

Program Financing



PROGRAM FINANCING

FUNDING

The funding of highway improvements depends on the availability of funds and on criteria established by State and Federal law on the use of those funds. Highway projects may be financed entirely by State funds, by a combination of Federal-aid and matching State funds, or by a combination of Federal-aid or State funds and matching local funds. Project cost estimates in each year of the STIP reflect an inflation rate of approximately 3.9 percent per year. KDOT's historical cost trends and future cost expectations were used to develop this rate. Information on cost trends is based on reasonable financial principles developed cooperatively by KDOT, the MPOs, and the public.

The STIP is updated on an annual basis and to demonstrate fiscal constraint, the STIP provides program financing information by year for the four federal fiscal years reported in the STIP-advance construction information is included in this information

STATE FUNDS

State sources of highway funds include motor fuels tax, sales tax, vehicle registration fees, and a number of miscel-

laneous fees such as drivers' license fees, mineral royalties, and signboard permit fees. The table below shows the sources and amounts of State Highway Fund revenues (state sources only) anticipated for the FY 2010 - 2013 projects.

Motor fuels represent an estimated 38.7 percent and sales tax receipts represent an estimated 36.9 percent of the FY 2010 - 2013 state-generated highway revenues. Vehicle registration fees comprise an estimated 21.9 percent, and all other sources 2.5 percent of the total.

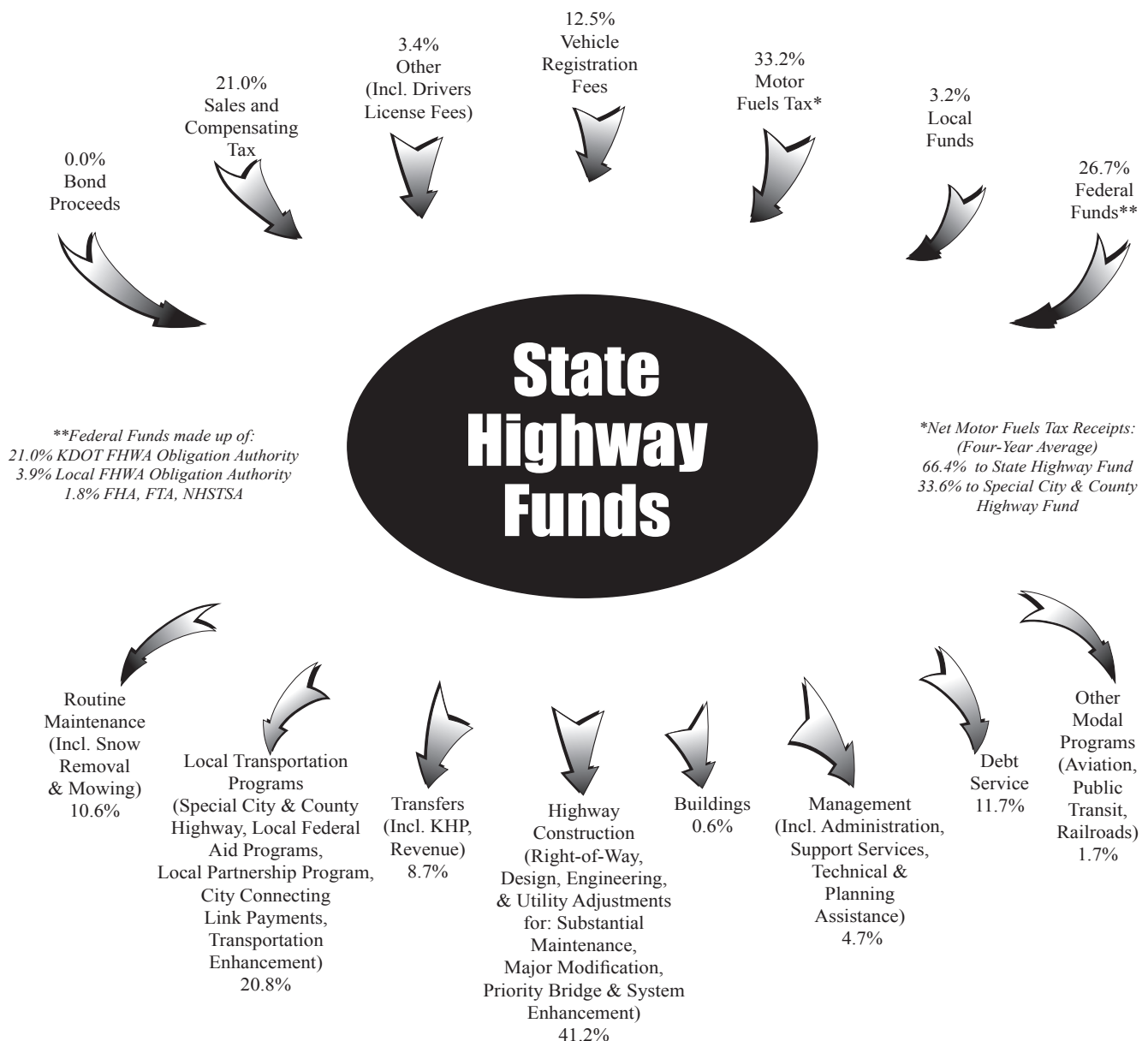
Estimated State Generated Revenue Fiscal Years 2010-2013 (\$ Millions)	
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Motor Fuels Tax	1,188
Registration Fees	673
Sales and Comp Tax	1,131
Bond Proceeds (Net)	0
Other Incl. Interest	<u>76</u>
Total	\$3,068

Kansas Department of Transportation

Fund Sources and Disposition

FY 2010-2013



FEDERAL FUNDS

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted on August 10, 2005 and provided federal aid to the state and local units of government through Federal Fiscal Year (FFY) 2009. When this draft STIP was prepared, new funding either through an extension to SAFETEA-LU or through the enactment of a new transportation act was not in place at the federal level. However, several proposals were pending at the federal level and all of the proposals provide for funding at a greater level than provided under SAFETEA-LU. Thus, as a conservative forecast, this document assumes future federal funding levels in FFY 2010-2013 at the funding levels provided under SAFETEA-LU.

The major programs of the SAFETEA-LU Act included the National Highway System (NHS), Surface Transportation Program (STP), Bridge Replacement and Rehabilitation Program, Interstate Maintenance (IM), Congestion Mitigation and Air Quality (CMAQ), and Safety. For the FFY 2010-2013, these programs are assumed to continue.

SAFETEA-LU provided funding for a new program- the Equity Bonus Program. This program replaced the Minimum Guarantee Program under TEA-21 and ensured that each State's return on its share of contributions to the Highway Trust Fund (in the form of gas and other highway taxes) was at least a

minimum 92 percent relative rate of return by 2008. In addition, every State was guaranteed a specified rate of growth over its average annual TEA-21 funding level, regardless of its Trust Fund contributions. These funds were made available to KDOT for use at its discretion, subject to existing limitation controls. A similar funding disbursement is anticipated for FFY2010-2013. In addition, SAFETEA-LU required states to pass on a portion of the federal funding to local units of government for city and county projects. This is, also, assumed to continue in the FFY 2010-2013. Finally, there was funding earmarked for certain "high priority" projects in SAFETEA-LU. At the time of the draft STIP preparation, the continuation of the "high priority" funding for FFY2010-2013 is unclear.

The federal government annually apportions or divides the federal-aid highway funds authorized by Congress among the states. States receive funding in each of the various program categories as specified in the federal transportation legislation. Funds for most highway programs in SAFETEA-LU were based on the state's historical share of funds received in past years. Bridge Program and Congestion Mitigation apportionments were distributed based on the states specific need for these funds. In this document, the distribution provided for under SAFETEA-LU is assumed to continue.

Federal funds used for projects that are eligible under a transportation act

FFY* 2010-2013
Estimated Apportionments (as of 08/03/09)
For KDOT, Local, & Metro Projects
(\$ Millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
National Highway System	88.2	88.2	88.2	88.2	352.8
Interstate Maintenance	64.0	64.0	64.0	64.0	255.9
Surf. Transp. (KDOT)	49.4	49.4	49.4	49.4	197.8
Surf. Transp. (Local)	21.3	21.3	21.3	21.3	85.1
Surf. Transp. (Metro)	18.1	18.1	18.1	18.1	72.2
Surf. Transp. (TE)	10.3	10.3	10.3	10.3	41.2
HSIP Rail Safety	11.1	11.1	11.1	11.1	44.3
HSIP HES Safety (Inc SRTS & HRRR)	15.6	15.6	15.6	15.6	62.5
Bridge (KDOT)	32.8	32.8	32.8	32.8	131.2
Bridge (Local)	21.7	21.7	21.7	21.7	86.9
Bridge (Metro)	5.1	5.1	5.1	5.1	20.5
Congestion Mitigation	8.6	8.6	8.6	8.6	34.4
Other	<u>10.1</u>	<u>10.1</u>	<u>10.1</u>	<u>10.1</u>	<u>40.4</u>
Total	356.3	356.3	356.3	356.3	1,425.3

*Federal Fiscal Year (Oct 1- Sep 30)

FFY* 2010-2013
Estimated Obligations
For KDOT, Local, & Metro Projects
(\$ Millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
National Highway System	134.3	77.2	101.9	126.2	439.6
Interstate Maintenance	74.2	57.4	51.1	90.6	273.3
Surf. Transp. (KDOT)	38.3	60.7	73.3	25.2	197.5
Surf. Transp. (Local)	30.1	23.3	4.0	7.7	65.1
Surf. Transp. (Metro)	18.8	24.0	5.4	3.2	51.4
Surf. Transp. (TE)	12.3	0.0	0.0	0.0	12.3
HSIP Rail Safety	1.2	0.3	0.0	0.0	1.4
HSIP HES Safety (Inc SRTS & HRRR)	7.2	2.3	0.0	0.0	9.4
Bridge (KDOT)	16.0	10.9	0.7	53.7	81.3
Bridge (Local)	21.0	10.9	5.9	9.1	46.9
Bridge (Metro)	1.8	0.0	0.0	0.0	1.8
Congestion Mitigation	10.8	0.0	0.2	0.5	11.5
Other	<u>26.6</u>	<u>1.9</u>	<u>4.7</u>	<u>2.0</u>	<u>35.2</u>
Total	392.6	268.9	247.1	318.1	1,226.7
American Recovery and Reinvestment Act (ARRA)***	245.3				

*Federal Fiscal Year (Oct 1- Sep 30)

***All ARRA project apportionment was received in state FY 2009 and was amended to the 2009 STIP but obligation crossed into FY2010 and is shown separately in this table from other 2010 projected obligation.

like SAFETEA-LU must meet specific program objectives. For example, CMAQ funds are used on projects that help areas in Kansas meet federal air quality standards. Currently Kansas uses CMAQ funds in the Wichita and Kansas City areas. There are numerous requirements of a transportation act like SAFETEA-LU which impact the use of federal funds on projects programmed in the FY 2010 – 2013 Kansas State Transportation Improvement Program.

Congress annually sets an upper limit, termed an obligation ceiling, on the total amounts of obligations that may be incurred by each state. This limit is used as a means of controlling budget outlays to make the federal-aid highway program responsive to the nation's current economic and budgetary conditions. The obligation limitation is typically less than the amount of federal-aid apportioned to the states.

The FFY 2010 - 2013 (October 1, 2009 - September 30, 2013) estimated apportionments to Kansas for all federal-aid construction are shown in the table on the previous page. In addition to the total appropriation anticipated in each of the four years, the table displays how that funding is anticipated to be distributed by year in the major federal funding categories. For programming purposes, the FFY 2010 - 2013 apportionments were estimated by KDOT based on the prior funding levels used in SAFETEA-LU, on historical apportionments and on the funding provided by recent action taken by congressional budget committees.

Also, on the previous page is a table of the estimated obligations for FFY 2010-2013. In addition to the total obligations anticipated in each of the four years, the table displays how the obligations are expected to be obligated by the major federal funding categories. For programming purposes, the FFY 2010 - 2013 obligation limitations were estimated by KDOT using the same levels used in SAFETEA-LU. The estimated obligations in this table include obligations for projects in MPO areas. Additionally, projects authorized with advance construction and expected to convert in the FFY are included in the estimated obligation amount for the FFY.

For each FFY reported the estimated obligations are less than or equal to the expected federal appropriations for that year. As explained previously, the obligation limitation is set annually by Congress. At the time of the STIP preparation the limitation amount is usually unknown, so the estimated obligations for the four federal fiscal years are based on the historical levels previously provided to the state.

The estimated obligation for each year in the table includes the expected conversion of advance construction projects including projects within MPO areas and the obligation of non-advanced construction projects including projects within MPO areas. Specific MPO project information is not provided in the STIP Project Index or List. Rather MPO project information is provided in the STIP by reference only. (For more in-

formation concerning MPO's, please refer to the Metropolitan Transportation Improvement Program section of this document.)

Because MPO projects are in the STIP by reference and in order to demonstrate fiscal constraint, the anticipated apportionments and obligation tables include expected apportionments and obligations for projects in the MPO areas. Without inclusion of these projects, fiscal constraint would be difficult to demonstrate. Also, the Advanced Construction Project Index in the project listing section of this document, includes projects in MPO areas for the same reasons.

As a result of the differences outlined above, the Project Index expected obligation totals do not match the totals provided in this table. In general, the information within the table on the previous page is broader and more encompassing than the information provided in the Project Index.

On February 17, 2009, the American Recovery and Reinvestment Act (ARRA) was enacted. While fifty percent of the funds provided by this act had to be obligated in the first 120 days which occurred in FFY2009, the remaining fifty percent do not have to be obligated until March 2, 2010 which is in FFY2010. Since the appropriation and obligation of the funds cross FFY's, a separate column was created in the obligation table to report the (ARRA) projects expected to be obligated in FFY 2010. Appropriations for the ARRA

projects were done in FFY 2009 so there is not a corresponding ARRA column for FFY 2010 in the appropriations table. Creation of the separate column for ARRA obligations was done to facilitate understanding of FFY 2010 data. Without the separate column for ARRA obligations, total FFY 2010 expected obligations including the ARRA projects anticipated to be obligated would cause total FFY2010 obligations to appear over programmed.

Further information about the State of Kansas ARRA projects may be found at the following web site www.ksdot.org/Economic_Recovery/ .

LOCAL FUNDS

Local government sources of transportation funds include state motor-fuel tax revenue received through the Special City and County Highway Fund, federal motor fuels tax revenue received from FHWA through KDOT, state funds from KDOT's local partnership program, property taxes, local option sales taxes, and bond issues. Property taxes are the largest source of transportation revenues for local governments, with much of this revenue being spent on maintenance rather than construction.

Construction funds that local governments receive from FHWA through KDOT include Surface Transportation (STP) and Bridge (BR) funds. Each year the county STP funds are distributed based on the percentage of state motor fuels tax each county received in the

prior year. Small Urban STP funds are divided into three categories based on population: cities with 5,000 to 14,999 populations; cities with 15,000 to 49,999 populations; cities with 50,000 to 200,000 populations. In each of the two smaller categories, each city within the category is given an opportunity for projects on a rotating basis. Funds within the 50,000 to 200,000 population category are distributed based on the proportion that a city's population is to the total population within that category.

KDOT maintains a log of all deficient bridges within the state. Each local government is eligible to receive a portion of the BR funds. KDOT utilizes the proportion of deficient bridge area within their jurisdiction to the total deficient bridge area of all local jurisdictions in the state for programming these local government projects.

The Kansas Highway Program includes a number of Local Partnership Programs. In these programs, the State and local units of government share a project's cost. The City Connecting Link (KLINK) Resurfacing, Geometric Improvement, and Economic Development Programs are designed to assist local governments in making surfacing and geometric improvements on city connecting links and to finance projects that are needed as a result of rapid economic growth or to spur economic development.

The KLINK Resurfacing Program requires a minimum of 25 or 50 percent

match in local funds, depending on the size of the city, and State funds are limited to a maximum of \$200,000 per project. The Geometric Improvement Program requires local matching funds on a sliding scale based on a city's population. The Economic Development Program requires a minimum of 25 percent in local matching funds.

In addition to the Local Partnership Program, local funds are utilized for some Substantial Maintenance Safety projects and Major Modification Hazard Elimination (HES) projects. KDOT may also jointly fund projects such as railroad grade separations or with the Kansas Turnpike Authority for projects such as the I-70/I-470/ Oakland Expressway interchange project.