

Report on the Study of Fees, Sponsorship, & Privatization

2014

**By the North Carolina Department of Transportation for the NC General Assembly Joint Legislative
Transportation Oversight Committee and Fiscal Research Staff**

12/1/2014

This document reports on the NC Board of Transportation's study of fees, sponsorship, and privatization, pursuant to S.L 2014-100, Section 24.17(c), and details existing fees and sponsorship endeavors, and opportunities to modify or expand them in order to reduce the use of public funds for such services.

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Fees, Sponsorship and Privatization

Executive Summary

Pursuant to Section 34.17(a) of the 2014 Budget Bill, the Board of Transportation shall study how fees, sponsorship and privatization might be used to reduce the use of public funds for services provided by the Department of Transportation.

As directed, this report provides information relative to the study of fees, sponsorship, and privatization. It details the current state and offers potential considerations that could reduce the use of public funds for such services.

To implement the cost savings/avoidance measures outlined in the report, legislative changes would be required to authorize and set the fees. Rule changes may be required to align the rules to legislative changes.

The Board of Transportation approved its study on Fees, Sponsorship, and Privatization on November 6, 2014; this report documents the findings of that study, and is for submittal to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than December 1, 2014.

Fees

Development Fees

When a commercial development connects to the State highway system or a residential development's streets are proposed to be added to the State system, there are several different touch points with NCDOT. The Department performs various reviews, inspections, permits and approvals. Presently, the Department charges are minimal to none for the activities, which include:

- Traffic Impact Analysis Reviews
- Commercial Driveway Permits
- Encroachment Reviews

Subdivisions: Plan Reviews, Plat Reviews, and On-Site Inspection of Roads, Bridges, and Large Pipes
Inspection of Streets for Addition to the State System

The review time by staff on the aforementioned activities vary. Time is largely driven by size, complexity, and impact of the development or encroachment, and the number of changes the development or encroachment undergoes before construction is complete.

Traffic Impact Analysis

Larger commercial developments conduct Traffic Impact Analyses (TIA) for NCDOT review. The TIA predicts the development impact on traffic flow and identifies road improvements the developer must provide to mitigate traffic increase. Currently, NCDOT does not charge for these reviews. In SFY 2014, the Department reviewed over 400 TIAs at no charge.

Driveway Permit

NCDOT charges a flat fee per driveway (usually waived for single family residential). This fee covers driveway pipe construction inspection after permit approval. It does not cover administrative costs for processing permit. In SFY 2014, the Department issued 1650 permits. **A fee structure for consideration could be based on the number of vehicle-trips the associated development will generate. Surcharges would apply if the permit requires a control of access break or median break.**

Encroachments

NCDOT charges an administrative fee for every Grading on Control of Access Encroachment. There is an additional charge for removing dirt from DOT right of way if the work requires it. In SFY 2014, the Department processed over 10,000 encroachments, most of these without charge. **A fee structure for consideration should revise the Grading on Control of Access fee by charging more for larger grading jobs, and increases the price of dirt per cubic yard. In addition, the proposed future fee structure should add fees based on encroachment type, and in some cases, length.**

Subdivision Reviews and Inspections

When a developer wants NCDOT to add subdivision streets into the state highway system, the Department must review subdivision plans and plats, and conduct on-site inspections. The Department does not charge for these reviews and inspections. In SFY 2014, the Department processed over 1700 subdivision reviews and inspections. **A fee structure for consideration should be based on linear feet of roadway. Petitions to add rural roads not part of a subdivision should be a flat fee.**

Table: Fee Structure for System Access or Encroachment

TRAFFIC IMPACT ANALYSIS FEE SCHEDULE				
Description/Projected Average Vehicle Trips Per Day of Site	Processing Fee			
Category A – Uses with 10 - 3000 VTPD	\$250			
Category B - Uses with 3000- 10000 VTPD	\$1,000			
Category C - Uses with 10,000-15,000 VTPD	\$3,000			
Category D - Uses with above 15,000 VTPD	\$4,000			
DRIVEWAY PERMIT APPLICATION FEE SCHEDULE				
Driveway Permit application fee (Includes inspection)	Trip Generation (Trips per day)			
	<1500	1500-3000	3000 - 15,000	> 15,000
	\$150	500	\$1,000	\$2,000
C/A Break	\$2,000			
Median Break	\$1,000			
FEE STRUCTURE FOR ENCROACHMENTS*				
Encroachment Type	Agreement	Project Scope		
Utility	16.1	Small	Medium	Large
		0-1000'	1000'-2 miles	>2 miles
		\$250	\$500	\$750
Non-Utility	16.1A	\$200		
Widening, Curb & Gutter, Storm Drainage, etc.	16.1B	\$500		
Piping Treated Effluent	16.1C	\$200		
Interstate & Other C/A Highways	16.2	0-1000'	1000'-2 miles	>2 miles
		\$250	\$500	\$1,000
Original Blanket Agreements	16.3, 16.4,16.5	\$100		
Blanket Encroachment Authorization Letters	NA	\$100		
Three-Party Agreements (Primary & Secondary Roadways)	16.6	0-500'	500'-1000'	>1000'
		\$250	\$500	\$750
Three-Party Agreements (Interstate & Other C/A Highways)	16.6A	\$250	\$500	\$1,000
Grading on R/W on Interstates & Other C/A Highways	16.7	0-1000 CY Disturbed		\$500
		>1000 CY Disturbed		\$1,000
		Material Removed From Right of Way		\$1/CY
* Encroachment Fees do not apply to encroachments for single family dwellings.				
SUBDIVISION REVIEWS FEE SCHEDULE				
Activity	Processing Fee			
	Total Linear Feet of Roadway			
	< 5000	5000' - 15,000'	> 15,000'	
Plan Review (Construction or As-Built)	\$2,000	\$3,500	\$5,000	
Inspection for Built to Standards (basic letter issue)	\$500	\$1,000	\$1,500	
Plat Review (Signed plat for Recordation)	\$200	\$275	\$350	
Petition fee for Road Addition		\$150 flat fee		

Residential Driveways and Driveway Pipe Installation

It is not uncommon for NCDOT to waive driveway permit fees for single family dwelling driveways and, where applicable, may also install driveway pipe without charge. The potential does exist to recover costs by imposing fees for both single family dwelling driveway permits and driveway pipe installations. **It is advisable to not charge fees for processing driveway permits or for the installation of driveway pipe for single family homes because:**

- Single family dwelling driveway permits are not overly time-consuming for staff.
- It is in the Department's best interest to ensure driveway pipes are properly installed.

Surplus Right of Way Disposal, Control of Access Revision

A request to dispose of surplus right of way or revise its control of access incurs administrative expenses. There is no fee imposed to recover administrative costs. In SFY 2014, the Department evaluated 21 requests for control of access revisions and 24 surplus right of way disposals. If the request is approved, appraisal expenses are also incurred. NCDOT recoups the appraisal fee. The requesting party pays the actual appraisal cost, which averages about \$3,500. **A fee structure for consideration includes a \$1,600 administrative fee on all requests for control of access revisions and surplus right of way disposals, and leaving the current appraisal fee unchanged.**

Courses Offered to Private Sector

NCDOT provides training courses in various disciplines (for instance, construction and construction materials) for both its employees and its private sector partners. NCDOT currently charges the private sector companies for the seats they occupy in these courses. The Department undercharges for these seats, and thereby subsidizes private sector participation. In 2014, 2993 seats were filled by private sector participants, and NCDOT undercharged approximately \$30 per seat on average. **A fee structure for consideration includes increasing fees to cover the actual cost per student for each course.**

Selective Vegetation Removal

NCDOT charges a permit fee for selective vegetation removal. In State Fiscal Year 2014, this program had 196 customers. **A future fee structure for consideration includes an increase to \$600.**

Outdoor Advertising

NCDOT currently charges for a new outdoor advertising permit and for an annual renewal. The fees collected do not cover the administrative costs; rather, the program is subsidized by maintenance funds. In State Fiscal Year 2014, this program had 7854 customers.

A fee structure for consideration includes:

- \$240 new permit fee
- \$120 annual renewal

Oversize/Overweight Loads

The NCDOT Oversize/Overweight (OSOW) section of the Mobility and Safety Unit charges for loads that exceed legal limits. This is critical since oversize/overweight

loads take a disproportionate toll on our facilities. The program is currently revenue-generating, but fees are low in comparison to other states. **In an effort to generate additional revenue to put towards the maintenance and preservation of our highways and bridges, a fee for consideration includes increasing the OSOW fees as follows:**

- **Oversize: increase by \$5 per dimension (from \$12 to \$17)**
- **Overweight: Superload is a load over 350,000 lbs. Currently, the fee is a \$3 for every 1000 lbs. over 350,000 lbs. Increase fee by \$1, making the new fee \$4 per 1000 lbs. over 350,000lbs.**
- **Consider applying revenues collected to specific improvements of routes used by the permitted loads.**

House Moves

NCDOT currently charges an annual fee of \$100 to a house-moving entity, and a \$20 permit fee per individual move. There are additional costs that commonly are not recaptured when the house move takes place. These include, but not limited to: sign removal and replacement and signal removal and replacement. **In an effort to recoup the administrative cost and actual field work related to reviewing and inspecting these moves, a fee structure for consideration includes increasing the permit fee as follows:**

- **\$100 when no signals are involved**
- **Actual cost when signals are involved**

Crash Analysis Reports

NCDOT's Traffic Safety Section in Transportation Mobility & Safety Division receives thousands of requests/year for these. These reports do not already exist, so staff spends substantial time compiling. It is estimated that approximately 1500 of the requests come from outside entities such as law firms, media, local governments, and the general public. **In an effort to recoup the cost of preparing these reports, a fee structure for consideration includes imposing a flat fee of \$200 per crash analysis report. This fee could be waived for local governments**

Fees Not Recommended (at this time)

Section 34.17(a) 6 of S.L. 2014-100 required the Board's study to include review, engineering, or consultation regarding drainage issues, improvements, or maintenance adjacent to components of the State highway system. Imposing fees on these kinds of reviews and consultations is not practical. When a citizen has a concern or complaint about a drainage or maintenance issue on or adjacent to his/her property, it is the Department's duty to investigate without charge to determine if the Department is responsible for the cause of the problem. Furthermore, it is in the Department's best interest to identify and correct maintenance problems in order to protect and ensure the longevity of infrastructure. **Therefore, no consideration for imposing fees on reviews or consultations in response to citizen concerns is recommended at this time.**

Sponsorship Opportunities

Sponsor-A-Highway Expansion (Litter Pickup)

NCDOT currently has a successful pilot Sponsor-a-Highway Program for litter pickup. Under this program, NCDOT enters into an agreement with a service provider. The sponsor pays for the sign and for litter removal along the sponsored segment up to 13 times per year. NCDOT's responsibility is to approve the signs and specify sign locations. This pilot program started in May 2011 for 7 Divisions. NCDOT is in the process of expanding this program to all 14 Divisions. **Based on the success of the pilot, consideration includes expanding this program to include all interstate and primary roadways.**

Expand Sponsorship Program to Include Interchange Landscaping & Mowing

There are opportunities to generate sponsorship revenues to fund the maintenance of landscape plantings and grass mowing at interchanges.

In accordance with the authority provided by state and federal regulations, the Department is considering pursuing sponsorship opportunities for the generation of revenues to support mowing and landscape maintenance of interchanges.

This program could be structured similarly to the "Sponsor A Highway" litter removal program. **For this program, an interchange maintenance service provider would market the program, enter into an agreement with sponsors, and manufacture and install signs. The sponsorship revenues would be used to mow and maintain the landscape plantings at the interchange.** In addition to mowing and landscape maintenance, the local business may have interest in enhancing aesthetics of an interchange by funding the installation of landscape plantings.

Rest Area Sponsorship

Over the years, DOTs have investigated means to offset operational costs at rest areas through revenue generation utilizing commercial sales and sponsorship activities. However, these efforts have been limited due to state and federal laws that restrict commercial use of rest areas. The Federal Randolph-Sheppard Act regulates state and federal vending sales and requires state DOT's to either allow persons who are blind to conduct vending or to share proceeds of vending with the blind. In N.C, the NC Division Services for the Blind operates all rest area vending activities utilizing blind contractors. Federal regulations are very clear that commercial sales of non-food items are limited although the sale of some travel related items are allowed such as books, DVDs, and other media; tickets for events or attractions in the State of a historical or tourism-related nature; travel-related information, including maps, travel booklets, and hotel coupon booklets; and lottery ticket sales, provided that priority is afforded to blind vendors. Due to these restrictions, commercialization efforts at rest areas have not resulted in significant revenue generation in any state except for those states with toll road facilities constructed prior to 1960 or in states such as Virginia where the DOT operates the vending operations at rest areas and only partially shares revenues generated from vending with blind services entities. Sponsorship activities provide opportunities for highway agencies to pursue innovative sources for revenue generation at rest areas as the Federal Highway Administration and NC statutes do allow sponsorship activities to occur. While regulated closely, state agencies can place signs or plaques as acknowledgement of an entity's sponsorship for a service at a rest area or

along the right of way. Monetary contributions received as a part of sponsorship program must be spent for highway purposes or to support the operation of the facility. For sponsorship of rest areas, one acknowledgment sign for each direction of travel may be installed on the highway mainline. Additional acknowledgment signs may be placed within the rest area, provided that these sign legends are not visible to highway mainline traffic and do not pose safety risks to rest area users. **The Department is considering, in accordance with state and federal regulation, pursuing sponsorship opportunities for the generation of revenues to support the operation of statewide rest areas.**

Privatization

Rest Areas

Current Rest Area Privatization Efforts

The NCDOT began privatizing the operation of its rest areas facilities in 1985. Currently, 59 of the 60 rest areas are maintained by 21 janitorial and grounds maintenance contractors for a total of 69 contracts statewide. Of these contracts, 50 are Small Business Contracts, 15 are Purchase Order Contracts, and four are Community Rehabilitation Program contracts. These privatization efforts have resulted in substantial costs efficiencies for the Department. Rest area maintenance contracts are low bid projects in which the contractor typically includes only an average of 3% of the total contract bid amount for administrative, profit and overhead.

Employing an asset management firm to oversee the operation of the rest areas on a corridor or statewide basis has not always proven to be cost effective in other states that have pursued this management strategy. When assuming maintenance responsibilities, asset management firms typically hire existing contractors or current janitorial and grounds maintenance staff at rest area facilities resulting in additional administrative, profit and overhead costs that must be added to the overall cost of the operation of the facilities. **No potential changes in rest area program management strategies are provided at this time.**

Logo/TODS

These programs provide signs that provide road users with business identification and directional information for eligible motorist services and attractions. Logo signs are primarily along freeways and are for gas, food, lodging, camping, and attractions, while Tourist-Oriented Destination Signs (TODS) are along roads other than freeways and expressways in rural areas or small urban areas. Both of these are currently revenue-neutral. Currently, a business pays \$300 per sign per year to be on a logo sign and \$200 per sign per year to be on a TOD sign. In State Fiscal Year 2014, 14,438 customers participated in this program, and NCDOT collected from them \$4,331,625. Privatizing these programs as they are currently structured would likely not generate revenue, but rather may require increasing fees to cover the additional cost. Privatization would provide dedicated resources to help market the sign to local businesses. With a proper legislative change, the fees could be set to allow these programs to generate revenue above the cost to run them. Many states have taken this

approach and have developed an additional revenue source. Based on states of similar size, there is potential for \$1 million to \$3 million (or more) in revenue each year depending upon the fees charged and the structure of the program. The state could continue to manage the program as a revenue-generating one, or privatize it by selecting a statewide vendor to operate and manage the program and maintain the signs. Under a privatized scenario, NCDOT likely would not keep all the revenues. However, because the private manager would actively market the program and seek out potential customers, the State may stand to gain more by privatizing it than by managing a revenue-generating program internally. **Under consideration is the pursuit of a law change that would allow for revenue generation in the Logo and TODS programs, and to outsource the management of those programs to a private entity.**

Other Cost Avoidance/Cost Recovery Opportunities

Subdivision Bridge Inspections

When a subdivision includes a bridge, culvert, or large pipe (greater than 48 inches in diameter), the initial safety inspection must be conducted when it is accepted onto the State system. Currently, NCDOT conducts this inspection and does not charge for it. In SFY 2014, the Department inspected over 40 bridges, culverts, or large pipes on streets proposed for addition. **In order to avoid these costs, a change for consideration includes requiring the applicant to hire a private engineering firm that is prequalified with the Department to perform the initial inspection and submit it during the request for addition to the State highway system.**

Signals Required by Development

When a commercial development requires the installation or modification of a traffic signal, NCDOT reviews signal plans. NCDOT uses an existing agreement to recover exact expenses. The developer pays up front a set amount (e.g., \$5000), and at the completion of the work, any over payment is refunded, and any underpayment is remitted to the Department. This process works well and allows the Department to recover its costs. **It is recommended that the existing cost recovery process be left unchanged.**

Lease ROW for Encroachments

Georgia is currently leasing right of way for utility encroachments, and it appears successful. Georgia charges utility companies once or twice a year based on what the company has located in the DOT right of way. The price is negotiated with each utility type, and municipalities are exempt. There is potential to generate revenue by charging utility companies to use NCDOT right of way (i.e., leasing right of way). This would be a significant change from current practice and require legislative change. **The Department is considering engaging in further study that includes an evaluation of the Georgia model to evaluate whether a similar program would be a sound business case for North Carolina.**

Lease ROW for Telecommunications

Telecommunications revenue can be generated from cell site and fiber optic lease and licensing. The current demand for broadband due to smart phone technology has forced carriers to make plans to significantly upgrade infrastructure. This infrastructure can be placed on NCDOT real property and could be aggressively marketed for that purpose. The Cell Tower Deployment Act (Session Law 2013-185 HB 664) was enacted to facilitate the Deployment of Mobile Broadband and other Enhanced Wireless Communications Services by Streamlining the Process used by State Agencies and Local Governments to Approve the Placement of Wireless Facilities in their Jurisdictions. **A change for consideration is to request a legislation modification that enables marketing/commercialization of the right of way to capture a significantly greater value from the telecommunications market. This legislation could authorize the Department to collect revenue for this use and retain 100% of that revenue within the Department's budget.** An example includes South Carolina and Georgia DOT. Both have non-exclusive agreements with Verizon to place bread-box sized mini-cells on existing sign/signal poles or other DOT property. Hundreds of locations have been identified in the initial rollout with each providing approximately \$1500 in annual lease fees.

Current Cost and Potential Receipts

Under the fee structures currently in place, NCDOT brought in approximately \$3.5 million in revenue in State Fiscal Year 2014. This includes only the types of services with proposed fee revisions identified in this report. For the same services, NCDOT anticipates it might collect approximately \$8.0 million with the new fee structures in place.

Projected annual revenue under new structure:	\$11,205,770
Total 2014 revenue:	\$3,507,744
TOTAL NET INCREASE:	\$7,698,026

Proposed Process for Screening and Selection of Sponsors

Rest Areas

The Service Provider shall develop a sponsorship protocol to be approved by NCDOT upon award of the contract. The Service Provider will market and select individuals, businesses, corporations, and other organizations to sponsor individual or multiple rest area sites based on the approved sponsorship protocol. The Service Provider shall screen potential sponsors for suitability before forwarding NCDOT for approval. All

sponsor recognition signs shall be submitted to the appropriate NCDOT Engineer for approval prior to the erection of the sign at the facility.

Interchange Landscape Maintenance

The Service Provider shall develop a sponsorship protocol to be approved by NCDOT upon award of the contract for landscape maintenance of interchanges. The Service Provider will market and select individuals, businesses, corporations, and other organizations to sponsor individual or multiple interchanges based on the approved sponsorship protocol. The Service Provider shall screen potential sponsors for suitability before forwarding NCDOT for approval. All sponsor recognition signs shall be submitted to the appropriate NCDOT Engineer for approval prior to the erection of the sign on the right of way.

LOGO/TODS Program

Signing and Delineation Unit recommendation would be to award bid to bidder with the highest proposed return to the state. Revenues can be earmarked for other signing needs or deposited in general operating funds.

Mock-ups of Potential Sponsorship Signage





Administrative, Statutory, or Regulatory Changes

Type of Service	Statutory Authority	Statutory change needed?	Regulatory Authority	Regulatory change needed?
Traffic Impact Analysis	*			
Driveway Permit	G.S. 136-18(29)*	(Some changes may be beneficial, such as removing the 4000ADT " threshold, or adding more specific improvement types)	19A NCAC 02D.0421 (d)(1) 19A NCAC 02E .0417 19A NCAC 02B .0601	yes***
Encroachments	G.S. 136-18(10)*	yes**	19A NCAC 02E.0420	yes***
Subdivision Reviews and Inspections	G.S. 136-102.6*	yes**	19A NCAC 02C.0101	yes***
Residential Driveways and Driveway Pipe Installation	G.S. 136-93 *	yes**	19A NCAC 02B .0602	yes***
Surplus Right of Way Disposal, Control of Access Revision	G.S. 136-16 G.S. 136-19(a) G.S. 136-19(b) G.S. 136-89-183(4)		19A NCAC 02B.0143	yes***
Courses Offered to Private Sector	*	yes		
Selective Vegetation Removal	G.S. 136-18.7	yes	19A NCAC 02E..0608	yes***
Outdoor Advertising	G.S. 136-133(a)	yes**	19A NCAC 02E.0207	yes***
Oversize/Overweight Loads	G.S. 20-119	yes**	19A NCAC 02D.0602	yes***
House Moves	G.S. 20-119*	yes**	19A NCAC 02D .0612	yes***
Crash Analysis Reports	GS 132-6.2€	yes**		
Other Cost Avoidance/Cost Recovery Opportunities				
Subdivision Bridge Inspections	G.S. 136-102.6****		19A NCAC 02C .0202	Yes***
Signals Required by Development	No Specific Legislation--by agreement*	yes**		
Lease ROW for Encroachments	G.S. 138-18 (10)*	yes**	19A NCAC 02B.0502	yes***
Lease ROW for Telecommunications	*	yes**		

Sponsorships				
Sponsor-A-Highway Expansion (Litter Pickup)	G.S. 136-28.1 (m)*	yes**		
Expand Sponsorship Program to Include Interchange Landscaping and Mowing	Need legislation - Add to G.S. 136-28.1 ?*	yes		
Rest Area Sponsorship	136-28.1*	yes**		
Privatization				
Rest Areas	G.S. 136-28.1 (m)	no		
Logo/TODS	G.S. 136-89.56 G.S. 136-140.19	yes	19A NCAC 02E .1103	yes***
<p>*fee not specifically set by current legislation</p> <p>**statutory change needed to authorize fee</p> <p>***all regulations will need to be examined in light of statutory changes</p> <p>****No fee increase; however, seeking authority to require the petitioner to hire a prequalified PEF to inspect the bridges</p>				