

Transportation Strategic Investment Transition Report



Submitted to:
Joint Legislative Transportation Oversight Committee,
House of Representatives Appropriations Subcommittee on Transportation,
Senate Appropriations Committee of Department of Transportation,
Fiscal Research Division

March 1, 2014

Strategic Transportation Improvement Program Transition Report

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EXECUTIVE SUMMARY

Session Law 2013-183, requires the North Carolina Department of Transportation (Department) to submit certain reports:

State Transportation Improvement Program Transition Report – The Department of Transportation shall submit transition reports to members of the Joint Legislative Transportation Oversight Committee, House of Representatives Appropriations Subcommittee on Transportation and the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division on March 1, 2014, and November 1, 2014. The reports shall include information on the Department's transition to Strategic Prioritization, overview changes to the State Transportation Improvement Program (STIP) and other internal and external processes that feed into the STIP, and offer statutory and policy recommendations or items for consideration to the General Assembly that will enhance the prioritization process.

The March 1, 2014, report shall also include an analysis of the distribution of tax and fee revenues between the Highway Fund and Highway Trust Fund and an analysis to determine if maintenance, construction, operations, administration, and capital expenditures are properly budgeted within the two funds and existing revenues are most effectively distributed between the two funds.

The Department's Transition to Strategic Prioritization

To prepare for the first State Transportation Improvement Program (STIP) to be proposed under the Strategic Transportation Investments (STI) legislation, the Department has been refining and enhancing practices established for prior STIPs. On August 15th, October 1st, and December 31st the Department submitted reports to the Joint Legislative Transportation Oversight Committee (JLTOC) and the Fiscal Research Division on the Department's formulas that will be used in the prioritization process to rank highway and non-highway projects. These reports included the process used by the Department to develop the criteria and formulas, including a listing of external partners consulted during this process, and including feedback from a group of key planning partners, known as the P3.0 Workgroup. The output from the Strategic Prioritization (SPOT) process will be a major component of the revised STIP programming process.

Training on the new system of prioritization has been conducted with MPOs, RPOs and Division Engineers to insure they understand the impact of the new allocation system and their role in determining project priority. A series of training sessions for Division Engineers has been held to enhance the success of public comment solicitation at all stages of the prioritization process – from project submission to assignment of local points.

Project Programming Considerations for STI

Once scored, projects must be programmed for construction. The Department has been very successful in making sure that we keep the construction program moving by allowing projects to start construction as they are ready to proceed while other projects complete necessary pre-construction steps. STI will have significant impacts on the programming process.

Change in Geographic Restrictions - The 1989 Trust Fund legislation EF (which was replaced by STI) had strict limits on geographic distribution of funding. STI contains some maximum funding limits but is less geographically driven.

Budget Allocation Tests - The EF mandated 7 year budget allocation tests with a correction mechanism. The new STI budget test period varies from 1 year in fiscal 2016 to 5 years in fiscal 2020 and beyond. The correction mechanism for over or under funds allocation is outlined in G. S. 136-189.11 (e).

Transition Period Projects - For the first STIP, projects that were scheduled for letting prior to July 1, 2015 (as of Oct. 1, 2013) will be exempt from the scoring process. It is possible that actual letting dates for these projects will occur after July 1, 2015, and payments for these projects will come from funds received by the Department in FY-16 and beyond.

Elimination of Modal Set-asides - The EF had allocated a small set-aside of funds for various non-highway project types. STI provides that all modes compete for capacity expansion funds, though the initial programming process will use historical funding levels to create a floor and cap for highway and non-highway allocations.

Construction Sequence – Under the EF, multi-phase projects could be programmed to occur with consideration of optimum construction sequence and driver expectation in mind. Segments will now be programmed consistent with scores achieved.

STIP Period Will Meet Federal Rule - The Department has been issuing a 7 year STIP that was embedded in a 10 year work plan. The Department proposes to continue to create a 10 year work plan, consisting of a 5 year Delivery Program and a 5 year Developmental Program. Federal regulations require the STIP to cover a period of at least four years.

Project Election Less List Driven - The 1989 Trust Fund law created lists of projects that were to be funded based on type of project (intrastate system, loops, unpaved roads, etc.). STI will direct all major state construction funding in accordance with project level (statewide, regional, and division) and ranking.

Some Federal program allocations will be restricted, but this represents a very small fraction of available funds.

Pre-construction portion of projects must be considered. - The time factor for programming is not changed by the new funding allocation. It will still be necessary to allow time for development of environmental documents, prepare designs, obtain permits, obtain right of way, and relocate utilities. If pre-construction requirements have not been met, it may be necessary to program a project sooner than a higher scoring **qualified** project. In this context, a qualified project means a project which scored high enough to be programmed. No project will be elevated from “below the line” to fill a slot, but every effort will be made to ensure that funds are put to work as rapidly as possible through construction of qualified projects.

Some projects will be programmed prior to calculation of funds available for scored projects. - Categories of projects previously exempt from the EF have been identified in the statute as exempt from scoring. Funds for these programs will be allocated prior to calculation of the 40/30/30 distribution of funds to STI projects. Project categories that are exempt from the STI funding formulas (Statewide, Regional, and Division) are the federal Congestion Mitigation and Air Quality Program (CMAQ), discretionary Federal Grants, Appalachian Development Highway funds (ADHS), legislatively designated Toll Gap funds, federal Statewide Planning and Research (SPR) funds and federal Urban Area planning (PL) funds which are identified in G. S 136-189.11 (b).

Some projects will be included in the funding levels, but prioritized by different processes. - Projects may be subject to the distribution of funds by level, but exempt from SPOT scoring. These programs are Bridge Rehab/Replacement, Interstate Maintenance, Safety, Railroad Crossings, federally funded Transportation Alternatives (TA), Economic Development, and the large Urban Area Surface Transportation Program sub-allocations (STP-DA) for Urban Areas with populations exceeding 200,000 as identified in G. S. 136-189.11(c). As these projects are identified, their programmed cost will be assigned to the appropriate STI budget category.

Changes to STIP and the Internal and External Processes Feeding To It

This will be the first (and only) STIP prepared in conformity with the current Federal transportation authorizing legislation – Moving Ahead for Progress in the 21st Century (MAP-21), signed into law July 6, 2012. While this act only funds surface transportation programs for federal fiscal years (FFY) 2013 and 2014, we are assuming that the program fund distribution and program rules will remain in 2015 and beyond. Many aspects of the law are consistent with prior acts. The STIP is required to be fiscally constrained, deal with air quality conformity when local conditions violate the standards, and requires collaboration with Metropolitan Planning Organizations.

(Collaboration with Rural Planning Organizations is mandated by state law.) The fundamentals of the process to be followed are unchanged.

MAP-21 removed some funding categories and offered additional flexibility in overall spending. The National Highway Performance Program (NHPP) and the Surface Transportation Program (STP) will now be the source for project funding that was formerly covered by the Interstate Maintenance Program. A significantly reduced Bridge Program will also be funded through the NHPP and the STP programs, which must be made up by allocations of state funding.

Tax and Fee Structure Analysis

Transportation revenue in North Carolina comes from four primary sources: Motor fuels tax (44.4%), Federal-aid (23.1%), Highway Use tax (13.4%), and various fees (19.1%). These revenue sources are allocated between the Capital budget and the Operations and Maintenance (O&M) budgets by either state or federal legislation. All but a very small percentage of the Federal-aid funds are required to be allocated to projects through the STIP, so they are considered as capital funds even though some of the allowable expenses are O&M. The motor fuels tax is split 75% to the Highway Fund (largely O&M budget), and 25% to the State Highway Trust Fund (largely the capital budget). The Use tax is allocated 100% to the State Highway Trust Fund (the capital budget), while a majority of the fees are allocated to the Highway Fund (O&M budget).

Historically roughly 30% of the Department's highway budget has been allocated to O&M activities, while 44% has been allocated to capital. Based on the reassignment of duties and responsibilities between the Trust Fund and the Highway Fund, unless revenue apportionment is revised, the budget allocation to capital will increase to approximately 50%, while the allocation to highway O&M will decline to 26%. Current projections for the next 10 years indicate that revenue will remain flat or moderately decline. In absence of significant revenue increases, to maintain the extensive investment the state has made in its transportation infrastructure, it is felt that the percentage of the budget allocated to O&M activities will need to stay at least at 30%. This will require a legislative change in the current revenue allocations, which will impact the total available for allocation under the scoring process.

Policy Issues Dealing With STI Implementation

Working with the new prioritization process has raised some issues of policy that will need to be resolved either through statute (3 instances were submitted for inclusion in the May, 2014, legislation session package), or through Department policy. It is reasonable to expect additional issues to arise later in the process, as the first round of rankings is completed and those issues will be identified as part of the November report.

There are two major national concerns arising from the implementation of MAP-21. The first is the current projection that the federal Highway Trust Fund will run out of money in August of this year. If that happens, the Department's ability to let new projects will

greatly decline, which will also inject a great deal of uncertainty in the federal portion of the Department's budget projections. The other concern is that USDOT approves STIP documents for four year periods. The current document will expire in 2015. It is critical that the new STIP document be developed and approved prior to the expiration date or the state will cease to be eligible for federal-aid surface transportation funds.

FACTORS INFLUENCING THE PROGRAMMING PROCESS

Numerous constraints and criteria influence what projects are selected for the STIP and when funding is allocated for the various processes necessary for project construction. The three primary funding phases dictated by the STIP are Preliminary Engineering (PE), which generally consists of planning, environmental studies and design activities; Right of Way acquisition (ROW) including utility relocation; and Construction.

For state and federal purposes, any project identified for funding in the 10 years covered by our STIP document is eligible for PE funding. The Preconstruction Scheduling (PS) process determines how far in advance of the scheduled ROW or Construction PE should begin. In PS, all the activities necessary to obtain the required environmental documents and create plans necessary to acquire the needed rights of way for a project and then let construction contracts are considered. The critical path schedule for these activities provides the lead time necessary for PE expenses prior to the ROW and Construction dates. Due to the long lead times and relatively small amounts needed for each individual project, PE is budgeted at a set amount per year rather than for each specific project (as costs are incurred for a project, the amount is assigned to the project). The upcoming STIP will budget roughly 10% of the annual STIP budget for all preconstruction activities.

The Right of Way amount for each project or project segment is budgeted and described separately for each project in the STIP. In order to authorize right of way, federal law requires that there be an approved environmental document and a set of ROW plans. Utility relocations are frequently authorized as a part of the ROW authorization but require a separate set of plans. ROW is generally programmed 1 to 2.5 years in advance of construction, depending on the amount of land required, the number of homes and businesses that have to be re-located, and utility impacts. Other major activities that are conducted during the ROW phase include railroad coordination when a project impacts a rail line and obtaining final permits.

The Construction amount for each project or project segment is budgeted and described separately for each project in the STIP. In order to authorize construction a project must have an approved environmental document, all necessary permits, the necessary ROW, and a set of construction plans. The primary determinants of when construction activity is scheduled are its priority ranking, the amount of time required to perform all the necessary preconstruction activities, and projected budget availability.

Programming Factors That Have Been Eliminated by STI

Equity Formula – The EF was established by the legislature in 1989 (G.S. 136-17.2a). The purpose of this formula was to distribute state highway trust funds and federal aid funds to each of the established funding regions (7 paired transportation divisions) based on 50% population, 25% miles remaining of the Intrastate System projects, and 25% equal share over a seven year period. In addition, specific Intrastate System

projects and Urban Loop projects that were eligible for funding from the State Highway Trust fund were identified.

The STI legislation eliminated the EF as well as the requirement that the intrastate projects eventually would be constructed. Specific Urban Loop projects had previously been deleted. The EF was replaced by STI which set out three funding categories – Statewide, Regional, and Division. Project selection in the Statewide Category is 100% data driven and there is no geographical allocation (although a restriction is included on the maximum that may be allocated in a corridor). The Regional Category is made up of the 7 paired transportation divisions (same regions that were established in 1989) and project selection is 70% data driven and 30% local input. Projects within a funding region will compete within the region. The Division Category is made up of the 14 transportation divisions and is 50% data driven and 50% local input. Projects within each division will compete within the division. Projects eligible in a higher category are eligible to be scored in lower categories.

Investment Strategy – The investment strategy was established as a part of Prioritization 2.0. The purpose was to determine how to divide the available funding between different modes as well as different highway categories such as mobility, safety, and infrastructure health. The Department held 14 Investment Strategy Summits with local stakeholders to establish targets for the different regions to use as a guide during the programming process.

The STI legislation eliminated the need for the investment strategy because funding will be allocated to the different modes and different highway categories based on a competitive basis as outlined by the criteria for each of the funding categories. In addition, there are certain types of projects with alternate criteria such as bridge replacement, interstate maintenance, and highway safety that will have their own prioritization processes.

Construction Sequence – The Department has typically broken larger scale projects into multiple segments due to funding constraints and to minimize the disruption to traffic by not having long construction zones. This will be more complex under the requirement to score highest projects first. In addition, it is possible that segments of a large project that do not connect could be selected with a missing segment not being selected. Under STI we will program based on the results of prioritization. This has the potential to create or maintain existing bottlenecks that will have a negative impact on traffic flow.

Programming Factors That Have Been Significantly Modified by STI

Funding Constraints - There are two primary sources of funds used to complete projects in the STIP: federal-aid funding and North Carolina Highway Trust fund. The funding allocations and rules that govern the use of federal-aid funding were not affected by STI; however, significant changes were made to the allocation and use of State Trust fund proceeds.

Since passage of legislation in 1989 that established North Carolina's Highway Trust fund, there has been a pot of funding reserved for completion of urban loops and the intrastate system. STI legislation removed this reservation of funding and made additional highway projects and non-highway modes of transportation eligible for this funding.

Loop and intrastate projects that have not been completed will have to compete through the prioritization process for funding. Intrastate projects that were not authorized for construction as of July 1, 2015, will be eligible for Statewide Strategic Mobility category funding even if the roadway proposed for improvement would normally qualify for Regional Impact or Division Needs funding. Upon completion of the intrastate project, any future improvements would be funded in the category for which the road would normally qualify.

Priority Ranking - The priority ranking has been used as the primary guide for the selection of projects in two previous STIP updates. Deviation was allowed from the computed project ranking as long as explanation was provided. For instance, in a highway project that was divided into multiple segments, project scheduling could be modified to ensure that adjacent segments were constructed in a logical progression.

Modal Funding - In previous project prioritization and selection exercises, each mode of transportation had its own prioritization and no attempt was made to compare. Funding constraints, established patterns of funding dispersion between the modes, and input from MPOs, RPOs, and the public were used to make decisions about modal funding splits. Since federal funding came to specific programs and each program had its own rules and the State Highway Trust fund was dedicated to highway projects, the competition between various modes was limited.

The passage of STI also removed some of the barriers that prevented the modes from competing for the same funds. To most effectively use this new funding flexibility, a prioritization process has to be capable of comparing the benefits derived from proposed projects in different modes of transportation; however, this has proven difficult and an interim solution has been developed. The prioritization process that will be used to rank projects in the upcoming STIP cycle does not attempt to compare projects in the Regional and Division categories by different modes and uses different quantitative scoring methods for each mode. In an attempt to ensure that there will be a reasonable distribution of funding between various modes, the following process will be used:

- **Statewide Strategic Mobility Funding (Statewide Level)** – Since only highway, aviation (with funding limits), and freight rail projects are eligible for funding on the statewide level, the scores from these three modes will be used without adjustment when funding is assigned on the statewide level.
- **Regional Impact and Division Needs Funding** – Funding will be allocated so that a minimum of 90 percent of available Regional Impact and Division Needs funding is allocated to the highway mode and 4 percent is allocated to

non-highway modes. The remaining 6 percent will be assigned to the highest ranking projects across all modes.

Program Factors That Remain Unchanged by STI Legislation

Project Delivery Time (Preconstruction) - Prior to being authorized for right-of-way or construction funding, projects go through a developmental process involving planning and design. Depending on the nature, scope, complexity and location of a project, this process can take anywhere from a few months to a number of years. A few of the factors affecting delivery time are identified below:

- **Environmental Analysis** - Projects are generally subject to either the Federal National Environmental Policy Act (NEPA) or the North Carolina Environmental Policy Act (SEPA). Both acts require detailed environmental studies regarding the impacts of proposed transportation improvement projects. Studies include environmental justice, historic property analysis, air and noise impacts, as well as potential impacts to endangered species.

The environmental review process entails data collection and analysis and preparation of documentation to support the findings of relative impact. Public and agency review are solicited throughout. Depending on the scope and complexity of a project and the anticipated severity of impact, completion and approval of environmental documentation and completion of conforming designs can take anywhere from a few months to more than ten years to complete.

- **Permitting and Moratoria** - Federal and State regulations also involve permit and contract requirements which must be met in order for a project to be let for construction. Schedules can be impacted by delays in obtaining permits, as well as by seasonal or other restrictions on when work can occur in a particular location.
- **Railroad and Utility Coordination** - A number of projects involve impacts to or encroachments on other property owners or other governmental jurisdictions. These projects require execution of agreements or memoranda of understanding and typically entail additional levels of plan and document review, which may add to a project's preconstruction timeline.

Federal Statutory Requirements - Federal regulations require that both State and local Transportation Improvement Programs be consistent with Metropolitan Transportation Plans (MTPs), which are long-range, fiscally-constrained transportation plans for census-defined metropolitan areas. In order for a proposed project located within a geographic area covered by an MTP to be included in a STIP, it must be reflected in that area's MTP and local TIP, with the same description and schedule as shown in the STIP. Both STIP and local TIPs must be fiscally constrained.

In order to be included in a STIP, a proposed project located within Federally-designated air quality non-attainment or maintenance areas must go through a conformity determination, which essentially is a finding that construction of the project will not cause the area to exceed a predetermined emissions “budget”. Depending on the nature of the project, establishing conformity may require a regional emissions modeling and analysis which is a process that can take some number of months to complete.

Projects Contained in the Transition Period

The STI legislation provided a specific exemption for “projects in the State Transportation Improvement Program that are scheduled for construction as of October 1, 2013, in State fiscal year 2012-2013, 2013- 2014 or 2014–2015”. Between March 1, 2014 and June 30, 2015 we have 166 projects listed totaling almost \$ 3 Billion that are eligible for this exemption. While it is anticipated that most of these projects will be shown in the upcoming STIP as “under construction”, due to the department’s use of cash flow budgeting the actual funding of these projects will extend several years into the new program. It is currently anticipated that by the end of fiscal year 2015, over \$1 Billion in funds from FY 2016 and approximately \$1 Billion in FY 2017 funds will have been committed to projects. These future year commitments then decline to \$50 million in FY 2020. In this era of budget uncertainty, the Department will exercise close management to insure that our future commitments do not exceed our cash availability.

Bonus Allocation Provided for Local Funding Participation or User Fees

The STI legislation provides for local bonus allocations equal to one-half of the local funding or toll revenue bonding amounts up to certain caps (\$200,000,000 for funds committed prior to July 1, 2015, and \$100,000,000 for funds committed after that date). At this time it appears that we will have one opportunity to apply this bonus provision in the upcoming 2016 – 2025 STIP. \$380,000,000 is programmed in toll revenue bonds to add managed lanes on I-77 in Mecklenburg and Iredell Counties this year. This will provide the Mecklenburg –Union MPO (MUMPO) with \$190,000,000 in additional budget allocation to be used in Mecklenburg and Iredell Counties over the five year time period 2016 – 2020. Until such time as specific projects are identified, \$38,000,000 per year will be subtracted from the overall STIP budget for these five years prior to its allocation to the Statewide, Regional, and Division categories.

If the actual projects selected create schedules and budgets that vary from this equal allocation, some other project schedule shifts may be required to balance annual budgets. Only local funding participation that is over and above what is typically required of local governments (right of way dedication, utility relocations, etc.) will be considered for the bonus allocation program.

ALTERNATIVE PRIORITIZATION FOR PROGRAMS AND PROJECTS

Bridge Replacement - Bridge replacement candidates are prioritized based on a calculated Replacement Index score which is based on many factors including the condition of various structural elements, the ability to accommodate current traffic demands, and any vehicle weight restrictions. The final selection of bridges to be programmed for replacement is made after prioritizing replacement candidates, consulting with Division personnel, reviewing the estimated remaining life, and considering ongoing maintenance costs. Bridge replacement projects will be charged to the appropriate STI budget category as determined by the route.

Interstate Maintenance - All sections of interstate highway are separated by division and county with pavement condition ratings and a Pavement Management System (PMS) recommendation for the treatment of the section. Sections that had been treated in the last few years with an asphalt overlay were scheduled for either another overlay or mill and replace about 11 years after the most recent treatment. Concrete pavements are scheduled for diamond grinding and resealing about 15 years following construction. Continuously reinforced concrete pavement sections are scheduled for concrete patching and 5 inch asphalt overlays.

Some concrete and asphalt sections will be selected for patching at intermediate times to defer more substantial treatments for several years. Following the initial assessment of treatments and times, the schedule will be adjusted to the available budget. There is some engineering judgment associated with that process and the above referenced maintenance schedule is based on the likelihood that pavement condition will remain relatively stable until the pavement rehabilitation is scheduled. All Interstate maintenance projects are Statewide level projects.

Highway Safety Improvement - North Carolina's federally funded safety projects are developed to address specific and documented safety needs. These safety projects are identified through crash analyses and investigations and through other documented risk analyses (such as safety audits). Candidate safety improvement projects are prioritized based upon a calculated safety benefit cost (B/C) ratio (approved by the Federal Highway Administration) that includes the capital cost to construct the project and expected increases in maintenance costs over the life of the project.

The benefit only includes the safety benefit generated through expected crash reductions and reductions in the severity of the crashes. The crash reduction factors used are developed through an ongoing process of evaluating completed safety projects at the state and national level. Safety improvement projects will be charged to the appropriate STI budget category as determined by the route. Where the project is at the intersection of two routes on different categories, generally the funding will come from the higher route category.

Highway-Railroad Grade Crossings - NCDOT uses an Investigative Index (I.I.) as a basis for project selection. This process, which has been approved by FHWA, uses crash history and highway and railroad operational and physical data to provide a calculated value of risk for each public crossing statewide. Candidate sites are selected for initial field review by Rail Division and, when available, Division of Highways Traffic Engineering staff to confirm the data-driven model value and to reevaluate sight distances. Projects are subsequently selected for crossing warning systems or crossing closure/consolidation project planning/implementation. When the project is at a crossing where the highway and the rail routes are on different categories, generally the funding will come from the higher route category.

Transportation Alternatives Program (TAP) – Transportation Alternative projects generally fall into four categories: Bicycle/Pedestrian, Roadside Environmental, Direct Attributable to Large Urban Areas, and Others. NCDOT is not an eligible project sponsor or funding recipient, but is responsible for administering the program funds not directly allocated to other organizations. Furthermore, FHWA as well as STI requires a competitive selection process and elements of public involvement for projects funded by TAP.

- Bicycle/Pedestrian – Bicycle and pedestrian projects will be prioritized based on a weighted formula using safety, access, adjacent land use density, constructability, and a benefit to cost ratio. These projects are all considered to be Division Needs so that 50% of the project score will come from local (MPO, RPO, Division) input.
- Roadside Environmental - Vegetation Enhancement candidate projects are prioritized based on a calculated Vegetation Enhancement Index score. The Index is dependent upon many factors including: the project/environmental commitments, safety, economic development, tourism, and long term sustainability. The Divisions and the Roadside Environmental Unit select vegetation enhancement projects based on their Vegetation Enhancement Index score for the Department. Vegetation projects will be charged to the appropriate STI budget category as determined by the route.
- Other Transportation Alternatives – The Federal Transportation Alternatives Program has a number of allowable activities that do not fit into our bike/ped or roadside environmental programs. Project areas such as Safe Routes to Schools, Scenic Overlooks, Environmental Mitigation, Archaeological Studies and Work force Development are also eligible activities. A Committee will be formed to evaluate and prioritize candidate projects in these areas. This Committee will also formulate a methodology to determine how to appropriately account for these expenditures by STI budget category.

Transportation Management Area Direct Attributable Funds (STP-DA & TAP-DA) –

FHWA annually allocates a portion of the Surface Transportation Program and the Transportation Alternatives Program to Transportation Management Areas (TMAs) within the state. North Carolina has eleven TMAs which are the MPOs for the largest urbanized areas whose population exceeds 200,000. Federal regulations provide these large MPOs great flexibility on how to use these funds, although there is a requirement that TAP decisions must be made on a competitive basis. Each of the eleven TMA MPOs has their own methodology for selecting projects. NCDOT has agreed to support DA projects in every case, so as long as the projects selected meet the federal requirements for the funding source. These projects are considered as Division Need projects unless they are assigned to statewide or regional routes.

Economic Development Funding Guidelines – STI allows up to \$10 million per year to be used to support time-sensitive job creation (economic development) opportunities. A written request including an analysis of the economic benefits of the potential project completed by the Department of Commerce should be submitted to the Department to request Economic Development Funds. The following factors are weighed when consideration is given to providing economic development funding: the average projected wage for the business versus the average wage for the county where the project will be located, the size of the initial investment by the business, the tax benefit to the State, and the number of employees. Once an application is received the appropriate Division will do a field inspection, determine traffic and safety concerns, and evaluate the projected cost of the project. The cost and economic development information will be used to support two threshold tests:

- Candidate projects for funding must have a planned private infrastructure investment of at least 5 times the expected STIP funds used in the Economic Investment Project, and/or
- The anticipated number of new jobs created must be of a sufficient number such that expected STIP funds used in the Economic Investment Project does not exceed \$10,000 per created job.

If the project meets the threshold tests, and it receives support from the Division, the proposed project and recommendation will be forwarded to the Secretary of Commerce and the Secretary of Transportation for their concurrence. If concurrence is received, the project will be presented to the Board of Transportation for approval. These projects will be charged to the appropriate STI budget category as determined by the route.

POLICY ISSUES AND CONSIDERATIONS

Transition Period Implementation - STI grants authority to fund the construction of projects scheduled between now and July 1, 2015. The construction of projects not specifically exempt (such as safety, interstate maintenance, and CMAQ) scheduled after July 1, 2015, are subject to being prioritized through the SPOT 3.0 process. The final results of the SPOT 3.0 prioritization and subsequent programming will not be known until June, 2015, with the adoption of the new STIP. Many projects with let dates beyond July 1, 2015, have either right of way (ROW) or the initial preliminary engineering (PE) scheduled between now and July 1, 2015.

In order to minimize the risk of expending time and money on projects that will not be included in the next STIP, and at the same time minimize the delay for those projects that have the greatest probability of being included in the upcoming 2016-2025 STIP through the Strategic Prioritization scoring process, the Department is delaying any initial ROW or initial PE authorizations until May 2014, when the Strategic Prioritization technical scores will be known for projects currently in the database (submitted in prior years). After May 2014, DOT will proceed with initial ROW or PE authorizations for those statewide projects that will be funded from the anticipated statewide budget. Decisions will also need to be made concerning PE or ROW for those regional and division projects that appear to have the greatest possibility of being funded in the upcoming STIP, acknowledging that local input scores may change the final priority ranking of some portion of these projects.

Projects currently scheduled for PE or ROW between May 2014 and January 2015 that do not receive funding authorization will be reviewed based on the draft STIP which is scheduled for release in December 2014. Any projects that have not previously received authorization, but are included in the draft STIP for funding may then be authorized.

If a project has a currently scheduled let date prior to July 1, 2015, or is in a project category that is either exempt from the STI process or subject to a different prioritization process than the STI/SPOT designated process, it shall have authorizations processed on the currently approved schedule. This policy will not stop work on any on-going project studies or ROW acquisition.

Transition Period Projects – Transition period projects are exempt from Strategic Prioritization. However if the scope of a project that was scheduled for letting prior to July 1, 2015 is modified enough to require a new or supplemental environmental document, or an amendment to a long range plan or the STIP to be funded for construction, then the new, revised project will become subject to the prioritization requirement.

Road User Pricing - Any proposed new freeway project (both widening of existing facilities for capacity purposes or new location facilities) can be a candidate for on-site,

user-based revenue options. The feasibility of these options should be evaluated prior to the project being considered for inclusion in the State Transportation Improvement Program. Freeway capacity improvement projects that are submitted in 2014 for Strategic Prioritization that are not included in the draft STIP will be evaluated for their revenue potential. The user fee cost and revenue information will be made available for consideration. Projects that are included in the draft 2016-2025 STIP may also be analyzed to determine their revenue potential. No final determination on implementation of user fees shall be made until all relevant NEPA or SEPA planning studies have been conducted.

Federal Lands Access Program – MAP-21 created a new federal program, Federal Lands Access Program (FLAP), to replace several, small discretionary programs. FLAP was established in 23 U.S.C. 204 to improve transportation facilities that provide access to, are adjacent to, or are located within Federal lands. Projects are selected annually by a committee of federal, state and local representatives based on ratings of safety, accessibility and mobility, facility preservation, economic development, and environmental quality and sustainability. This program is small (North Carolina's share is \$2 to \$3 Million per year) and may have a short life span (MAP-21 expires in September, 2014); it is recommended that legislation be enacted to exclude the funding for projects in this category from the STI formula.

Emergency Repairs – Funds spent in support of emergency repair work to restore essential travel or protect the remaining state assets where natural events have significantly damaged the state transportation system should be allowed under Alternate Criteria funding. It is recommended that legislation be enacted to allow the funding received in this category be allocated under Alternate Criteria. It is anticipated that the Alternate Criteria should be a formally declared state of emergency. These projects will be charged to the appropriate STI budget category as determined by the route.

Supplemental Safety Funding - In the past, the Department has periodically split-funded a limited number of safety projects to accomplish mobility benefits in addition to the safety improvement. An example of this might be to install an interchange at an accident prone intersection. The cost of the interchange would lower the Benefit/Cost ratio below the threshold for HSIP (Safety) funding, but supplementing the allowable amount of safety funds with other STIP money has allowed the department to provide a safer, longer lasting solution that will also have significant mobility benefits.

The new STI legislation acknowledges that safety projects should be evaluated under different criteria than mobility projects, and while it is possible to evaluate the different aspects of a project under the different criteria, this process will likely take 2 to 3 years under the standard Strategic Prioritization timeline. Where this time frame is acceptable, we will do the dual evaluation process.

There will be occasions where the need for the safety improvement is more immediate. In these cases we propose to use the safety prioritization to allow programming of a split-funded project subject to certain criteria. For STI funds to be programmed as part

of a Safety project without waiting to go through a normal prioritization cycle, the following criteria should be met:

- The Strategic Prioritization technical score for the mobility portion of the project must score higher than the project with the lowest technical score that was funded in the last STIP; and
- Safety funding must cover at least 33% of the anticipated project cost.

In any event, any MPO and/or RPO affected by these decisions will be notified prior to any amendments being made to the STIP, and any required approvals obtained from those bodies. Any supplemental funding provided under this proposed rule will be charged to the appropriate STI budget category as determined by the route

Intrastate System Completion – Projects to complete the Intrastate Highway System are specifically included as Statewide Strategic Mobility Projects. Projects on those routes that would not otherwise be a part of the Statewide System and do not serve to complete the Intrastate network (i.e. expansion to a four-lane facility), are not eligible for funding under the Statewide Mobility category.

Programming Compatibility with State and Federal Requirements - When two or more projects are submitted for prioritization that are designed to meet the same or similar objectives such that they could become competing alternatives in a planning study required by state or federal law, several environmental planning and programming efficiency issues arise if the multiple projects score sufficiently high to be programmed. In order to avoid these issues, it is recommended that only the project with the higher score as identified through Strategic Planning Office of Transportation (SPOT) prioritization be eligible for programming. The other alternatives submitted will be considered during the planning process, and if necessary to meet various state or federal environmental or planning requirements, the alternative project may be ultimately selected for implementation. Local planning organizations would be deeply involved in any process considering alternative locations.

The Department recommends that legislation be enacted to ensure that projects can be evaluated and programmed in accordance with state and federal law, which contemplates a cooperative state/local plan. This would include a requirement that the Department develop criteria for consideration of project substitution requests. Project substitution requests should be made by MPOs or RPOs by formal resolution adopted in an open meeting. The criteria should also have requirements on the substitute project having similar Strategic Prioritization scoring, not allow fund transfers across MPO and RPO boundaries, and require the support of any affected Division Engineers.

Program Stability – The STI law requires a continual evolution and improvement of the Strategic Prioritization System. The Department cannot have an efficient delivery system of projects that typically take 5 to 10 years to develop if priorities change every

2 years. The first two iterations of prioritization dealt with this issue by not reprioritizing projects in the first 5 years of the STIP. The Department recommends that legislation be enacted to ensure that the prioritization process allows for efficient project delivery by exempting projects in the first five years of the STIP from prioritization review. The intent is to continue the approach of not reprioritizing projects in the first five years of the STIP in order to achieve program stability and efficient project delivery.

STI BUDGET ALLOCATIONS BETWEEN THE HIGHWAY FUND AND THE HIGHWAY TRUST FUND

Part of the STI legislation was an attempt to more clearly define the functions of the Highway Fund as an Operations and Maintenance Budget, and the STIP (comprised of the Highway Trust Fund and Federal-aid Funds) as a system Capital Improvements Budget. Doing so meant that some activities that had previously been funded through the STIP will now be funded through the Highway Fund while some activities that had previously been budgeted for in the Highway Fund will now be programmed activities in the STIP. The primary activity shifts are:

- Powell Bill Funding - \$56 Million shifted from the Trust Fund to the Highway Fund
- Various Highway Maintenance Activities - \$89 Million shifted from the Trust Fund to the Highway Fund
- Various Modal Capital Activities - \$45 Million shifted from the Highway Fund to the Trust Fund

These shifts represent a net budget impact of \$100 Million in annual expenditures being shifted from the Trust Fund to the Highway Fund. In addition, it is proposed to change the amount of funds being budgeted in the STIP for bridge replacements from roughly \$250 Million per year to \$50 Million per year (MAP-21 change), creating an additional need for bridge maintenance and replacement funding from the Highway Fund.

SFY 2015 Anticipated Budgets	Highway Fund (\$M)	TIP Highway Trust Fund & Fed Aid (\$M)	Total Anticipated Funding (\$M)	Budget Needs * (\$M)
Pavements	402	100	502	613
Bridges	153	50	203	275
Traffic Operations	6		6	49
Maintenance	461		461	519
Totals	1022	150	1172	1456

*To retain Current Asset condition scores and Maintenance & Traffic Operations Level of Service

HIGHWAY FUND AND HIGHWAY TRUST FUND REVENUE DISTRIBUTION ANALYSIS

Since 1989 transportation revenues in North Carolina have been derived from four primary sources: Federal-aid (FA at 23.1%), Motor Fuels Tax (MFT at 44.4%), Highway Use Tax (HUT at 13.4%), and various fees (at 19.1%). These revenue sources are allocated between the Capital budget (Highway Trust Fund) and the Operations and Maintenance (O&M) budgets (Highway Fund) by either state or federal legislation. Almost all of the FA revenues are allocated through the State Transportation Improvement Program (STIP) to capital projects with a very small percentage of the Federal-aid programmed for allowable O&M expenses.

The state transportation revenues are directed by state legislation to the Highway Fund and to the State Highway Trust Fund. The MFT revenue is split 75% to the Highway Fund (largely O&M budget), and 25% to the State Highway Trust Fund (largely capital budget). The HUT is allocated 100% to the State Highway Trust Fund (capital budget), while a majority of the fees are allocated to the Highway Fund (O&M budget).

Historical Highway Fund (SFYs 2007 - 2012) budget allocation information and actual expenditures were used to determine how much was spent on capital versus O&M in the Highway Fund. The dollar amount and corresponding percentage values can be found in Appendix A. Using these percentages and applying them to the Highway Fund certified budget along with the Highway Trust Fund certified budget allocations as well as the federal-aid uses the total amount of funding budget for capital and O&M were estimated and are shown in Appendix B. The summary at the bottom of each of the three tables are shown below.

Funding Use	SFY 2013		SFY 2014		SFY 2015	
	\$	%	\$	%	\$	%
O&M - Highways	1,338.6	36.1%	1,186.7	32.0%	1,073.4	30.0%
O&M - Modal	115.8		126.3		116.5	
Capital - Highways	1,787.9	45.7%	2,000.4	50.5%	2,000.7	51.8%
Capital - Modal	53.4		68.8		55.4	
Administration & Facilities	300.2	7.5%	319.4	7.8%	330.3	8.3%
Powell Bill	142.3	10.7%	142.1	9.7%	136.9	9.9%
Transfers	289.7		255.9		254.2	
Total	4,028.0	100%	4,099.7	100%	3,967.5	100

Note: SFY 2014 & SFY 2015 figures incorporate the provisions of SL 2013-183 (HB 817).

Based on the STI legislation the percent allocation of all transportation revenues has changed by having a higher percentage of revenues being allocated for capital purposes, lowering the percentage of revenues available to O&M activities while shifting more O&M activities from the Highway Trust Fund to the Highway Fund.

To change the capital and O&M percentages of revenue allocation requires a change in the distribution of the state tax and fee to the two state funds. Appendix C is a listing of all SFY 2015 revenue sources and percent allocation (denoted as columns A & B) to each fund and the corresponding amount (shown in columns C & D).

There are two approaches to changing the capital and O&M percentages. Method A would be to choose one or more revenue sources (i.e. Motor Fuel Tax, Gasoline Inspection, etc.) and change the current percent allocation (Appendix C, columns A & B) to obtain the desired outcome. Method B would be to allocate all of the revenue sources by a fund ratio (a percentage of all revenue sources is allocated to one fund and the remaining to the other fund) to obtain the desired outcome.

Method A continues the current process of distributing all or in some ratio (Motor Fuel Tax, Gasoline Inspection, etc.) the revenues between the two funds. Changes in economic conditions and/or policy changes (fixing or capping the gas tax rate, changes in fee rates) impact the Highway Fund and Highway Trust Fund differently. The revenues allocated to each fund change independently which may lead to an undesirable allocation in the future such as a change in Motor Fuel Tax revenue affecting the Highway Fund more than the Highway Trust Fund. Also, if and when a new revenue source is implemented a decision of how to allocate the new revenue between the two funds would have to be made.

Method B (once a fund ratio is determined) would align closer to the way the department manages its cash (no distinction made). It also would smooth the historical funding difference between the two funds (see Appendix D for history). And if and when a new revenue source is implemented the decision of how to allocate would already have been made.

**Appendix A – HISTORICAL HIGHWAY FUND BUDGET EXPENDITURES
(SFY 2007 – 2012)**

HF - Budget Allocation	O&M	Capital	O&M	Capital
Maintenance	3,322,826,964	-	100.0%	0.0%
Contract Resurfacing	1,621,065,351	-	100.0%	0.0%
System Preservation	524,012,956	-	100.0%	0.0%
Small Construction	46,508,080	7,428,762	86.2%	13.8%
Public Access	635,101	7,249,271	8.1%	91.9%
Contingency	27,251,624	9,014,073	75.1%	24.9%
Economic Development	31,205,236	8,190,311	79.2%	20.8%
Intermodal HF	660,826,884	323,811,729	67.0%	33.0%
Total	6,234,332,196	355,694,146	95%	5%

Using the same information above but tabulating the same information by mode produces the table below.

HF - Mode	O&M	Capital	O&M	Capital
Highway	5,572,658,676	24,828,567	99.6%	0.4%
Aviation	68,767,547	104,940,818	39.6%	60.4%
Bike & Pedestrian	262,731	5,295,321	4.7%	95.3%
Rail	45,317,899	76,034,295	37.3%	62.7%
Transit	360,059,386	112,520,084	76.0%	24.0%
Ferry	187,265,957	32,075,061	85.4%	14.6%
Total	6,234,332,196	355,694,146	95%	5%

APPENDIX B - SFY 2013 BUDGET DISTRIBUTION

SFY 2012-13									
Highway Fund				Highway Trust Fund			Federal-aid		
	Capital			Capital	O&M	O&M	Capital	O&M	O&M
DOT-General Administration	87,008,299						185,250,000	5%	9,750,000
Highway Division Administration	34,672,527						311,750,000	1%	3,250,000
FA Match - Planning and Research	4,055,402						139,000,000	8%	11,000,000
							146,000,000	16%	24,000,000
Construction Program:									
State Secondary System	27,186,398	0%					37,000,000		
Contingency Funds	12,000,000	15%	1,800,000				27,000,000		
Spot Safety Improvements - R	12,100,000	15%	1,815,000				14,147,065		
Spot Safety Improvements - NR									
Access and Public Service Roads	1,758,885	92%	1,618,174				28,500,000		
Small Urban Construction	7,000,000	10%	700,000						
Economic Development		20%							
Total Construction Program	60,045,243								
Maintenance Program:									
Primary System	138,147,758	0%							
Secondary System	246,982,608	0%							
Contract Resurfacing	427,411,883	0%							
System Preservation	235,504,017	0%							
General Maintenance Reserve	140,136,243	0%							
Interstate 40 Resurfacing									
Total Maintenance Program	1,188,182,509								
Ferry Operations	41,038,132	15%	6,155,720						
State Aid to Municipalities	89,274,620								
State Aid to Railroads	21,201,153	60%	12,720,692						
State Aid for Public Transportation	84,643,069	25%	21,160,767						
Airports	22,311,031	60%	13,386,619						
Bicycle and Pedestrian									
OSHA	372,792								
Governor's Highway Safety Program	273,093								
Division of Motor Vehicles	93,156,385								
MCSAP/DMV Grants									
Total Department of Transportation	1,726,234,255								
Transfers to Other State Agencies:									
Total-Other State Agencies	259,729,382								
Reserves and Transfers:									
Total Reserves	20,066,363								
Total Current Operations	2,006,030,000								
Capital Improvements	15,000,000								
Total	2,021,030,000		59,356,972			48,341,155	888,647,065		48,000,000
				1,070,320,000					
Summary									Total
O&M - Highway	1,242,294,578				48,341,155			48,000,000	1,338,635,733
O&M - Modal	115,769,588								115,769,588
Capital - Highway			5,933,174	893,328,461			888,647,065		1,787,908,700
Capital - Modal			53,423,797						53,423,797
Administration + Facilities	254,604,861			45,590,880					300,195,741
Powell Bill	89,274,620			53,063,643					142,338,263
Transfers	259,729,382			29,995,861					289,725,243
Subtotal	1,961,673,028		59,356,972	1,021,978,895	48,341,155		888,647,065	48,000,000	
Total	2,021,030,000			1,070,320,000			936,647,065		4,037,997,065

APPENDIX B (Continued) - SFY 2014 BUDGET DISTRIBUTION

SFY 2013-14									
Highway Fund				Highway Trust Fund			Federal-aid		
	Capital			Capital	O&M	O&M	Capital	O&M	O&M
DOT-General Administration	91,066,219			45,590,880			525,000,000		
Highway Division Administration	35,139,990			930,926,530			240,000,000		
FA Match - Planning and Research	4,056,402			-			47,000,000		
Construction Program:							44,000,000	11,000,000	
State Secondary System	27,000,000	0%	-	-			78,820,651		
Contingency Funds	12,000,000	15%	1,800,000						
Spot Safety Improvements - R	12,100,000	15%	1,815,000						
Spot Safety Improvements - NR	1,723,707	92%	1,585,810						
Access and Public Service Roads	5,000,000	10%	500,000						
Small Urban Construction	3,846,215	20%	769,243						
Economic Development	61,669,922								
Total Construction Program									
Maintenance Program:									
Primary System	147,097,510	0%							
Secondary System	270,593,678	0%							
Contract Resurfacing	433,462,800	0%							
System Preservation	179,598,774	0%							
General Maintenance Reserve	89,790,226	0%							
Interstate 40 Resurfacing									
Total Maintenance Program	1,120,543,988								
Ferry Operations	40,935,538	15%	6,140,331						
State Aid to Municipalities	142,102,740								
State Aid to Railroads	40,142,294	60%	24,085,376						
State Aid for Public Transportation	85,244,235	25%	21,311,059						
Airports	28,744,510	60%	17,246,706						
Bicycle and Pedestrian	751,066	95%	713,513						
OSHA	365,337								
Governor's Highway Safety Program	284,932								
Division of Motor Vehicles	118,994,643								
MCSAP/DMV Grants	2,010,053								
Total Department of Transportation	1,772,050,869								
Transfers to Other State Agencies:									
Total-Other State Agencies	255,549,077								
Reserves and Transfers:									
Total Reserves	3,134,853								
Total Current Operations	2,030,734,799								
Capital Improvements	18,056,500								
Total	2,048,790,299								
Summary									
O&M - Highway	1,175,743,857							11,000,000	
O&M - Modal	126,283,105								
Capital - Highway	6,470,053						934,820,651		
Capital - Modal	68,783,472								
Administration + Facilities	273,857,995								
Powell Bill	142,102,740								
Transfers	255,549,077								
Subtotal	1,973,536,774		75,253,525				934,820,651	11,000,000	
Total	2,048,790,299						945,820,651		
Total									
							Total		
							1,186,743,857		
							126,283,105		
							2,000,387,324		
							68,783,472		
							319,448,875		
							142,102,740		
							255,949,077		
							4,099,698,450		

APPENDIX B (Continued) - SFY 2015 BUDGET DISTRIBUTION

SFY 2014-15									
Highway Fund				Highway Trust Fund			Federal-aid		
	Capital			Capital	O&M	O&M	Capital	O&M	O&M
DOT-General Administration	94,975,916								
Highway Division Administration	35,139,990								
FA Match - Planning and Research	4,055,402								
Construction Program:									
State Secondary System	12,000,000	0%	-						
Contingency Funds	12,000,000	15%	1,800,000						
Spot Safety Improvements - R	12,100,000	15%	1,815,000						
Spot Safety Improvements - NR	1,723,707	92%	1,585,810						
Access and Public Service Roads	5,000,000	10%	500,000						
Small Urban Construction	4,036,171	20%	807,234						
Economic Development									
Total Construction Program	46,859,878								
Maintenance Program:									
Primary System	147,523,208	0%							
Secondary System	273,582,225	0%							
Contract Resurfacing	402,423,088	0%							
System Preservation	153,008,350	0%							
General Maintenance Reserve	45,560,850	0%							
Interstate 40 Resurfacing									
Total Maintenance Program	1,022,097,721								
Ferry Operations	39,785,538	15%	5,967,831						
State Aid to Municipalities	136,874,010								
State Aid to Railroads	24,692,294	60%	14,815,376						
State Aid for Public Transportation	85,244,235	25%	21,311,059						
Airports	22,244,510	60%	13,346,706						
Bicycle and Pedestrian	751,066	95%	713,513						
OSHA	365,337								
Governor's Highway Safety Program	284,932								
Division of Motor Vehicles	119,532,589								
MCSAP/DMV Grants	2,010,053								
Total Department of Transportation	1,634,913,471								
Transfers to Other State Agencies:									
Total-Other State Agencies	253,829,476								
Reserves and Transfers:									
Total Reserves	7,629,853								
Total Current Operations	1,896,372,800								
Capital Improvements	19,937,700								
Total	1,916,310,500								
O&M - Highway	1,062,449,554								
O&M - Modal	116,525,605								
Capital - Highway	6,508,045								
Capital - Modal	55,440,972								
Administration + Facilities	284,682,838								
Powell Bill	136,874,010								
Transfers	253,829,476								
Subtotal	1,854,361,484		61,949,016						
Total	1,916,310,500								
Total				Total			Total		
							1,073,449,554		
							116,525,605		
							2,000,737,816		
							934,820,651		
							330,273,718		
							136,874,010		
							254,229,476		
							934,820,651		
							945,820,651		
							3,967,531,151		

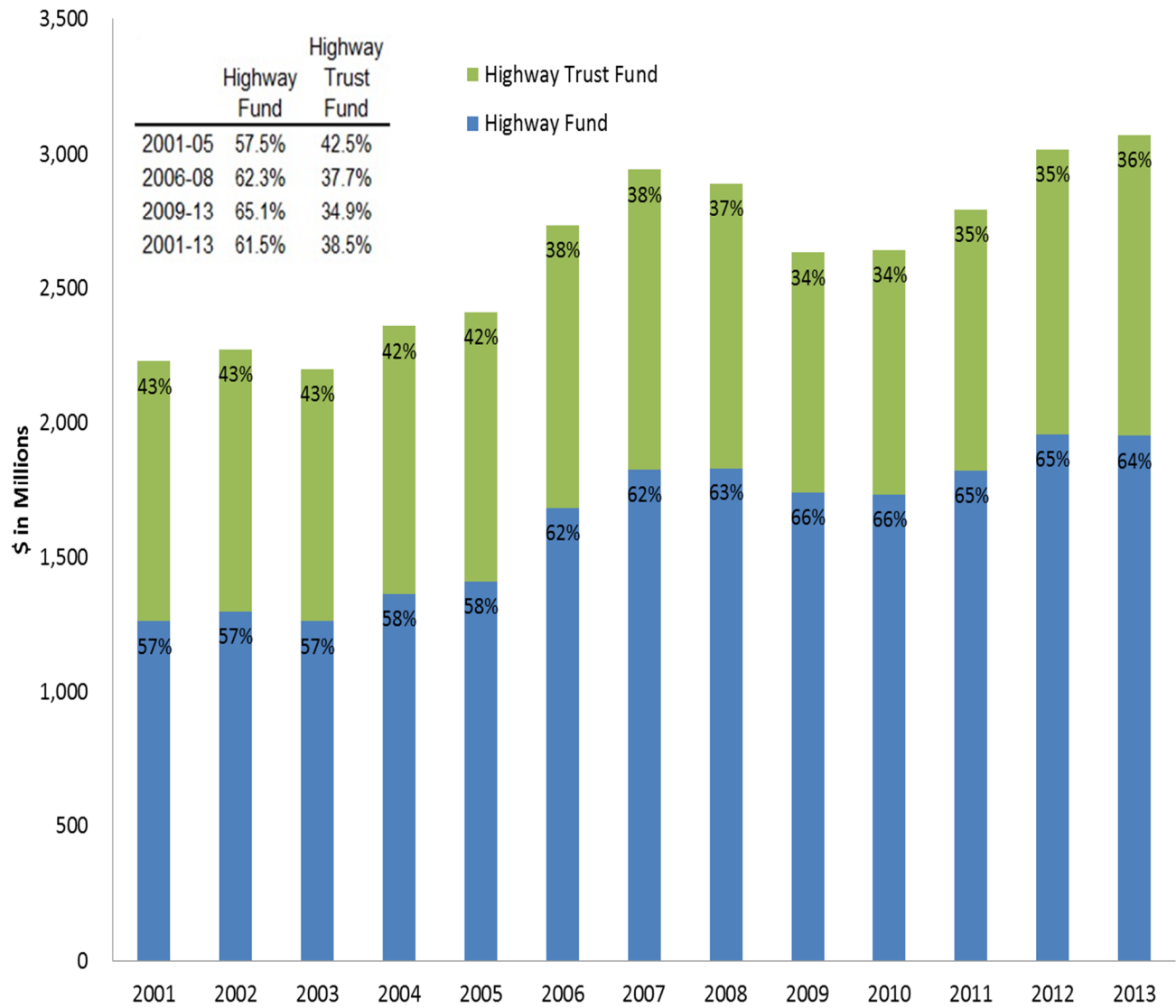
APPENDIX C – SFY 2015 TAX AND FEE REVENUE SOURCES AND ALLOCATIONS

SFY 2014-15										
Highway Fund			Highway Trust Fund				Federal-aid			
	Capital			Capital	O&M	O&M		Capital	O&M	O&M
DOT-General Administration	94,975,916			Administration	45,590,880			NHPP	525,000,000	
Highway Division Administration	35,139,990			Strategic Prioritization Program	950,101,672			STP	240,000,000	
FA Match - Planning and Research	4,055,402			Intrastate System				CMAQ	47,000,000	
				Urban Loop System				Safety	44,000,000	11,000,000
Construction Program:				Secondary Roads				Other	78,820,651	
State Secondary System	12,000,000	0%	-	State Aid to Municipalities						
Contingency Funds	12,000,000	15%	1,800,000	Bond Redemption	60,307,448					
Spot Safety Improvements - R	12,100,000	15%	1,815,000	Bond Interest						
Spot Safety Improvements - NR			-	NC Turnpike Authority (GAP Funds)	49,000,000				934,820,651	11,000,000
Access and Public Service Roads	1,723,707	92%	1,585,810	NC Mobility Fund						
Small Urban Construction	5,000,000	10%	500,000	DOT Prioritization Reserve						
Economic Development	4,036,171	20%	807,234	Transfer to the Highway Fund	400,000					
Total Construction Program	46,859,878			Transfer to the General Fund						
				Total Highway Trust Fund	1,105,400,000					
Maintenance Program:										
Primary System	147,523,208	0%								
Secondary System	273,582,225	0%								
Contract Resurfacing	402,423,088	0%								
System Preservation	153,008,350	0%								
General Maintenance Reserve	45,560,850	0%								
Interstate 40 Resurfacing										
Total Maintenance Program	1,022,097,721									
Ferry Operations	39,785,538	15%	5,967,831							
State Aid to Municipalities	136,874,010									
State Aid to Railroads	24,692,294	60%	14,815,376							
State Aid for Public Transportation	85,244,235	25%	21,311,059							
Airports	22,244,510	60%	13,346,706							
Bicycle and Pedestrian	751,066	95%	713,513							
OSHA	365,337									
Governor's Highway Safety Program	284,932									
Division of Motor Vehicles	119,532,589									
MCSAP/DMV Grants	2,010,053									
Total Department of Transportation	1,634,913,471									
Transfers to Other State Agencies:										
Total-Other State Agencies	253,829,476									
Reserves and Transfers:										
Total Reserves	7,629,853									
Total Current Operations	1,896,372,800									
Capital Improvements	19,937,700									
Total	1,916,310,500									
										Total
O&M - Highway	1,062,449,554								11,000,000	1,073,449,554
O&M - Modal	116,525,605									116,525,605
Capital - Highway	6,508,045			1,059,409,120				934,820,651		2,000,737,816
Capital - Modal	55,440,972									55,440,972
Administration + Facilities	284,682,838			45,590,880						330,273,718
Powell Bill	136,874,010			-						136,874,010
Transfers	253,829,476			400,000						254,229,476
Subtotal	1,854,361,484	61,949,016		1,105,400,000	-			934,820,651	11,000,000	
Total	1,916,310,500			1,105,400,000				945,820,651		3,967,531,151

**APPENDIX D – HISTORICAL HIGHWAY FUND AND HIGHWAY TRUST FUND
REVENUE ALLOCATION**

	\$ Million's	A %	B %	C \$ Million's	D \$ Million's
Revenue Source	Total	HF	HTF	HF	HTF
Motor Fuels Tax	1,752.60	75	25	1,314.45	438.15
Gasoline Inspection	13.17	100		13.17	-
Highway Usage Registration	0.32	100		0.32	-
Staggered Registration	197.62	100		197.62	-
Driver Licenses	123.84	100		123.84	-
Truck Licenses	132.38	100		132.38	-
International Registration Plan	68.00	100		68.00	-
Other Registrations	4.79	100		4.79	-
Auto Safety Inspection	2.33	100		2.33	-
Financial Security	5.16	100		5.16	-
Lien Recording	0.18	100		0.18	-
Exhaust Emission	3.87	100		3.87	-
Emission Inspection Fees	21.60	100		21.60	-
Technology Improvement Fees	0.63	100		0.63	-
Dealers' Manufacturers' Fees	1.75	100		1.75	-
Electric Vehicle Registration	0.12	100		0.12	-
Process Service	6.26	100		6.26	-
Overweight/Size	7.80	100		7.80	-
Motor Carrier Safety	0.12	100		0.12	-
Penalties	-	100		-	-
Misc. Registrations	-	100		-	-
Misc. Income	0.68	100		0.68	-
DMV Other Fees	3.59	100		3.59	-
Highway Usage Registration Fees	0.45	100		0.45	-
HF Investment Income	4.00	100		4.00	-
NC RR Dividend	3.80	100		3.80	-
Highway Use	565.30		100	-	565.30
Certificate of Title Fees	85.29		100	-	85.29
Miscellaneous Title Fees	10.76		100	-	10.76
Lien Recording	4.34		100	-	4.34
HTF Investment Income	1.00		100	-	1.00
Total	3,021.74			1,916.89	1,104.84

APPENDIX D (Continued) – HISTORICAL HIGHWAY FUND AND HIGHWAY TRUST FUND REVENUE ALLOCATION



FUND	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Highway (\$m)	1,260.5	1,298.2	1,260.6	1,363.5	1,407.9	1,680.8	1,825.6	1,829.6	1,738.6	1,731.8	1,821.2	1,958.3	1,951.3
Highway Trust (\$m)	966.8	973.8	938.4	994.0	1,002.5	1,051.3	1,115.0	1,060.1	891.4	908.7	969.9	1,058.2	1,118.2
Highway (%)	56.6%	57.1%	57.3%	57.8%	58.4%	61.5%	62.1%	63.3%	66.1%	65.6%	65.3%	64.9%	63.6%
Highway Trust (%)	43.4%	42.9%	42.7%	42.2%	41.6%	38.5%	37.9%	36.7%	33.9%	34.4%	34.7%	35.1%	36.4%