

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB644 (Proposed Committee Substitute)

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

**SPONSOR(S):** Representative Crawford

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2001-02</u></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>REVENUES</b>					
<b>EXPENDITURES</b>					
<b>Highway Trust Fund:</b>	<b>\$230,000</b>	<b>\$230,000</b>	<b>\$340,000</b>	<b>\$340,000</b>	<b>\$340,000</b>
	<b>(See Assumptions and Methodology Section)</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 bill becomes law.					

**BILL SUMMARY:** House Bill 644 authorizes the creation of a public agency, the "North Carolina Turnpike Authority," to construct, operate and maintain toll roads in the State.

A seven member Board of Directors, consisting of six members appointed by the Governor and one designated by 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 10% 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. 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.

## **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 require a chief executive officer (\$125,000 salary) and an administrative assistant (\$40,000 salary). Benefits for both positions would equal roughly \$35,000. Board expenses would be roughly \$5,000, and office and other expenses would be roughly \$25,000.
2. Starting with FY 2003-04, a chief financial officer would be added to the staff at a salary of \$94,000, and with benefits of roughly \$17,000.

These costs would be funded out of existing revenues, and would not require an appropriation. The bill requires funds used for these purposes to be repaid to the Highway Trust Fund, but does not specify a time frame for repayment.

### 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. The Department of Transportation estimates that these costs would total roughly \$3 million in FY 2003-04 and roughly \$20 million by FY 2005-06.

The Fiscal Research Division believes the development costs of these projects would be incurred by DOT whether the Turnpike Authority is created or not. Furthermore, although these costs may be incurred sooner with the creation of the Turnpike Authority, these costs would not require additional funding; rather, DOT would fund these projects by reallocating funds within its project budgets. The bill requires funds from the Highway Trust Fund used for these purposes to be repaid, but does not specify a time frame for repayment.

### Construction Costs

Until the Turnpike Authority has toll revenue adequate to fully fund its projects, the Authority will require some participation by the State in the funding of project construction.

The bill allows DOT to participate in this construction. Although this participation, in a sense, would represent a cost to the State, we believe the construction costs associated with Turnpike projects would be incurred by DOT whether the Turnpike Authority is created or not. Furthermore, Turnpike project construction will be funded only partially with State funds; the balance of project costs will be funded with revenue bonds and toll revenues. Thus Turnpike projects will cost the State less to build than if these projects were built solely with State funds. Ultimately, by leveraging State construction funds with toll revenues, the Turnpike Authority will allow the State to stretch those funds farther.

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 note.

**FISCAL RESEARCH DIVISION: 733-4910**

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**DATE:** August 24, 2001



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