

EXPLANATION OF  
CONGESTION RELIEF AND INTERMODAL TRANSPORTATION  
21<sup>ST</sup> CENTURY FUND  
EXPENDITURES AND LOCAL FUNDING

The Intermodal Committee will later this morning be considering proposed legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21<sup>st</sup> Century Fund,
2. Set out a framework for grants for intermodal capital projects out of this fund, requiring that for urban transit projects.
3. Authorize local option revenue options for major urban areas to match these grants

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at \$1.909 billion over the next 12 fiscal years. This includes \$80 million for state aid for rail access to the State ports, \$80 million for Class 1 railroads, \$58 million for short line railroads, \$20 million for statewide bus grants to local governments, \$20 million for expansion of intercity passenger rail, and \$1.621 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee will recommend capping the maximum amount of grants for any one region at 33% of the fund. On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be \$86 million in Fiscal Year 2009-2010, \$110 million in 2010, between \$160 and \$149 million annually for the four years beginning 2011 through 2014, \$190 million in 2015, between \$170 million and \$180 million annually beginning 2016 through 2019, and \$229 million in 2020. This averages \$159 million per year. It is noted that all these estimates are in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, this will allow \$30 million annually for the first four years to be allocated out of the fund for Toll Road gap funding. Other projects anticipated for funding during the first two years include \$10 million annually in bus improvement grants the first two years, \$10 million for intercity passenger rail (\$5 million of which could be used for a third daily frequency from Charlotte to Raleigh and the remaining \$5 million for a demonstration project by the North Carolina Railroad in Eastern North Carolina).

The Committee draft legislation makes a number of findings based on facts presented to and researched by the committee. Those findings, which will help you put this in perspective, are:

- (1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21<sup>st</sup> Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.
- (2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.
- (3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.
- (4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21<sup>st</sup> Century transportation system.
- (5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.
- (6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.
- (7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina; and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.
- (8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified \$799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.
- (9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported

that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

- (10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.
- (11) The proposed North Carolina International Port would need high capacity Intermodal access.

Based on these findings and demonstrated needs, the proposed legislation will do the following on the State level:

1. Establish the framework of the Congestion Relief and Intermodal Transportation 21<sup>st</sup> Century Fund.

#### LOCAL GOVERNMENT GRANTS

2. Allow for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and TTA in the Triangle.)
3. Those grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Three specific preconditions for the local government grants are: (i) the grant application is approved by all Metropolitan Planning Organizations whose jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning policies and adopted plans that reasonably support transit ridership and appropriate land use; and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.
5. Grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan.
6. The Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. No applicant may receive more than 33% of the total funds in a 15-year period.
8. In evaluating projects, qualification for federal funding shall be considered.

#### SHORT LINE RAILROAD GRANTS

9. Grants from the fund may also be made to state agencies and railroads for assistance to short line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Short line railroad grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total shortline railroad grants under this subdivision may not exceed five million dollars (\$5,000,000) per fiscal year.

#### RAILROAD GRANTS

10. Grants from the fund may also be made to state agencies and railroads for assistance to any railroad in construction of (i) rail improvements and restorations; (ii) rail improvements and restorations and intermodal or multimodal facilities to serve ports and military installations; and (iii) inland ports to reduce truck traffic on the highway system. Grants shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant. Total grants under may not exceed ten million dollars (\$10,000,000) per fiscal year.

## STATE PORTS RAILROAD GRANTS

11. Grants from the fund may also be made for assistance to the state ports in terminal railroad facilities and railroad operations. Grants under shall not exceed 50% of the nonfederal share, and must be matched by equal or greater funding from the applicant.. Total grants may not exceed fifteen million dollars (\$10,000,000) per fiscal year.

## INTERCITY PASSENGER RAIL SERVICE

12. Grants from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities serviced. These must connect more than one region or provide service from one region to outlying areas.

The committee finds that local government financial participation in urban transit grants is required. Currently, Mecklenburg, the Triangle, and the Triad have different authorizations to raise such funding. Mecklenburg has authority for a sales tax, the Triangle and the Triad for a vehicle registration fee, and all three regions a levy on motor vehicle rentals. The committee has examined the existing revenue options and the legislation will provide the following:

### LOCAL OPTION SALES TAX WITH REFERENDUM

The 1997 General Assembly granted Mecklenburg County the option of levying a ½% sales tax for public transportation purposes. The legislation required a referendum Mecklenburg held its initial referendum in 1998, with voter approving the levy by a 58% to 42% margin. In 2007, a second referendum was held, with voters approving by a 70% to 30% margin continuation of the tax. The legislation will:

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the Triangle Transit Authority (TTA).
15. Allows a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the counties in the Triad (Forsyth, Guilford, Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART).
16. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.

### LOCAL VEHICLE REGISTRATION FEE

The 1991 General Assembly allowed TTA to levy in Wake, Durham, and Orange County a vehicle registration fee of not to exceed five dollars (\$5.00) per motor vehicle. That tax has been levied in all three counties. The 1997 General Assembly allowed PART to adopt a similar levy in the Triad Counties, but thus far this has been levied only in Randolph County.

17. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars (\$5.00) to seven dollars (\$7.00) to reflect

inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to \$7.82, but the committee at this time recommends the increase to the even dollar amount.

18. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 18 will give all three major urban areas the same local option authority.

February 21, 2008  
Intermodal Committee Draft