Committee of 21
Road Solutions for Now and the Future

Committee Of 21
Meeting #9
November 17, 2008
MINUTES

ATTENDANCE

Committee Members				
NAME	**PRESENT**		**NAME**	**PRESENT**
Ned Curran, Chair	YES		Pat Mumford	YES
Johnsie Beck	NO		Peter Pappas	YES
Mark Casper	NO		Ken Randall	NO
Cindy Chandler	YES		Wendy Spanbauer	YES
John Crosland	YES		Allen Tate	YES
Frank Emory	NO		Betty Turner	NO
Ray Eschert	YES		Virginia Keogh	NO
Claire Fallon	YES		Ed McMahan	YES
Anthony Fox	NO		Randy Kincaid	NO
David Howard	YES		Charles Knox	NO
Steve Iannarino	YES			
Non- Committee Members				
Vi Lyles, Lee Institute	YES		Natalie English, Chamber	YES
Doug Bacon, Lee Institute	YES		Norm Steinman, City	YES
Deborah Goldberg, County	YES		Mary Thomsen, REBIC	YES
Dan Gallagher, CDOT	YES		Valaida Fullwood, Lee Institute	YES
Jim Schumacher, City Manager's Office	YES		Danny Pleasant, CDOT	YES
Riley Clark, Lee Institute	YES		Andy Grzymski, City	YES
Anthony Foxx, City Council	YES		Frances Gallagher	YES
Bob Hagemann, City	YES		Bob Cline (by phone)	
John Connaughton, UNCC	YES		Bill Coxe, Huntersville & Mecklenburg-Union TCC	YES
Grady Rankin, NC Turnpike Authority	YES		Andy Munn, REBIC	YES
Bobbie Shields, County	YES			

WELCOME AND REVIEW OF MEETING OBJECTIVES

Committee Chair Ned Curran called to order the 9th meeting of the Committee of 21 at 10:28 am. The meeting took place at the Government Center, Room 267. Curran reviewed the agenda and introduced the presenters.

LEGAL ISSUES | Bob Hagemann, Senior Deputy

Handout: Revenue Source Definitions

Hagemann reviewed the five revenue sources, essentially all of which would require legislative action.

- **Tolls**: Generally used to finance road construction but a variety of approaches exist. Mecklenburg County would have to start from scratch to gain legal authority (General Assembly) to toll and to set up an administrative framework.
- **Vehicle Registration Fees:** $30 fee at most is presently charged, and $25 of that amount is put to transit. The remaining $5 could be used for other purposes. The General Assembly would have to authorize an increase. The administrative framework already exists.
- **Vehicle Miles Traveled:** A fee that would be assessed at the time of vehicle registration. It's an emerging concept that could, however, pose a significant constitutional issue at a local level. Administrative framework would have to be built.
- **Impact Fees or Impact Taxes:** 22 cities in NC have impact fees, but only three - Durham, Raleigh and Cary – apply them to roads. Technically, it's a regulatory tool. Assessment of an impact tax rather than an impact fee is an emerging concept. A tax offers more flexibility although conceptually it is the same as a fee. The General Assembly would have to approve it and an administrative framework would need to be built.
- **Sales Tax**: The administrative framework already exists. The General Assembly Legislator would have to approve it.

ECONOMIC IMPLICATIONS | John Connaughton, UNCC Professor of Economics

Connaughton discussed the economic efficiencies (as opposed to management/legal efficiencies) of the five revenue options. He cautioned the committee about revenue options that distort economic decisions.

- Historically roads have been built by *user* taxes (unlike property and income taxes).
- Presently the gasoline tax is under attack at both the state and federal levels.
- Sales tax: Affects people who do not use roads, who drive infrequently and who use public transportation, which distorts economic decision-making. Connaughton expressed concern about a sales tax increase, noting that it "hurts competition and takes away freedom."

- Connaughton advocated applying *user taxes* (e.g., local tax on gasoline, tolling interstate roads), which tie the user to the service. An efficient approach from an economic standpoint.
- Toll road technology has come a long way and is quick and doesn't slow traffic (e.g. cameras take photo and then send a bill).
- Given the volatility of a gas tax, "ad valorem" elements should be considered to hedge against the volatility.
- The emergence of electric cars means that increasing numbers of drivers will free of paying gas taxes.

NC TURNPIKE AUTHORITY | Grady Rankin, Chief Financial Officer

Handout: PowerPoint slides

- Revenue projections for a toll road in the Charlotte area is based on a national average for toll roads of about 16 to 18 cents per mile (slide #17). It's roughly 14 per mile in Raleigh.

PENNIES FOR PROGRESS | Frances Gallagher, Senior Project Manager, Capital Management and Engineering

Handout: PowerPoint slides

- The program includes local road projects too (e.g. paving gravel roads, intersection improvements. It does not cover all state road improvements in York County.
- 6-member committee oversees the project: 3 members appointed by County Council and 3 at large from the municipalities (intentionally non-political leaders).
- Intergovernmental agreement exists between York County and SCDOT. Cost estimated by County and the County builds the roads (using a public letting process with private contractors). Certification provided to DOT by County and then the State maintains the roads.
- Vote for the program originally passed with approximately 200 votes and then later passed with overwhelming support.
- Good cooperation, collaboration and monthly meetings now exist between the County and SCDOT.

STATE CHAMBER OF COMMERCE RESEARCH | Bob Cline, Ernst Young

Cline is based in Washington DC and participated by phone. He deals with taxes across the country and offered a state perspective on North Carolinas' state and local taxes.

- 7 states being studied: IL, TX, FL, VA, SC, NC and AL
- NC corporate income tax and franchise tax are putting the industries into the top tier of taxes paid. NC has relatively high taxes.
- Significant tax is paid by business based on their inputs. Taxes on income (net worth values of business), plus sales tax.
- Property tax is low in NC.
- Tolls and impact fees were not included in State's studies. The study also did not include a look at urban vs. rural areas.

Committee members engaged in Q&A with the panel.

COMMITTEE DECISION ON MENU OF REVENUE SOURCES

Curran shared his perspective (advantages, disadvantages and remaining questions) on the five revenue sources. He invited the committee to weigh in by discussing each one and showing level of support using the colored cards (green, yellow, red). He presented a breakdown of the options: near-term, mid-term and long-term.

- Near-term (vehicle registration)
- Mid-term (sales tax, impact fees/tax)
- Long-term (tolls, VMT fee)

Vehicle Registration Fee

Approach under consideration: Request increase to allow for up to $60 (doubled from current fee). Pay as you go. Use locally and dedicate to road maintenance. [NOTE: $30 increase would raise about $18M a year and would be suitable for maintaining roads in the county, but not including state roads.]

Points of discussion and questions

- Would not generate a substantial amount of money (as related to the need) but relatively easy to enact and administer
- Supportive of the idea in general, but subject to addressing governance issues
- May be difficult for some of the towns — "like robbing Peter to pay Paul."

- Will the towns really generate enough to actually fix roads? (Note: Huntersville currently generates about $560,000 per year)
- Possible that the State will want to take a cut of the increase.
- Is $60 enough to ask for? Should we ask for as much as $100 to make the net impact beneficial?
- Legislators will take a hit whether it's a small or large increase.
- Clearly a user fee, clear nexus.

Consensus: Green-10, Yellow-2, Red-0

VMT Fee

Approach under consideration: Present in lieu of a state gas tax — migrate from one revenue source to the other. Apply revenue to capital and maintenance needs of all roads in the County.

Points of discussion and questions

- Should we keep it subject to the State reviewing the funding formula to make it more equitable?
- This is getting in front of emerging issues regarding the gas tax and electric cars.
- There are still constitutional issues being worked out.

Consensus: Green-11, Yellow-1, Red-0

Toll Roads

Approach under consideration: Investigate further, particularly keeping tolls linked to only expansion lanes. Consider tolls for capital and maintenance of local and intrastate roads.

Points of discussion and questions

- Numbers are compelling because it would generate considerable funding.
- Could be tough sell but we could make the case, especially with expansion lanes
- Greater connection with user.
- If only related to expansions, then revenue collected will at some time exceed the project costs.
- Only toll a portion of a road.

- 485 and I-77 (needs to be widened in our county). I-85 noted as carrying intrastate travelers/commerce (east to west), versus interstate commerce/travelers that flow north to south.
- Must fit within the current Turnpike Authority guidelines.
- Do we need a sub-group to discuss the governance piece? What's politically viable even if it's feasible conceptually?
- What about Independence Boulevard?

Consensus: Green-10, Yellow-2, Red-0

Sales Tax

Approach under consideration: Conduct further analysis of sales tax at 1 cent and half cent. Stipulate that revenue would be used for local roads and/or source for debt payment for bonds. Include language to avoid repeal.

NOTE: The committee discussed whether to create a version with and without a sunset, as well as whether to approach it as pay-as-you-go or as debt payment for bonds. They decided to address these issues later.

Points of discussion and questions

- Authority already exists to raise the local sales tax by .25-cent
- Seems to have the best chance among the options.
- Should we present it with a sunset date and go for the full 1-cent increase? Such an approach would help us make an impact because people need to see some improvements soon.
- "The sales tax is going to be in people's faces." The professor made an impassioned plea and noted the risks.
- Let's avoid sunsetting and instead present it as a dedicated program that provides a funding source to keep up with roads.
- There's a risk that we may gain additional funds but lose prospective newcomers and business.
- In Atlanta people are looking at mobility more than the tax rate.
- The elected officials will have to sort out these details. We don't have to address them all, but it is good to think it through.
- York county sales tax is 7%; Mecklenburg is 7.25%
- Sales tax is subject to repeal effort, so this should be addressed upfront.
- Concerned it would limit our competitiveness

- A border issue exists/border affects between neighboring counties and South Carolina.
- The easiest thing to do is a sales tax, but a 9-cent sales tax is high and would have an impact on Charlotte's economic development.

Consensus: Green-12, Yellow-0, Red-0

Impact Fees / Impact Taxes

Approach under consideration: Look at crafting a recommendation regarding impact fees/taxes.

Points of discussion and questions

- Adverse affect on low and moderate income housing
- Unsustainable.
- Questionable whether it will generate the revenue needed, especially given market conditions
- Used effectively in other states.
- Add a floor to avoid affecting low and moderate-income housing.

Consensus: Red-10, Yellow-2, Green-0

CLOSING

Curran called meeting to an end at 2:05 pm. The next meeting is Dec 1 (10 am to 2 pm).