A 21st Century Transportation System Requires a Modern Funding Formula

North Carolina's transportation system is overdue for change. North Carolina's ability to continue to compete in a global economy will be challenged if we fail to protect and improve our transportation infrastructure and quality of life. The challenge in our transportation system is not new, but the current economic conditions have compounded the situation. Cities are fighting traffic congestion, stagnant state funding and construction inflation while accommodating growing populations.

The N.C. Metropolitan Mayors Coalition has long been a partner in efforts to reform and improve transportation in our state. Our cities and towns share the responsibility of building and maintaining a multi-modal transportation system with the State. Cities have sole responsibility for maintaining nearly 20 percent of public roads in our state. They invest nearly $1 billion of city revenues on transportation — roughly equal to the annual federal investment in our state transportation system. From 2001–2007 cities increased investments in roads by 51 percent, yet still struggled to meet the growing demand of transportation. Conversely, state funding for locally-maintained roads has been relatively stagnant.

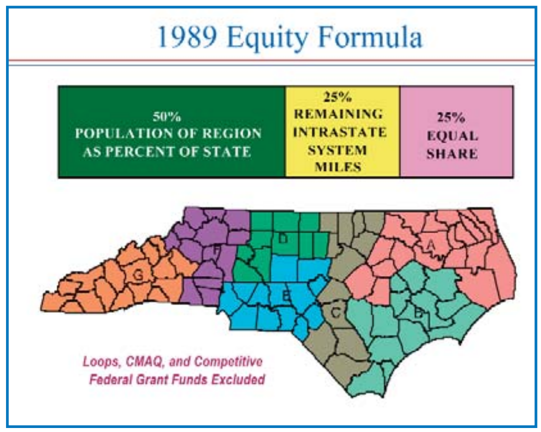
The need for action is reaching a critical point. Traffic conditions are steadily eroding. Our urban interstates are ranked third most congested in the nation. State investments in transportation have not matched demand as transportation funding sources – the gas and car sales taxes and federal aid – stagnates or declines. Transportation construction costs are experiencing high inflation which has further exacerbated the problem. We have a growing backlog of maintenance for repaving and renovation projects for our roads and bridges leading the American Society of Civil Engineers to grade North Carolina's roads a "D" and our bridges a "C–." The State and our cities struggle to meet demand for investments for new roads and expanded public transportation to accommodate a steadily growing and increasingly urban population. North Carolina recently became the 10th most populous state in the nation and is expected to grow to seventh by 2030.

The American Society of Civil Engineers grades North Carolina's roads a "D" and our bridges a "C–."

One critical aspect of the transportation decision-making process that deserves more attention is the formula used to distribute state transportation dollars for the all-important Transportation Improvement Program. The equity formula allocates transportation dollars among seven geographic funding regions. The formula was developed in 1989, when the N.C. Highway Trust Fund was created, with the goal of ensuring equitable distribution of funds across the state and focus funding on completing the Intrastate System. The formula does not apply to public transportation investments, the urban loop program or routine maintenance.

The Equity Formula

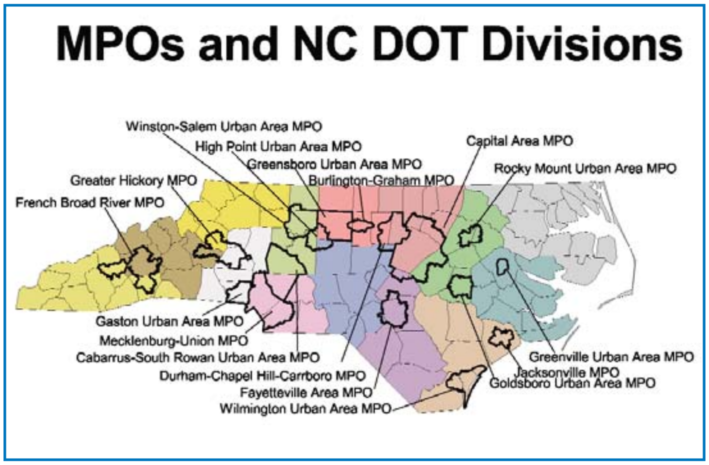
The formula conceived in the 1980s is inadequate for a state that has grown so much in the interim. The 2000 census was a watershed moment in North Carolina history – for the first time more North Carolinians lived in cities and towns than in unincorporated areas. In the 1980s, North Carolina was largely a rural state dominated by an agricultural and manufacturing base of dispersed textile mills, furniture factories and farms. The state has entered the 21st Century as an urban state with three large metropolitan regions and eight emerging metropolitan regions. Projections show that 88 percent of the state's population growth from 2000-2030 will be in the metropolitan regions that make up the N.C. Metropolitan Mayors Coalition membership. This transition to a metropolitan state and the 21st Century knowledge-based economy demands different things from our transportation system and thus it is time to examine the methods we use to allocate our transportation dollars. **The distribution formula has three primary elements that divide available funding – 1) miles to complete the intrastate system; 2) equal share; and, 3) regional population.** Unfortunately, none of the components of the formula includes traffic or congestion.



INTRASTATE SYSTEM – 25 percent intrastate road miles to complete

In 1989, Governor Martin's Administration proposed the North Carolina Intrastate System, a construction program intended to put a four-lane road within 10 miles of all North Carolinians. When the General Assembly created the Highway Trust Fund it drew a map of the Intrastate System and identified over 1,700 miles of roads on the system that were designated for construction or improvement to four lanes or better. The formula designates 25 percent of the equity formula funds be allocated based on the miles "to be completed." The concept was that a region receives money for this work until their projects are complete. When 90 percent of the projects listed in G.S. 136-179 are completed, this part of the equity formula is eliminated. Although funds are allocated based on the "miles to complete," the funds are not required to be spent on those projects. Because of this, the formula provides a disincentive for completing the projects listed in statute.

As regions of the state complete their designated intrastate highway miles they have less funding available from this part of the formula. This was the case when Division 12 completed all of the Division's intrastate projects. The statute was then amended in 2003 to add projects to Division 12. Division 8 has the most miles to be completed (94.6 miles). At the current delivery rate, it will require nine years to complete its remaining portion of the Intrastate System. However, 60.4 miles of the remainder has yet to complete environmental work (NEPA) and it seems unlikely that these projects will be delivered by 2018.



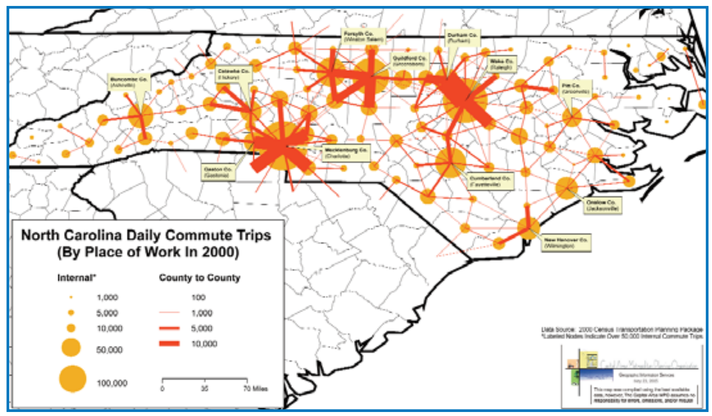
Because the equity formula applies to both Highway Fund dollars and Highway Trust Fund dollars, it limits our ability to address critical projects that are not specifically included in the 1989 Highway Trust Fund Legislation. North Carolina has an immense legacy investment in Interstate Highways and major bridges that are not eligible for the Highway Trust Fund. Large non-trust fund projects push money away from their Funding Regions and Highway Divisions. Examples of key intrastate roads that do not qualify for this calculation include the expansion of I-85 in Cabarrus County, the Yadkin Bridge in Rowan and Davidson County and the interchange for I-40 and I-77 in Iredell County. Failing to accommodate such economically-critical projects in the funding distribution formula is a serious flaw.

EQUAL SHARE – 25 percent equal share among the seven regions

Each funding region is made up of two of the long-standing state highway divisions. The highway divisions were not drawn around a common or specific transportation identity, but instead to match NCDOT's maintenance operations to the Department of Corrections' administrative system that existed 50 years ago. In today's North Carolina such regional boundaries have little to do with modern transportation flow or needs. These nonsensical regional boundaries create complications and disjointed planning and projects that don't meet regional needs. As currently drawn they fail to reflect important modern regional identifiers such as commuting patterns, air quality planning or modern patterns of commerce. For example: Wake, Durham, Orange, Chatham and Johnston County – five counties that are all closely linked in commuting and economic patterns and share responsibility for improving air quality reside in four different funding regions.

POPULATION IN REGIONS – 50 percent allocated on the population in each "distribution region"

The population portion of the formula reflects how many residents there are in a defined geographic region. This portion of the formula is designated to direct transportation funds "to where the people are." Unfortunately, as the formula is currently designed it does not fully reflect the location of the traffic. For example, each day 23,000 commuters drive into Guilford County from Randolph County, but since they are in different funding regions the traffic impact is not recognized in Guilford's equity formula allocation. Neither does this portion of the formula reflect the relative expense of projects in less densely populated regions that include critical transportation corridors such as I-95 in the southeastern counties, or I-40 and I-77 in the northwestern counties.



Summary

The time has come to complete a meaningful study of the way we allocate transportation dollars across the State. A study will provide the opportunity to better educate legislators and the public on our current funding allocation methods and options for the future. It would provide the opportunity to debunk long-held myths about the equity formula including who would be a beneficiary of change or that this is a rural/urban debate.