

# Program Financing



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## PROGRAM FINANCING

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### FUNDING

The funding of highway improvements depends on the availability of funds and on criteria established by state and federal law for the use of those funds. Highway projects may be financed entirely by state funds, by a combination of federal and matching state funds, or by a combination of federal or state funds and matching local funds. Project cost estimates in each year of the STIP reflect an inflation rate of approximately 3.5 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, including advance construction 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 all KDOT revenues (state sources only) anticipated for the FY 2011 - 2014 projects.

Motor fuels represent an estimated 37 percent and sales tax receipts represent an estimated 29 percent of the FY 2011 - 2014 state-generated highway revenues. Vehicle registration fees comprise an estimated 15 percent; bond proceeds represent an estimated 15 percent and all other sources 4 percent of the total.

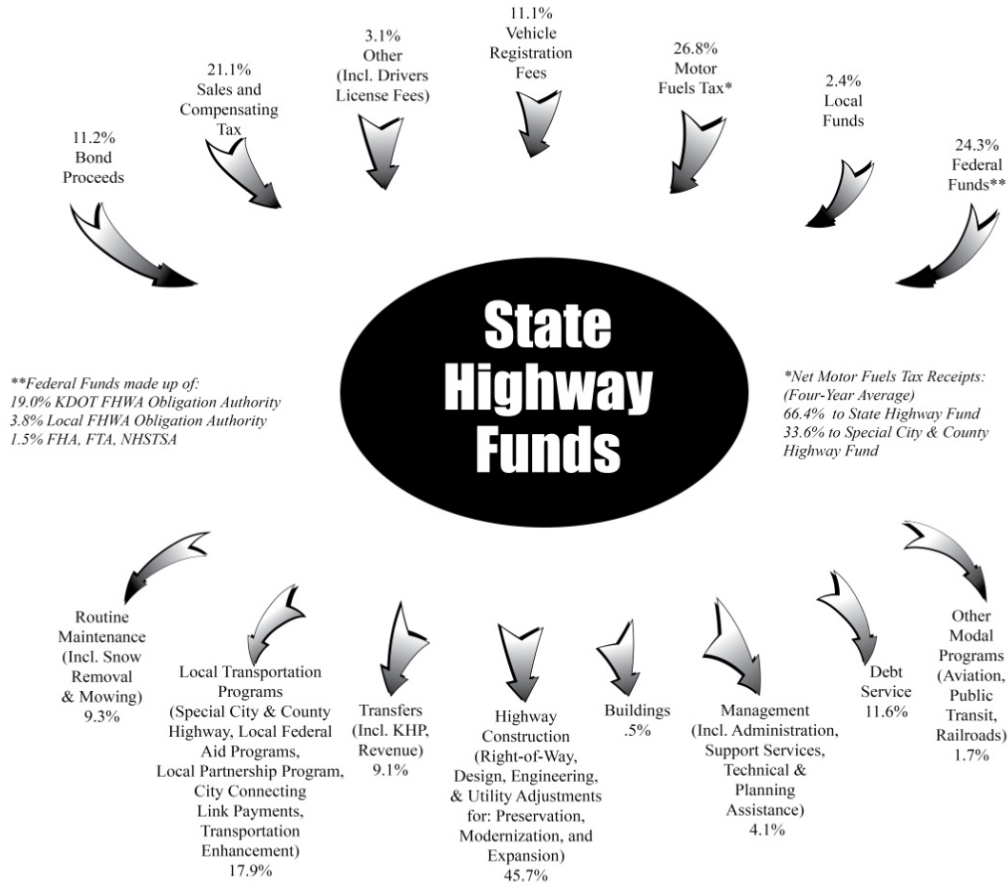
Estimated State Generated Revenue Fiscal Years 2011-2014 (\$ Millions)	
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Motor Fuels Tax	1,734
Vehicle Registration Fees	719
Sales and Comp Tax	1,370
Bond Proceeds (Net)	725
Other Incl. Interest	<u>201</u>
Total	\$4,749

# Kansas Department of Transportation

## Fund Sources and Disposition

### FY 2011-2014



*\*\*Federal Funds made up of:  
19.0% KDOT FHWA Obligation Authority  
3.8% Local FHWA Obligation Authority  
1.5% FHA, FTA, NHSTSA*

*\*Net Motor Fuels Tax Receipts:  
(Four-Year Average)  
66.4% to State Highway Fund  
33.6% to Special City & County Highway Fund*

*July 2010 Cash Flow Basis*

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## FEDERAL FUNDS

The Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted on August 10, 2005 and provided federal funds to state and local units of government through Federal Fiscal Year (FFY) 2009. When this draft STIP was prepared, new funding through the enactment of a new transportation act was not in place at the federal level. However, several proposals are pending at the federal level, and all of the proposals provide for funding at a greater level than provided under SAFETEA-LU. As a conservative forecast, this document assumes future federal funding levels in FFY 2011-2014 at the same 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 2011-2014, these programs are assumed to continue.

SAFETEA-LU provided funding for a new program called the Equity Bonus Program. This program replaced the Minimum Guarantee Program under the previous federal transportation program, 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 re-

turn by 2008. In addition, every state was guaranteed a specified rate of growth over its average annual TEA-21 funding level, regardless of its Highway 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 FFY 2011-2014. 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 2011-2014. 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 FFY 2011-2014 was 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 such as SAFETEA-LU must meet

## Federal Fiscal Years 2011-2014

(All dollar Amounts in \$1,000's)

### Estimated Apportionments for KDOT, Local, Metro Projects as of 08/10/2010

Apportionment Grouping	2011	2012	2013	2014	Total
NHS	88,195	88,195	88,195	88,195	352,780
IM	63,987	63,987	63,987	63,987	255,948
STP (KDOT)	49,450	49,450	49,450	49,450	197,800
STP (Local)	21,279	21,279	21,279	21,279	85,116
STP (Metro)	18,057	18,057	18,057	18,057	72,228
STP (TE)	10,304	10,304	10,304	10,304	41,216
Rail Safety (HSIP/ RRP/RRS )	11,070	11,070	11,070	11,070	44,280
Federal Safety (HSIP, HES, SRTS & HRRR)	13,953	13,953	13,953	13,953	55,812
BR (KDOT)	32,811	32,811	32,811	32,811	131,244
BR (Local)	21,720	21,720	21,720	21,720	86,880
BR (Metro)	5,125	5,125	5,125	5,125	20,500
CMAQ	8,600	8,600	8,600	8,600	34,400
Other (Recreational Trails)	<u>1,379</u>	<u>1,379</u>	<u>1,379</u>	<u>1,379</u>	<u>5,516</u>
<b>Total</b>	<b>345,930</b>	<b>345,930</b>	<b>345,930</b>	<b>345,930</b>	<b>1,383,720</b>

## Federal Fiscal Years 2011-2014

(All dollar Amounts in \$1,000's)

### Estimated Obligations for KDOT, Local, Metro Projects as of 08/10/2010

Some obligations are for funds that were apportioned in prior years. Thus, obligations may be greater than apportionments shown above for that year. Additionally remaining 2010 obligations are 151,224 of the 2011 & Remaining 2010 total obligations of 466,089 shown below.

Obligation Grouping	Advance Construction Conversion after 2014	2011 & Remaining 2010	2012	2013	2014	Total
NHS	26,736	126,486	86,988	90,325	0	328,496
IM	159,593	84,695	69,866	60,026	70,748	444,929
STP (KDOT)	5,709	101,187	45,302	56,872	0	207,574
STP (Local)	429	26,638	28,005	18,421	37,332	110,452
STP (Metro)	0	28,210	8,375	9,066	1,800	47,451
STP (TE)	0	7,099	1,000	0	0	8,098
Rail Safety (HSIP/ RRP/RRS )	0	9,121	200	200	200	9,952
Federal Safety (HSIP, HES, SRTS & HRRR)	0	22,544	7,716	0	0	59,132
BR (KDOT)	1,819	18,936	35,362	40,598	44,725	141,440
BR (Local)	0	18,458	15,212	13,459	11,868	58,202
BR (Metro)	0	1,904	0	0	0	1,904
CMAQ	0	4,246	225	540	0	3,975
Other (HPP, TIP, DEMO, ARRA & OTHER)	<u>0</u>	<u>16,565</u>	<u>9,146</u>	<u>1,331</u>	<u>0</u>	<u>15,415</u>
<b>Total</b>	<b>194,286</b>	<b>466,089</b>	<b>307,397</b>	<b>290,838</b>	<b>166,673</b>	<b>1,437,020</b>

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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 2011 – 2014 Kansas STIP.

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 2011 - 2014 (October 1, 2010 - September 30, 2014) 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 the funding is anticipated to be distributed by year in the major federal funding categories. For programming purposes, the FFY 2011 - 2014 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 2011-2014. 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 2011 - 2014 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-advance 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 information concerning MPOs, please refer

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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 Advance 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.

## **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 through partnering with KDOT on certain projects, 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.

## **FISCAL CONSTRAINT**

In accordance with 23 CFR 450.216(a)(5), the STIP is required to be financially constrained by year and this fiscal constraint must be demonstrated in the STIP. Fiscally constrained by year means that the demand on total available funding (state, federal and local) for each

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STIP year does not exceed the funding that is available for that year. To assure fiscal constraint, KDOT maintains a Cash-Flow Worksheet that is monitored by KDOT's Office of Financial and Investment Management and updated as new information indicates the need.

The Cash-Flow Worksheet projects anticipated revenues and expenditures. It includes all revenues, state, federal and local, and all expenditures anticipated in the next four years. As stated previously, because a new federal program is not in place, the federal funding used in the Cash-Flow Worksheet assumes a flat level (no growth) of federal funding based on what was received during the SAFETEA-LU program. The state and local funding estimates used in the Cash-Flow Worksheet are based on projections from two main sources, the Consensus Estimating Group (CEG) and the Highway Revenue Estimating Group (HREG).

The CEG includes staff from the State Division of the Budget, the Department of Revenue, Legislative Research, as well as several consulting economists. The members of the group prepare independent estimates of receipts to the State General Fund and then meet to arrive at a consensus. Although the primary emphasis of the group is on State General Fund receipts, the group also prepares estimates for the growth rate of personal income, inflation, interest rates, and oil and gas prices and production, all of which have an effect on the state revenues and ultimately on rev-

enues KDOT receives from taxes and fees.

The HREG is composed of representatives from the State Department of Revenue, Legislative Research, Division of the Budget and KDOT. Typically, this group meets shortly after the CEG meets. The primary function of the HREG is to prepare forecasts for the amounts of motor vehicle registration fees and motor fuels tax that will be collected. The larger CEG does not prepare estimates for these revenues since they do not flow to the State General Fund. In addition, since the larger CEG only estimates the growth of revenues from sales and compensating use taxes for two years, the HREG agrees on a long term growth rate of revenues from sales and compensating use taxes for the out-years.

KDOT uses information from both groups to formulate estimates for state and local revenues that will be available for the departments use. Whenever, the CEG and/or HREG issue revised information, usually three times annually in April, November and September, KDOT reviews the new data to determine whether the new data continues to support current revenue projections. If KDOT's Office of Financial and Investment Management (OFIM) determines the new information warrants an adjustment to the state and local funding projections, changes are made to the Cash-Flow Worksheet.

The sources of revenue type projections shown in the Cash-Flow Work-



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sheet are:

- Motor Fuel Taxes- HREG
- Sales Tax- CFG for first two years and HREG for out-years
- Vehicle Registration Fees- HREG
- Driver's License Fees & Special Vehicle Permits-projected without inflation based on most recent historical data
- Useable Condemned Equipment-projected at average of last three years' historical data
- Publications- projected at average of last three years' historical data
- Miscellaneous Revenues- HREG
- Transfers- OFIM based on review of statutes
- Bond Proceeds- OFIM based on review of statutes
- Federal & Local Reimbursements-combination of budget allocations and projected expenditures for federally-funded projects

Sources used to forecast expenditures are more varied than those used for revenues. Primary sources for expenditure forecasting are the agency's budget and two computer information systems, the Comprehensive Program Management System (WinCPMS) and the Contract Management System (CMS). These two systems are used to maintain program and specific project and contract information. Data generated from these two computer programs are used to

create the Project Listing, Project Index and Advance Construction Listing in the STIP and help generate expenditure information.

The sources for expenditure-type projections shown in the Cash-Flow Worksheet are:

- Maintenance (Routine)- first two years from budget and out-years estimated based on inflating first two years
- Preservation, Modernization and Expansion- WinCPMS and CMS project data
- Agency CE & PE- first two years from budget and out-years estimated based on inflating first two years
- Contract CE & PE- KDOT Bureau of Design estimates adjusted for inflation
- Local Federal Aid- federal funding allocated to cities and counties plus local match
- Agency Operations- first two years from budget and out-years estimated based on inflating first two years
- City Connecting Links- Based on miles of City Connecting Links and payment per statute
- Local Partnership Programs- WinCPMS and CMS project data
- Categorical Grants- first two years from budget and out-years esti-

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mated based on inflating first two years

- Management- first two years from budget and out-years estimated based on inflating first two years
- Buildings-Capital Improvement Plan adjusted to reflect Governor's budget request
- Transfers- first two years from budget and out-years estimated based on inflating first two years
- Debt Service- OFIM based on bonds issued

updated annually while the Cash-Flow Worksheet is dynamic with the information updated throughout the year.

KDOT's current Cash-Flow Worksheet is provided on the following page.

The Cash-Flow Worksheet summarizes agency revenue and expenditure projections. It is reviewed and updated as follows:

- September during budget preparation
- January after the Governor's budget is presented
- May/June at the conclusion of the legislative session
- As needed based on program and project changes

It is important to note that the Cash-Flow Worksheet shows the way in which revenues and expenditures are anticipated to flow through the agency- including federal reimbursements in each STIP year. While the federal apportionment and obligation tables shown previously, depict the anticipated federal fund apportionments (received) and obligations (incurred) in each STIP year. The federal apportionments and obligations are static with the table information

**KDOT - All Agency Funds**

(\$000)	2011	2012	2013	2014	Total
<b>BEGINNING BALANCE</b>	<u>314,184</u>	<u>503,816</u>	<u>421,770</u>	<u>341,839</u>	
<b>Resources</b>					
Motor Fuel Taxes	424,012	430,413	436,812	443,212	1,734,449
SGF (Sales Tax) Transfer	-	-	-	-	-
Sales & Compensating Tax	289,524	298,918	308,640	473,190	1,370,272
Registration Fees	168,000	171,500	180,936	198,705	719,141
Drivers Licenses Fees	6,761	6,761	6,761	6,761	27,044
Special Vehicle Permits	2,000	2,000	2,000	2,000	8,000
Interest on Funds	34,179	22,699	20,962	19,748	97,588
Sales of Land & Buildings	200	-	-	-	200
Useable Condemned Equipment	1,838	1,838	1,838	1,838	7,350
Insurance Reimbursement	994	994	994	994	3,974
Publications	163	163	163	163	652
Misc. Revenues	3,001	2,463	2,470	2,543	10,478
Transfers:					
State Vehicle Registration	1,483	1,483	1,483	1,483	5,934
Motor Carrier Fund Excess	2,000	2,000	2,000	2,000	8,000
Motor Carrier Property Taxes	-	10,064	10,235	10,409	30,707
General Fund Bond Proceeds	-	-	-	-	-
Other Transfers	1,000	-	-	-	1,000
Subtotal	<u>935,155</u>	<u>951,295</u>	<u>975,295</u>	<u>1,163,046</u>	<u>4,024,791</u>
<b>Federal and Local Construction Reimbursement</b>					
Federal Reimbursement - SHF	418,416	351,975	254,868	204,599	1,229,859
Local Construction - Federal	70,068	67,299	47,796	63,632	248,795
Local Construction - Local	54,093	32,820	38,307	27,360	152,580
System Enhancements: Local	-	-	-	-	-
Miscellaneous Federal Aid	23,776	24,292	24,824	25,374	98,266
Subtotal Federal & Local	<u>566,352</u>	<u>476,386</u>	<u>365,796</u>	<u>320,965</u>	<u>1,729,500</u>
Total before Bonding	<u>1,501,507</u>	<u>1,427,681</u>	<u>1,341,090</u>	<u>1,484,011</u>	<u>5,754,290</u>
<b>Bond Sales (par)</b>	325,000	0	200,000	200,000	725,000
Issue Costs/Premium/Discount/Acc Int.	-	-	-	-	-
Net from Bond Sales:	<u>325,000</u>	<u>0</u>	<u>200,000</u>	<u>200,000</u>	<u>725,000</u>
<b>Net TRF Loan Transactions</b>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<b>TOTAL RECEIPTS</b>	<u>1,826,507</u>	<u>1,428,681</u>	<u>1,541,090</u>	<u>1,684,011</u>	<u>6,480,290</u>
<b>AVAILABLE RESOURCES</b>	<u>2,140,692</u>	<u>1,932,498</u>	<u>1,962,860</u>	<u>2,025,850</u>	

The following revenue estimates are currently being used:  
 November 2009 State Consensus Revenue Estimating Group  
 November 2009 Highway Revenue Estimating Group

EXPENDITURES:	2011	2012	2013	2014	Total
<b>Maintenance</b>	<u>140,065</u>	<u>149,015</u>	<u>152,740</u>	<u>156,559</u>	<u>598,379</u>
<b>Construction</b>					
Completion of CTP	195,335	52,146	35,946	21,643	305,070
Preservation	298,147	428,847	584,377	671,406	1,982,777
Modernization	42,313	56,853	35,186	11,927	146,279
Expansion & Enhancements	28,928	28,311	15,179	3,712	76,129
CE & PE	97,454	109,327	111,423	113,058	431,263
Total Construction	<u>662,178</u>	<u>675,483</u>	<u>782,110</u>	<u>821,747</u>	<u>2,941,518</u>
<b>Modes</b>					
Aviation	2,071	3,047	3,031	5,021	13,170
Public Transit	19,010	19,447	19,898	25,362	83,716
Rail	3,000	184	1,825	6,832	11,841
Total Modes	<u>24,081</u>	<u>22,678</u>	<u>24,754</u>	<u>37,215</u>	<u>108,728</u>
<b>Local Support</b>					
SC&CHF	142,218	154,435	156,758	159,084	612,496
Local Federal Aid Projects	98,682	83,648	85,831	64,176	332,337
Local Partnership Programs	29,827	27,436	24,130	21,845	103,238
City Connecting Links	3,360	3,360	3,360	3,360	13,440
Agency Operations	10,037	10,529	10,745	10,966	42,278
Other	12,294	12,611	12,386	12,161	49,453
Total Local Support	<u>296,419</u>	<u>292,018</u>	<u>293,210</u>	<u>271,593</u>	<u>1,153,241</u>
<b>Management</b>	62,203	66,220	67,865	69,552	265,840
Buildings	5,826	8,506	9,468	8,916	32,718
Total	<u>68,030</u>	<u>74,726</u>	<u>77,333</u>	<u>78,468</u>	<u>298,558</u>
<b>Transfers Out</b>	<u>260,799</u>	<u>105,857</u>	<u>108,503</u>	<u>111,216</u>	<u>586,375</u>
TOTAL before Debt Service	<u>1,451,572</u>	<u>1,319,777</u>	<u>1,438,651</u>	<u>1,476,798</u>	<u>5,686,798</u>
<b>Debt Service</b>	<u>185,304</u>	<u>190,950</u>	<u>182,370</u>	<u>188,501</u>	<u>747,125</u>
<b>TOTAL EXPENDITURES</b>	<u>1,636,876</u>	<u>1,510,727</u>	<u>1,621,022</u>	<u>1,665,299</u>	<u>6,433,923</u>
<b>ENDING BALANCE</b>	<u>503,816</u>	<u>421,770</u>	<u>341,839</u>	<u>360,551</u>	
<b>Minimum Ending Balance Requirement</b>	<u>230,385</u>	<u>210,307</u>	<u>213,628</u>	<u>220,405</u>	
<b>AVAILABLE ENDING FUND BALANCE:</b>	<u>273,431</u>	<u>211,463</u>	<u>128,211</u>	<u>140,146</u>	