
Appendix H Funding Evaluation



FUNDING EVALUATION

Final Version
September 2021



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The Gaston-Cleveland-Lincoln Metropolitan Planning Organization (GCLMPO) is the lead planning agency (LPA) for the Catawba Crossings Feasibility Study. Among the goals of the feasibility study is to evaluate potential funding paradigms for the Catawba Crossings Project (Project) as it moves forward. This document summarizes available funding sources as they may apply to the Project.

North Carolina Department of Transportation State Transportation Improvement Program

The GCLMPO will likely submit this Project for NCDOT's Strategic Prioritization 7.0 in 2023. Traffic and economic studies will support the Catawba Crossing's standing and competitiveness at the Regional Impact funding tier which weighs quantitative data (70%) and local ranking (30%). The quantitative data must demonstrate benefits (e.g., travel time savings) worth the expenditure to improve connectivity and safety and reduce congestion.

NC Primary Route Designation

The Catawba Crossing's establishment as an NC Primary Route is necessary for the Project to compete at the Regional Tier. Further, the NC Primary Route designation will be necessary to compete for federal transportation grant programs (see discussion below). Coordination is ongoing and will be fully addressed in the Final Catawba Crossings Feasibility Study.

Federal Funding Authorization

At the time of this evaluation, federal infrastructure and surface transportation funding have not been authorized or reauthorized. The passage of one or both funding measures has the potential to introduce new transportation and infrastructure funding into NCDOT's program. How much federal money would enter NC remains to be seen. Further, new funding would require reprogramming at the state level which could take several months, or years. While the outlook is promising for new infrastructure and transportation spending, it is impossible at this point to determine how and if these sources may impact this Project.

Federal Transportation Grants

There are three Federal Grant Programs that may be applied to the Project. The materials assembled for this feasibility study will be useful in the successful development of any application. The regional significance of this project will be central for a strong and successful grant application.

RAISE Grant Program

SOURCE: www.transportation.gov/RAISEgrants

The latest iteration of the BUILD and TIGER Grant Programs is the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant Program. RAISE provides federal funding for investment in road, rail, transit, and port projects. This discretionary program prioritizes projects that will address and improve racial equity and climate change and create good-paying U.S. jobs. The initial round of RAISE funding caps a single grant award at \$25 million, and caps funding given to a single state at \$100 million. \$30 million is allocated for planning projects. RAISE Grants must be at least \$5 million (except in rural areas). Urban projects, like the Catawba Crossings Project, require a minimum 20% funding match.

The eligibility requirements of RAISE allow project sponsors at the State and local levels to obtain funding for multi-modal, multi-jurisdictional projects that are more difficult to support through traditional DOT programs. RAISE can provide capital funding directly to any public entity, including municipalities, counties, MPOs, or others, in contrast to traditional Federal programs which provide funding to very specific groups of applicants (mostly State DOTs and transit agencies).

The RAISE program enables DOT to use a rigorous merit-based process to select projects with exceptional benefits, explore ways to deliver projects faster and save on construction costs, and make needed investments in our Nation's infrastructure.

RAISE Guidance

RAISE Grants are for capital investments in surface transportation that will have a significant local or regional impact. Based on the current published application criteria, eligible projects include capital projects like highway, bridge, or other road projects eligible under title 23, USC.; Catawba Crossings will include building road infrastructure as well as bridges, and therefore meets this criterion. Planning projects that meet the capital projects eligibility, which Catawba Crossings does, are also eligible for funding. Planning projects include corridor plans, environmental analysis, feasibility studies, and other preconstruction activities.

Funding is available for any public entity, including GCLMPO. The deadline to apply for the initial round of funding was July 12, 2021. TIGER and BUILD had yearly funding cycles from 2009 through 2020. While not explicitly stated in USDOT's RAISE information, it is safe to assume that this grant program will follow the same yearly trajectory.

The application for the RAISE grant includes the following sections:

1. Project Description
2. Project Location
3. Grant Funds, Sources, and Uses of all Project Funding
4. Environmental Risk Review
5. Benefit Cost Analysis

A list of applicant considerations and actions, per RAISE's guidance, is as follows:

1. Provide [Benefit-Cost Analysis](#) (BCA)
2. Project Readiness: RAISE funds must be obligated within two years of the end of the fiscal year for which they are authorized. This deadline punctuates the importance of the application package including sufficient evidence of project milestones (including planning, NEPA, and permitting milestones) achieved and remaining, as well as financial capacity and commitment to support project readiness. Generally, DOT may not obligate for construction until all planning and environmental approvals are obtained, and right-of-way acquisitions and final design are complete. However, RAISE grant funding may be used for some of these activities, in accordance with requirements of the administration administering the grant.
3. State and Local Planning: A project that receives Grant funds may require approval by the Metropolitan Planning Organization or State as part of the Long-Range Plans and Transportation Improvement Program (TIP)/Statewide Transportation Improvement Program (STIP).

4. Environmental Approvals: Projects should have received or have substantially completed all Federal, State, and local permits and approvals, including National Environmental Policy Act (NEPA) analysis, at the time the application is submitted. If not complete, applicant must clearly demonstrate how and when these approvals will be obtained.
5. Right of Way and Design: The obligation of RAISE Grant funds for construction or other activities by an operating administration may be contingent on completion of right-of-way acquisition and final design approval, and/or additional approvals contingent on completion of right-of-way acquisition and design. If not complete, applicant must clearly demonstrate how and when these milestones will be met.

A relatively simple action that can be taken to prepare for this grant application includes gathering project information that is already available to use for the Project Narrative and Project Location portions of the grant application. The Project Narrative requires supporting data and documentation that proves that the project meets the program's requirements, as well as a detailed project schedule and budget. The schedule and budget portion may be challenging depending on how far along project development is by the time the grant is applied for.

INFRA Grant Program

SOURCE: www.transportation.gov/buildamerica/financing/infra-grants/infrastructure-rebuilding-america

Infrastructure for Rebuilding America (INFRA) Grant is a discretionary grant program to fund transportation projects of national and regional significance. INFRA competition continues to focus on themes of supporting economic vitality, leveraging federal funding, innovation, and performance and accountability, in addition to two new criteria as of FY 2021, namely climate change and environmental justice. The program also considers whether a project is in a federally designated community development zone, including qualified Opportunity Zones, Empowerment Zones, Promise Zones, or Choice Neighborhoods; Catawba Crossings is not located in an Opportunity Zone.

INFRA grants may be used to fund a variety of components of an infrastructure project, however, the Department is specifically focused on projects in which the local sponsor is significantly invested and is positioned to proceed rapidly to construction. Eligible INFRA project costs may include: reconstruction, rehabilitation, acquisition of property (including land related to the project and improvements to the land), environmental mitigation, construction contingencies, equipment acquisition, and operational improvements directly related to system performance.

To be eligible for an INFRA grant, a project must be:

1. a highway freight project carried out on the National Highway Freight Network (23 U.S.C. 167)
2. a highway or bridge project carried out on the National Highway System (NHS) including projects that add capacity on the Interstate System to improve mobility or projects in a national scenic area
3. a railway-highway grade crossing or grade separation project; or
4. a freight project that is:
 - a. an intermodal or rail project, or

- b. within the boundaries of a public or private freight rail, water (including ports), or intermodal facility, is a surface transportation infrastructure project necessary to facilitate direct intermodal interchange, transfer, or access into or out of the facility, and will significantly improve freight movement on the National Highway Freight Network. For these projects Federal funds can only support project elements that provide public benefits.

Based on these criteria, the Project is not eligible for an INFRA grant. To be added to the NHS, a formal submission to the FHWA would be required to request the addition of the Project to the NHS per 23 CFR 470, Federal-aid Highway Systems.¹

TIFIA Credit Program

SOURCE: www.transportation.gov/buildamerica/financing/tifia/map

The Transportation Infrastructure Finance and Innovation Act (TIFIA) Credit Program provides financial assistance to projects of national or regional significance by providing low-interest loans and credit. TIFIA aims to promote projects that will significantly benefit the public by facilitating flexible investment.

This program is intended for governments (state and local), state infrastructure banks, special authorities, private firms, and transportation improvement districts. Among the eligible project types are:

- Highways and Bridges
- Intelligent Transportation Systems
- Intermodal Connectors
- Pedestrian Bicycle Infrastructure Networks
- Transit-Oriented Development

TIFIA Guidance

Any type of project that is eligible for Federal assistance through existing surface transportation programs (highway projects and transit capital projects) is eligible for the TIFIA credit program, including intelligent transportation systems (ITS) and improvements on or adjacent to the NHS. An eligible project must be included in the applicable State Transportation Improvement Program (STIP). Major requirements include a capital cost of at least \$50 million (or 33.3 percent of a state's annual apportionment of Federal-aid funds, whichever is less). The project also must be supported in whole or in part from user charges or other non-Federal dedicated funding sources (such as public-private funding or local taxes) and be included in the state's transportation plan. If the Catawba Crossings Project can meet the STIP and capital cost requirements, it may be eligible for TIFIA.

Applicable Federal requirements include, but are not limited to, Titles 23 and 49 of the U.S. Code, NEPA, Buy America provisions, and the Civil Rights and Uniform Relocation Acts. Qualified projects are evaluated by the Secretary against eight statutory criteria, including among others, impact on the environment, significance to the national transportation system, and the extent to which they generate economic benefits, leverage private capital, and promote innovative technologies. A challenge with this funding source is the number of requirements and the application process. The applicant for Catawba Crossings must be diligent in ensuring that the project meets all requirements.

¹ www.fhwa.dot.gov/planning/national_highway_system/update/index.cfm

An entity may apply for funding at any time, as the LOI and application review take place on a rolling basis. The [Build America Bureau](#) is available to provide information and technical assistance for roadway projects that are applying for TIFIA.

The TIFIA funding process begins with the project sponsor scheduling a consultation with the Build America Bureau and subsequently submitting an LOI. If the LOI is accepted, the sponsor may then apply for funding. The application for the TIFIA Credit Program includes the following sections:

1. Borrower Contact Information
2. Borrower Information
3. Project Information
4. Financial Plan
5. Creditworthiness

Most of the information needed for the application can be pulled from RAISE/INFRA applications if they are completed for the Catawba Crossings Project, as the applications ask for similar information. The most challenging components of the application are providing the information for the Financial Plan and Creditworthiness sections. These require a multitude of specific financial information that will take time to create (e.g., budget) and compile (credit ratings, other sources of funding, financial statements, etc.).

Related Federal Grants

Flexible Funding Program – CMAQ Program 23 USC 149

SOURCE: www.transit.dot.gov/funding/grants/grant-programs/flexible-funding-programs-congestion-mitigation-and-air-quality

The Congestion Mitigation and Air Quality Program (CMAQ) via the Federal Transit Administration (FTA) helps maintain ozone, carbon monoxide, and/or particulate matter through its flexible funding program. The funding may be used for transit expenses that have a proven air quality benefit. This could apply to any transit component, e.g., bus infrastructure, included on the Catawba Crossings corridor.

Resources to Track

There are several other agencies that provide grant notices and opportunities. Grant and funding opportunities will become available throughout the year, so it is prudent to check these sources frequently.

Grants.gov	www.grants.gov/
	<hr/>
	www.transportation.gov/rural/funding-opportunities
USDOT	www.transportation.gov/grants
	<hr/>
FTA	www.transit.dot.gov/funding/grants/notices
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Federal Grants	www.federalgrants.com/

Local Legislative Funding Scenarios

County and local legislation may be proposed to create a funding pool or enable financing solutions and partnerships from which Catawba Crossings and related work can be financed. NC General Statute Chapter 136 Article 7 (§ 136-98) authorizes counties to participate in the cost of rights-of-way, construction, reconstruction, improvement, or maintenance of a road on the State highway system under agreement with the Department of Transportation. County participation in improvements to the State highway system is voluntary. The NCDOT shall not transfer any of its responsibilities to counties without specific statutory authority.

Local referenda are required to pass tax increases, levies, and taxes for transportation purposes. An example of this is Charlotte's 2020 General Obligation (GO) Bond program, which required a referendum to approve the funding and its allocation, and York County's Pennies for Progress Sales and Use Tax Program.

Local funding options would require intergovernmental alignment and agreements; cooperation between Mecklenburg and Gaston County would be important to fund and implement these options. Considering the scale of the Project, it is unlikely local funding alone could fund engineering services and construction. However, local funding may be a viable option to complete certain parts of the Project and/or leverage other matching funds.

Local Funding

SOURCE: www.financingtransportation.org/funding_financing/funding/local_funding/

According to the FHWA Center for Innovative Finance Support, the following revenue sources have been used elsewhere to assist in funding local transportation projects:

- Local motor fuel taxes, tolls, and fares
- Local Options Sales Taxes and Fees
- Vehicle Registration Fees
- Income/Payroll/Employer Taxes
- Property Taxes
- Advertising Revenue
- Naming Rights Revenue
- Shared Resources Revenue
- Transportation Utility Fees

Additionally, non-traditional revenue streams may include development impact fees, special assessments, and tax increments. The NC FIRST Commission, which was created to evaluate the State's transportation investment needs, outlines several funding options for local governments in its 2021 Final Report and Findings². They include implementing local sales tax, local road impact fees, local infrastructure banks, and local value capture.

NC General Statute Chapter 159 Article 6 (North Carolina Project Development Financing Act)³ authorizes local government units, individually and through intergovernmental agreements, to issue project

² www.ncdot.gov/about-us/how-we-operate/finance-budget/nc-first/Documents/2021-01-08-final-report.pdf

³ www.ncleg.gov/EnactedLegislation/Statutes/PDF/ByArticle/Chapter_159/Article_6.pdf

development financing debt instruments with the express approval of the Local Government Commission. The proceeds of the debt instruments may be used either in a development financing district established pursuant to G.S. 160A-515.1 or G.S. 158-7.3 or, if the use directly benefits private development forecast by the development financing plan for the district, outside the development financing district.

Taxes

Tax revenue is a prevalent method of generating funds for transportation improvements. Non-federal taxes that are or could be used to fund surface transportation include:

- Fuel taxes
- Hotel taxes
- Income taxes
- Property taxes
- Rental car taxes
- Vehicular sales taxes

Most times, the cost of these taxes to taxpayers is a relatively minor amount of money compared to the major and long-lasting benefits of improving the transportation system. For example, a 10-cent per gallon increase to U.S. gasoline prices is forecasted to generate \$41.79 billion in revenue over a 5-year period⁴. The NC FIRST Commission has proposed that a 0.5% sales tax be implemented, and that the revenue be dedicated strictly to infrastructure for local and state roads. The Commission estimates a 10-year revenue of \$940 million if adopted by every county in North Carolina.

Pennies for Progress is a ≤7-year sales and use tax program in York County, South Carolina. By continuing this 1-cent sales tax from its initial approval in 2011, the program is expected to generate \$277.92 million in revenue to be spent exclusively on transportation improvements. A few Pennies for Progress roadway improvement projects are underway near Gaston and Mecklenburg Counties, including the resurfacing of Oakridge Road, intersection improvements at SC 49/274/557, and the widening of Pole Branch Road to the Gaston County/state line.

Levies

Related to taxes, a transportation levy that passes could help fund specific projects, such as Catawba Crossings. Transportation levies list a fixed amount to be borrowed and adjust tax rates until the amount being borrowed has been fulfilled. Because transportation levies do not provide permanent funding, they are well suited to situations such as Catawba Crossings that need initial funding to be implemented and constructed.

Bonds

A bond is “a written promise to repay borrowed money on a definite schedule, usually at a fixed rate over the life of the bond,” and transportation bonds are typically municipal bonds issued by local or state governments⁵. A transportation bond is a borrowing option that generally has a low interest rate. Historically, bonds have been used to fund highway construction/improvements, bridges, ports, and similar projects. Bonds can be issued by the state and/or by local municipalities. According to the Build

⁴ downloads.transportation.org/TranspoRevenueMatrix2015.pdf

⁵ www.financingtransportation.org/funding_financing/financing/bonding_debt_instruments/

America Transportation Investment Center (BATIC) Institute, an increase to local sales tax can be leveraged in the municipal bond market.

Charlotte's 2020 GO Bond is a voter-approved transportation bonds referendum measure and includes \$102.732 million in transportation bonds⁶. Congestion mitigation, intersection improvements, Northeast Corridor Infrastructure (NECI), bridge repairs and replacements, and street resurfacing are just a few projects that will be funded by the GO Bond. These types of projects, which are similar to the components proposed for Catawba Crossings, have approximately \$42 million of dedicated funding from the overall \$102.732 million. Additionally, \$118.080 million in transportation upgrade bonds for Mecklenburg County were voted on and approved in 2018.

Non-Traditional Funding Scenarios

The following non-traditional transportation funding sources were evaluated but do not apply to the Catawba Crossings Project:

- North Carolina Department of Commerce (www.nccommerce.com/grants-incentives)
- Golden Leaf Foundation (www.goldenleaf.org/)
- Economic Development Partnership of North Carolina (edpnc.com/why-north-carolina/incentives/)

Institute for Transportation Research (ITRE)

SOURCE: www.ncdot.gov/about-us/how-we-operate/finance-budget/nc-first/Documents/2021-01-08-final-report.pdf

Because North Carolina's motor-fuels tax is not generating as much revenue for the state transportation budget as it previously has, North Carolina State University's ITRE has researched alternative methods of funding transportation infrastructure improvements. One idea is to charge motorists based on how many miles they drive, which would be assessed at a car's (already mandatory) yearly inspection. Ten states are piloting this idea, while Oregon and Utah have permanently implemented a mileage-based tax. To offset fuel tax revenue lost due to hybrid and electric vehicles, a small increase to fees was recommended. A small fee was also recommended for rideshares and delivery services (e.g., Amazon).

List of options:

- Highway Use Tax (HUT) - One-time 3 percent tax on vehicle's purchase price (for purchasing and leasing)
- 0.5 – 0.75 percent increase in sales tax
- EV and hybrid vehicle DMV fees
- Amend registration fees for heavy vehicles
- Automatically adjust DMV fees for inflation every 2 years
- Road impact fee for e-commerce deliveries
- Mileage-based user fee
- Highway tolling
- Create a state infrastructure bank (SIB) – loan program

⁶ charlottenc.gov/charlottefuture/Pages/bonds.aspx

- Franchise air space
- Monetize ROWs
- Local sales tax, road impact fees, and infrastructure banks