible for the spending of billions of dollars of public money, the governor follows a long-standing political tradition of rewarding his friends.” The 1998 reforms were meant to emphasize the professional expertise of board members over political loyalties. The new board takes over at a time of growing maintenance demands, increased congestion and dwindling budgets.

TIPPETT AS TRANSPORTATION SECRETARY.

Governor Mike Easley appoints Lyndo Tippet as Secretary of Transportation. “Tippet pledge[s] to make road maintenance and mass transit his top priorities,” writes Paul Woolverton of the *Fayetteville Observer*. In the eight years prior, Tippet served as a member of the N.C. Board of Transportation.

MUNICIPAL FUNDING OF EXTRATERRITORIAL ROADS.

Two related acts allow cities with populations of 250,000 or more (i.e., Charlotte and Raleigh) and a few specifically designated adjacent suburban communities (e.g., Cary and Weddington) to spend municipal funds to build and improve roads outside of their territorial limits. Before making such improvements, these municipalities must enter into a memorandum of understanding with NCDOT that the latter will provide maintenance for these roads.

HTF SPENDING SPREE. Budget bills for 2001 and the following years direct NCDOT to use \$687 million of the cash balance in the HTF for primary route preservation (\$470 million); preliminary engineering costs (\$45 million); upgrades to traffic signals (\$45 million); public transportation (\$120 million); and small urban construction (\$7 million). A full 10 percent of the \$470 million in primary route preservation may be used for discretionary spending on economic development projects. While spending on these project categories is usually necessary, none of these projects were included in the original HTF legislation. Indeed, spending on such projects will mean there is less money to complete projects specified in the original HTF legislation in 1989, including unfinished urban loops around major metropolitan centers.

DIVERSIONS FROM HTF TO GENERAL FUND.

The governor and General Assembly begin to divert extra resources from the HTF to the General Fund — increasing the annual transfer from \$170 million established in the original HTF legislation to \$252 million.

2002

TURNPIKE AUTHORITY. The General Assembly establishes the North Carolina Turnpike Authority to raise private

North Carolina's National Ranking in Highway Quality and Performance - 2002

Rural Interstate Pavement Condition	44th
Urban Interstate Pavement Condition	43rd
Urban Interstate Congestion	38th

money for faster delivery and funding of transportation services and infrastructure. Specifically, this legally separate entity is created to manage the design, financing, operation

and upkeep of turnpikes and tollways in the state. Integrating toll roads has become increasingly important to the N.C. system, particularly in light of dwindling resources in the Highway Fund and HTF.

SCANDALS RESUME. Governor Easley says of the Board of Transportation's past ethical problems: "Some of the scandals of the past I just did not want to see in this administration – that's why I wanted [Lyndo Tippett] to take the secretary's job." Easley adds: "Neither I nor Lyndo have a lot of tolerance for this sort of thing." Meanwhile, Transportation Secretary Lyndo Tippett spends \$75,000 to put up rail-crossing warning signals and arms on a road that serves a company whose owner made contributions to the governor and two Democrat congressmen. When a reporter confronts him with telling memos and e-mails related to the affair, Tippett acknowledges: "I pushed it and kicked it through the department."

Intrastate System	\$328,765,110
Secondary Roads Construction	69,230,843
Urban Loops	132,938,918
State Aid to Municipalities	34,495,129
Program Administration	32,000,000
Transfer to the General Fund	377,400,000
Highway Trust Fund	\$974,830,000

CRITICS ATTACK FIX-IT FUND. Critics such as state Senator Patrick Ballantine (R-Wilmington) say certain discretionary funds — designed to address transportation needs that don't fall under the state's Transportation Improvement Program (TIP) — are being used for political purposes. One million dollars is set aside each year in each of the state's 14 transportation divisions and another \$10 million is controlled by the transportation secretary, the Speaker of the N.C. House and the president pro tem of the N.C. Senate. "There is the perception that tax dollars that go through NCDOT are being used to help a few instead of the many in certain cases," says Ballantine. "You've got a good-old-

Administration	\$ 97,635,313
State Construction	125,500,000
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	585,432,703
Ferry, Railroad, Public Transportation, Airports	109,132,966
State Aid to Municipalities	87,500,000
Division of Motor Vehicles	100,742,419
Governor's Highway Safety Program	266,693
Highway Patrol (dr to CCPS)	133,098,294
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	58,493,283
Employer's Contrib., Salary & Benefits Reserves	738,680
Other Reserves	25,861,320
Capital Improvements	- 0 -
Debt Service	- 0 -
Total Highway Fund	\$1,312,687,734

boy system. Rightly or wrongly, that's the perception of many people, and then there have been scandals over the years."

DIVERSIONS FROM HTF TO GENERAL FUND.

The governor and General Assembly divert even more resources from the HTF to the General Fund than in the year-prior period — from \$252 million to \$377 million, up from \$170 million in 2000 and preceding years. (The extra \$125 million was to be a loan, but only one \$10 million payment has ever been made.)

SUIT AGAINST EASLEY FOR HTF TRANSFERS.

Former Senator Bill Goldston and former Transportation Secretary Jim Harrington sue Governor Mike Easley for having diverted \$80 million from the HTF, which they claim is unconstitutional under state law. Easley sites his constitutional mandate to balance the state budget. (The case is dismissed until a 2006 review by the N.C. Supreme Court determined that Goldston and Harrington have legal standing to sue as citizens, according to AP reporter Gary Robertson. The suit is likely to return to a lower court to determine the legality of Easley's transfers.)

FUEL TAXES. Motorists pay 22.3 cents to the state and 18.4 cents to the federal government on each gallon of fuel they purchase.

HIGHWAY FUND APPROPRIATIONS 2003-2004	
Administration	\$ 100,967,085
State Construction	134,600,000
Total Other Construction (spot safety improvements, bridge replacement)	9,100,000
State Maintenance	582,507,482
Ferry, Railroad, Public Transportation, Airports	114,473,468
State Aid to Municipalities	89,600,000
Division of Motor Vehicles	102,032,933
Governor's Highway Safety Program	292,449
Highway Patrol (dir to CCPS)	137,378,475
Transfer to Highway Trust Fund	- 0 -
Transfers to Other State Agencies	62,090,642
Employer's Contrib., Salary & Benefits Reserves	12,382,140
Other Reserves	4,888,860
Capital Improvements	- 0 -
Debt Service	- 0 -
Total Highway Fund	\$1,347,377,703

Highway Trust Fund Appropriations 2003-2004	
Intrastate System	\$422,754,783
Secondary Roads Construction	79,559,266
Urban Loops	170,944,428
State Aid to Municipalities	44,356,838
Program Administration	40,001,560
Transfer to the General Fund	252,422,125
Total Highway Trust Fund	\$1,010,039,000

2003

GREEN AWARD. NCDOT receives a national award for environmental stewardship in its road building.

North Carolina's National Ranking in Highway Quality and Performance - 2003	
Rural Interstate Pavement Condition	44th
Urban Interstate Pavement Condition	40th
Urban Interstate Congestion	47th

The honor is due mainly to the work of Roger Sheats, Deputy Secretary for the Environment, Planning and Local Government

Affairs, who was tapped to oversee the ecological impact of road building projects. Despite these laurels, North Carolina road projects would see costly delays due in no small part to the strict regulatory oversight that won NCDOT the award. (Note: the degree to which environmental regulation hampers construction projects would be revealed in a 2004 JTLOC study.)

MOVING AHEAD. The General Assembly approves Governor Easley's Moving Ahead

initiative, the \$700 million program Easley pushed to improve safety and loosen congestion through upgrades such as traffic signals, intersection upgrades, and public transportation. While no one denies that many of the improvements under Moving Ahead are necessary, critics charge the methods by which the General Assembly will fund the initiative are dubious at best, particularly given funds will be taken from the sale of bonds, which are proceeds earmarked for the HTF. Also, some of the Moving Ahead funds are intended for non-essential projects such as light rail bids in Charlotte and the Triangle. See Moving Ahead, Light Rail and Q & A #5 & #7.

HTF-NCDOT STUDY. Concerned about the pace at which NCDOT is completing projects, the Joint Transportation Legislative Oversight Committee (JTLOC) resolves to commission an independent review of NCDOT's project delivery schedule, as well as its internal processes with respect to HTF projects. Results of the study are to appear in 2004. See also JTLOC.

MORE LOOP PROJECTS. With S.L. 2003-284 (Section 29. 11), the General Assembly adds additional urban loops and sections of loops to the HTF list, including: the Fayetteville Outer Western Loop; a multilane extension of the Greenville Loop; two interchanges to the Greensboro Loop; changes to the Raleigh Outer Loop, the Wilmington Bypass and the Winston-Salem Northbelt. The law continues funding for sections of the Durham Northern Loop.

MORE MPO AND RPO FUNDING. Rural planning organizations (RPOs) and metropolitan planning organizations (MPOs) are to receive \$750,000 from the HTF. An additional \$2 million in matching funds are made available to MPOs to comply with federal regulations of the Clean Air Act. The loans must be repaid within five years. An additional \$750,000 is made available to regional authorities seeking to comply with the federal regulations (i.e., areas with substandard air quality). This sum must go towards regional transportation planning in “non-attainment” or “maintenance” areas.

DIVERSIONS FROM HTF TO GENERAL FUND. The governor and General Assembly again divert extra resources from the HTF to the General Fund – \$252 million, up from the \$170 million baseline established in the original HTF language.

2004

RESULTS OF NCDOT STUDY. The Joint Transportation Legislative Oversight

Committee (JTLOC) study of NCDOT project delivery processes reveals significant organizational problems. The study finds that the delivery of construction projects had become more difficult and complicated over the years. One dominant complication the study reveals is that original HTF legislation allocating funds to NCDOT projects did not take into account layers of bureaucracy, time, and cost associated with federal and state environmental regulatory compliance, as well as approval by relevant environmental agencies. Sensitivity to environmental issues has increased since the HTF’s inception, as has increases in public scrutiny, litigation, and vigilance by NCDOT environmental divisions. The study’s other outstanding finding is that NCDOT lacked strong project management capabilities,

program management processes, and means to attract and retain talented personnel.

MOVING AHEAD. North Carolina enters the first year of construction projects bankrolled by the Easley-backed Moving Ahead Initiative, a program that takes \$700 million from the Highway Trust Fund for small, local projects such as traffic signals, public transportation, and primary route preservation. See Moving Ahead and Q & A #5.

SIGNS OF THE TIMES. Taxpayer-funded signs at over \$100 apiece appear along highways improved with Moving Ahead monies. Critics charge the signs have little information value, but amount to election-year ads by Transportation Secretary Lyndo Tippet on behalf of Governor Mike Easley.

FEDERAL FUNDING FOR LIGHT RAIL AND MORE. In a large federal spending “omnibus” bill passed by the U.S. Congress, Charlotte gets \$30 million for its light rail South Corridor, as well as resources for other transportation related projects, including: \$1 million for the US 74 Monroe Bypass; \$1 million for Gaston County’s Garden Parkway; and \$1.25 million to extend a runway at Concord Regional Airport, the fourth-busiest airport in North Carolina. “I am pleased we were able to secure funding for many projects in the Charlotte area,” says Senator Elizabeth Dole (R). “Light rail service will greatly benefit the Charlotte area by helping spur economic development, easing commuting issues and alleviating future air and noise pollution.” Critics charge congressional Republicans with acting like Democrats: “Before they took over Congress 10 years ago, Republicans were heavily critical of Democrats for such (local) earmarks and now there are more earmarks than ever,” says Chris Edwards, director of fiscal policy at Cato Institute. “It’s just a free-for-all.”

SCANDALS RETURN. Six years after the General

Assembly made half-hearted reforms to the Board of Transportation, the inadequacy of those efforts surfaces when one board member's electronic fund-raising letter ties the building of roads to political contributions. In the e-mail to fellow members of his Iredell County Rotary Club, Johnson writes it is essential to raise \$50,000 for Easley's campaign within a matter of days. If he doesn't, he'll probably lose his seat on the board, he writes, and that would mean Iredell would lose out on roads. "Union County raised \$100 k for Easley (sic) last year. The Monroe Bypass has been stepped up and is now first on the list as a Toll Facility." Adds Johnson: "We need to make our voice heard and that can be facilitated with monetary support for our Governor." Both Governor Easley and other board members vehemently deny that transportation improvements depend on political contributions. Frank Johnson resigns immediately after the *Charlotte Observer* makes the letter public.

ADDITIONAL LOOPS IN THE HTF. The General Assembly adds more loop projects to the existing ones. Specifically, the change (a section of the appropriations act, S.L. 2004-124) increases a portion of Charlotte's Outer Loop to six lanes, adds a multilane Gastonia loop known as the Garden Parkway, and expands the Raleigh Outer Loop, as well as the Wilmington Bypass.

NODS TO PRIORITIES, TRAFFIC VOLUMES. The General Assembly integrates a two-tiered priority system for funding of intrastate highway projects in response to dwindling Highway Fund and HTF resources and changing local priorities (appropriations act, S.L. 2004-124, Section 30. 21(a)). The legislation also means highways need not always be four-lanes if environmental considerations or traffic volumes suggest fewer lanes. See also Q & A #2.

LOCAL FUNDS. North Carolina refines 2001 legislation that departed from strict adherence

to state-generated funding sources, allowing the state to accept funds from local governments and not-for-profit groups. Local governments sometimes want to help move projects along, but until 2001 the law forbade it. The law currently allows local funding as long as the contribution doesn't skew the state's other priorities. The 2004 refinement allows for contributions by municipalities as long as: 1) the state reimburses local governments within seven years of accepting the local funding source, and 2) the reimbursement is reflected in the state's Transportation Improvement Program (TIP). (S.L. 2004-168) See also TIP.

DIVERSIONS FROM HTF TO GENERAL FUND.

The governor and General Assembly again divert extra resources from the HTF to the General Fund – more than \$252 million, up from the \$170 million baseline established in the original HTF language.

2005

**FEDERAL
TRANSPORTATION
BILL.** President Bush

signs a \$286.4 billion transportation bill – The Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU) – which includes a number of earmarks for pork projects around the country. "One person's pork is another person's vital project," says Norman Ornstein of the American Enterprise Institute. "These special projects which amount to about \$24 billion of this \$286.5 billion bill – about 8 percent – [aren't] vetted by anybody, they're just stuck in by individual lawmakers." NCDOT official R. Van Argabright speaks to the *News & Observer* about a \$200,000 federal set-aside for the study of US 276, which runs through the North Carolina mountains into South Carolina: "We don't have anything we want to study on US 276, and nobody has come forward and said, 'why aren't you all studying 276?'" The problem



Charlotte could have put its light rail money to better uses, such as rapid bus transit. Charlotte, apparently, is now stuck with what will by 2006 balloon into a \$500 million-plus boondoggle. The city's relationship with the engineering contractor, Parsons, starts off without complaint, but ends in a bitter media and court battle a year later: "This was a team effort," says Parsons

with these earmarks, says NCDOT CFO Mark Foster, is that they "short-circuit" the elaborate planning process used by state and local officials. See also Light Rail and Q & A #7.

executive vice president Thomas Barron. "I just think it's grossly unfair [for the city] to have us trashed in the press this way, in the sense that there's a lot more to this than is being reported."

OVERDUE HTF FUNDING. Funding for the HTF, which was due to be fully funded in 2003, remains incomplete. Moving Ahead and other expenses cause delays in its full funding. Since Governor Easley's raiding of the HTF, "temporary" taxes on title transfers (3 percent since 1989) remain in 2005, though they should have expired in 2003.

NCDOT REORGANIZATION. Because of growing concern about the plodding pace at which highway projects are being completed, the General Assembly directs NCDOT to reorganize (S.L. 2005-276). Major elements of the reorganization include transferring the Program Development Branch from the Deputy Secretary for Environment, Planning and Local Government Affairs to the office of the Chief Financial Officer. In addition, both Transportation and Planning, as well as the Project Development and Environmental Analysis branches, are moved into the purview of the Office of the State Highway Administrator. The reorganization was carried out by Transportation Secretary Lyndo Tippet, however, in advance of the General Assembly's directive. This allowed Tippet to keep a couple of key positions open within NCDOT.

LIGHT RAIL IN THE TRIANGLE. Construction on Charlotte's light rail project proceeds as Raleigh's own light rail plans stall. Senator Elizabeth Dole announces she will no longer actively seek federal funds for the Raleigh project. Dole's decision was based on the Triangle's failure to meet minimum federal requirements for cost-effectiveness. The Triangle Transit Authority (TTA) abandons the project for the time being.

HEAVY TRUCKS. NCDOT resolves to increase penalties for heavy trucks that exceed highway weight limits. According to a NCDOT study, heavy trucks cost N.C. taxpayers \$130 million per

LIGHT RAIL IN CHARLOTTE. As officials in the Triangle must face the reality of their failed bid, Charlotte Mayor Pat McCrory rejoices in his light rail victory for the Queen City. Construction begins, even as detractors demonstrate that

year in damages to pavement. Groups like the N.C. Home Builders Association, whose businesses rely on heavy trucks, oppose the regulations and urge exemptions.

TURNING TO TOLLS. Transportation Secretary Lyndo Tippet suggests construction on the Triangle's stalled southern half of the 540 loop be finished with funds collected by toll. But many – like Fuquay-Varina mayor John Byrne – feel it would be unfair to let people already using the northern half of the loop get a "free" ride while users of the southern half bankroll their own construction project. "I think it's an additional tax on the people in the southern half of Wake County who would ride I-540 to work in RTP," says Byrne. Critics also charge that tolls for loop projects would be unnecessary if the state used monies in the Highway Trust Fund (HTF) for purposes originally intended by its crafters.

ENVIRONMENTAL COMPLIANCE COSTS. In an effort to rein in excessive project delivery time and costs associated with environmental regulatory compliance, the General Assembly (via a provision of S.L. 2005-276) directs NCDOT to conduct an analysis of any proposed environmental policy or guideline to determine whether it results in additional costs.

GREEN LEAVES. Roger Sheats, NCDOT's top environmental official, leaves office only two years after receiving awards, and five months after surviving an NCDOT reorganization in which his group moved directly under finance officials. The problem with Sheats's environmental regulatory oversight, it seems, is the speed with which he and his team were able to assess the impacts of various projects. That is, many vital projects had been delayed due to impact studies (in excess of even federal standards for environmental impact). Delays in road construction began to annoy constituents and business interests: "It didn't help that Sheats's ideas about a Dare County bridge replacement project ran counter to those of local and state politicians," writes a *News & Observer* editorialist.

TWO FUNDING MEASURES. Governor Mike Easley signs HB 254 authorizing \$900 million in grant anticipation revenue and vehicle (GARVEE) bonds, which will be used to help pay for federally funded transportation projects statewide. In addition to that measure, HB 750 lets NCDOT expand the Secondary Roads Construction Program over the next four years from paving unpaved roads to a comprehensive modernization program. "North Carolina's transportation needs continue to outpace available resources," says Easley. "These two bills will help significantly address that gap."

Motor Fuels Tax Rates			
(in cents per gallon)			
Date	Rate	Date	Rate
01/01/06 - 06/30/07	29.9	07/01/96 - 12/31/96	21.7
07/01/05 - 12/31/05	27.1	01/01/96 - 06/30/96	22.0
01/01/05 - 06/30/05	26.6	07/01/95 - 12/31/95	21.6
07/01/04 - 12/31/04	24.6	01/01/95 - 06/30/95	21.7
01/01/04 - 06/30/04	24.3	07/01/94 - 12/31/94	21.3
07/01/03 - 12/31/03	24.2	07/01/93 - 06/30/94	22.0
01/01/03 - 06/30/03	23.4	01/01/93 - 06/30/93	22.3
07/01/02 - 12/31/02	22.1	07/01/92 - 12/31/92	21.9
01/01/02 - 06/30/02	24.2	01/01/92 - 06/30/92	22.3*
07/01/01 - 12/31/01	24.1	07/01/91 - 12/31/91	22.6
01/01/01 - 06/30/01	24.3	01/01/91 - 06/30/91	22.3
07/01/00 - 12/31/00	23.1	07/01/90 - 12/31/90	21.5
01/01/00 - 06/30/00	22.0	01/01/90 - 06/30/90	21.7
07/01/99 - 12/31/99	21.0	08/01/89 - 12/31/89	20.9**
01/01/99 - 06/30/99	21.2	07/01/88 - 07/31/89	15.7
07/01/98 - 12/31/98	21.6	01/01/88 - 06/30/88	15.8
01/01/98 - 06/30/98	22.3	07/15/86 - 12/31/87	15.5***
07/01/97 - 12/31/97	22.6	07/01/81 - 07/14/86	12.0
01/01/97 - 06/30/97	22.6	07/01/69 - 06/30/81	9.0

* Effective January 1, 1992 the tax rate was changed to 17.5 cents per gallon plus 7% of the average wholesale price which was then converted to the nearest 1/10 of a cent. The tax rate was subject to change in January and July of each year.

** Effective August 1, 1989 the tax rate was changed to 17 cents per gallon plus 7% of the average wholesale price which was then converted to the nearest 1/10 of a cent. The tax rate was subject to change in January and July of each year.

*** Effective July 15, 1986 the tax rate was changed to 14 cents per gallon plus 3% of the average wholesale price which was then converted to the nearest 1/10 of a cent. The tax rate was subject to change in January and July of each year.

In addition to the road tax, every gallon of motor fuel includes a .25 cent per gallon inspection tax.

Source: North Carolina Department of Revenue

EXTRA FROM HTF TO GENERAL FUND. The Governor and General Assembly again divert extra resources from the HTF to the General Fund — \$252 million, up from \$170 million in 2000.

2006

The last three years have not been pleasant for the North Carolina Department of Transportation (NCDOT).

Numerous corruption charges, cases of cronyism, and a major highway blunder costing taxpayers millions dominated transportation news.

Moreover, a major consulting firm was paid \$2.5 million in 2007 to assess NCDOT's performance, and their review found the organization to be "inefficient, unfocused and inflexible." The findings came as little surprise to most observers.

North Carolina's growing population continued to place increasing pressure on the state's transportation needs. Due to less fuel consumption resulting from high gas prices, however, transportation revenue declined in 2008.

Largely in response to the state's increasing transportation needs, a "blue ribbon" panel was formed in 2007 in order to address how North Carolina finances its roads and highways. The panel's recommendations, however, focus almost exclusively on how to raise more revenue. Missing is any discussion on how to more efficiently allocate revenue, such as changing the ill-focused "equity formula." (see Q&A section)

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."

CHARLOTTE RAIL. The total budget for Charlotte's light rail project, LYNX, swells in-excess-of \$550 million in the wake of problems with engineering contractor Parsons

The trouble with centralization is, the farther away an official is from a transportation need, the more difficult it is to satisfy that need appropriately.

North Carolina's National Ranking in Highway Quality and Performance – 2006

Rural Interstate Pavement Condition	40 th
Urban Interstate Pavement Condition	25 th
Urban Interstate Congestion	38 th

Transportation, not to mention dubious project and construction forecasting by CATS and other city officials – both from the project's beginnings, and during construction. The system's South Line will go online in 2007. The South Line is heralded a "success" despite massive federal and state subsidies. While the system exceeds initial ridership estimates, when one considers cost-effectiveness measured as total cost per rider (including capital costs) such estimates fall woefully short. Estimates suggest riders would have to pay anywhere from 10 to 15 times more per ticket for the system to be self-funded. Under the current system, those who never ride LYNX will shoulder most of the costs of its construction and operation.

NCDOT BUNGLED PROJECT. Ten-and-a-half miles of brand new I-40 interstate pavement must be ripped up and repaved with asphalt. The project is scheduled to 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 concrete used to repave and widen the highway cracked and buckled.

State Transportation Secretary Lyndo Tippet announces that several DOT employees will face disciplinary action because of their errors. Notes Len A. Sanderson, state highway administrator, "There's never been a project or a situation that I know of in my career with DOT as disappointing as this is."

DRIVING ON FUMES. With \$700 million of a \$950 million 1996 road bond referendum spent on reimbursing the fund for Gov. 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 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 Highway Trust Fund over the next two years. The cash has been spent, and the bonds have been issued. Highway Trust Fund projects will continue, but only at the pace of the revenue stream."

PROJECTS DELAYED. The federal Highway Trust Fund is expected to fall \$12 billion short of promised allocations to the states over the next three years. As part of the required cutbacks, North Carolina received \$720 million less federal dollars than expected. The cutbacks delay several new highway projects across the state for months.

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

HIGHWAY FUND APPROPRIATIONS 2006-2007

Administration	\$114,938,078
State Construction	\$179,189,500
State Maintenance	\$881,699,706
Ferry, Railroad, Public Transportation, Airports	\$133,726,227
State Aid to Municipalities	\$94,089,500
Division of Motor Vehicles	\$97,354,838
Governor's Highway Safety Program	\$293,118
Transfers to Other State Agencies	\$226,323,399
Other Reserves and Transfers	\$61,420,634
Planning & Research	\$4,280,000
OSHA Program	\$425,000
Total Highway Fund	\$1,793,740,000

HIGHWAY TRUST FUND APPROPRIATIONS 2006-07

Intrastate System	\$597,492,253
Secondary Roads Construction	\$99,630,348
Urban Loops	\$241,600,983
State Aid to Municipalities	\$62,690,874
Program Administration	\$41,728,940
Transfer to General Fund	\$57,486,602
Total Highway Trust Fund	\$1,100,630,000

of the state Transportation Board, Tom Betts, resigns amid a campaign fundraising scandal.

LIGHT WORKLOAD. The *Raleigh 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 lack of work, NCDOT added three more specialist positions over the past year.

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. The action 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.

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 (more than 3,500) of N.C. bridges are in disrepair or obsolete. The study ranks North Carolina ninth-worst among 50 states.

FUNDING GAP. An NCDOT study projects that unless the department makes significant changes, a \$65 billion funding gap will emerge over the next quarter century. This figure is troubling considering that \$170 million-plus per annum diversions from the HTF to the state's General Fund 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.

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 and workers fear consequences if they express ideas. The report further notes that "better leadership could shave years off" the time it takes to complete major projects.

LEGISLATIVE NEGLECT. The \$20.7 billion state budget largely neglects infrastructure needs. While a number of transportation bills are offered during the session, most are overlooked or shelved. Additionally, 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).

EXTORTION. Three state DOT employees plead guilty to extortion charges. Three local inspectors admitted to schemes in which they conspired with asphalt contractors to overcharge for public

HIGHWAY FUND APPROPRIATIONS 2007-2008

Administration	\$116,689,102
State Construction	\$165,895,465
State Maintenance	\$905,285,444
Ferry, Railroad, Public Transportation, Airports	\$148,591,643
State Aid to Municipalities	\$93,046,035
Division of Motor Vehicles	\$103,676,924
Governor's Highway Safety Program	\$334,314
Transfers to Other State Agencies	\$264,196,361
Other Reserves and Transfers	\$29,269,711
Planning & Research	\$4,700,000
OSHA Program	\$425,000
Total Highway Fund	\$1,832,110,000

HIGHWAY TRUST FUND APPROPRIATIONS 2007-08

Intrastate System	\$539,414,383
Secondary Roads Construction	\$94,266,888
Urban Loops	\$218,116,712
State Aid to Municipalities	\$56,597,151
Program Administration	\$47,341,560
Transfer to General Fund	\$172,543,306
Total Highway Trust Fund	\$1,128,280,000

projects. The inspectors had the contractors pad time sheets and charge higher than necessary hourly rates, and then skimmed some of the difference for themselves. The practice reportedly started back in 2000.

21ST CENTURY TRANSPORTATION

COMMITTEE. Another committee is formed to study road and highway funding in North Carolina. Governor Easley and state House and Senate leaders form the “blue-ribbon” 21st Century Transportation Committee. The committee is tasked with assessing North Carolina’s most pressing transportation problems and developing new funding mechanisms to address the challenges. Selected to lead the group is Raleigh’s Brad Wilson, chief operating officer of Blue Cross and Blue Shield. The new committee will be the third such group assembled in the last three years with the intent of developing recommendations on how to best address the state’s transportation needs. The previous two committees were short-lived and essentially ignored by legislators. Rep. Nelson Cole (D – Reidsville) believes this committee’s recommendations will gain more traction with lawmakers. “I do not think this is just another study,” Cole said. “I think this study is going to prove there are other directions we can go in funding transportation and being more responsive to the needs we have out there.”

Some major items expected to be examined by the committee are: the Highway Trust Fund transfers to the General Fund, delegating more authority from the state to local governments, and consideration of a per-mileage vehicle tax to replace the current gas tax.

2008

DIVERSIONARY TACTICS.

In 2003, Sen. 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 last fall’s soaring raw materials prices delayed many

other loop projects, NCDOT recommended Fayetteville’s outer belt stay on schedule.

DIVERSIONARY TACTICS 2. Ethics concerns about N.C. Sen. 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.”

DIVERSIONARY TACTICS 3. 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 also steered road monies similarly in 2004-2005—with \$200,000 and \$125,000 in diversions.

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.

ROAD BOND? After a long series of meetings, discussions, and presentations by guest experts, the 21st Century Transportation committee recommends the N.C. General Assembly

<i>North Carolina’s National Ranking in Highway Quality and Performance – 2008</i>	
Overall Performance	21 st
Percentage of Deficient Bridges	41 st
Fatality Rate	34 th
Percentage of Urban Interstates Congested	42 nd
Financial Performance	3 rd

introduce a government bond to correct for years of fiscal mismanagement and to pad the two major road funds in the state. The commission makes no recommendations to change the Equity Formula, which has contributed to more waste than any other single factor. No action is taken on the bond recommendations during the 2007-2008 Session.

REVENUES DOWN. High gas prices throughout much of 2008 depress gas sales and thus gas tax revenue. Car sales were similarly down. The result is an estimated \$66 million drop in such revenue. Taxes from fuel consumption and car sales comprise more than half of the state Department of Transportation's annual revenue stream. As Nina Szlosberg, member of the state Board of Transportation, notes, "It shouldn't be bad news that people are doing less driving, but that's what our funding depends on."

FED TRANSIT GRANTS REINSTATED. The Federal Transit Administration (FTA) reinstates North Carolina's eligibility for \$25 million in federal grants for local road needs. The FTA had previously frozen the funds due to concerns that the NCDOT was not managing the funds properly. Before granting North Carolina access to the funds, the FTA required NCDOT provide a

management plan detailing how they planned to spend the money.

MILEAGE TAX CONSIDERED. Members of the General Assembly begin to consider a controversial recommendation from the 21st Century Transportation Committee. A "road use tax" would tax drivers by the amount of miles driven, rather than charge a flat tax rate on each gallon of gas purchased at the pump. In order to track mileage, the state would either gather odometer information at the time of vehicle inspections, or GPS devices could be used. Drivers could then be billed based on the miles driven. According to Mark Finlayson, co-chair of the transportation advocacy group N.C. Go!, "Cars are now using less fuel, but they are still putting wear and tear on the roads."

DMV CRONYISM. An internal DMV investigative report reveals that a retired DOT maintenance worker, Eddie Carroll Thomas, had "long-standing and widespread" influence over personnel decisions in the Driver and Vehicle Services division of the state's DMV. Thomas' influence no doubt resulted from his extensive role as a political fundraiser. Thomas reportedly raised money for former Govs. Jim Hunt and Mike Easley. Documents reveal that Thomas was selected to raise \$40,000 in Greene County for Easley's 2000 gubernatorial campaign. Despite his status as a maintenance worker, Thomas' fundraising activities gave him clout with the head of Driver and Vehicle Services, Wayne

HIGHWAY FUND APPROPRIATIONS 2008-2009

Administration	\$116,547,323
State Construction	\$140,173,949
State Maintenance	\$919,599,625
Ferry, Railroad, Public Transportation, Airports	\$144,196,848
State Aid to Municipalities	\$93,073,949
Division of Motor Vehicles	\$99,928,704
Governor's Highway Safety Program	\$335,449
Transfers to Other State Agencies	\$262,146,509
Other Reserves and Transfers	\$29,862,644
Planning & Research	\$4,700,000
OSHA Program	\$425,000
Total Highway Fund	\$1,810,990,000

HIGHWAY TRUST FUND APPROPRIATIONS 2008-09

Intrastate System	\$504,290,380
Secondary Roads Construction	\$88,102,603
Urban Loops	\$203,914,028
State Aid to Municipalities	\$52,911,824
Program Administration	\$51,409,920
Transfer to General Fund	\$147,531,245
Transfer to Turnpike Authority	\$25,000,000
Total Highway Trust Fund	\$1,073,160,000

Hurder, who went on to become DMV's second in command in 2007. Files from the investigation show that Hurder would frequently follow Thomas' wishes in a number of personnel decisions. Such decisions contributed to Hurder's firing for improper personnel practices.

EXPENSIVE WISH LIST. In response to the proposed \$1 trillion federal economic "stimulus" bill, officials from all 50 states submit their list of highway projects and requests for federal funding. North Carolina's "wish list" ranks third highest among the states in dollar amount requested and totals \$5.2 billion worth of projects. The federal stimulus bill is aimed at lifting the economy out of the current recession by boosting spending on various national, state and local public projects along with dispersing billions more to state governments to spend on Medicaid, education and various social programs.

2009

MANA FROM HEAVEN. On February 17, 2009 President Obama signed into law the American Reinvestment & Recovery Act, aka the stimulus bill, with the intent of stimulating the economy. Among other things, the bill pumped billions of dollars into state coffers to be used for a variety of projects. According to NCDOT reports North Carolina received approximately \$838 million in federal funds dedicated to transportation, \$735 million for bridge and highway improvements, and \$103 million for transit. Further stimulus money was acquired through a discretionary grant by the Federal Railroad Administration, totaling \$545 million to be spent on railroad projects throughout the state. North Carolina employed at times over 7,000 workers through stimulus funding.

FROM CAP TO FLOOR. The General Assembly changes the variable component of the Motor Fuels Tax, also known as the state gas tax, allowing the level of the tax on gasoline and diesel to rise. The legislature did away with a 2006 cap on the variable component of the gas tax, which previously prevented the

DEMOCRATIC SUPPORT FOR CHANGING GAS TAX CAP TO FLOOR

"How are you going to fund transportation if you don't change the broken system for funding transportation," Rep. Nelson (D – Rockingham), House Transportation Budget Subcommittee Co-chairman, asked during the floor debate.

variable component from rising over 12.4 cents per gallon. In 2009, the 12.4 cents per gallon ceiling turned into a floor, allowing the variable component rate to rise above 12.4 cents per gallon, but not to dip below it. This alteration in the tax prevented the overall gas tax level from going under 29.9 cents per gallon. The variable component is based on 7 percent of the average wholesale value of gasoline and diesel and is combined with 17.5 cents per gallon fixed tax rate.

HABITUAL DWI REINSTATEMENT PETITION.

S.L. 2009-369 (HB 1185) allows for habitual DWI offenders to petition for a reinstatement of their licenses upon proof that the individual has not been convicted of traffic or criminal offenses for the past 10 years, does not use alcohol or any other illegal drugs, and does not abuse prescription drugs. This law increases the strictness surrounding the reinstatement petition, changing the law from "not currently an excessive user of alcohol," to "is not currently a user of alcohol."

DON'T TEXT AND DRIVE. New legislation (S.L. 2009-135) makes it illegal to send or read email and text messages while driving a motorized

HIGHWAY FUND APPROPRIATIONS 2009-2010

Department of Transportation Administration	\$79,838,391
Division of Highways Administration	\$33,339,661
Construction	\$63,943,733
Maintenance	\$935,999,755
Planning and Research	\$4,055,402
OSHA Program	\$355,389
Ferry Operations	\$30,126,209
State Aid to Municipalities	\$87,813,876
Public Transportation	\$74,947,962
Airports	\$17,349,592
Railroads	\$17,101,153
Governor's Highway Safety	\$351,779
Division of Motor Vehicles	\$101,416,528
Other State Agencies, Reserves, Transfers	\$289,950,570
Total Highway Fund	\$1,736,590,000

HIGHWAY TRUST FUND APPROPRIATIONS 2009-2010

Intrastate System	\$367,256,023
Urban Loops	\$116,655,736
State Aid to Municipalities	\$41,423,903
Secondary Roads	\$58,426,789
Program Administration	\$42,234,720
North Carolina Turnpike Authority	\$64,000,000
Transfer to General Fund	\$108,561,829
Debt Service	\$82,731,000
Total Highway Trust Fund	\$881,290,000

vehicle on a public road. The law makes exceptions for law enforcements officers, EMS drivers, and firefighters. Drivers are still able to check email and text messages while the vehicle is parked or stopped, or use voice-operated technology, OnStar, and GPS systems.

NO SEX OFFENDERS AS BUS DRIVERS. The state passes a law prohibiting convicted sex

REPUBLICAN REACTION TO GAS TAX GOING FROM CAP TO FLOOR

“Republicans have generally said we’re not in favor of any tax increase, and that would include continuing any temporary tax increase that would automatically expire otherwise.

You don’t raise taxes in a recession, especially when the cost of gas is going up in general.”

– Sen. Richard Stevens (R-Wake)

offenders from driving commercial passenger vehicles or school buses.

CONGESTION RELIEF/INTERMODAL

TRANSPORT FUND. S.L. 2009-527 becomes law authorizing the Secretary of the Department of Transportation to issue grants to various types of transportation projects across the state. Recipients of these grants include local governments and transportation authorities for projects pertaining to public transit. For this kind of grant, the grant amount will not exceed 25 percent of the project’s cost. Additional recipients include short line railroads, where grant amounts cannot exceed 50 percent of the project cost and are limited to an annual grant amount of \$5 million. Similarly, railroads that assist in rail improvements and intermodal/multimodal facilities are allowed grants up to \$10 million per annum, or no more than 50 percent of the project cost. Finally, state ports under certain conditions can receive grants no greater than 50 percent of the project cost, not exceeding an annual grant amount of \$10 million.

GAP FUNDING, DEBT, BYPASS EQUITY

FORMULA. SB 750 becomes law, which enables funding appropriated by the Highway Trust Fund to amortize the debt on Turnpike Authority projects to bypass the DOT's Equity Formula. The Equity Formula, which balances infrastructure projects between urban and rural areas, has been the state's method of divvying up transportation funds since its inception in the late 1980's.

2010

NC GETS MOBILITY. Born in the 2010 state budget, the legislature took up Governor Perdue's proposal to create a

Mobility Fund as a way to generate new funding for state and local transportation projects. The Democrat legislature, however, did not include Perdue's suggestions for increased vehicle fees to pay for the fund. Instead, the Mobility Fund uses internal revenue by siphoning off General Fund transfers from the Highway Trust Fund. The Mobility Fund's primary purpose is to accomplish

HIGHWAY FUND APPROPRIATIONS 2010-2011

Department of Transportation Administration	\$80,925,142
Division of Highways Administration	\$33,393,855
Construction	\$81,580,824
Maintenance	\$938,245,641
Planning and Research	\$4,055,402
OSHA Program	\$355,389
Ferry Operations	\$29,726,209
State Aid to Municipalities	\$87,840,220
Public Transportation	\$75,793,962
Airports	\$17,291,543
Railroads	\$17,101,153
Governor's Highway Safety	\$352,325
Division of Motor Vehicles	\$101,527,804
Other State Agencies, Reserves, Transfers	\$271,460,531
Total Highway Fund	\$1,739,650,000

GOV. PERDUE SUPPORTS MOBILITY FUND

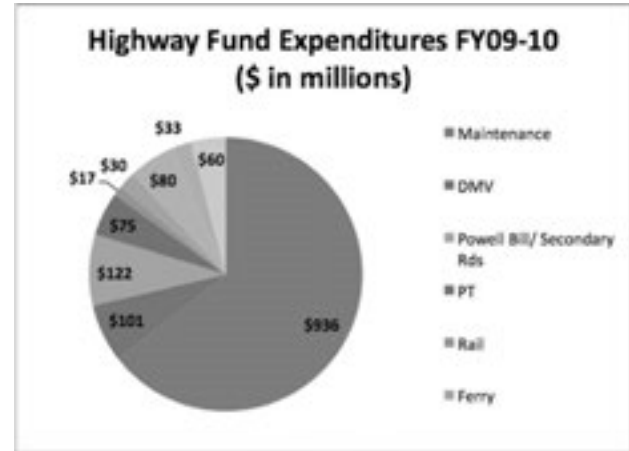
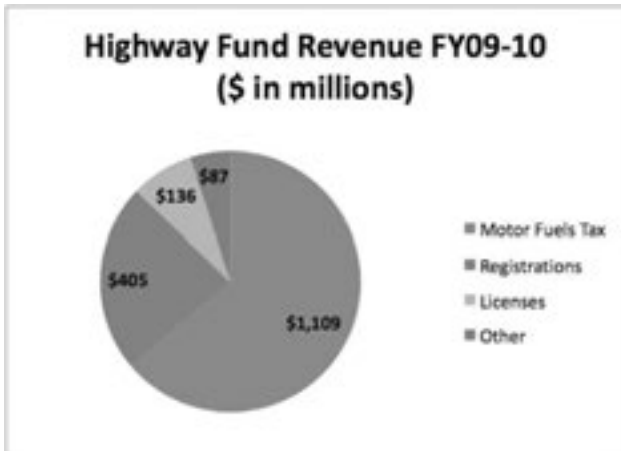
"Without the Mobility Fund, we would not have the money needed to pay for this critically important project," Gov. Perdue said at the site of the Yadkin River Bridge project, one of the Mobility Fund's first projects, which will renovate a dated bridge on I-85. "Phase two will make this heavily used stretch of I-85 last longer while helping people and goods more easily reach their destinations."

HIGHWAY TRUST FUND APPROPRIATIONS 2009-2010

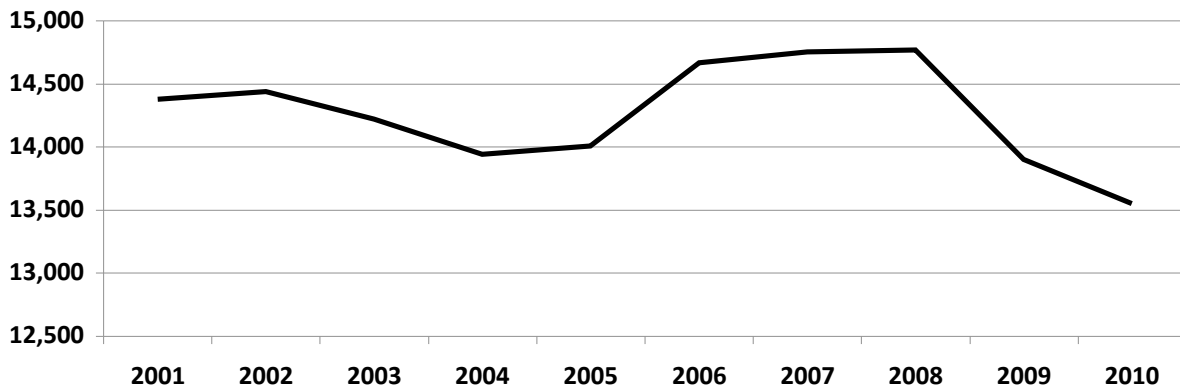
Intrastate System	\$391,723,281
Urban Loops	\$127,444,319
State Aid to Municipalities	\$43,885,918
Secondary Roads	\$61,908,548
Program Administration	\$44,140,320
North Carolina Turnpike Authority	\$99,000,000
Transfer to General Fund	\$79,992,750
Debt Service	\$79,992,750
Total Highway Trust Fund	\$920,990,000

transportation projects that relieve congestion and enhance mobility across all modes of transportation. One of the features of the Mobility Fund is its ability to bypass the Equity Formula, which allows it to accomplish large and expensive projects that would be unaffordable under the 1980's transportation funding dispersal formula. (See Also Q&A entry for the Mobility Fund.)

BOOZY DRIVERS GO HOME SOONER. New legislation changes DWI sentencing laws regarding parole for offenders serving an active prison sentence. Under previous law, offenders would only be eligible for parole upon completing a recommended treatment program. This law allows offenders to undergo treatment program in a residential setting, thereby speeding the parole process.



Number of State Government Transportation Jobs in NC: 2001-2010



INCREASE FEES. State lawmakers approve legislation raising the driver's license restoration fee by \$25 for driver's licenses revoked for driving under the influence. The proceeds of the fee increase will go to the Forensic Tests for Alcohol branch of the Chronic Disease and Injury Section of the Department of Health and Human Services.

INCREASE LICENSE EXPIRATION. A new law increases the age eligibility on an 8-year license. Previous law held that a person 18 years old to 54 years old could be issued an 8-year license. This law amends that by increasing the 8-year licenses to persons up to 65 years of age. A person older than 65 years will have to renew his or her license every 5 years.

VEHICLE LAW CHANGES. House bill 1729 becomes law. This omnibus bill makes a wide number of changes to existing motor vehicle laws, including prohibiting the use of license plate covers that cover registration numbers, letters, or other aspects of registration plates. Additionally, the \$1 mail-in registration renewal fee is repealed, and parking on highway bridges and highway shoulders is made illegal.

CONCLUSION

Texas has the most extensive state highway system in the United States. This makes a lot of sense considering the Lone Star State is the second largest state in terms of total area and is also ranked number two in population. North Carolina, by contrast, is the 10th most populous state and only the 28th largest state in the Union. So why is North Carolina's state highway system bigger than California's or New York's, or every other state, except Texas? The answer is complicated, but says a lot about the manner in which road projects are conceived in the Tar Heel state.

Through the 1920s, North Carolina had one of the most ambitious highway programs in the country. Not only were county leaders interested in expanding within their borders, but they also quickly saw the benefits of connecting counties by road. During the Great Depression, however, county roads in North Carolina came under state ownership. That means today, North Carolina has very few county-owned roads. While this policy may have seemed like a good idea during the 1930s, it means roads that might have been planned, built, and maintained locally are now done so at the state level. In fact, according to Dr. Maurice Y. Mongkuo of Fayetteville State University, the state of North Carolina takes a far greater share of responsibility for roads (78 percent; only West Virginia is higher) than the average state (58 percent).

The trouble with centralization is, the farther away an official is from a transportation need, the more difficult it is to satisfy that need appropriately. Layers of costly bureaucracy must be introduced for state-level officials to handle regional and local transportation matters appropriately – and these bureaucracies can make increased fiscal demands from the state's coffers. More importantly, though, it means state planners are more likely to over fund or under fund projects, miss critical needs, or face complaints by locals. This is because every new road or road upgrade is currently tied to state revenues and state bureaucracy. So how can things get done differently?

In one part of Virginia they took a different approach. The results have been promising. According to business analyst James Bacon: "Over the years, commercial and residential development spilled into Suffolk and residents began agitating for better services. After months of negotiations, VDOT handed the roads — and funds to take care of them — over to Suffolk." This is known as decentralization (or devolution) and Bacon recommends it for the rest of the state: "When citizens have complaints," says Eric Neilsen, director of public works, "we don't have VDOT to blame anymore. It used to be we'd say, 'It's VDOT's fault, what can you do?' ... Now the buck stops here." Could a similar solution work in some or all of North Carolina?

Next, special interests can have an effect on the way roads get built. If you're a wealthy developer with an old friend on the Transportation Board or in the General Assembly, you may have an easier time getting pavement to your development or business. While this may not happen as readily today as in the past, the history of North Carolina roads is rife with examples

of old boy projects. Even as recently as 2005 House Speaker Jim Black (D-Mecklenburg), Senate President Pro Tempore Marc Basnight (D-Dare) and “other legislators also had access to House and Senate ‘contingency funds’ in the Department of Transportation. NCDOT officials said about \$5.8 million was spent from those accounts in the current fiscal year”, according to Mark Johnson and Jim Morrill writing in the *Charlotte Observer*.

Finally, equitability or “equity” is the primary allocation formula used by the state to determine how transportation funds will be spent statewide so as to be distributed fairly and equitably across all seven distributional regions. The formula, which uses incomplete road-miles, population, and a base amount distributed equally to each region, was adopted by the state in 1989 and considered the best practice at the time. Now, however, many consider the formula for constructing roads in North Carolina to be outdated and inefficient, especially because it does not factor in congestion or directly address critical needs. Critics also charge that use of this formula has been the primary way unnecessary road-miles have been built and taxpayer resources wasted.

The idea behind the formula was not only to ensure equitable distribution among the seven regions, but also to ensure that “economic development” projects, such as four-lane highways, were built statewide. The result has been under funding in some areas and excessive funding in others. Eastern North Carolina, for example, has had a lot of four-lane construction in sparsely populated areas. And the critical needs of congested areas often go unmet because the drivers causing the congestion may not live in the congested region. According to Dr. David Hartgen, of the 349 major road projects constructed between 1990 and 2003, more than one-third were of “questionable value” based on cost per vehicle-mile. The cost to taxpayers was \$2.5 billion, or nearly a third of the original Highway Trust Fund budget.

In short, while population density has a lot to do with the concentration of funds into transportation projects, so also do considerations of “equity.” That is, allocation formulas build in a certain amount of money for construction in rural areas – whether these areas need the construction or not. But this “Build it, they will come” mentality has contributed to considerable waste. Indeed, rural areas often need road maintenance more than they need new construction. But voters can feel slighted if high-density areas get all the shiny new projects. Politicians and bureaucrats responded with formula in order perhaps to protect their jobs – or even out of some abstract notion of fairness – but taxpayers lose out in the end.

As a result of these three main factors – centralization, special interests and outdated formula – North Carolina’s state highway system is poorly matched with its size and population compared with other states. Constructive changes to legislation, resource allocation, and to the bureaucracy itself can get us back on track. And positive solutions like innovative financing, responsible budgeting, improved cost/benefit analyses, and increased prioritization all offer us a way to regain the title of “the good roads state.”

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About the Civitas Institute

The vision of the Civitas Institute is of a North Carolina whose citizens enjoy liberty and prosperity derived from limited government, personal responsibility and civic engagement.

The mission of the Civitas Institute is to facilitate the implementation of conservative policy solutions to improve the lives of all North Carolinians. Towards that end, Civitas provides research, information and training to:

- *Empower* citizens to become better civic leaders and more informed voters;
- *Educate* emerging public leaders, enabling them to be more effective in the democratic process; and
- *Inform* elected officials about citizen-based, free-market solutions to problems facing North Carolinians.

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