

**Remarks for Secretary Conti
Southern Legislative Conference
Riviera Theatre
225 King St.
Charleston, S.C.
Monday, Aug. 2, at 3 p.m.**

Introduction

Thank you, Sen. Unger, for that kind introduction.

I also want to thank the event organizers for having this conference at the beach. (Joke) It's much easier to convince my wife to go with me on business trips when sitting seaside in the sun is an option.

Seriously, though, I'm glad to be here alongside Butch Brown to talk with you about an important topic – funding transportation in tough times.

Impact of the Recession on Transportation

The recession has hurt all of us. For some states, it's meant major staff cuts and furloughs. Others have had to shut down rest areas and delay projects.

In North Carolina, we estimate our budget will take a \$1 billion hit from fiscal year 2009 to fiscal year 2011. We started making adjustments for that funding dip in late 2008. We laid off more than 1,200 temporary workers, froze salaries and put hiring on hold, and reduced our monthly lettings by 75%. It was a tough time for us. But, I know some of you had to make much deeper cuts.

Although the recession isn't over, we're finally starting to return to business as usual. We're beginning to hire again, and that includes giving jobs back to some of those temporary workers we had to lay off.

But, a lack of funding continues to hamper our progress. We still don't have enough money to meet the transportation needs of the traveling public.

We'd like to move forward with \$54 billion worth of projects from 2015-2020. But, we've only got \$10 billion available during that 5-year period. That's a \$43 billion difference, which is 3 times our annual state revenue. In real terms, it means some roads and bridges that haven't been upgraded since they were first built in the 1950s will have to wait even longer for a facelift.

Financial Struggles and Population Growth in the South

The financial struggles we're experiencing aren't unique to us in North Carolina. And, they're not unique to this economic downturn.

For years, we've known that gas tax revenues are no longer a viable funding stream. People don't drive as much as they used to, and those who do are driving more fuel-efficient cars. We've got to find a stronger, more reliable revenue source. And, we need to do it now.

There are a several key reasons why.

- First, census reports show more Americans are making the South their home. In fact, by 2025, the population in our region is predicted to increase by 30 million people. That's a huge jump – one that will make the South the most populated region in the country.

(Joke) We know why that is. They taste our barbeque and sweet tea, and they don't want to leave.

- Coupled with the population boom is the aging baby boomer generation. People are living longer these days, and as they grow older, they continue to rely on our transportation systems to get where they need to go.

So, not only will our roads and transit networks need to accommodate more people, they'll also have to serve them for longer periods of time. It creates a challenging situation. We have to do more with less to keep people and goods moving.

Part of the Global Marketplace

And, those goods aren't just moving from city to city within our states' borders. They're moving across state lines and often across the ocean to other countries. We're competing today in a global marketplace, and transportation is critical to helping us succeed economically.

We've got many major ports along the southern coast. And, once the Panama Canal is expanded, those ports will play an even more vital role in effectively shipping goods from point A to point B.

That's why it's so important that we develop true transportation systems that focus on more than just highways. They must encompass rail, air travel and public transportation.

This approach will help us move goods more seamlessly. And, it will dramatically reduce congestion. Building new roads isn't the solution to traffic snarls that delay shipments. Taking cars off the roads is. By giving people more ways to travel without hopping in the driver's seat, we help our citizens and the business community reach their destinations more efficiently.

But, to build these transportation systems, we need money.

SAFETEA-LU Reauthorization

Congress can help by approving a long-term reauthorization of SAFETEA-LU, which stands for the Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users.

This important federal program was set to expire last September. Congress has kept it alive by passing 3 short-term extensions instead of a long-term bill.

These band-aid fixes make our job difficult. It's hard to plan for the future when our federal funding levels are uncertain. Having a stable, reliable funding source would definitely help.

The current SAFETEA-LU extension expires on Dec. 31. That means the clock is ticking for Congress to come up with a solution to keep SAFETEA-LU solvent. We strongly encourage our elected leaders to create a long-term, well-funded bill and approve it before the end of the year.

That bill must include a new revenue stream that will allow us to finance a robust reinvention of our roads and bridges. We need it. Right now, we're living off the investment our parents and grandparents made in transportation. If we don't inject funding into the system soon, we're going to hand off a deficient transportation network to our kids. And, by then, it's going to take even more money to fix it.

A new, reliable funding source will ensure that we can afford to improve our roads. By providing a higher level of service, we can help people get to their jobs, healthcare and schools more safely and efficiently. And, that's what we're all about.

Vehicle Miles Traveled

In the meantime, we've got to challenge ourselves, as transportation leaders, to be more creative with our finances.

A vehicle-miles-traveled tax is one possible approach. Under a VMT system, drivers would be charged a mileage-based fee instead of a gas tax. There are technical obstacles and privacy concerns associated with this method, but it is a true way to let those who use the roads pay to preserve and expand them.

In North Carolina, there's been discussion about how to implement a VMT. Every year, drivers must have their vehicles inspected. During that inspection, we could read the odometer and charge the driver accordingly for the miles driven. We hit a snag, though, when it comes to out-of-state drivers. How would we fairly charge them for the miles they drive on our roads?

These are the kinds of questions I'm sure we're all asking as we consider VMTs as a potential funding method. The more we talk about it at conferences like this one, the more solutions we'll find.

Tolling

Tolling is another option in which the driver pays for service. Many states like Florida have used it successfully for decades. In North Carolina, we're just getting into the tolling business.

Construction is under way right now on our state's first toll road, the Triangle Expressway. Once it's completed in 2012, it will give drivers a way to avoid rush-hour traffic congestion on I-40 between Raleigh and the Research Triangle Park.

It will also be the nation's first start-up toll agency to go completely cashless. There will be no tollbooths. Instead, cameras on the gantries will photograph the cars' license plates, and bills will be sent to the cars' owners. This process will make payment easier and travel much more efficient than with traditional methods.

The Triangle Expressway is a \$1 billion project. If we'd waited to fund it through traditional means, we might never have broken ground. That's not surprising when you consider that the cost is more than 3 times our annual budget.

We worked hard to get the money for the project using a combination of Build America Bonds, toll revenue bonds and a TIFIA loan. By securing this funding, we're moving forward with an important mobility project without delaying any other projects in the region.

Public-Private Partnerships

Also under the umbrella of the North Carolina Turnpike Authority, which I chair, we're exploring using a public-private partnership to build a toll road along the coast.

It's called the Mid-Currituck Bridge. It would give motorists a direct connection from the mainland of Currituck County to the Outer Banks. Currently, they have to drive all the way around the sound to reach the northern Outer Banks.

We've entered into a pre-development agreement with Currituck Development Group, which consists of financial experts, designers and construction contractors. When the NEPA process is completed, we hope to negotiate with this group for the design, construction, financing, operations and maintenance of the project.

We estimate it will cost about \$660 million to build this 7-mile bridge over the Currituck Sound. This is another example of a project that we just don't have the traditional funds to pay for. By using tolls and public-private partnerships, we can provide a solution to a real transportation need in the area.

Public-Public Partnerships

In Charlotte, we've had great success with public-public partnerships. In late 2007, we joined forces with the Charlotte Area Transit System and the Federal Transit Administration to launch the Lynx light rail system.

It was a big hit with commuters who were tired of sitting in rush-hour traffic snarls every day. In the first month alone, an average of more than 12,000 people hopped onboard each weekday. That was 3,000 more people each weekday than originally estimated for the first month. (Joke) Not bad, considering Charlotte is the home of NASCAR.

The Lynx line has only grown from there. Ridership now regularly reaches 16,000 people per weekday each month. So many folks rely on the service, the city has had to order more trains and create more parking spots to accommodate them all.

Right now, Charlotte is looking at extending the nearly 10-mile Lynx Blue line. Plans are also in the works to build additional Lynx lines, which would connect the suburbs and the

international airport to downtown. These exciting steps will not only reduce congestion and benefit the environment, but they'll also form a sustainable transportation platform for the state's largest city.

It all started with collaboration and funding from 3 public entities who saw the pay off in investing in a new form of public transportation, as well as taxpayers who were willing to vote for a sales tax increase to make it a reality.

Speaking of taxes, during the last legislative session, the General Assembly passed a broad local sales tax option to fund public transportation. It gives all counties without a transit tax already in place the option to implement one.

The benefit is big. For example, if voters in the Raleigh-Durham-Chapel Hill area decided to support a half-cent sales tax increase, it would raise about \$90 million a year. That money would jump start a 25-year plan for 300 new buses and more than 50 miles of electric-powered light rail.

Taking Advantage of Grants

Our transit endeavors don't stop there. We've worked hard to take advantage of American Recovery and Reinvestment Act funding to build our portion of the Southeast High Speed Rail Corridor. The corridor will connect Charlotte and Raleigh to Washington, D.C. with trains that travel at top speeds of 110 miles per hour.

We applied last year for discretionary grant funding and found out in January that we'd receive \$545 million from the Federal Railroad Administration. We just got the first \$20 million of that money last month.

We didn't get this funding just because FRA thought SEHSR would provide a much-needed service and help generate much-needed jobs. The main reason we got big money is we proved to FRA that we were serious about bringing high-speed rail to North Carolina. That proof came in the form of preliminary engineering work and detailed environmental studies.

We had more than just meeting notes and agreements to show. We had actual technical work to support our requests for funding. That work helped us successfully compete for a nice slice of the ARRA pie.

My advice for other states seeking grant money for major projects is this: compete against yourself, not other states. If you challenge yourself to make the technical work a priority, it will better position you to get the funding you need to start turning dirt on projects.

Innovative Financing

The final tool I'll mention today to help you stretch your transportation dollars is innovative financing.

Grant Anticipation Revenue Vehicle, or GARVEE, bonds fall into that category. They allow states to borrow against future federal funding. Doing so reduces inflation and

helps complete projects sooner. We've used GARVEE bonds on 42 projects totaling about \$530 million dollars, so far, and we plan to continue using them in the future to pay for important projects across the state.

Another innovative finance tool we use often is the design-build method. It allows us to award contracts to companies who use teams of designers and contractors simultaneously to design and build a project to expedite its completion. This unique, all-in-one approach helps the department avoid cost inflation and allows the contractor to make innovations that save taxpayer dollars.

We're using both of these tools on the first phase of the I-85 Corridor Improvement Project. It's the state's #1 mobility project. It includes widening 3 miles of I-85 south of Greensboro, as well as replacing several bridges.

Securing GARVEE funding for this critical project gave us the money we needed to move forward with it after years of delays. And, by letting the contract as design-build, the project will be finished about 8 months earlier than under a traditional contract. The end result will be a safe, more efficient corridor that provides economic incentives for companies to make North Carolina their home.

Conclusion

Overall, we're all doing more with less. Until we have a new, reliable revenue stream in place, it's up to us to use tools like GARVEE bonds, public-private partnerships and tolling to get the most out of every transportation dollar. We also have to make tough decisions about what we can and cannot realistically fund, and stick to them. By using data and working with our stakeholders and citizens, we can prioritize which projects we fund to meet our state's most dire needs first.

Thank you.