REPORT OF THE INTERMODAL COMMITTEE AND
EXPLANATION OF
CONGESTION RELIEF AND INTERMODAL TRANSPORTATION
21ST CENTURY FUND

The Intermodal Committee recommends legislation to:

1. Create the Congestion Relief and Intermodal Transportation 21st Century Fund,
2. Set out a framework for grants for intermodal transit capital projects out of this fund, including standards for eligibility. These projects include urban transit and rail freight.
3. Authorize local option revenue options for major urban areas to match these grants
4. Authorize local option revenue options for other urban counties or counties contiguous to urban counties to allow them to raise additional revenues for public transportation systems.

These recommendations allow the State's urban regions to remain good places to live, environmentally sound and economically viable. They allow new urban growth to be absorbed in an environmentally friendly manner, reducing demands on highways and infrastructure, and helping localities target and benefit from economic development. They will also allow strengthening the State's rail freight infrastructure, reducing demand on the highway system, allowing energy efficient movement of goods, and aiding development of the State's ports.

BACKGROUND

The Intermodal Committee has at its previous meetings heard from the State's two major Class I railroads (CSX and Norfolk Southern), the North Carolina Railway Association which represents short line railroads, and the North Carolina State Ports Authority all relating to needs for improving freight rail capacity, as well as from three major urban regions (Charlotte, Triangle, and Triad) as to their needs for urban transit capitol projects to help reduce and mitigate congestion in an environmentally sound manner. The committee has looked at the potential expenditures on these projects, and estimates State capital needs to match local, and possibly federal, funding at $1.976 billion over the next 12 fiscal years. This includes $120 million for state aid for rail access to the State ports, $119 million for Class 1 railroads, $65 million for short line railroads, $30 million for statewide bus grants to local governments, $34 million for expansion of intercity passenger rail, and $1.594 billion for urban transit capital grants in the Triangle, Triad, and Charlotte regions. The committee recommends capping the maximum amount of urban transit capital grants for any one region at 33% of the fund.

NEEDS

On an annualized basis, looking at projected capital improvement plans for local governments and educated projections, the annual needs would be $100 million in Fiscal Year 2009-2010, $112 million in 2010, between $151 and $173 million annually for the four years beginning 2011 through 2014, $189 million in 2015, between $154 million and $180 million annually beginning 2016 through 2019, and $229 million in 2020. This averages $161 million per year. The committee recommends this level of funding on an ongoing basis with a continuing source of revenue because if not, grantees will be unable to plan and successfully carry out the programs. These figures are all in 2007 dollars, so any state revenues provided the fund will need to be adjusted over time to match inflationary increases. It should be noted that the actual allocations to the various regions and other applicants will be made by the Board of Transportation based on grant applications, the listed needs are merely illustrative about what could be funded.

The full committee has seen the transit plans for Charlotte and the Intermodal Committee has seen and discussed the plans for the Triangle and Triad. As these are ramping up over the next four fiscal years beginning 7/1/2009, early emphasis will be placed on grants for acquisition of buses by transit systems across the state (including $12.5 million the first year to cover the state share of $50 million in bus purchase). Other projects anticipated for funding during the first three years include between $10 and $12 million annually for intercity passenger rail, potential uses including a third daily AMTRAK frequency from Charlotte to Raleigh or Selma and a demonstration project by the North Carolina railroad in Eastern North Carolina.

FINDINGS

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

(1) Most of North Carolina's growth is in its urban regions. According to the State Data Center, during the first decade of the 21st Century, 66% of the projected 1,270,000 growth in population is in 15 urban counties surrounding Charlotte, Raleigh, and the Triad, while 40% is in just six counties: Mecklenburg, Wake, Durham, Orange, Forsyth, and Guilford.

(2) This large urban population growth greatly taxes resources. Despite the visionary creation of the Highway Trust fund by the 1989 General Assembly and the funding of urban loop highways, congestion continues to grow at an exponential rate. Creation of a special fund to help meet urban transportation needs with alternatives such as rail transit and buses, coupled with land use planning, will spur and guide economic development in a more economically and environmentally sound manner. Charlotte's recent success in opening the first phase of its light rail system, with ridership significantly over projections, shows that North Carolinians are willing to use alternates.

(3) Accelerated use of rail for transport of freight will reduce highway congestion as well as allow economic expansion in a way that lessens the impact on the State highway system.

(4) Public transportation, in addition to a program of urban loops and toll roads will enable North Carolina to have a balanced 21st Century transportation system.

(5) As part of its initial program of internal improvements, the State capitalized the North Carolina Railroad in the 1840s, and invested in other railroads, and those internal improvements led to North Carolina's rapid economic development. The North Carolina Railroad, with a 317-mile corridor from Charlotte to Morehead City is still owned by the State.

(6) Improved rail facilities and restoration of abandoned rail lines can allow increased access to the North Carolina State Ports and military installations located within the State.

(7) Session Law 2005-222 found that expanding and upgrading passenger, freight, commuter, and short line rail service is important to the economy of North Carolina;

and provided that the State would seek to provide matching funds so in part it can leverage the maximum federal and private participation in funding needed rail initiatives, such as the restoration of the rail corridor from Wallace to Castle Hayne, a rail connection between north-south and east-west routes in the vicinity of Pembroke.

(8) Rail freight plays a vital role in economic development throughout the State. Intermodal service depends on partnerships with trucking companies, seaports, and others in the transportation logistics chain. North Carolina has 3,250 main line miles of track, with Class I railroads holding 79% of the trackage rights, the remainder controlled by local railroads and switching and terminal railroads. The 2006 Mid-Cycle Update to the North Carolina Statewide Intermodal Transportation Plan identified $799 million in freight rail needs over the next 25 years, including maintenance and preservation, modernization, and expansion.

(9) North Carolina's short line railroads play a key role in the State's economic development and transportation service and are needed to provide essential services to other modes of transportation and the North Carolina port system. North Carolina agriculture is dependent upon essential service by short line railroads. North Carolina economic development and commerce is dependent upon essential service by short line railroads; and grant funds may be used to improve and restore tracks and lines. State funds are needed to maintain short line railroads as a viable contributor to economic development, agriculture, and transportation in this State in order to prevent the loss of regional rail service. The Department of Transportation reported that 44,992 rail cars handled by short lines kept 179,688 trucks off North Carolina highways.

(10) Intermodal facilities and inland ports can greatly reduce freight traffic on North Carolina's highway system, reducing demand, congestion, and damage.

(11) The proposed North Carolina International Port would need high capacity Intermodal access.

(12) Significant local revenues are needed to match state funds so that a major portion of the expenses are borne by the localities receiving the majority of the benefits. A local option sales tax for public transportation was approved by a 58% favorable vote in Mecklenburg County in 1998, and reaffirmed by a 70% favorable vote in 2008. Extending this authority to additional jurisdictions, along with other revenue options will enable localities to demonstrate local support for additional transit options.

(13) Surveys have indicated broad public support for both providing additional public transportation options and allowing localities to generate revenue to match State grants.

RECOMMENDATIONS

Based on these findings and demonstrated needs, the legislation:

1. Establishes the framework of the Congestion Relief and Intermodal Transportation 21st Century Fund.

LOCAL GOVERNMENT GRANTS

2. Allows for local government grants from the fund for public transportation purposes to cities, counties, and the state's two transportation authorities (PART in the Triad and Triangle Transit in the Research Triangle.)
3. Provides that grants to local government can not exceed 25% of the project cost, and must be matched by an equal or greater amount of funds by the applicant.
4. Sets the following preconditions for the local government grants: (i) the grant application is approved by all Metropolitan Planning Organizations whose jurisdiction includes any of the service area of the grant applicant; (ii) The applicant has approved a transit plan that includes local planning politics and adopted plans that reasonably support transit ridership and appropriate land use;

and (iii) The applicant has an adequate and sustainable source of funding established for its share of project costs.

5. Allows grants from the fund may be committed for a multi-year basis to stabilize the phased implementation of a plan.
6. Provides that Board of Transportation shall approve, and amend from time to time, a rolling 15-year plan projection for allocation of funds under this section.
7. Provides that no applicant may receive more than 33% of the total funds in a 15-year period.
8. Requires that qualification for federal funding shall be considered in the review and approval process

SHORT LINE RAILROAD GRANTS

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

RAILROAD GRANTS

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

STATE PORTS RAILROAD GRANTS

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

INTERCITY PASSENGER RAIL SERVICE

12. Provides from the fund may also be made for expansion of intercity passenger rail service, including increased frequency and additional cities served.

LOCAL REVENUE SOURCES

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

LOCAL OPTION SALES TAX WITH REFERENDUM

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

13. Make several technical corrections in the Mecklenburg transit tax.
14. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one or more of the Triangle counties (Wake, Durham, and Orange) with approval of the applicable county board or boards of commissioners and the board of Triangle Transit.
15. Allow a 1/2% sales tax for public transportation purposes to be levied after a favorable referendum in one of more of the major counties in the Triad (Forsyth or Guilford), who are likely to finance a major urban transit project. The tax will also require approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART).
16. Allow a ¼% sales tax for public transportation purposes to be levied after a favorable referendum in the remaining counties in the Triad: (Davidson, Randolph, Alamance, Davie, Rockingham, Surry, Stokes, and Yadkin) with approval of the applicable county board or boards of commissioners and the Piedmont Authority for Regional Transportation (PART). These eight counties are expected to have major needs for public transportation services, but not to the same extent as Forsyth and Guilford Counties. Programs in these counties might include significant expansion of bus service, including express bus service to employment centers, or extension of a commuter rail line.
17. In any multi-county referendum within either the Triangle or Triad, the total vote in all the counties voting determines the result. In both cases, if the initial favorable referendum is conducted in less than all the counties eligible, counties can be added later with approval of the applicable county board of commissioners, the applicable transportation authority, and the voters of the county or counties being added.
18. Allows a single county ¼% sales tax for public transportation purposes to be levied after a favorable referendum in any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 200,000 or over according to the most recent decennial federal census (Buncombe and Cumberland) These counties have substantial needs for urban transit, but not to the same level as those counties suggested to have a ½% limit. Programs in these counties might include significant expansion of bus service, or commuter rail links to other urban counties.

LOCAL VEHICLE REGISTRATION FEE AND MOTOR VEHICLE RENTAL FEE

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

19. The committee recommends raising the cap on vehicle registration fee for Triangle and Triad from five dollars ($5.00) to seven dollars ($7.00) to reflect inflation since it was first approved in 1991. The actual current rate of inflation would actually take the levy to $7.82, but the committee at this time recommends the increase to the even dollar amount.
20. The committee recommends extending the motor vehicle registration fee authority to Mecklenburg County. This action, coupled with recommendations 13 through 17 will give all three major urban areas the same local option authority.
21. The committee recommends extending the motor vehicle registration fee authority to any county contiguous to Mecklenburg County (Cabarrus, Gaston, Iredell, Lincoln and Union), in any county contiguous to Durham, Orange, or Wake Counties (Caswell, Chatham, Franklin, Granville, Harnett, Johnston, Lee, Nash, and Person), and in any county with a population of 200,000 or over according to the most recent decennial federal census (Buncombe and Cumberland as of 2008) In addition, to the extent that any of those counties does not levy the full permitted seven dollars, and city located wholly within that county will be authorized to levy a full dollar rate to the extent that the city and county rate added together does not exceed the seven dollar cap. It is felt that the extension of the motor vehicle registration fee to counties contiguous to urban areas will allow them to add additional public transportation services, especially commuter and express bus service to help improve air quality and commuting. Extension of this fee to large counties such as Buncombe and Cumberland will allow them to provide enhanced public transportation services.
22. The committee also recommends extending the authority to levy a motor vehicle rental charge of not to exceed five percent which is now authorized in the Triad, Triangle and Mecklenburg to the same counties and municipalities that paragraph 21 proposes to extend the motor vehicle registration fee and for the same purposes and rationale.

STATE PORTS TAX CREDIT

The state ports tax credit encourages businesses to use the two State-owned port terminals at Wilmington and Morehead City. The committee recommends extending the credit from its current 2009 expiration out five years to 2014. This extension has been requested by the North Carolina Ports Authority. The five-year extension of the Ports Tax Credit would allow the Ports to continue offering this business incentive to existing and potential customers and to stimulate economic growth for the State. Extending the NC Ports tax credit costs the State's general fund less than one million dollars each year, and allows companies such as Goodyear, CK International, JB International, Drexel Heritage Furniture, QVC, Martin Marietta, EN Beards Hardwoods Lumber, Edwards Wood Products, Culp, Inc., Broyhill, Kilop USA, Thomasville Furniture, Cormetech, Stein Fibers, Ltd., New South International, and Sonoco to be competitive in world markets. The NC Ports tax credit supports these and other industries and the thousands of jobs and millions of dollars in tax revenues that they contribute to our State.

The state ports tax credit, originally enacted in 1992, encourages exporters and importers to use State-owned port terminals. This credit, extended in 1995, 1997, 2001, 2002 and 2004 expires January 2009.

The tax credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carry forward on excess credit. The maximum cumulative credit that one taxpayer may claim is $2 million. The estimated cost to the General Fund is less than one million annually.

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