

OP-ED

Driving home the coming transportation funding crisis in NC

By Jim Trogdon
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North Carolina is experiencing the effects of a nationwide transportation funding crisis.

Current estimates predict a \$3.7 billion annual shortfall in the state's transportation revenue during the next 25 years, revenue that will be vital to ensure safe travel on our roads and bridges, support our anticipated population growth and meet the mobility demands of our state's economy. Failing to address this shortfall will result in less job growth, a less competitive business climate, more potholes, more structurally deficient bridges, inefficient movement of freight and commerce and a decline in quality of life.

In 2013, the N.C. General Assembly passed the Strategic Transportation Investments law, which focused on improving the efficiency of the existing Highway Trust Fund. The new formula replaced the 1989 Equity Formula with a competitive project selection and evaluation process that is collaborative and transparent.

During the next 10 years, the N.C. Department of Transportation anticipates scheduling 478 highway projects, which will create 300,000 jobs, compared with 175 highway projects and 174,000 jobs under the previous law. The N.C. Chamber of Commerce reports that for every \$1 billion in additional transportation investment in our state, we will generate 14,300 jobs, \$10.3 billion in additional wages and \$10.8 billion in additional gross state product annually.

This transition was necessary to improve the efficiency of the selection and delivery of capital projects that provide the greatest travel time savings at the lowest cost to our economy. However, this does not address our existing heavy dependence on the declining and unstable revenue sources that are motor fuels taxes.

Federal and state motor fuel taxes have been the primary funding mechanism for surface transportation since 1921; they provide 70 percent of transportation revenue to our state. Over the last six years, revenues generated from state and motor fuels taxes have declined dramatically due to the economy and changing driving habits; these revenues will continue to decline due to increased fuel efficiency.

This increased fuel efficiency will result in a \$200 million per year revenue drop beginning in fiscal year 2016-17 and will progressively accelerate. The state must immediately re-balance its existing funding sources and actively seek alternative funding sources for the future.

- Eliminate all agency transfers from the Highway Fund and Highway Trust Fund to rebuild trust that taxpayers' dollars raised for transportation projects and system maintenance will go for those purposes only. This would generate another \$255 million annually in transportation dollars.
- Reduce the state motor fuel tax rate and offset it with revenue neutral increases in the highway use tax and DMV fees in 2015, which will mitigate the impact of increased fuel efficiency and balance the transportation revenues by reducing the 70 percent dependency on motor fuels taxes.
- Expand revenue enhancing options to allow for local communities and regions to participate in funding projects so that those determined to be most critical can be accelerated.
- Consider new revenue sources to support transportation bonding and debt service, including a statewide sales tax increase, vehicle miles traveled fees or system-wide tolling programs. These options can be evaluated on their merits, their impacts to the economy and their ability to provide dedicated revenues that would support responsible transportation infrastructure bonds and further reduce our dependence on motor fuels taxes.

It is imperative that our state's infrastructure be robust, sustainable and conducive to economic development for the state to attract businesses and ensure public safety. If North Carolina fails to address its short-term and long-term transportation infrastructure needs, we will be at a competitive disadvantage.

Competing states are not waiting for North Carolina to finalize studies, recommendations or processes but are making choices and moving forward.

North Carolina can't afford to wait. Decisive action is needed now: The need is clear and the benefits certain.

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