

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 644 (6th Edition)

**SHORT TITLE:** Toll Road and Bridge Authority Created

**SPONSOR(S):** Rep. Crawford, Bowie, and Cole

<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>
<b>REVENUES</b>					
<b>EXPENDITURES</b>	<b>\$230,000</b>	<b>\$230,000</b>	<b>\$1,840,000</b>	<b>\$11,840,000</b>	<b>\$10,840,000</b>
<b>POSITIONS:</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Transportation					
<b>EFFECTIVE DATE:</b> When the bill becomes law.					

**BILL SUMMARY:** This bill authorizes the creation of a public agency, the "North Carolina Turnpike Authority," to construct, operate and maintain toll roads in the State. A nine member Board of Directors, consisting of three members appointed by the President Pro-Tempore of the Senate, three members appointed by the Speaker of the House, two members appointed by the Governor, and the Secretary of Transportation would govern the Authority. The Board would be authorized to adopt and revise bylaws. Prior to adoption, bylaws would be subject to review and comment by the Board of Transportation and the Joint Legislative Transportation Oversight Committee. The Authority would have the authority to hire only administrative personnel. The Authority would be authorized to contract for the services of other needed personnel, and utilize personnel of the Department of Transportation (DOT). The Authority would have the power to condemn property, to issue revenue bonds, and to enter into partnership agreements. Revenue bonds would be subject to the approval of the Local Government Commission; for the purposes of issuing them, the authority would be considered a "municipality."

The Authority would be subject to limits on the use of revenue derived from toll projects. Revenue could only be used for the following purposes: Turnpike administration; Turnpike Project development, construction, operation, and maintenance; and Turnpike project debt service. Spending on administration would be limited to five percent of Turnpike project revenue. DOT would be authorized to participate in the cost of preconstruction, construction, maintenance, or operation of a turnpike project. Turnpike projects would be subject to the equity

distribution formula for State Highway Funds only to the extent that the project is funded from Highway Fund, Highway Trust Fund, or federal-aid funds that would otherwise be subject to the formula. Operation and project development costs of the Authority would be eligible administrative expenses of the Highway Trust Fund. These expenses are to be repaid to the Highway Trust Fund, with interest accruing one year after the Authority begins collecting tolls. The act would require tolls to be removed from Turnpike projects when all agreements in connection with the issuance of revenue bonds have been fulfilled. Projects developed by the Authority would be limited to one project in a county with more than 650,000 people and one project in a county with less than 650,000 people.

## **ASSUMPTIONS AND METHODOLOGY:**

### Administrative Costs

The bill would allow administrative costs associated with staffing and operating the Turnpike Authority to be covered by the Highway Trust Fund. Our estimates of administrative costs are based on the assumptions listed below:

1. For the first two years, the Authority would hire a chief executive officer (salary of up to \$125,000) and an administrative assistant (salary of up to \$40,000). Benefits for both positions would equal roughly \$35,000. Board expenses would be roughly \$6,000, and office and other expenses would be roughly \$25,000.
2. Starting with FY 2004-05, a chief financial officer would be added to the staff at a salary of up to \$94,000, and with benefits of roughly \$17,000.

### Project Development Costs

The development of road and bridge projects will require funding for design, preliminary engineering, environmental impact statements and right-of-way acquisition. Based on information previously provided by the Department of Transportation, the development costs (for two projects) are estimated to total roughly \$1.5 million in FY 2004-05, roughly \$11.5 million in FY 2005-06, and roughly \$10.5 million in FY 2006-07. These project development cost estimates are based on the assumption that projects developed by the Authority would not already be scheduled for the Transportation Improvement Program (TIP). However, if the projects developed by the authority were TIP projects, then the Fiscal Research Division believes that no project development costs would be associated with this bill; the costs of TIP projects would be incurred by the State whether the Turnpike Authority develops them or not.

Administrative and project development costs are to be funded through the administrative allocation from the Highway Trust Fund (G.S. 136-176(b)), which allows 4.5% of Trust Fund revenues to be used for administration. However, the costs estimated above, when added to the amount of administrative expenses routinely incurred by the Highway Trust Fund, would exceed this 4.5 % threshold. Either the threshold should be raised to accommodate the project development schedule that DOT believes the Authority would follow, or the project development schedule should be delayed so that Highway Trust Fund administrative costs could be limited to 4.5% of revenues. The bill requires administrative costs and project development costs to be paid back to the Highway Trust Fund with interest from project tolls.

Construction Costs

Construction costs would not be incurred on any toll project until after the five-year time horizon of this fiscal memorandum.

Tolls

Eventually toll revenues would be generated by Turnpike Authority projects. However, these toll revenues would not be collected within the five-year time frame of this fiscal memorandum.

**TECHNICAL CONSIDERATIONS:** The costs discussed in this fiscal memorandum are to be funded through the administrative allocation from the Highway Trust Fund (G.S. 136-176(b)), which allows 4.5% of Trust Fund revenues to be used for administration. However, the costs estimated above, when added to the amount of administrative expenses routinely incurred by the Highway Trust Fund, would exceed this 4.5 % threshold. Either the threshold should be raised to accommodate the project development schedule that DOT believes the Authority would follow, or the project development schedule should be delayed so that Highway Trust Fund administrative costs could be limited to 4.5% of revenues.

**SOURCES OF DATA:**

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**APPROVED BY:**

**DATE:** July 2, 2002



**Signed Copy Located in the NCGA Principal Clerk's Offices**