

2017 BRIDGE TO A STRONGER FUTURE



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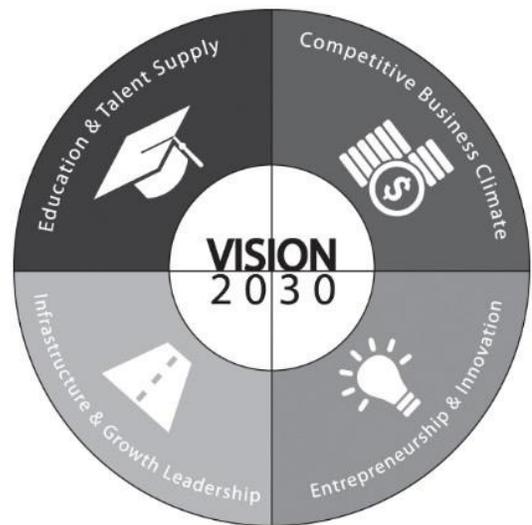
Aggressively advocate for an effective and efficient transportation system that ensures North Carolina's continued growth and economic prosperity.

NORTH CAROLINA VISION 2030

North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina's Future, coordinated by the N.C. Chamber Foundation – is a forward-thinking plan that provides focused economic growth strategies to drive real economic recovery and create good jobs for North Carolinians.

As the North Carolina Chamber fights for pro-jobs legislation at the state capital, our team uses North Carolina Vision 2030 as a lens to ensure each bill is based around strengthening the Four Pillars of a Secure Future:

- Education and talent supply
- Competitive business climate
- Entrepreneurship and innovation
- Infrastructure and growth leadership



There are currently more than 10 million people living in North Carolina. By 2030, the population is expected to grow to 12 million, making North Carolina the seventh most populated state in the nation. The North Carolina business community widely recognizes the inextricable link between infrastructure and North Carolina's ability to compete for job growth and economic development. Sufficient physical infrastructure, including transportation, water and sewer, energy and broadband, to meet future demand is required for good jobs and a secure future.

This document examines the transportation challenges facing our state as North Carolina's population grows and focuses on strategic goals to improve and advance North Carolina's transportation infrastructure in order to compete for jobs, nationally and globally.

PRINCIPLES

The North Carolina Chamber believes transportation is business. The rate and efficiency at which goods move is critical to meeting the current and growing demands of a dynamic state economy and ensuring that North Carolina is not only competitive with its neighbors but also in the global marketplace. Therefore, the state must develop and implement sustainable, long-term solutions to meet current transportation and infrastructure needs, as well as those that will come with the projected business and population growth. Failure to address these critical components will have a detrimental and long-lasting impact on the state's economy and its ability to retain current investments and attract new jobs, investments and expansions.

Businesses make capital investments based upon the state's ability to execute its transportation improvement plan. That plan must provide certainty and consistency around execution before companies will invest new money in the state or expand existing business lines. Not only is identifying and prioritizing the critical elements of a transportation infrastructure plan important, but the ability to maintain, build, execute and, most importantly, fund that plan is paramount. Employees, employers, school systems, emergency responders and others rely on a transportation system that flows well and allows them to find their destinations quickly and safely.

Continuing to set the conditions for growth and job creation in North Carolina should be a top priority and transportation policy is a fundamental building block to that overall success. A robust transportation infrastructure network consisting of highways, railways, airports and seaports, as well as alternative transportation solutions will increase our market opportunities and improve economic performance, bringing a positive return on the state's investment for all North Carolinians.

We believe that transportation infrastructure investment is a core governmental responsibility. The linkage of economic growth, safety and quality of life improvements to investments in transportation infrastructure is undeniable.

PRIORITIES

In the 2015 legislative session, gains were made with additional transportation funding. However, maintaining North Carolina's roads, bridges, seaports, airports and adding new transportation assets, is costly. The state has identified more needs than available transportation dollars. Through countless studies and new prioritization, this fact is indisputable.

Priority must be placed on maintenance and construction of surface road and highway infrastructure, continued maintenance and directed improvements to the N.C. Ports System, along with freight rail optimization and airport infrastructure investment to meet global demand. All modes of transportation, including those tied to the movement of people, are important for the long-term development and growth of the state. On behalf of the statewide business community, we work to ensure elected officials are good stewards of the public’s money and are making wise investments in transportation – as the economy improves and prospers so will North Carolina’s citizens.

NORTH CAROLINA TRANSPORTATION CHALLENGES AND OPPORTUNITIES

CHALLENGES	OPPORTUNITIES
North Carolina has the highest number of state-maintained roads in the nation.	70% of the U.S. population is within two days by truck of central N.C. allowing for greater connectivity, logistics and supply chain performance.
N.C. drivers and businesses lose \$5.7 billion/year as a result of driving on congested and deteriorating roads and highways from vehicle depreciation, damage, tire wear, increased fuel consumption.*	Half of the U.S. population is within 650 miles of central N.C. This will allow businesses to capitalize on our proximity to those markets by virtue of N.C.’s geographic location.
Minimum CAFÉ standards for cars will increase from 27.5 MPG to 51.3 MPG by 2025 which will result in lost transportation revenues.**	The state’s population is currently more than 10 million and is expected to reach approximately 12 million by 2030, making N.C. the 7th most populated state in the nation, creating tremendous growth so we must maintain strength in the system.
It is estimated that roadways in N.C. that lack some desirable safety features, have inadequate capacity to meet travel demands or have poor pavement conditions, cost the average motorist and business approximately \$1,000/year.*	Vehicle Miles Traveled in the state are already more than 1 billion - by 2030, vehicle travel in N.C. is projected to increase another 45% which will help with funding challenges, but will add pressure to the system.*

For every \$1 spent to preventatively maintain a road, the state saves \$6-14 in the cost to rebuild a deteriorated one.**

Despite the large size of the N.C. state-maintained roadway system, per-mile capital spending on state-maintained roads in N.C. is the 4th lowest in the nation.*

Sources: *TRIP: A National Research Group; **Institute for Transportation Research and Education, N.C. State University

Footnotes: Fuel efficiency improvements result in decreased gas usage, lower fuel usage/mile and therefore less transportation network revenue = Unsustainable revenue method. ITRE has determined that for every \$1 billion invested into transportation, approximately 14,000+ jobs will be supported and \$10+ billion in economic growth

POSITIVE AND PROACTIVE: A RULES-BASED APPROACH

Investing in the state's transportation system is crucial, as it yields a significant return on investments through providing a long-term asset. As well, for every \$1 billion invested in the network, there is a 10:1 ROI - \$10 billion in additional economic activity, \$10+ billion in additional wage growth and over 14,000 jobs annually, jobs in many different industries.



To make North Carolina “the good transportation state,” we support the implementation of a long-term transportation plan. The Strategic Transportation Investment law (SL2013-183) is a mechanism to guide future transportation expenditures and was a necessary step.

The emphasis on freight movement/logistics and connectivity is essential to the business community and should be recognized in any prioritization formula – be it statewide, regional or at the division level.

DIVERSIFICATION OF REVENUES

The current revenue model is a true ‘user fee’ concept – users of the system pay for use of the system through gas taxes and registration fees. That system currently makes up nearly 80 percent of the state’s transportation revenues. However, with increased fuel efficiencies in vehicles and the increased use of alternative fuels, the current revenue stream is quickly becoming an unsustainable source of the necessary funds to maintain our current system, much less increase capacity to meet future demands.



Forecasts show that by 2018, gas tax revenues will peak and start declining. The question still remains: what is the best and most economically efficient way to replace and diversify transportation network revenues in order to avoid a series of negative effects in N.C. from less job growth, less competitive business climate, more potholes, inefficient commerce movement and a decline in quality of life and safety.

The state must consider alternative ways to fund and finance its transportation improvements that benefit all users of the system – both directly and indirectly. The following suggestions would be beneficial to N.C.

- **Dramatic Expansion of the State Infrastructure Bank:** A self-revolving state infrastructure bank should be capitalized for many infrastructure projects, including needed water and sewer and educational facility upgrades. The bank would be a flexible and useful tool to aid in and help provide greater leverage in financing more STI projects.
- **Public/Private Partnerships and Tolling:** Comprehensive studies have been done to understand the risks and benefits, strengths and weaknesses of these investments. The state should expand opportunities for tolls, design build, P3s and other alternative financing methods. Recognizing these methods are not a panacea for solving the state's needs, they would serve as a supplement and should be part of the state's transportation strategy toolbox.
- **Innovative Bonding Strategies:** Bonds provide a mechanism to accelerate construction of large projects that otherwise would take decades to complete under 'ordinary' revenue models. Interest rates are at historic lows, and construction pricing is also making this an ideal time to leverage resources to begin direct employment in the construction fields. The completed projects will lead to long-term economic benefits to the overall economy and those benefits begin to accrue faster. Dedicated sources of revenue to service the debt on bond must be identified and the projects supported by bonds must have a positive economic impact. The authorization of a Grant Anticipation Revenue Vehicle (GARVEE) bond is one example among numerous innovative options the state could pursue to provide revolving funding.
- **Local/Regional Options:** Expand revenue tools to allow local communities and/or regions to participate in accelerating projects determined to be most critical. The Strategic Transportation Investments law already offers an incentive for local financial participation. State law should provide the tools for any locality to do so.
- **Transportation Funding Diversification:** The beginning to transportation funding reforms are in place, however, additional funding diversification must follow in order to avoid economic decline. As stated earlier, the impact of the transportation network to jobs, the economy and growth is undeniable; therefore, bold and innovative reforms must be enacted to create a fair and sustainable model. A strong, adequately-funded transportation network in North Carolina is vitally important to jobs, commerce, safety and quality of life.

- **“All of the Above” Energy Production:** Long-term, a comprehensive energy plan would allow for increased revenues without adding additional burdens to taxpayers. Royalties of at least 30 percent should be dedicated to the transportation network for improvements.
- **North Carolina Transportation Funding Protection:** Put simply, dollars raised for the transportation network must only be allowed to be used for the network. A “lock box” as passed by other states must be enacted to protect dedicated transportation money

ORGANIZATIONAL ENHANCEMENTS

- **Reform of the MAP Act:** In June 2016, the N.C. Supreme Court ruled the state’s MAP Act unconstitutional. This was the law that N.C. Department of Transportation used to protect the project corridors around the state. However, the implementation of the law caused extreme hardship on property owners and was considered a taking without just compensation. Reforms must occur that protect property owners and allow for the preservation of needed corridors to meet the needs of a growing state.
- **Streamlined Regulations:** For state regulations, North Carolina should continue eliminating duplications with federal regulations, which are antiquated and unnecessary for the completion of a project. The goal should be to decrease review times and/or have tools in place to reduce the amount of time a project is being studied. Regulations add cost, time and requirements which slow down project delivery and increase final cost to the taxpayers. Maintaining an environmental stewardship and economic growth balance is necessary in this process.
- **Transparency:** Continue to prioritize projects through a data-driven process that allows for the most-needed projects to be funded and completed in a timely manner.
- **Continued focus of efforts at the NC State Ports Authority:** The state ports are an extremely productive asset for N.C. They generate approximately \$14 billion in annual economic contribution to the state’s economy and contribute to 76,000 jobs. Continued investments should be made to continue to modernize and grow the port facilities.
- **Support of efforts to improve airport infrastructure:** N.C.’s airports serve a vital economic role for the state. They are an important function in attracting and retaining business and industry. The 72 publicly owned airports in N.C. contribute to \$31 billion in annual economic impact, 123,400 jobs and \$913 million in tax revenue to the state each year. We must continue to work towards improved air transportation infrastructure for economic growth, safety and quality of life.
- **Support efforts to improve rail infrastructure and protect rail-served industrial sites:** North Carolina is home to two Class I railroads as well as 18 short lines, providing significant

opportunities to rail-served business and industry looking to expand or locate in the state. We must ensure that North Carolina's rail infrastructure will be able to meet long-term freight rail capacity needs. Additionally, North Carolina is home to many rail-served industrial sites – important tools in the recruitment of rail-served industry, such as advanced manufacturers. Preserving and marketing these sites with rail in mind gives the state a competitive advantage in recruiting and expanding business and industry.

SECURING NORTH CAROLINA'S FUTURE

In recent years, North Carolina's state leaders have made solid gains in many of these areas and have put billions of dollars into the economy. Going forward, they must continue making transportation funding diversification a priority for job creation, business growth, safe commerce and quality of life.

Since the beginning of the century, many agency and legislative studies have been employed, paid for, and to a lesser extent, acted upon. If North Carolina fails to address its short-term and long-term needs, it will be at a competitive disadvantage to surrounding states.

When this happens, gains made in other areas of business reform will likely be undermined, resulting in delays in new investments and economic growth for the state.

Surrounding states are not waiting for North Carolina to finalize studies, recommendations or processes. They are moving forward with their own transportation funding plans and initiatives which add more pressure to North Carolina's system. All of these networks work together and maintaining and improving our transportation network is urgent and necessary.

The North Carolina Chamber remains committed to working with state and federal policymakers, allied organizations and business leaders to ensure North Carolina develops and implements a comprehensive, long-term transportation strategy that is vital to our economy and quality of life, with the goal of becoming the "Good Transportation State."

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North Carolina Chamber
701 Corporate Center Drive
Suite 400
Raleigh, N.C. 27607
www.ncchamber.net

Contact:
Jake Cashion, Director of Government Affairs
jcashion@ncchamber.net
(919) 836-1411