



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY
GOVERNOR

LYNDO TIPPETT
SECRETARY

**North Carolina Board of Transportation
Environmental Planning and Policy Committee
Meeting Minutes for October 1, 2008**

A meeting of the Environmental Planning and Policy Committee (EPPC) was held October 1, 2008 at 8:30 AM in the Board Room (Room 150) of the Transportation Building. Nina Szlosberg chaired the meeting. Other Board of Transportation members that attended were:

Conrad Burrell	Tony Dennis	Nina Szlosberg
Mac Campbell	Nancy Dunn	Lanny Wilson
Bob Collier	Doug Galyon	
Marion Cowell	Arnold Lakey	

Other attendees included:

Julie Hunkins	Angela J. Person	Jennifer Garifo
Terry Arellano	Bill Rosser	Joel Setzer
Dan Thomas	M. L. Holder	M. A. Pettyjohn
J. J. Swain	Barry Moose	Pat Ivey
Debbie Oliver Vick	Daniel Keel	Mike Mills
Tim Johnson	Amy Simes	Don Voelker
Burt Tasaico	Ken Pace	Don Lee
Bob Andrews	Tabitha Demarest	Ed Davis
Marta Matthews	Phillip Ayscue	Susan Coward
Calvin Leggett	Missy Dickens	Victor Barbour
Jimmy Travis	Wally Bowman	Delbert Roddenberry
Beth Mckay	Mike Bruff	Bruce Thompson
Drew Harbinson	Jerry Jennings	Chandra Taylor
Lacy Love		

Ms. Szlosberg called the meeting to order at 8:35 AM and accepted a motion to approve the meeting minutes from the September committee meeting as presented. The minutes were approved.

Ms. Szlosberg began the meeting by introducing Terry Arellano from NCDOT's Transportation Planning Branch, who provided an update on the Congestion Mitigation and Air Quality Program (CMAQ). Ms. Arellano mentioned that the proposed CMAQ revisions were shared

with the Federal Highway and Federal Transit, who are involved in the process. The revision were also shared with the Division Engineers, effected MPO's and RPO's across the state, and the Association of MPO's and RPO's. They received a lot of comments and questions. She summarized the comments that were received based on different elements of the proposal, told the EPPC what the Transportation Planning Branch (TPB) had done to consider the comments, and gave their recommendations.

She began with a summary of the process in programming that allocates target funds. This process allows the MPO's and RPO's to program their target balances that might be remaining from the 2004 projects. Some of them didn't get their full target amounts and NCDOT wants to give them a chance to use the money. Any funds not used in this process would revert back to the general balance and would be subject to the new CMAQ guidelines. This process was not proposed to include statewide projects; the proposal was that requests for new statewide projects would be submitted through the new CMAQ process. TBP received comments to allow additional MPO's and RPO's that had previous success stories access to the monies to allow them to use for it CMAQ-eligible projects. They are not trying to penalize anyone, but they wanted to give everyone who needed it the opportunity to use up the money that had been allocated. There is only about \$1 million of the original target that was included for statewide projects, mainly because they had worked over the past year to program several statewide additions that are being implemented through NCDOT that include some public transportation projects and the State Traffic Management Center, which doesn't leave a lot of statewide project money left over. There recommendation is to proceed with the project as currently proposed.

Ms. Arellano then talked about the CMAQ project fast tracking. The 2007 Energy Act allowed state DOT's to fund CMAQ projects at 100 percent for federal year 2009. Normally there is a 20 percent local match required, which this Energy Act allowed them to eliminate. This as an opportunity to spend down some of the CMAQ money that they had hanging around from previous years, and this process would be applicable to existing projects or any other projects that were programmed from leftover balances from MPO's and RPO's. The comments TPB received were in favor of this process. People liked the idea of getting the extra money to do projects quicker. They got one comment back from the Southern Environmental Law Center that this process would allow "haste to make waste". The Southern Environmental Law Center thought that the process would be throwing money at projects that were not that beneficial. Ms. Arellano didn't agree since they would be providing the full funding only for projects that have already gone through the review process and have been deemed that they are good CMAQ projects. In light of these comments, TPB's recommendation is to proceed with the CMAQ process, as proposed.

Another aspect of the revisions to the CMAQ process centered on raising the minimal project cost threshold for all CMAQ projects to \$250,000. Ms. Arellano stated TPB was looking at this as a way to get some large-scale projects accomplished and to address the project management issue. NCDOT spends a lot of time managing every CMAQ project and, at a minimum, they all have the same treatment with regard to project management. They did get comments back concerning the minimum threshold cost being too high and that it would eliminate small-scale projects, such as sidewalk construction. There were also concerns that smaller areas within the MPO's and RPO's might be outweighed by the larger MPO's, so there wouldn't be equity for

that. The smaller areas would not be able to generate the local match required, and there is a 20% match for all CMAQ projects. For \$250,000, a 20% would be \$50,000. TPB also got comments that the imposition be a cost-effective strategy rather than meet the minimum cost of threshold. Looking at the current CMAQ program, they found out that 35% of the projects they programmed are under the \$250,000 threshold. TPB evaluated the possibility of lowering the threshold to \$50,000, which was recommended by the MPO's and RPO's; in this case 10% of the CMAQ projects would be eliminated and very little of the management issue would be addressed by this proposal. TPB then evaluated a minimum project cost threshold to \$100,000. Only about 20 percent of the projects would be eliminated, but this would address the management issue. They want to be sure the program can be managed in a cost-effective way while encouraging projects that best meet the objectives of the CMAQ program.

The next issue that Ms. Arellano discussed was the allocation of funds. The proposal involved a formula to pay out the money to different regions based on the air quality region as opposed to the MPO and RPO targets that were established for 2004. This also included a minimum yearly allocation of \$125,000 per year for any region whose calculated amount was less than \$125,000 a year. They wanted to make sure everyone had enough money to send at least one or two projects through the process. There were lots of concerns about the regional allocation, which could cause a lot of confusion and frustration among the regions. People were thinking that this process was geared more toward larger MPO's, because they would outweigh the smaller ones and take over the allocation. TPB has decided that they could go with air quality region, because they would still get projects geared towards improving the region, which is where the air quality issue is and not with individual MPO's and RPO's. They understand the comments concerning this and would also be comfortable with the individual MPO and RPO allocation. Therefore, Ms. Arellano stated that she would like the EPPC or the Board of Transportation to decide whether the process should be set up using a regional allocation or an individual MPO and RPO allocation.

The next issue is the Interagency Review Team. In 2004 this team was made up of representatives from the Federal Highway Administration, NCDOT, the Division of Air Quality, MPO's and RPO's. At that time, the team was evaluating all the projects based on merit and what would be good projects to program. Now, TPB is proposing an Interagency Review Team comprised of representatives from the Federal Highway Administration, Federal Transit Administration, Environmental Protection Agency, NCDOT and the Division of Air Quality; this team would only evaluate the projects for their CMAQ eligibility based on the Federal guidance. The team will make no recommendation on what to program. The MPO's and RPO's have expressed an interest to be on that team; however, this team is only reviewing the eligibility of the projects. Adding the MPO's and RPO's on the team might make the process longer than it needs to be. Ms. Arellano stated that TPB is comfortable sharing the applications that they receive with everyone, including MPO's and RPO's, but right now their recommendation would be to have the interagency team comprised of those recommended by TPB.

The next issue was how the new CMAQ guidelines that would apply to funding CMAQ projects in year 2013 and beyond. (The 2004 process only covered projects up to 2012.) TPB was hoping to implement the new CMAQ guidelines with the development of the 2011 TIP. TPB received requests to delay implementation of this process because the MPO's and RPO's felt that

they needed further coordination with NCDOT on this. It was TPB's understanding that the major goals of this coordination would be to address the minimum cost threshold, the regional allocation and the composition of the Interagency Review Team. Since these issues have been addressed, TPB does not see a reason for the further coordination and their hope is to still move forward with the implementation of the process for 2011 TIP.

Ms. Arellano added that a few other comments were received regarding the CMAQ program. The first suggested adding "calculation" guidance with the application. For each CMAQ application developed, you have to calculate what the benefits would be to air quality, so you have to do an admissions reduction calculation. They recognize that the 2004 process didn't have strict guidelines and there were concerns that it was not equitable across the State, so TPB is committed to modifying the applications to address the comment.

Another comment received was that there was a need to train projects sponsors about the Federal Aid process and requirements. There are a lot of requirements for using Federal Aid money, and TPB agrees there is a learning curve involved and agrees that education is important and should be provided; however, rather than providing training for the project sponsors, they would like to develop some informational sessions at the beginning of the application process for people who think they are interested in the applying for a CMAQ project.

In summary, Ms. Arellano stated that she is requesting the EPPC today to determine the allocation method to be applied toward future projects that would be either regional targets or MPO/RPO targets. They would also like to have the revised CMAQ process approved. The first revised process is programming unallocated targets and fast tracking, and the CMAQ guidelines.

Ms. Terry Arellano asked if there were any questions.

Ms. Szlosberg asked to talk about the threshold change of \$250,000 to \$100,000 and also the sidewalk issue, primarily because people raised a lot of concerns about that.

Ms. Arellano stated that they spoke with the NCDOT's Division of Public Transportation to better understand the general process of developing and funding sidewalk projects. Public Transportation stated that for a sidewalk down one side of the road, for one mile with no sidewalk ramps, would be about \$100,000. The more you added to the sidewalk, the greater the cost. By allowing the \$100,000 minimum threshold, this would allow these types of smaller projects to be funded under the CMAQ program.

Ms. Szlosberg asked, "What were all the projects falling under \$50,000 – those that you considered when you did the analysis of 10% of all projects"?

Ms. Arellano answered that some of the projects were small scale projects -- like rideshare programs, and park and ride spaces. The most notable project was in Marshville that was a park and ride lot, and the total cost for the project was \$3,000 over a three-year period.

Ms. Szlosberg asked if they were suggesting that they eliminate the statewide allocation for the “clean-up” process, but not over all. “In the clean up, we have \$1,000,000 left for the statewide allocation.”

Ms. Arellano stated that it was in the total of \$4,000,000 per year over six years, and that is what was targeted to begin with. Now they have \$1,000,000 left out of that.

Ms. Szlosberg asked how much of a “profit” was left of the allocated funds.

Mr. Calvin Leggett of NCDOT stated that he wasn’t sure of the remainder of the unallocated funds and said there would be enough funding left for the 2009 projects, but wasn’t sure if there would be enough to do anything beyond that year. Mr. Leggett stated that you first must have funds authorized with a fair amount of money, but then you have obligation authority (which there is none), and then you have cash which is dwindling rapidly.

Ms. Szlosberg stated that they have a \$1 million left for statewide projects. If we don’t move forward with any statewide allocation, there won’t be any money available until 2011. That’s pretty significant when talking about programs like alternative fuel, which go across regional lines and could be a statewide program.

Mr. Marion Cowell asked if they were talking about 2009 funding or long-range or both.

Ms. Szlosberg stated that they were speaking about both 2009 and long-range funding. It is an unidentified bucket of money that is money yet to be unallocated. They are trying figure out how to get that allocated and have a new process in 2011 on how CMAQ can be awarded efficiently.

Mr. Cowell asked, “Did all the MPO’s and RPO’s sign off and are willing to go along with the program, and do they understand”?

Ms. Arellano stated that they have gotten some comments back from the RPO’s and they are not scheduled to meet together until November of this year. The RPO Association didn’t feel that it was necessary for CMAQ to wait to make a decision. They got initial comments from Shelby Powell, who is serving as President of the RPO Association, as stated in the presentation.

Ms. Szlosberg stated that one of the issues around RPO’s in dealing with the smaller communities is discretion. Decreasing the threshold from \$250,000 to \$100,000 sounds like it might satisfy some of those concerns and feel that they may be able to get more projects done.

Mr. Cowell asked, “Why can’t you just cap it at \$250,000 and give them the flexibility”?

Ms. Arellano stated that by capping the \$250,000, it would discourage people from applying for projects that are less than that and they may never know that there is a project out there for \$165,000 dollars. Any project of \$100,000 dollars or more would be considered with the new CMAQ allocation. There is no ceiling and could be as much as 30 millions dollars.

Ms. Szlosberg suggested the recommendation of \$100,000 floor to be considered by the Board. One specific issue that Ms. Szlosberg mentioned was the regional allocation versus “per MPO” allocation. She asked if they are looking at an area to clean up the air with no boundaries or MPO’s or county lines, even though the concept would be to have a regional impact in terms of air quality, how do you implement it regionally to avoid the confusion with the MPO’s and RPO’s?

Ms. Arellano answered that they had discussed that issue with the MPO’s and told them that if they wanted to take the allocation and break it up based on the formula that was used in prior years and use it among themselves, that they could do that. The ultimate goal was is to have them work together.

Mr. Leggett stated that from a programming standpoint, they liked the larger areas because if your area has a \$4 million allocation and you have a \$6 million project, that causes problems. If they had some flexibility to fund that \$6 million project, they would have a larger pool of money to pull from.

Mr. Cowell asked, “Who makes the decision about the projects”?

Ms. Arellano answered, “The Interagency Review Team and other partners all go through the eligibility process, and there is a lot of vetting that happens on the staff level technically before the CMAQ projects come to the Board for approval.”

Nancy Dunn asked, “Is there some way that we can build in the ability for the different entities to work together on a project larger than they are without forcing them”?

Ms. Arellano answered that the course of action is already in place with some of the CMAQ projects in place now.

Mr. Mike Bruff of NCDOT’s Transportation Planning Branch stated that with each one of the air quality regions there are several MPO’s, and outside of the MPO areas are the rural areas. In the Winston-Salem, Greensboro and High Point Triad MPO areas, they have started allocating funds to each one of those MPO’s. In the rural areas that are still within the non-attainment area, but outside the MPO boundary, they have given that money to the RPO’s and let them propose projects. It’s not the MPO’s or RPO’s that have project responsibility. The project sponsors have to be, in most cases a city and town or a regional authority like a park. The RPO’s and MPO’s are just responsible for coordinating and prioritizing the projects based on the air quality benefits. One of the hopes is to get areas working together and get larger scale projects that have worthwhile air quality benefits. In some of the rural areas outside the MPO’s, they were having a hard time finding sponsors for projects that they could use the money for, which is why there is unused money sitting there, which is some of the reason behind combining the money by region. What they are planning to do in the application in the technical side is to look at the project and arrange them based on the benefits per ton or reduction or whatever criteria they wanted to do. Those projects would be sent into the mix of the TIP for staff to look at those projects with everything else and make funding decisions on those projects. The staff would only look at the

technical merits and rank them on any criteria, but it is not up to the staff to make project selections.

Ms. Szlosberg asked what was keeping them from going ahead and looking at it from a regional perspective and making a recommendation to the funding entities where they see a need for opportunity for cooperation.

Mr. Bruff answered that the biggest comment they received against the rationalization of the funding was from the Charlotte area where they felt that Charlotte would use up all the money. They don't want a regional body to make decisions on projects to submit. They would rather have money available that NCDOT has made available for them to spend instead of trying to fight the battle locally.

Ms. Szlosberg stated that in the language when they do there call, they would encourage regional cooperation but it wouldn't be a mandate that they had to do on a regional scale. It would be discreet projects at a small level and the coordinating staff would make recommendations that might involve regional cooperation. She also stated that she wanted to make sure that management at the Division level, which include Division Engineer and division staff, are not being given more work than they can handle.

Ms. Arellano stated that Sandy Nance has been working with the Transportation Planning Branch because they are talking about developing a group within DOT who would be charged with managing more of these local projects.

Mr. Bill Rosser, NCDOT State Highway Administrator, stated that on any of their Federal Agreements, where federal dollars are involved, the Federal Highway Administration has asked the Department to become more proactive in their process. They have to help the people who signoff on the Agreements to understand what they are signing or it could cause trouble for them later. NCDOT has a Transition Management Team workstream looking at similar issues.

A recommendation was made to move forward with the new guidelines with the proposals that are previously in place. The proposal would be to move forward for the 2011 process STIP development process.

Mr. Doug Galyon, Secretary of the Board of Transportation, stated that their motion to vote on this subject was premature and that they needed to specify exactly what was laid out today and the changes made today, send a copy to every Board Member and to every Division Engineer, and bring back to the EPPC Committee next month for approval before submitting to the Board.

Mr. Cowell stated that he had phone calls from two people focused on the statewide allocation, and their understanding seemed to be that the statewide aspect was being withdrawn. Mr. Cowell asked if there was a limit between now and 2011?

Ms. Szlosberg answered there would be no more allocations until 2011 and then it will be regenerated, but there will be a three-year period where there will be no statewide allocation.

Ms. Arellano added that there is \$1 million dollars leftover from the original statewide allocation. Nina Szlosberg has suggested that they place that back into the clean-up process and make the \$1 million available for statewide projects, and it would also be included with the new process that comes in 2011, so what is currently allocated will not go away.

Mr. Cowell stated that at the MPO meeting he attended in Charlotte, he thought they were okay with Element 1 and 2, but with Element 3, MUMPO was supposed to do that particular step.

Ms. Arellano stated that was what was reflected in the new CMAQ guidelines, and as she summarized before, the major request was that there would be protocols with MPO's and RPO's, and they were fine with this process. The major issues were the minimal cost issue, the regional allocation and the Interagency Review Team participation. They felt that they had addressed all of those concerns that they could move forward with this process.

Ms. Szlosberg thanked Ms. Arellano for her hard work and introduced presenter Drew Harbinson from NCDOT's Equipment Unit, who provided an update on alternative fuels.

Mr. Harbinson gave an update on the progress of buying diesel and ethanol and the future of both, and other alternatives being researched. In March of 2008, NCDOT converted all of their Divisions over to the use of E20, which is comprised of 20% bio-feed stock and 80% ultra low sulfur diesel. That has been relatively smooth with one or two glitches where bad loads of fuel were delivered; but once that was straightened out, it has run smoothly since then. They allowed one site in each division to remain standard diesel and that was because of their emergency generators that they have all around the state. The worst enemy of bio-diesel or ethanol is time. If it sits for a long period of time and is not used, it can begin to show some problems. They have continued to improve the state purchasing contract, and now all the fuel source providers for bio-fuel have to be BQ-9000 certified, which is a level of certification that insures that the producer has certain standards in place. They have also included in the contract any additives that are required for cold flow issues to be the sole responsibility of the fuel provider. That has helped them in a number of ways. Typically they have used additives to regular diesel fuel beginning around September and ending in March, but the problem with additives was that if a gallon would treat a thousand gallons of fuel, then their guys sometimes would think that two gallons was better. They started a tank maintenance program this year. Many of their tanks have been in the ground for over 20 years and had never once been cleaned. At the bottom of the tanks was a collection of residue build-up, which with bio-fuels can create algae growth and bacterial growth problems. They have now cleaned these out.

They continue to work with a National Bio-Diesel Board to approve standards. This year in June and from a number of sources around the country, they have been pushing for the National Bio-Diesel Board to lower the percent of glycerin content in the bioproduct. They believe that is where some of the problems in the past have come from, and their hope is to see less clogging of filters or injector problems as a result.

In December of 2007 they converted statewide to the use of Ethanol 10 (E10), which is 10% ethanol and 90% gasoline. Over the last five years, the Equipment Unit has added 685 flex fuel pick-ups to the fleet that will run on either E85 or regular gasoline. In order for them to be in

compliance with the legislative mandates to reduce use of the petroleum products by 20 percent by 2010, they will have to install a minimum of five E85 sites around the state. That is a substantial move for the state because E85 is 85 percent ethanol and 15 percent gasoline. Any vehicle can run E10 with no problems, but the unit for E85 has to be designed to be able to burn the air/fuel mixture and it is a different set-up. Over the last five years, they've been putting more E85 vehicles in place so as the state moves more into this, they will have the vehicles to burn the fuel. The first site they will install an E85 pump in will be in Greenville, North Carolina. It will be tied into the location obtained this past March that has an emergency fuel site, but they will dispense E85 from that site.

In February of 2007, a request was made by the Office of State Energy to install a total of 30 E85 sites. The estimated cost of that at the time was \$2.5 to \$3 million. Part of the reason for their request was that most of the other state agencies use the states facilities to fuel their vehicles. For the other agencies and to help the state overall to come in compliance with the same legislative requirements, they asked NCDOT to put in the additional sites. With the high cost and allotted funding source, the NCDOT Secretary limited the Equipment Unit to installation of the five sites mention earlier. There are other funding sources that they have looked at and are encouraging. For a number of years, the State has been collecting fuel credits for the use of alternative fuel. The have sold those credits of over \$400,000 and they now have a Committee established to determine how the money will be used. There is a disagreement between the Committee and the Department of Administration, who wants to use their portion of the money to buy additional vehicles. The State's position is to use all the money to create the infrastructure to have the fuel available for all the cars already on the road.

As the refining and quality technology continues to improve for biodiesel, they will look at the use of B30 or B50. The way the cost of fuel is now, the differential between the cost of bio-diesel and regular diesel has dropped significantly and has become a more attractive fuel.

Ms. Nancy Dunn asked what the differential amount was between the two.

Mr. Harbinson answered that it ranged between as low as nine cents per gallon to 40 cents per gallon, but he has seen a consistent range between nine to 13 cents per gallons over the past year. They will continue to purchase the flex fuel trucks designed to use the E85, which will increase the number from 685 substantially over the next few years. Other alternative fuels that they are looking at are alternative engine sites. They have one CNG (compressed natural gas) site that was put in 10 years ago, and they bought both bio-fuel trucks and a few dedicated CNG trucks. The problem with that system 10 years ago was that the technology was such that it was considered a fast fuel site. Fueling the vehicles with CNG took 40 minutes per vehicle. Fueling a fleet of trucks in the morning would be impossible. Technology has improved and CNG has consistently come down in cost and availability, so it may again become an attractive alternative. As trucking equipment manufacturers begin to offer CNG engines as a factory-installed option, that will eliminate a lot of the problems that they have has in the past with after-market kits where warranties can get voided and other things can occur. As an attempt to move the country towards energy independence, you will see the fast fuel technology begin to merge. There will have to be an infrastructure for it to really become a viable alternative.

As technology expands, they will also look at hybrid and electric trucks. GM and Ford already have pick-up trucks available on the market, but right now they are not fleet supported, so they have not purchased any but feel that it will occur in the near future. Many medium and heavy duty diesel hybrid electric trucks are already available which are most used in bucket truck applications.

Mr. Harbinson asked if there were any questions.

Ms. Szlosberg added that this came up as an issue because we have a mandate to buy these flex fuel vehicles, but there is no place for them to get gas. We have the gas facility but have no way to get E-85 in them without turning over that cost money and no one is willing to come up with the cash. Ms. Szlosberg asked how long it took to get the \$400,000 in credits.

Mr. Harbinson answered that it was approximately 5 years.

Ms. Anne Tazewell stated that the credits they were selling now were earned over a 2-year period, and they have sold the first of \$500,000 worth of credits, which took about a year.

Ms. Szlosberg added that the more E-85 they use, the more credits they will have, and that can build revenue. She asked to have an analysis put together to show how many tanks they can turn over with \$400,000 and what that would yield in terms of a self-fulfilling program.

Mr. Harbinson stated that the committee put together is actually doing that kind of analysis now in cooperation with the Department of Administration, NC State University and others. They have a meeting in two weeks where they will sit down and discuss how the funds will be spent. Their recommendation will be that it should be spent on the infrastructure of the fuel sites.

Ms. Szlosberg asked for a report back on this issue to keep them informed. Seeing no further questions, Ms. Szlosberg adjourned the meeting at 9:45 A.M.

The next meeting of the Environmental Planning and Policy Committee is scheduled for Wednesday, November 5, 2008 at 8:30 AM in the Board Room (Room 150) of the Transportation Building.

AJP/jh