

spotlight

No. 385 – April 6, 2010

DISTRIBUTING TRANSPORTATION FUNDS

N.C. needs a better project selection system to make better use of scarce resources

KEY FACTS: • North Carolina has the largest state-owned road system, but only the 9th largest road budget.

• Since 2002, North Carolina's interstates are smoother, roads are safer, and traffic congestion is improved.

• North Carolina citizens lose \$5.7 billion annually in lost time, lost fuel, and vehicle repairs owing to poor roads.

• Relieving road congestion could add \$850 million a year for the North Carolina economy.

• Shifting funds from the 50 least cost-effective building projects to maintenance could add \$2.5 billion for maintenance.

• The state has little room to increase taxes to gain new highway money.

• The Department of Transportation can manage projects better, stop spending highway dollars on non-pavement purposes, and use alternative financing methods.

• The state should allocate road money based on projects, not geography, which can be done within the legislatively created regions or across regions.

• Even within the current funding structure, it is possible to improve highways with judicious decisions based on project merits.

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the Joint Transportation Oversight Committee of the North Carolina General Assembly is holding hearings regarding the state's processes for distributing highway funds.

This *Spotlight* report argues that the central issue to the highway funding formula is *not* fundamentally a question of where or how to find new money, but rather how to select road projects that best meet the needs of the state. Changes in funding formulas are probably warranted (this report will suggest several) but short of that, great progress can be made in meeting North

Carolina’s road needs by applying the current formulas judiciously and selecting projects by merit.

System Status

North Carolina has the nation’s largest state-administered road system (over 80,000 miles). Unlike most states, N.C. has no county-owned road system, relying on municipalities for management of urban roads and the state for intra-urban roads.

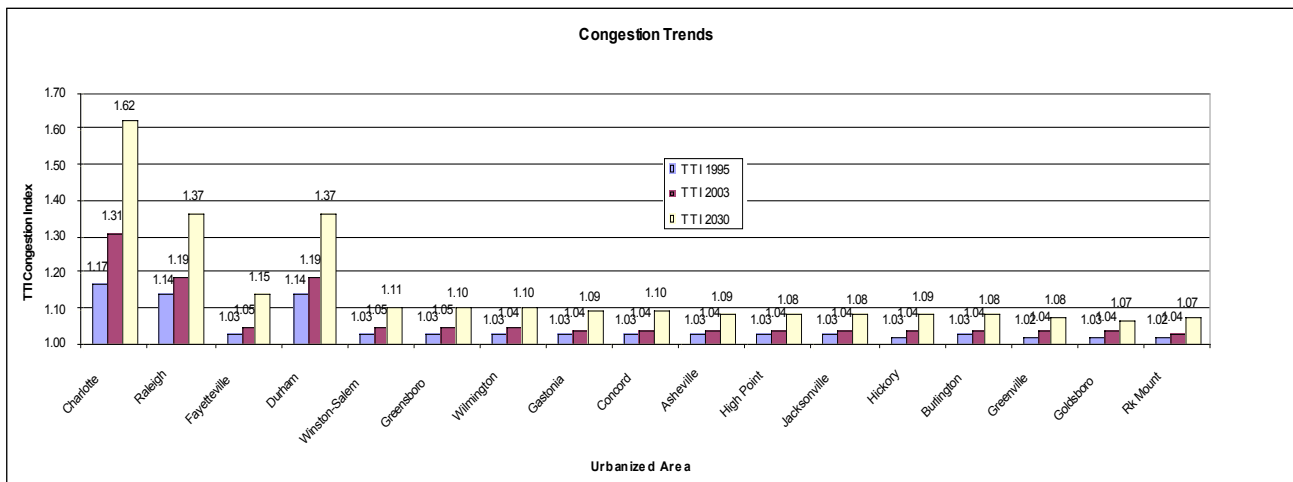
Although much has been written about North Carolina’s road conditions and road needs recently, much of it negative, it may come as a surprise that by independent accounts the state’s road system has been improving since the early 2000s, after years of decline in national ratings. The Reason Foundation, a Los Angeles good-government think tank, publishes the only independent, comprehensive, long-term comparison of road conditions in the 50 states. This 19-year series, which originated here in North Carolina and which the John Locke Foundation sponsored for a number of years, shows that, after many years of decline, North Carolina is now making improvements.¹ Table 1 shows the basic data. The key points:

- North Carolina has the largest state-owned road system, but only the 9th largest road budget.
- Road funding in N.C. has increased almost 20 percent since 2002; however, the state has decreased its attention to maintenance relative other needs. This change in focus hurts the state’s road system in the long term.
- On a per-mile basis, N.C. is at the bottom three to five states in road funding, which means the state must stretch its road dollars further than most states.

Table 1: Trends in North Carolina’s Road Performance

Statistic	2002 (Rank)	2008 (Rank)
State-Owned Miles	79,265 (2nd)	80,214 (1st)
Total Budget, \$B	\$2.865 (10th)	\$ 3.425 (9th)
Capital/Bridge Expenditures, per Mile	\$22,800 (3rd)	\$ 25,900 (5th)
Maintenance Expenditures, per Mile	\$7,200 (4th)	8,400 (4th)
Rural Interstate, Percent Poor Condition	7.7 (44th)	1.7 (35th)
Urban Interstate, Percent Poor Condition	10.6 (42nd)	2.1 (24th)
Rural Other Princ Art, Percent Poor	1.7 (45th)	0.4 (27th)
Urban Interstate, Percent Congested	74.9 (47th)	60.9 (42nd)
Bridges, Percent Deficient	31.2 (37th)	30.4 (41st)
Fatal Accident Rate, per 100 mil miles	1.70 (30th)	1.41 (34th)
Rural Other Princ Art, Pct Narrow Lanes	12.7 (33rd)	21.2 (41st)
Overall Rating	36th	21st

Figure 1. Congestion Trends for North Carolina²



- By most measures, N.C. has improved its road system, both relatively and absolutely since 2002. North Carolina’s interstates are smoother, roads are safer, and traffic congestion is improved. The state has even made progress in bridge repairs.

In achieving those improvements, some major projects are either not getting funded or being delayed. This delay especially has raised the focus of major project funding and equity formulas.

Major Challenges Ahead

- *Improving the state’s economic health.* North Carolina is in dire economic straits, as unemployment approaches 13 percent in several regions. The state’s historically superior transportation access has helped attract and hold employers. Rather than being a luxury, N.C.’s road system is one key to economic recovery through greater efficiency from a better system as well as through the jobs needed to make transportation improvements.

- *Dealing with traffic growth and congestion.* Most of the coming growth in traffic will be on the interstate system and in the suburbs of metropolitan regions. Increasing congestion slows travel times and increases delays, both creating drags on the state’s economic recovery. Funds for transit service will have no significant effect on urban access.

These two challenges are related: without good, smooth highway access, N.C.’s economy will falter. As Table 2 shows, the effect of removing major congestion from the state’s regions would be about \$850 million annually.

That estimate may be very low. A recent study³ of North Carolina’s road system estimated that N.C. citizens waste \$5.7 billion annually in lost time, lost fuel, and vehicle repairs owing to poor roads.

- *Improving pavement condition on the lower systems.* The improved performance of the upper-level road systems suggested by Table 1 belies the worsening condition of many secondary roads. Most reviews of the lower road systems show them to be in worse shape than the higher systems.⁴ Basically, the state is one ‘Hurricane Floyd’ away from a major deterioration of secondary roads. Increasing truck traffic will damage pavement more, proportionally, than cars.

- *Balancing “expansion” and “maintenance.”* The state’s large system requires extensive maintenance, which increases as it ages. As the state’s maintenance needs increase, its limited funds will require hard choices.

- *Improving bridges, the Achilles’ heel of North Carolina’s system.* Despite over 30 percent of N.C. bridges being rated deficient, with one out of seven with structural deficiencies,⁵ there are no serious plans to fund these needs, even for large major bridges that are aging, such as the I-85 crossing of the Yadkin River. If one major bridge were to fail, as recently happened in Minneapolis, the impact on the state’s economy would be catastrophic.

- *Maneuvering with limited options for more funding.* North Carolina’s \$0.30/gallon gasoline tax is the sixth highest in the nation and the highest in the Southeast. As vehicles’ fuel efficiency increases, highway fund revenues will slow even as travel increases. Toll roads could cover some limited needs, but most toll road proposals are not viable with current traffic volumes, and tolls generally cannot be used for other roads, limiting their potential statewide to probably less than three percent of revenues. Periodic federal infusions such as from the stimulus package have added

Table 2. Economic Impact of Congestion Relief in North Carolina Regions

<i>Region</i>	<i>Total Economic Impact, 2005 (\$ millions)</i>	<i>Total Impact As % of Gross Regional Product</i>
Charlotte Region	\$484.464	0.80
Raleigh-Durham	278.506	0.59
Triad-Burlington	44.088	0.10
Fayetteville	18.814	0.18
Wilmington	11.759	0.19
Asheville	5.710	0.09
Coastal Plain	5.609	0.07
Hickory	3.791	0.06
Jacksonville	1.916	0.04
Total	\$854.658	

Table 3. North Carolina Highway Funding Distribution Formulas

<i>Program</i>	<i>Distributed To</i>	<i>Basis of Distribution</i>	<i>Formula Proportion</i>	<i>Variables Used for Distribution</i>
1. STIP, Intrastate (and “Moving Ahead,” but excluding Loops)	7 Distribution Regions	1st 90 Percent of Intrastate System Completion	25% 50% 25%	Miles to complete Intrastate Population 1/7th each
		Last 10 Percent	66 % 34%	Population 1/7th each
2. Urban Loops	Named Routes	Discretionary	100%	Project Status
3. Primary: Maintenance	14 DOT Divisions		100%	Lane-miles
4. Secondary: Construction	100 Counties	First \$68.67 million annually	100%	Unpaved secondary miles
		Remainder	100%	Unpaved sec miles > 50 ADT
5. Highway Bonds, 1996	100 Counties	All	100%	Unpaved sec miles > 50 ADT
6. Secondary: Maintenance	100 Counties	All	90%	Paved miles
			10%	Population
7. Urban Maintenance	14 DOT Divisions	All	50%	Urban Lane-miles
			50%	Population
8. Contract Resurfacing	14 DOT Divisions	All	50%	Pavement needs
			37.5%	Lane-miles
			12.5%	Population
	100 Counties	All	50% 37.5% 12.5%	Co-pavement needs Secondary paved miles Co-population

some funds, about \$735 million, but they essentially replace declines in fuel revenues and are unlikely to be continued. Increases in other federal funds are unlikely, special earmarks are becoming far less likely, and competition for federal money is fierce. Vehicle miles traveled (VMT) taxes may not yet be viable, and they are merely a substitute for fuel taxes.

- *Facing an antiquated fund allocation.* For major fund categories (STIP and Loop), funds are allocated not by need but by geography, based on the circumstances of the state when the program was established in 1989. Now it fosters a perceived “rural” bias that twists project selection and leads to public skepticism.

Funding formulas

North Carolina allocates funds to subregions of the state in a variety of ways. There are actually eight major funding programs, several with multiple formulas, described in Table 3.

Most of those formulas allocate funds according to system length or population. Only one (No. 8, Contract Resurfacing) allocates funds on the basis of needs. Because most major projects are funded from the first two categories, most attention centers on the formulas for the State Transportation Improvement Program (STIP) and the Loop fund.

Federal law stipulates that, in order for highway projects to receive federal funding, they must be on the approved STIP, a biennial list of projects the state intends to implement over the next five to seven years. The STIP is approved by the Board of Transportation, but within metropolitan regions (17 urbanized areas with populations of over 50,000),

Metropolitan Planning Organizations play a key role in recommending projects for their local TIPs.

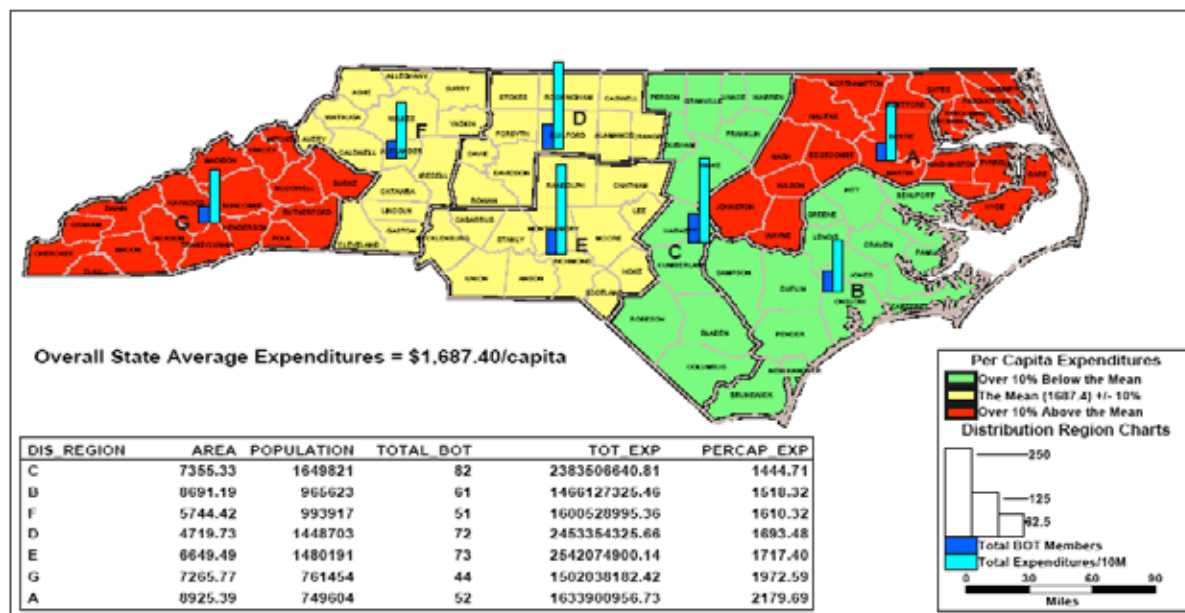
In 1989 North Carolina established an Infrastructure Program to bring four-lane roads to within 10 miles of 90 percent of the state's population and pave 20,000 miles of (then) unpaved rural roads. Originally funded at about \$13 billion, the program was expanded in the mid-1990s to fund "Loop" roads around urban areas.

For the major programs (STIP and Intrastate), funds are distributed geographically using population, miles to complete the Intrastate System, and equally by distribution region (about 76 percent of the 3,000-Intrastate System is complete or fully funded). *Needs-based data such as congestion, condition, accident rates, traffic, or other measures of need are not used in funding allocations.* For the Loop fund, the distribution is discretionary based on the status of each loop.

Therefore, it is not surprising that almost two-thirds of the highway expenditures fund allocations are not allocated by population (per capita). This is true regardless of the geography: distribution region, DOT division, or county. JLF's analysis of the differences in distributions, conducted in 2004,⁶ found that the disparity in funding, per capita, between distribution regions, was about 2-to-1, as indicated in the following figure.

Figure 2. North Carolina (TIP + Loop) Expenditures (1990-2003)

DOT Distribution Region Per Capita Expenditures vs. Board Membership by Year (1985-2004) and Total Expenditures (1990-2003)

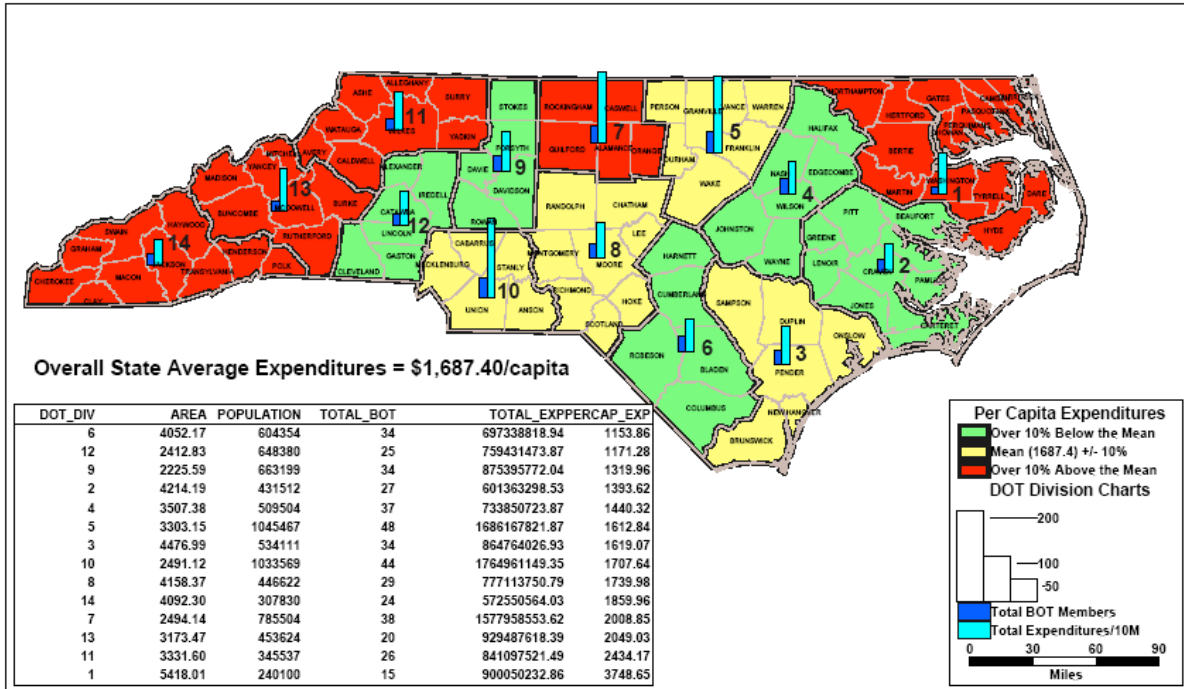


Cartography by Greg Fields, 5-13-04

Funding distributions by the 14 DOT divisions show an even wider disparity, however. On a per-capita basis, the highest division allocation is over two times larger than the lowest division (see Figure 3, following page).

Figure 3. North Carolina (TIP + Loop) Expenditures (1990-2003)

Division Per Capita Expenditures vs. Board Membership by Year (1985-2004) and Total Expenditures (1990-2003)

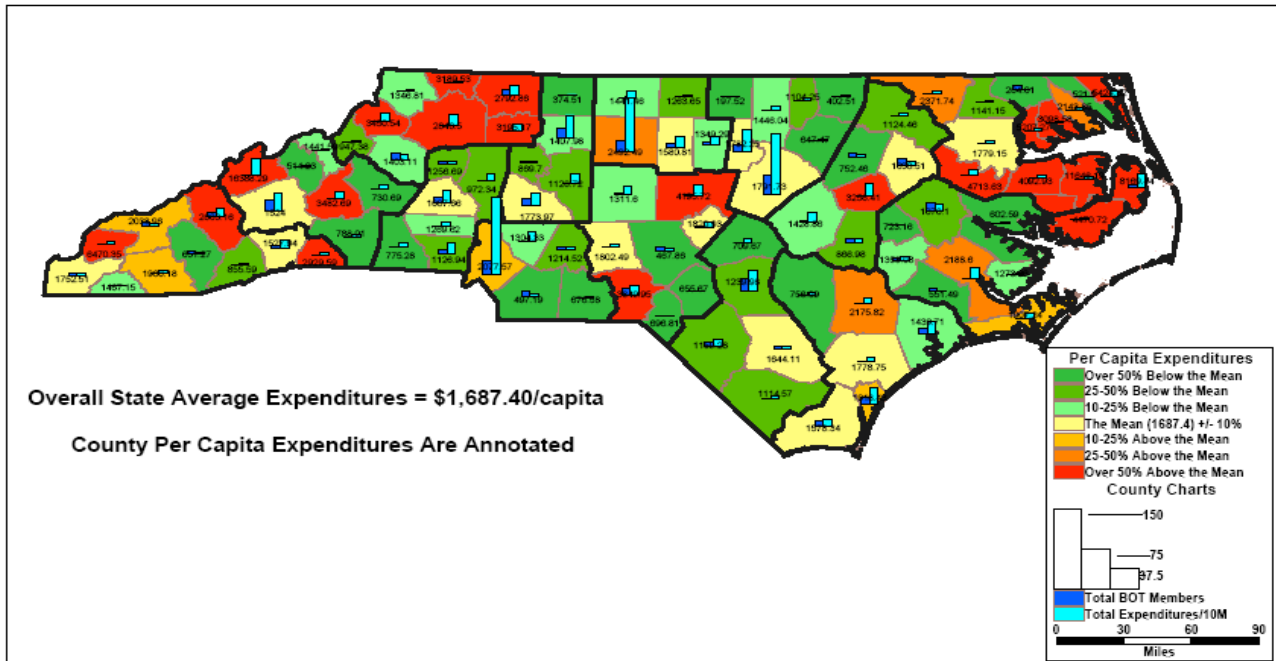


Cartography by Greg Fields, 5-19-04

On a *county* basis, the disparities are even more striking. For the period of 1990-2003, the highest per-capita allocation was for Madison County (\$16,388), while the lowest was for Person County (\$197).

Figure 4. North Carolina (TIP + Loop) Expenditures (1990-2003)

County Per Capita Expenditures vs. Board Membership by Year (1985-2004) and Total Expenditures (1990-2003)

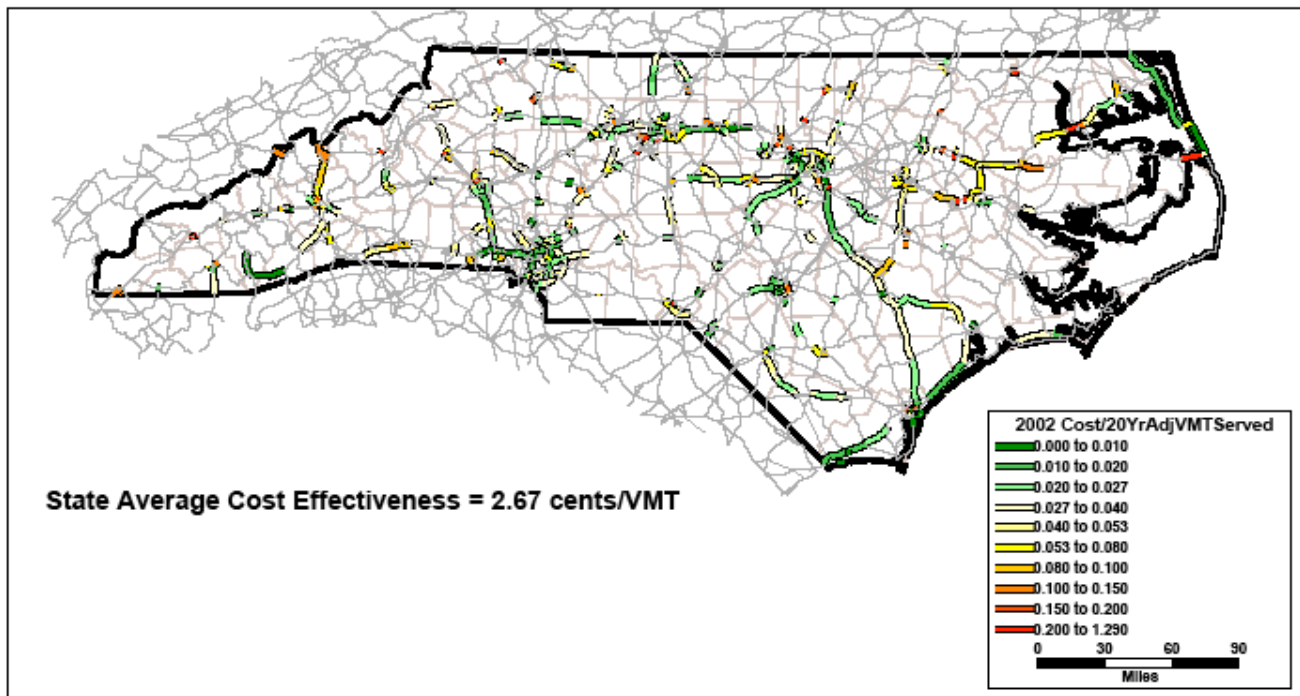


Cartography by Greg Fields, 5-19-04

Figure 5. North Carolina Highway Projects (1990-2003)

(349 Projects — 750 Sections)

Cost Effectiveness in 2002 Dollars



Although the counties with the highest per-capita allocations tend to be in the state's eastern and far western areas, those areas also have a number of low per-capita allocation counties as well. Conversely, the counties with the lowest per-capita allocations tend to be larger metropolitan counties in the Piedmont, but many are also scattered though the east and west. Of course, they are not the only highway funds allocated to counties, but they are the largest allocation for most counties.

How do the funding formulas affect project selection?

The use of the present STIP and Loop selection processes affects project selection in a number of ways.

- *Constrains major projects.* The DOT regularly applies the STIP formula to geographies *below* that specified in the law. But application of the STIP formula *below* the distribution region district (i.e., to the DOT district or county) artificially constrains the selection of major projects. Since the smaller geographies lack the annual (or even cumulative) “formula allocations” necessary to fund large projects, those projects are delayed. A good example is Cabarrus County, which, if it had to fund the widening of I-85, would need upwards of \$300 million, many times more than its annual county formula allocation. Even large counties such as Mecklenburg have trouble funding major projects, such as completion of I-485, the Charlotte Loop. This difficulty results in the use of unconventional funding means — or blatant pressure to use federal earmarks or other funds — to move otherwise worthy projects forward.

- *Limits comparisons.* Funding allocations do not depend on project data, and so projects are not compared head-to-head even within regions, let alone among regions. The result is that less-worthy projects get funded in some regions, and good projects go unfunded in others. That results in a hodgepodge of project justifications around the state, increasing public skepticism.

Table 4. Potential Savings from Cost-Ineffective Projects, 1990-2003

<i>Project Type and Description</i>	<i>Number of Sections</i>	<i>Sections with Cost-Effectiveness Over 8.0 Cents/Vehicle-Mile</i>	<i>Total Cost (\$ millions)</i>	<i>Cost of Sections with C/E > 8.0</i>	<i>Percent of Program</i>
10. Climbing Lanes	4	0	9.9	0	0
6. Widen Freeway 4 to 6 lanes	39	0	340.02	0	0
4. Widen Freeway 4 to 8 lanes	26	0	533.42	0	0
9. One-Way Pairs	2	0	4.20	0	0
2. Widen Urban Arterial	209	17	948.77	84.76	8.9
5. Widen Rural Arterial	165	12	1566.62	218.74	13.9
3. New 4+Lane Freeway	161	42	3052.85	679.74	22.2
11. New 4-Lane Arterial	91	18	600.47	155.1	25.8
1. New 2-Lane Arterial	33	11	180.21	60.83	33.8
7. New Exits	20	14	99.87	69.40	69.4
Total/Average	750	114	\$7336.34	\$ 1268.6	18.1

- *Pays less attention to higher systems.* Delays for major projects result in less attention given to the major road systems, particularly the Interstate and primary system, leaving unaddressed many important problems, such as congestion relief and economic access.

- *Gives appearance of favoritism.* The use of no specific measures for Loop selection increases the appearance of favoritism. The recent funding of the Fayetteville Loop — over several other loops with clearly superior measures of performance — increases public skepticism.

- *Lets local pressures dominate project selection.* Since projects are not compared head-to-head, projects are selected only within small areas, and primarily at the county level. This effect limits project selection to local assessment, not necessarily the ‘best’ projects from a statewide perspective.

- *Encourages logrolling.* Since funds are allocated not by project or by district, individual board members are left to understand the details of their own projects, but not of projects in other districts. As a result, board members rely on their colleagues for the content of the STIP within each distribution region. This reliance encourages logrolling (joint approval of entire programs). Indeed, in the last decade, only a handful of the thousands of individual board members’ votes cast for STIP projects have ever been negative.

This assessment should not, however, be misconstrued to mean that all projects now being funded are unworthy. There are good projects, and bad project, all over the state. The map in Figure 5 (preceding page) shows how 346 major projects funded from 1990 to 2003 rate on a simple measure of worthiness, cost per vehicle-mile served.

This study also found that projects costing more than 8 cents per vehicle-mile served (about 3 times the statewide average of 2.7 cents per vehicle-mile served) were concentrated in just a few types of projects, primarily new freeway exits and new arterials. As Table 4 shows, if the most costly 15 percent of major projects were deleted, the state would save about 18 percent of its highway capital program annually.

So the imposition of a cost-effectiveness criterion of about three times the state average (i.e., projects costing more than 8 cents per vehicle-mile would not be funded) would have resulted in less than 18 percent of the “major projects” being deleted had such a policy been in place. Those savings would have occurred throughout the state, and no region of the state would have been unfairly singled out for deletion of projects.

Recent Actions

Some (but not all) of these problems have been recently addressed.

- *Moving Ahead.* In 2003, the General Assembly addressed the short-term problem of declining funds for repairs and maintenance by authorizing a diversion of funds from the state's highway capital program. The program, called "Moving Ahead," authorized the diversion of \$630 million (\$270 million in FY 2003-04 and \$360 million in FY 2004-05) from the "cash balance of the Highway Trust Fund" for maintenance and repairs to be allocated using the current TIP equity distribution formula. (An additional \$70 million was allocated for transit.)

While the program addressed short-term highway repair needs, it did not address the structural or geographic imbalances in the program, nor did it provide for longer-term solutions to funding.

Furthermore, the recent action expanded the diversion of highway funds to transit and other non-highway needs. This diversion, about \$200 million annually, puts additional stress on the highway funds.

- *Commisison on Highway Needs.* The legislation also established a commission to review highway urban needs, which found that the state was short about \$65 billion to meet projected needs. The recent TRIP report refers to this estimate as the basis of its needs assessment.

- *New funding methods.* In the period of 2003-08, the state began to experiment with other innovative funding methods, particularly toll roads and Grant Anticipation Revenue Vehicles (GARVEE bonds). Several toll roads have been approved for implementation.

- *Local-option sales tax increases.* In 2009, the legislature authorized counties to raise local sales taxes by either one-quarter or one-half cent to fund expanded transit operations. So far, no counties have implemented that provision.

- *Commisison on Fund Distributions.* In 2009, Gov. Bev Perdue established another commission to review formula allocations. The governor also began shifting DOTs project selection process to a more numerical basis and limiting Board of Transportation members' powers to select individual projects.

- *Other financing methods.* Also in 2009, the DOT developed an innovative "design-build-finance" method for financing I-485 in Charlotte. This method essentially transfers a portion of costs to highway contractors. State leaders have also made several proposals for local and state mileage taxes as well as proposed tolls to fund the widening of I-95 through the state.

All these actions have helped the state's transportation problems, but they have not fundamentally change it. Problems of fund magnitude and distribution remain, worsening as the state's economy founders.

Recommendations

This report respectfully offers the following suggestions for addressing the funding-formula issues:

Recommendation 1: Live with less; refocus the Highway Program on maintenance

The events of the past several years have sharpened the state's realization that *the highway program must be refocused on stewardship rather than ribbon-cutting*. Improving and then maintaining system condition must be the first priority, not the last.

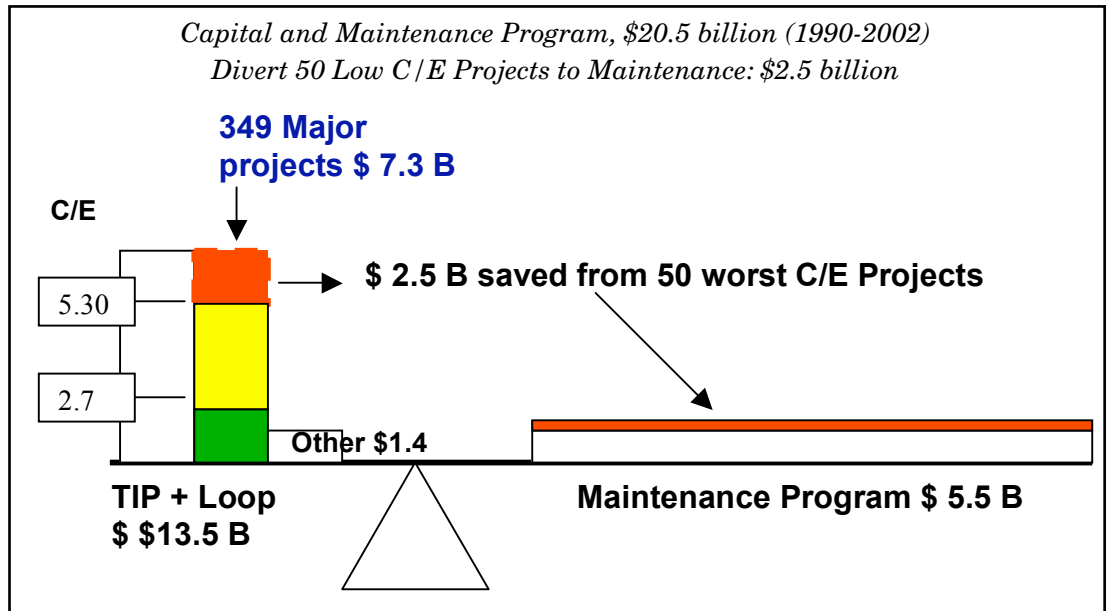
Refocusing will not be easy, however. Local and state officials understandably focus on major projects such as new facilities and widenings, and many of those needs are real. The availability of federal funds for major projects but not maintenance increases the tendency to "over-capitalize," and perhaps to "early-capitalize." Also, highway maintenance

funds must compete with other needs, not only within transportation but also in other spheres. Yet it is also clear the state must deal effectively with its highway maintenance needs.

Instead, North Carolina should get its additional maintenance funding from shifts in priorities. Figure 6 summarizes this strategy; it suggests that the maintenance program could have been increased about 40 percent by deferring or deleting the fund-

ing of highly ineffective major highway projects. This shift would have amounted to about 9 percent of the state's capital funding. In the following section this report outlines the procedure for selecting the worthiest projects.

Figure 6. Strategy for Funding System Maintenance



Recommendation 2: Be very cautious about the need for additional revenue

It is tempting to suggest that additional funds for highway maintenance should come from additional user taxes or something similar. Such a policy seems unwise. North Carolina already has one of the highest fuel taxes in the region; further increases would hurt consumers and businesses and encourage border diversion and skip-over or avoidance by tourists, just at the time that national prices have risen rapidly. *The bottom line is that it is unlikely that more money will be forthcoming for the foreseeable future.*

If, however, additional revenues are still needed – *after* other options, including deleting ineffective projects, have been fully implemented – then Table 5 (following page) suggests how they might be raised. None of the options discussed in Table 5 are pleasant. On balance, however, a five-cent incremental tax on commercial truck fuel, with an exemption for pick-ups, would be the fairest method of raising modest funds (again, if *after* other options, including deleting ineffective projects, have been fully implemented but additional revenues are still needed). None of the surrounding states, however, had diesel differential on fuel taxes (except Tennessee, which has a three-cent diesel advantage, 17 cents vs. 20 cents).

Recommendation 3: Manage the STIP closely

- *Constrain the STIP to needed and affordable projects.* Several prior reviews of the highway program in recent years have concluded that the state's TIP is too optimistic, is over-programmed, and understates future costs. Recent changes in federal rules have mandated that STIP projects be estimated for the "year of expenditure," not current dollars; this change would increase costs further. A policy of underestimating costs leads to inevitable funding delays and dashed local hopes as construction prices rise and funds tighten. The TIP should be a balanced document that is only slightly over-programmed, accounting both for likely increases in project costs and revenue flows but also for project delays.

Table 5. Potential Revenues from Major NC Transportation Sources*(If additional revenues are still needed after implementing other options fully, including deleting ineffective projects)*

<i>Tax Basis</i>	<i>Additional Rate</i>	<i>Amount Raised</i>	<i>Percent of Program</i>
Gasoline	1 cent	\$45.7 million (m)	1.24%
2008: 4.568 BG	2 cents	\$91.4 m	2.47%
	5 cents	\$228.4 m	6.18%
Diesel:	1 cent	\$9.75 m	0.26%
2008: 974 MG	2 cents	\$19.50 m	0.53%
	5 cents	\$48.7 m	1.32%
Sales Tax on Fuel	¼ percent	\$39.3 m	1.06%
(\$3.00 and \$2.80/gal)	½ percent	\$78.6 m	2.13%
	1 percent	\$157.2 m	4.25%
VMT Tax	0.1 cent/mile (\$ 15/year)	\$100.2 m	2.72%
2008: 100.2 B	0.2 cents/mile	\$200.4 m	5.43%
	0.5 cents/mile	\$501.0 m	13.56%
Registration Fee	\$5/vehicle	\$30.1 m	0.82%
2008: 6.03 m	\$10/vehicle	\$60.2 m	1.64%

- *Review all highway fund diversions and non-pavement expenditures.* An additional potential source of “revenue” is the return of diverted funds back to the highway program. Over the past two decades, 25 to 27 percent of state highway funds, on average, have been diverted. Also, a declining share of the funds spent on highways actually gets to the pavement as more revenues go into planning and other pre-construction activities. This report recommends a thorough review of each of those diversions — the time has come when state leaders must set priorities between the diversions and highway needs. If those activities are really important, then they should be funded from other revenue sources rather than scarce highway dollars.

- *Use innovative financing.* North Carolina should implement innovative ways of financing its transportation systems and in reducing its public costs. The State has recently moved to permit toll roads in selected situations, but more needs to be done. In the last several years, many states, including South Carolina, have developed State Infrastructure Banks to assist local governments in road financing (thereby reducing the pressure on state funds) and used GARVEE and TIFIA bonds (of the Transportation Infrastructure Finance and Innovation Act program) to finance major projects. Those approaches cannot solve the funding or distribution problems, but they do have their place and should be further explored.

Recommendation 4: Select projects better

Project selection is the most critical of actions, but it is the least discussed and recognized. The present funding distributions, with their structure based on geography, waste both money and public trust.

Remove geography from funding allocations and replace it with formulas that evaluate projects rather than regions. Replace the STIP and Loop formulas with a new funding program for state highways that would be structured into three tiers:

Tier 1: Interstate and Primary (or perhaps National Highway System)

Tier 2: Other state-numbered highways

Tier 3: Other state-owned roads (generally lower level roads)

Tier 1: Interstate and Primary. For the higher road system (Interstate and Primary), direct DOT to compare projects head-to-head across the state, using objective data relating to cost effectiveness, and recommend the program, which would then be voted on *en masse* by the Board of Transportation (i.e., not voting on individual projects). Criteria for project selection and recommended weights would be:

- Total savings in travel time delay (reduced congestion delay), weighted by regional values of time (30%)
- Savings in reliability (20%)
- Savings in operating costs (10%)
- Savings in accident costs (10%)
- Pavement condition (lane-miles in poor condition), (10%)
- Increases in jobs directly tied to project (after construction) (10%)
- Improvement in regional accessibility (5%)
- Reduction in air pollution directly attributable to the project. (5%)

Other potential measures of congestion include:

- Total congestion-related delay, hours per day
- Percent of regional VMT in ‘congestion delay’ (this is the federal statistic)
- Percent of Urban freeway and arterial mileage operating at a peak-hour Level of Service C or worse.

Each of those measures is available, or can be developed, for individual projects and for counties, districts, or distribution regions.

South Carolina has recently conducted a project-by-project evaluation of all projects on its STIP, with an eye to selection according to specific criteria. South Carolina’s program, termed Measure One, was directed by the state legislature.

Tier 2: Other state-numbered highways. For other major state-numbered highways, allocate funds to the 14 DOT districts based on road mileage, population, and a measure of congestion. Further, within each region, require DOT to evaluate and select programs using objective criteria, similar to above. The Board would also approve the full program, not individual projects.

Tier 3: Other roads. For the lower road systems, use some of the current formulas (allocate to DOT districts or counties), but modify each to include some measure of need (mileage, condition, traffic).

Recommendation 5: Restructure the Board of Transportation

The above recommendations would have the effect of making the DOT, not the Board, responsible for program development, but make the process open and objective, based on verifiable data.

The Board of Transportation should be restructured so that its primary responsibility would be setting policy, and it should also have significantly fewer members. About half the states have no board of transportation, and the others generally have smaller boards than North Carolina’s, between three and eight members. The Board of Transportation in North Carolina is second only to Pennsylvania’s in size.

Appoint Board of Transportation members who are knowledgeable in transportation issues. Specifically prohibit Board members from engaging in political fund-raising. Charge the Board with setting the state’s vision for transportation, not approving projects.

Recommendation 6: Apply formulas only at the legislated geography

If the present formulas cannot be revised, for whatever reason, then as a fall-back position *use the current formulas, but prohibit DOT from using a formula at a level below the legislatively directed level.* This reform could probably be done by Executive Order, since it does not require a change in the law.

Direct that, within each formula funding geography (e.g., distribution region), DOT prioritize and select projects according to worthiness, using a variety of objective and open criteria, such as those identified above. Publish the assessments and results. This reform could also probably be done by Executive Order.

Conclusion

North Carolina has the nation's largest state-owned road system, which is the backbone of the state's economy, providing access to jobs, schools, hospitals, airports and recreation. Without an excellent transportation system, the state's economic progress will be hampered and recovery stalled.

Over the years, however, state leaders have frittered away the quality of this critical asset by not attending to its maintenance and upkeep. For years North Carolina was known as the Good Roads State, but now that system is in danger of collapse. Although progress on the roads has been made recently, major projects have still been delayed by a lack of funds and an injudicious allocation of existing funds. The system is under stress while the state funds cost-ineffective improvements.

This situation cannot continue. A good transportation systems is critical to North Carolina's economy and must provide reasonable and reliable access for all citizens everywhere. The state should act now — not later — to reverse this emerging problem. More money is not the only issue, nor even the most important issue. The key is to spend what the state already has more wisely, delaying or deleting funding for the most cost-ineffective actions and moving that money into maintenance needs. By taking the actions suggested in this *Spotlight*, the State could head off a significantly more serious problem in the future.

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End Notes

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