

# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

August 2015

Report No. 2015-06

## Follow-up Report: North Carolina Railroad Company

N.C. Session Law 2011-145, as amended, directed the Program Evaluation Division (PED) to conduct a comprehensive evaluation of the North Carolina Railroad Company (NCRR), a discretely reported component of the State of North Carolina, of which the State is sole shareholder. The legislation required a review of the corporation's mission, economic development benefits, tangible and intangible value, and governance and required consideration of whether NCRR should be sold, transferred under the North Carolina Department of Transportation (NCDOT) or another state agency, or maintain its corporate structure.

PED found NCRR had benefitted from its unique relationship with the State of North Carolina, but the State had not profited financially from this relationship. PED also found the State had limited mechanisms for oversight of NCRR, and selling NCRR or the railroad corridor may not be in the best interest of the State because these valuable rail assets and their long-term earnings potential would be lost.

Based on these findings, PED recommended the General Assembly

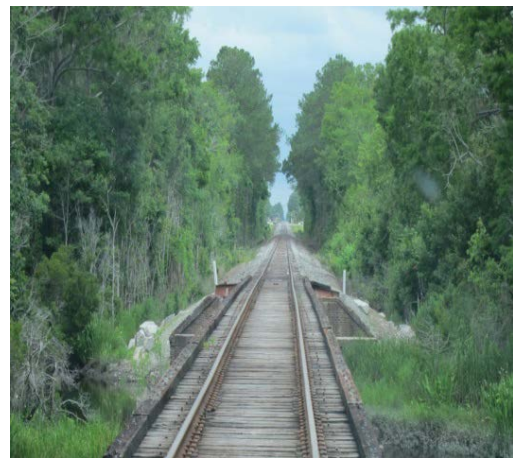
- amend Chapter 124 of the General Statutes to strengthen reporting by NCRR, including requiring strategic planning and performance measurement and enhancing its partnership with the Department of Transportation;
- require NCRR to pay a one-time dividend of \$15.5 million and, thereafter, require NCRR to pay an annual dividend equal to 25% of NCRR's annual income from its trackage rights agreement (estimated at \$3.7 million annually) to the General Fund; and
- require NCRR to convey to the State 14 properties not directly related to the railroad corridor so these properties could be sold and the proceeds deposited into the General Fund.

Based on PED's recommendations, Session Law 2013-360, Section 34.14 required NCRR to

- prepare and maintain a strategic plan,
- develop and implement a performance management system,
- issue an annual cash dividend to the State,
- issue a one-time cash dividend of \$15.5 million, and
- issue a one-time real property dividend to the Department of Administration (DOA).

NCDOT's Rail Division issued its Comprehensive State Rail Plan on February 20, 2015.<sup>1</sup> In addition, DOA's State Property Office is in the process of conveying the four parcels identified by Session Law 2013-360 (see Exhibit 1).

NCRR paid the \$15.5 million one-time dividend and \$3.7 million annual dividend on December 20, 2013, to be designated for a freight rail and safety fund to support the State's economic development efforts. In May 2014, the Board of Transportation approved 40 projects totaling \$16.6 million; in January 2015, the Board approved 15 projects totaling \$3.7 million (see Exhibits 2 and 3).



<sup>1</sup> The plan can be accessed online at <http://www.ncbytrain.org/resources/download/DraftStateRailPlanFullReport.pdf>.

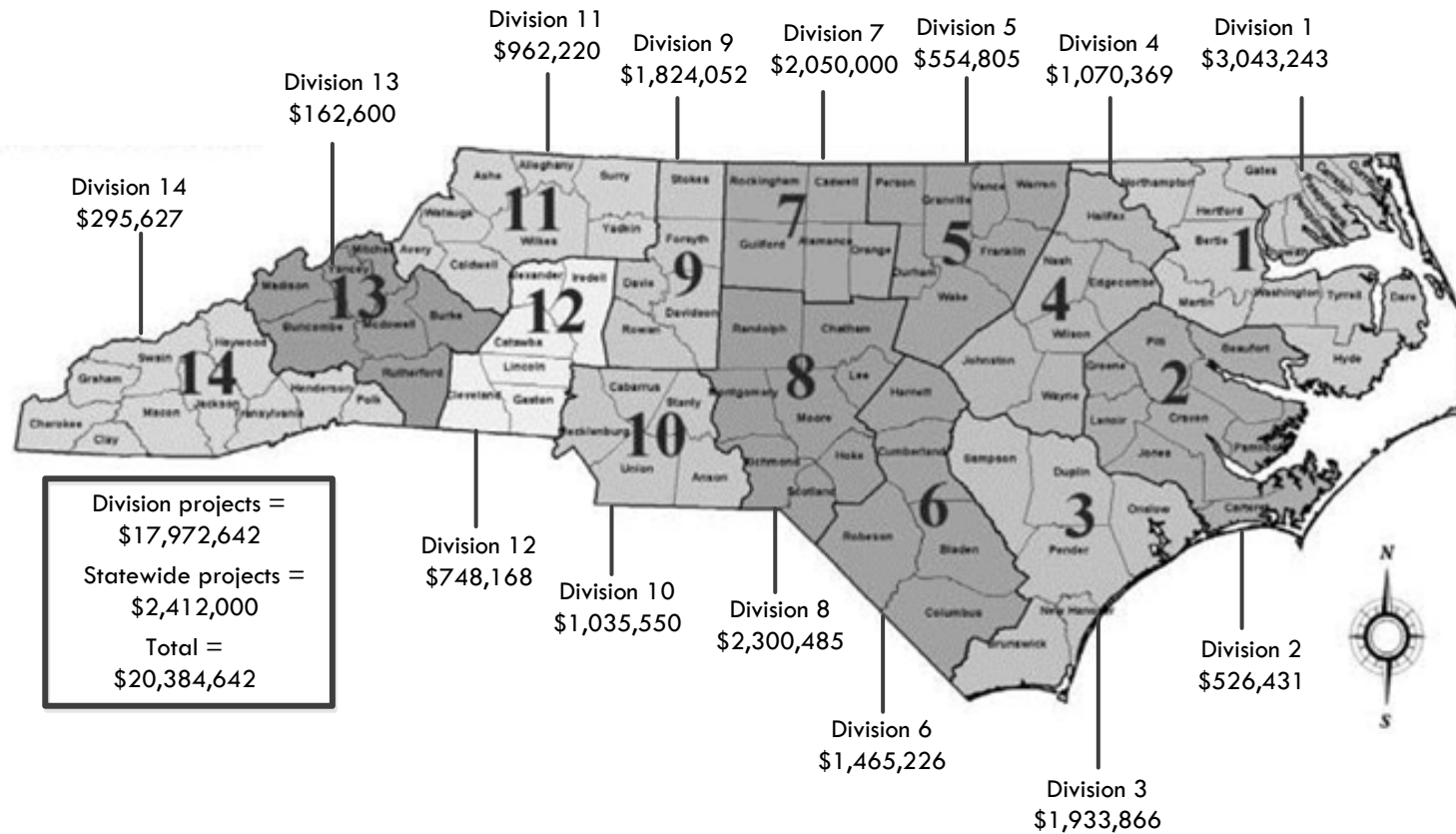
## Exhibit 1: Session Law 2013-360 Transferred Ownership of Four Former North Carolina Railroad Company Properties to the Department of Administration for Subsequent Disposal

	Property Description	County	Property Had Tenant	Year Acquired	Total Tax Value	Annual Income	Status
1	Waterfront and Riparian Rights	Carteret (Morehead City)	Yes	1902	\$1,011,884	\$32,721	In process of being acquired by Town of Morehead City
2	Bridges Street Lot	Carteret (Morehead City)	Yes	1903	1,148,121	27,700	Retained by NCRR
3	Station and Former Industrial Property	Carteret (Morehead City)	Yes	1902	1,047,956	27,243	In process of being acquired by Town of Morehead City
4	Hillsborough Former Depot	Orange (Hillsborough)	Yes	1850s	278,040	4,244	Retained by NCRR
5	Wye Property	Carteret (Morehead City)	Yes	1887	994,500	3,000	Retained by NCRR
6	4th Street Lot	Carteret (Morehead City)	Yes	1903	249,420	2,700	In process of being acquired by Town of Morehead City
7	Wye Property Extension	Carteret (Morehead City)	Yes	1887	278,472	700	Retained by NCRR
8	Burke Street Lot	Alamance (Gibsonville)	No	2005	38,793	0	Retained by NCRR
9	Clarks Lot	Craven (Clarks)	No	1911	8,000	0	Retained by NCRR
10	Morrisville Former Depot	Wake (Morrisville)	No	1850s	3,006	0	Retained by NCRR
11	N. Craven Street	Craven (New Bern)	No	1899	915,390	0	Offer to acquire received by State Property Office
12	Newport Lot	Carteret (Morehead City)	No	1903	50,440	0	Retained by NCRR
13	Tiffany and Bright Streets	Lenoir (Kinston)	No	1901	31,025	0	Retained by NCRR
14	Waynesboro Lot	Wayne (Goldsboro)	No	1850s	1,130	0	Retained by NCRR
<b>Totals for Property Designated for Disposal by S.L. 2013-360</b>					<b>\$3,224,650</b>	<b>\$62,664</b>	

Notes: NCRR stands for the North Carolina Railroad Company. Properties transferred to DOA for subsequent disposal by S.L. 2013-360 are highlighted in black. Data for columns "Property Had Tenant," "Total Tax Value," and "Annual Income" are from 2012, when PED's evaluation was conducted.

Source: Program Evaluation Division based on North Carolina Railroad Company property lists.

## Exhibit 2: Funding by Division for Freight Rail and Rail Crossing Safety Improvement Fund Projects, 2014–15



Notes: For projects affecting counties in more than one division, funding totals were apportioned based on number of counties affected within each division. For example, five counties were affected by the 2015 improvements to the Carolina Coastal Railway corridor; three of these counties were in Division 2 and two were in Division 4, so three-fifths of the \$377,385 total cost (\$226,431) was allotted to Division 2 and two-fifths (\$150,954) was allotted to Division 4.

Source: Program Evaluation Division based on information from the North Carolina Department of Transportation.

### Exhibit 3: Freight Rail and Rail Crossing Safety Improvement Fund Projects by Category, 2014–15

Purpose	Number of Projects	Range of Project Costs	Total Funds Allotted
<b>2014</b>			
Improving short line infrastructure (adding capacity, increasing operating efficiency, enhancing safety)	14	\$50,000–\$2,000,000	\$5,271,108
Improving rail access for companies and enhancing the ability to move freight via the rail network	13	\$100,000–\$500,000	\$2,950,000
Closing crossings and making improvements to adjacent crossings	8	\$25,000–\$1,300,000	\$4,690,000
Modernizing rail crossing signals	2	\$750,000–\$1,100,000	\$1,862,000
Modernizing and adding capacity to the Wilmington Terminal Railroad at the Port of Wilmington	1	\$833,000	\$833,000
Replacing at-grade crossing in Mount Airy	1	\$240,000	\$240,000
Constructing a rail industrial access spur to serve "Project C" at the North Carolina Industrial Center in Mebane on a Norfolk Southern Railway line	1	\$200,000	\$200,000
<b>2015</b>			
Improving short line infrastructure (adding capacity, increasing operating efficiency, enhancing safety)	11	\$40,000–\$400,000	\$2,838,532
Closing at-grade crossings and making subsequent mitigating improvements in Knightdale (Wake County) and King (Stokes County)	2	\$200,000–\$300,000	\$500,000
Making rail access improvements in New Hanover and Surry counties	2	\$200,000–\$250,000	\$411,000
<b>Total</b>	<b>55</b>	<b>\$25,000–\$2,000,000</b>	<b>\$19,795,640</b>

Notes: Discrepancies in totals of Exhibit 1 and Exhibit 2 are owing to costs of project administration, engineering, and inspection for track and rail access improvements.

Source: North Carolina Department of Transportation.

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