

Marc Basnight
President Pro
Tempore,
North Carolina Senate



Joe Hackney
Speaker,
North Carolina
House of
Representatives

Raleigh, North Carolina 27601-1096

21st Century Transportation Committee

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

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

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

President Pro Tempore Appointments

Senator David Hoyle
Senator Clark Jenkins
Senator Richard Stevens
Dr. Joseph Mourne, Dean, Guilford County
Mr. Lanny Wilson, New Hanover County
Mr. Billy Sewell, Onslow County
Mr. Stephen Zelnak, Jr., Wake County

The Honorable Richard Blackburn, Ashe County
*The Honorable Terry Bellamy, Buncombe County
*The Honorable Sam Hunt, Alamance County
*The Honorable Allen Joines, Forsyth County
*Mr. Gregory Plemmons, Guilford County

Speaker of the House Appointments

Representative Nelson Cole
Representative Becky Carney
Representative Lorene Coates
Representative Phillip Frye
Representative William C. "Bill" McGee
Representative William L. Wainwright
The Honorable George W. Miller, Jr., Durham County
Ms. Nina Szlosberg, Wake County

*Mr. Charles F. Bowman, Mecklenburg County
*The Honorable Chuck McGrady, Henderson County
*Mr. D. Jordan "Jordy" Whichard, III, Pitt County
**Mr. Brad Wilson, Chair, Wake County

* Recommendation from Governor Michael F. Easley

** Recommendation for appointment as Chair by Governor Easley

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

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

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

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

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

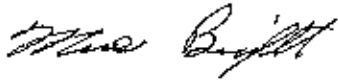
Section 7. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. An initial allocation of \$50,000 shall be provided to the Committee from funds appropriated to the General Assembly.

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

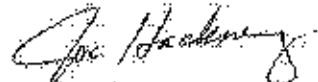
Section 9. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations. The Legislative Services Commission shall grant adequate meeting space to the Committee in the State Legislative Building or the Legislative Office Building.

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

Effective this 29th day of October, 2007



Marc Basnight
President Pro Tempore of the Senate



Joe Hackney
Speaker of the House of Representatives

10/29/07

INTERMODAL WORK

An examination of the role of ports, airports, mass transit, rail, and pedestrian and cycling access in providing the transportation needs of the State.

A review of public transportation needs in urban areas.

Methods to encourage fuel conservation and energy conservation in North Carolina.

Membership List for 21st Century Intermodal Committee

The Honorable Sam Hunt
Chairman, Intermodal Committee
1215 Maple Avenue
Burlington, North Carolina 27215
Email: samhunt@triad.rr.com

The Honorable Terry Bellamy
P.O. Box 7148
Asheville, North Carolina 28801
Email: mayorbellamy@ashevillenc.gov
Email: tdunlap@ashevillenc.gov

Ms. Nina Szlosberg
2710 Rosedale Avenue
Raleigh, North Carolina 27607
Email: napro1@earthlink.net

Dr. Joseph Monroe
NC A&T College of Engineering
1601 E. Market Street, 651 McNair Hall
Greensboro, North Carolina 27411
Email: Monroe@ncat.edu

Staff
Gerry Cohen
Email: Gerry@ncleg.net
Telephone: (919) 733-6660

Mr. Greg Plennons
500 Old Dominion Way
Thomasville, North Carolina 27360
Email: Greg.plennons@odfl.com

Representative William L. Wainwright
301-D Legislative Office Building
Raleigh, North Carolina 27603
Email: Williamw@ncleg.net

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

Wednesday, November 7, 2007

1:00 PM

Room 643, Legislative Office Building

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

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

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

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

PRESENTATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Foster talked about what the State is currently doing about the problems. He said they have put together some sophisticated cash modeling and stabilized the finances and the operations of DOT and they are currently fiscally stable. There was an imbalance of

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

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

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

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

Traffic Management – Mr. Foster said we cannot as a 21st Century DOT just construct and maintain the system. They have to operate it to get the most leverage out of the existing system such as moving traffic across the existing infrastructure before they automatically go out and spend expansion dollars. He continued explaining what this includes and the standards that are set for traffic management, incident management, etc. so they can do a much better job at moving traffic and handling incidents and obviously address air quality and congestion on the system.

Mr. Foster pointed out that in the last budget there was some seed money made for the State to actually begin the work to develop a statewide logistics plan. The State Department of Transportation and the Governor's Office through the State Budget Office

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

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

Chairman Brad Wilson asked for questions:

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

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

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

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

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

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

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

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

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

Mr. Foster – Yes Sir.

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

Mr. Foster – We will certainly take a look.

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

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

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

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

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

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

Mr. Foster – Yes

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

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

Senator Hoyle – The report card we had on the screen, could we see the report card from some sister states? I am told that every state is facing the same problems and I would like to find out if some other state is doing a better job addressing the problems. We all have the same increasing costs with flat revenues basically and the federal government is going to be a lesser participant for us. I would like to see how miserable South Carolina is.

Mr. Foster – I am not aware of any A students, but we will go back and see what we can do in terms of comparing. Are you most interested in our neighboring states, or are you looking for what I would call, best in class?

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

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

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

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

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

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

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

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

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

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

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

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

Representative Blackburn – Please identify the acronym EEP.

Ms. Szlosberg – The Eco System Enhancement Program.

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

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

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

- Finance
- Intergovernmental
- Prioritization Best Practices and Efficiency
- Intermodal

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

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

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

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

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

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

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

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

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

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

Brad Wilson, Chairman

Sarah Murphy, Clerk

MINUTES

21st CENTURY TRANSPORTATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Representative Miller – Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chairman Wilson asked for questions.

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

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

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

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

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

Consider recommendation relative to the Highway Trust Fund transfer.
Focus on and make a recommendation relative to the gap funding for the Turnpike Authority.

A recommendation about an approached bridge replacement funding.
Specifically the one we heard referenced to today, the Yadkin River Bridge.

Focus on the most congested areas of our state and how we could bring resources
There in a nimble way, which would include looking at transportation
alternatives.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The meeting adjourned at 3:05 p.

Brad Wilson, Chairman

Sarah Murphy, Clerk

MINUTES

21ST CENTURY TRANSPORTATION COMMITTEE

Wednesday, December 12, 2007

1:00 p.m.

Room 544, Legislative Office Building

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

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

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

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

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

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

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

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

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

Lisa said she will get that information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

attaches the payment of those bonds by being able to levy sales tax. He said he did not think you could actually sell a bond and dedicate the taxes and levy the taxes without having the

People vote on it. Chairman Wilson said that may very well be the case and this example is coming from Virginia and he does not know what the Virginia law is. He pointed out that this is an overview that we are going through and the questions are great so let's continue this discussion but all of this will be considered in great detail by Mr. Zelnak's Finance Committee as we go along.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

because of housing costs have to live further away. Are those the kinds of policy considerations that you have?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Leggett – answered – No.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This ended the agenda presentations for the meeting.

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

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

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

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

Brad Wilson, Chairman

Sarah Murphy, Clerk