

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 for the use of those funds. Highway projects may be financed entirely by state funds, by a combination of federal and matching state funds, by a combination of federal or state funds and matching local funds; or by a combination of all three: federal, state and local funds. Project cost estimates through 2015 of the STIP reflect an inflation rate of approximately 3.5 percent per year while project cost estimates in 2016 use a rate of 4.5 percent. KDOT's historical cost trends and future cost expectations were used to develop these rates. Cost trend information is based upon reasonable financial principles developed cooperatively by KDOT, the MPO's, and the public.

A key federal requirement of the STIP is the demonstration of fiscal constraint. To meet this requirement, the STIP has two project indexes that provide for each project listed the total project cost estimate (including if funded estimates for work phases outside the STIP years). The first project index reports the interim projects from the preceding year that are anticipated to obligate during the preparation and approval period of the new STIP. The second

project index is of all KDOT administered projects currently programmed for the four federal fiscal years of the STIP. Also provided is an advanced construction project index that lists the projects being advance constructed and the year(s) and amount (s) of anticipated conversion. Additionally, the finance section provides two documents that aid in the illustration of fiscal constraint. First, in the Federal Funds section is the "Federal Fiscal Years 2013-2016 Estimated Apportionment & Obligations" table. This table provides a breakout by apportionment grouping of the anticipated federal apportionments and obligations for the next four federal fiscal years. Second, in the Fiscal Constraint portion of the Program Financing section, the KDOT Cash-Flow Worksheet provides a view of all anticipated funding sources –state, federal and local and all anticipated expenditures in the upcoming four years. The KDOT Cash-Flow Worksheet is based upon the state fiscal year (SFY) which is from July 1 through June 30 while the "Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations" table is based upon the federal fiscal year, which is from October 1 through September 30. The reason for the different periods is that federal funds are distributed on the FFY while state funds are distributed on the SFY. It is important to recognize this difference when comparing the information in the

distributed on the FFY while state funds are distributed on the SFY. It is important to recognize this difference when comparing the information in the table and worksheet. The federal funding estimated in the KDOT Cash-Flow Worksheet is the funding estimated for the state fiscal years. This is not the same period as the anticipated apportionments and obligations presented in the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations” table.

STATE FUNDS

With a new highway program, T-WORKS, in place at the State level, total KDOT revenues for the 10-year program are anticipated to increase by total of \$2.7 billion. The sources for this additional funding are 0.4% increase in State Sales Tax deposits beginning in SFY 2014, authority to issue bonds up to 18% of State Highway revenues that are al-

ready in place and an increase in the Heavy Truck Registration fees (part of vehicle registration fees) effective in SFY 2013. Under the T-WORKS program, 100 % of the highway system’s preservation needs are met. Additionally, investment in transit, aviation and rail is increased. Moreover, a minimum of \$8 million is invested in each of the state’s 105 counties during the program.

There are various components of this \$7.8 billion program. As previously, mentioned preservation needs are met with an anticipated \$4.2 billion to be spent for highway preservation over the next ten years. Transit spending increases from \$6 million per year to \$11 million per year (effective in SFY 2014) for a 10-year total of \$95 million spent. Aviation spending increases from \$3 million per year to \$5 million per year beginning in SFY 2014 for a 10- year expenditure of \$44 million. Begin-

Source	State Fiscal Years				Source 4-year Total
	2013	2014	2015	2016	
Motor Fuels Tax	430	434	437	440	1,741
Vehicle Registration Fees	185	203	210	213	811
Sales & Comp Tax	326	488	521	540	1,875
Bond Proceeds (Net)	250	150	0	150	550
Drivers License Fees & Special Vehicle Permits	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>44</u>
Misc Revenues, Transfers, Motor Carrier Property Tax & Interest	<u>26</u>	<u>18</u>	<u>20</u>	<u>20</u>	<u>84</u>
Total Estimated State Revenues by Fiscal Year	<u>\$1,228</u>	<u>\$1,304</u>	<u>\$1,199</u>	<u>\$1,374</u>	<u>\$5,105</u>

ning in SFY 2014, Rail expenditures of \$5 million per year commence for a program total of \$35 million. Special City - County Highway (SCCH) funding (which receives 1/3 of all motor fuel taxes) receives approximately \$1.6 billion in the 10-year program. The remaining \$1.8 billion funds the highway expansion and modernization programs and the KDOT Local Partnership program.

Specific funding sources for T-WORKS include motor fuels tax, sales and compensating tax, vehicle registration fees, bond proceeds, drivers' license fees, special vehicle permit fees and a number of miscellaneous fees such as mineral royalties, publications and sale of usable condemned equipment. All of these revenues are in the **Resources section** of the Cash-Flow Worksheet located in the Fiscal Constraint section of this narrative. In addition, these revenue sources are listed in the "Estimated State Generated Revenues by Source" table on the previous page. However, rather than being listed separately, Miscellaneous fees (Revenues), Transfers, Motor Carrier Property Tax and Interest (on funds) are grouped together and Drivers License Fees and Special Vehicle Permits are combined. The "Estimated State Generated Revenues by Source" table on the previous page estimates anticipated revenue by source per year for the next four years and provides a sum of the 4-year total revenue anticipated from each source. The table, also, provides an estimated

total yearly revenue anticipated from all sources and provides a sum of the total revenue anticipated over the next four years.

As the "Estimated State Generated Revenues by Source" table illustrates, motor fuels tax receipts and sales tax receipts provide the majority of the revenue with an estimated 34 % and 37 %, respectively of the four-year total SFY 2013 - 2016 state-generated funding. Vehicle registration fees and bond proceeds represent approximately 16 % & 11 % respectively. All remaining sources combined- Drivers License Fees, Special Vehicle Permits, Miscellaneous Revenues, Motor Carrier Property Tax, Transfers and Interest- compose 3 % of the four-year total.

The estimates for KDOT revenues come from three main sources- the Consensus Estimating Group (CEG), the Highway Revenue Estimating Group (HREG) and agency staff in the Office of Financial & Investment Management (OFIM). The CEG includes staff from the State Division of the Budget, the Department of Revenue, Legislative Research, as well as several consulting economists. Each member of the CEG prepares independent estimates of receipts to the State General Fund and then the CEG meets as a group to arrive at a consensus. Although the primary emphasis of the CEG group is on State General Fund receipts, the group also prepares estimates for the growth rate of per-

sonal income, inflation, interest rates, and fuel prices and production. These factors all affect state revenues and ultimately the revenues KDOT receives from taxes and fees. The CEG provides estimated revenue growth from **sales and compensating use taxes** for two years.

The HREG group 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. Since these revenues do not flow into the State General Fund, the CEG does not prepare these estimates. In addition, since the CEG only estimates a growth rate of revenues for two years, the HREG agrees on a long-term growth rate of revenues for the out-years.

KDOT's Office of Finance & Investment Management projects the remaining KDOT revenues in the Cash-Flow Worksheet Resources group. **Miscellaneous revenues** are estimated based upon historical data and the previous year's actual revenues. **Transfers** are determined by review of applicable statute and **interest** projections on cash balances are based on staff projected interest rates.

The second group in the Cash-

Flow Worksheet revenues section is the **Federal and Local Construction Reimbursement**. While this group is not a "revenue" in the traditional sense, the section estimates the receipt of the federal share and local share of project costs. The federal-aid program is a reimbursement program, which means funding received from FHWA is reimbursement for monies already spent. In the case of the local share, these are monies received from locals in advance of a project being let. The local share is the LPA estimated portion of projects programmed. At the conclusion of construction for projects with LPA participation a final accounting of cost is done. This final accounting is to determine if the local share received prior to construction was less than or greater than the actual local share of actual project costs. Any overage is returned to the LPA and reimbursements for shortages are requested from the LPA.

FEDERAL FUNDS

Although a new transportation program, Moving Ahead for Progress in the 21st Century (MAP-21), was enacted on July 6, 2012, the details of the new program are not in place. However, based upon initial program information, funding levels are anticipated to be similar to the previous transportation program, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and its extensions. As a result, the assumptions

used for federal funding in the 2013-2016 STIP including the Estimated Apportionments and Obligations table and the Cash-Flow Worksheet are at or near the federal funding levels provided under SAFETEA-LU.

The program structure has changed under MAP-21 with many programs previously in SAFETEA-LU being combined to form broader more encompassing programs. The major programs under MAP-21 are the National Highway Performance program, which combines the National Highway System (NHS), Interstate Maintenance and Highway Bridge programs from SAFETEA-LU and the Surface Transportation Program, which combines Surface Transportation and Off-system Bridge programs. Other programs include Congestion Mitigation and Air Quality (CMAQ), Highway Safety Improvement, Metropolitan Planning and Transportation Alternatives (which combines Recreational Trails, Safe Routes to Schools, Appalachian Highway Developments and Transportation Enhancements). However, KDOT has not updated their project management system with the new MAP-21 funding information because necessary details like funding appropriation codes are not yet available. The specifics for MAP-21 are not anticipated to be available until after October 2012. As a result, the basis for the funding information within the STIP reflects that of SAFETEA-LU and extensions.

Finally, in SAFETEA-LU funding was earmarked for certain “high priority” projects. In MAP-21 earmarks for “high priority” projects does not appear to continue. As a result, high priority funding is not included in the apportionments or obligations in the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations” table.

The federal government annually apportionments or divides the federal-aid highway funds authorized by Congress among the states. For MAP-21, the apportionment details will not be in place until after October 1, 2012. In general, States receive funding in each of the various program categories as specified in the federal transportation legislation. Since the distribution and apportionment, groupings for MAP-21 were not available when FFY 2013-2016 STIP was prepared, the distribution provided under SAFETEA-LU and extensions was used to forecast federal fund distributions.

There are numerous requirements in a transportation act like MAP-21 that affect the use of federal funds on projects programmed in the FFY 2013-2016 Kansas STIP. Some provisions are broad and apply to all projects using federal funding, while other provisions are program specific. In order for a project to be eligible to use a specific program’s funding, the project must meet the conditions defined within MAP-21 for that pro-

Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations

Estimated Apportionments for KDOT, Local, Metro Projects as of 7/20/2012

All Dollar Amounts in \$1,000's- Dollar amounts may be rounded

Apportionment Grouping	FFY				FFY
	2013	2014	2015	2016	2013-2016 Total
NHS	\$88,195	\$88,195	\$88,195	\$88,195	\$352,778
IM	\$63,987	\$63,987	\$63,987	\$63,987	\$255,946
STP (KDOT)	\$49,450	\$49,450	\$49,450	\$49,450	\$197,799
STP (Local)	\$21,279	\$21,279	\$21,279	\$21,279	\$85,114
STP (Metro)	\$18,057	\$18,057	\$18,057	\$18,057	\$72,229.4
STP (TE)	\$10,304	\$10,304	\$10,304	\$10,304	\$41,216
HSIP-Rail Safety	\$11,070	\$11,070	\$11,070	\$11,070	\$44,278
HSIP-Federal Safety	\$13,953	\$13,953	\$13,953	\$13,953	\$55,810
BR (KDOT)	\$32,811	\$32,811	\$32,811	\$32,811	\$131,245
BR (Local)	\$21,720	\$21,720	\$21,720	\$21,720	\$86,880
BR (Metro)	\$5,125	\$5,125	\$5,125	\$5,125	\$20,502
CMAQ	\$8,600	\$8,600	\$8,600	\$8,600	\$34,399
Other	<u>3,057</u>	<u>3,057</u>	<u>3,057</u>	<u>3,057</u>	<u>12,226</u>
Total	<u>\$347,606</u>	<u>\$347,606</u>	<u>\$347,606</u>	<u>\$347,606</u>	<u>\$1,390,424</u>

Estimated Obligations for KDOT, Local, Metro Projects -as of 7/20/2012

All Dollar Amounts in \$1,000's- Dollar amounts may be rounded

Obligation Grouping	Advance Construction Conversion after 2016	Remaining to Obligate FFY 2012	FFY				FFY 2013-2016 Total	Total FFY 2012-2016 and AC Conversion after 2016
			2013	2014	2015	2016		
NHS	\$707,765	\$84,913	\$90,736	\$99,386	\$102,972	\$96,758	\$389,852	\$1,182,531
IM	\$243,084	\$63,054	\$72,154	\$67,062	\$68,627	\$80,849	\$288,692	\$594,830
STP (KDOT)	\$153,136	\$28,304	\$51,492	\$51,661	\$52,721	\$55,536	\$211,410	\$392,850
STP (Local)	\$0	\$0	\$5,803	\$2,708	\$0	\$0	\$8,511	\$8,511
STP (Metro)	\$0	\$9,609	\$14,615	\$15,468	\$0	\$0	\$30,083	\$39,692
STP (TE)	\$0	\$892	\$7,990	\$0	\$0	\$0	\$7,990	\$8,882
HSIP-Rail Safety	\$0	\$281	\$8,893	\$350	\$0	\$0	\$9,243	\$9,524
HSIP-Federal Safety	\$0	\$4,589	\$23,301	\$3,221	\$0	\$0	\$26,522	\$31,111
BR (KDOT)	\$3,216	\$35,703	\$44,151	\$60,628	\$0	\$7,728	\$112,507	\$151,426
BR (Local)	\$0	\$2,108	\$17,063	\$0	\$0	\$0	\$17,063	\$19,171
BR (Metro)	\$0	\$606	\$3,275	\$1,134	\$0	\$0	\$4,409	\$5,015
CMAQ	\$0	\$1,019	\$1,233	\$1,376	\$0	\$0	\$2,609	\$3,628
Other	<u>\$4,035</u>	<u>\$6,911</u>	<u>\$6,101</u>	<u>\$1,189</u>	<u>\$2,470</u>	<u>\$0</u>	<u>\$9,760</u>	<u>\$20,706</u>
Total	<u>\$1,111,236</u>	<u>\$237,989</u>	<u>\$346,807</u>	<u>\$304,183</u>	<u>\$226,790</u>	<u>\$240,871</u>	<u>\$1,118,651</u>	<u>\$2,467,877</u>

Note:

Some obligations may be for funds apportioned in prior years. Therefore, obligations for a grouping may be greater than the apportionments shown for that year.

Projects authorized with advance construction & expected to convert in the federal fiscal year are included in the estimated obligation amount for that federal fiscal year.

gram. Once the requirements under MAP-21 are in place after October 1, 2012, project funding will be read-dressed and changes will be made as needed to comply with the requirements of MAP-21.

In addition to apportioning funds to the states, 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. As previously stated during the development of the FFY 2013-2016 STIP, the obligation ceiling in effect for SAFETEA-LU and extensions, was used to estimate the apportionments and obligations in the "Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations" table on the previous page. Included in this table are estimates for those projects located within MPO areas. However, the actual projects that comprise the estimated obligations in the MPO areas are not listed in Appendix A- Interim Project Index or Appendix B the FFY 2013 – 2016 Project Index of the STIP. Rather, MPO project information is provided in the STIP by reference only. Specific projects in MPO areas may be viewed in each MPO's Transportation Improvement Program (TIP), a document similar to the STIP

that covers an MPO area. (For more information concerning MPO's, please refer to the Metropolitan Transportation Improvement Program section of this document.)

The apportionment section of the "**Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations**" table provides the total apportionments for KDOT, Local and Metro projects anticipated in each of the four FFY and displays how the funding is anticipated to be distributed by year in the major federal funding categories. With the MAP-21 details unavailable until after October 1, 2012, the FFY 2013 –2016 apportionments were estimated by KDOT upon prior funding levels used in SAFETEA-LU and on historical apportionments.

Below the apportionment section of the table is the estimated obligation section that provides the total estimated obligations for FFY 2013-2016 for KDOT, Local and Metro projects. In addition to the total obligations anticipated in each of the four years, the table displays how the obligations are anticipated to be obligated by the major federal funding categories. With funding details for MAP-21 unavailable until after October 1, 2012, the FFY 2013 –2016 obligation limitations were estimated based upon prior funding levels in place under SAFETEA-LU. For each year in the table, the estimated obligations for each grouping is composed of the ex-

pected conversion of advance construction projects including projects within MPO areas- if any, and the obligation of non-advance construction projects including projects within MPO areas. From the table on the previous page, the total estimated obligations for FFY 2013-2016 are \$1,118,651 and of this obligation total advance constructed conversions anticipated for FFY 2013-2016 are \$898,451,000 as detailed in Appendix D-the Advance Construction Project Index.

Additionally, in the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations” table the “Advance Construction Conversion after 2016” column estimates are provided for advance construction already in place for years that exceed the STIP range. The advance construction conversions for years after 2016 are listed in lump sum amounts by federal fund category.

Both, MPO project information and estimated obligations for advanced construction after FFY 2016 are included in the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations” table in an effort to facilitate the demonstration of fiscal constraint. Because MPO projects comprise a significant portion of the projects funded in the state, the anticipated apportionments and obligations in MPO areas are included in the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obliga-

tions” table. Without inclusion of these projects in the estimated obligations, fiscal constraint would be difficult to demonstrate. The Advance Construction information past FFY 2016 is included to clarify that the State does not exceed advance construction limits in place in 23 U.S.C. 115 and to demonstrate fiscal constraint.

For each FFY reported, the total estimated obligations are less than or equal to the expected federal appropriations for that year. Congress sets the obligation limitation or ceiling annually. 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 historical levels previously provided to the state. While the total estimated obligations for a FFY are less than or equal the total estimated apportionments, individual groupings may have obligations greater than the apportionments shown for the corresponding grouping in the estimated apportionment section of the table. The reason for this apparent disparity is that some estimated obligations are for funds that were apportioned in prior year(s). This arises because in a prior year(s), the obligation ceiling for the grouping was less than the apportioned amount. Therefore, a portion of the apportionments was carried over into the next FFY. This carry-over may result in the obligations for a grouping(s) in a given year to exceed the corresponding apportionment grouping

in the year as the carry-over is not reflected in the apportionment.

The inclusion of MPO information in the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations” table precludes the total expected obligations in the table and the total expected obligations from Appendix C- Summary of State Transportation Improvement Program Project Indexes from matching. In general, the information presented within the “Federal Fiscal Years 2013-2016 Estimated Apportionments & Obligations” table is broader and more encompassing than the information provided in the Appendix A- State Transportation Improvement Program Interim Index, Appendix B-FFY 2013-2016 Project Index and Appendix C- Summary of State Transportation Improvement Program Project Indexes.

LOCAL FUNDS

Local government sources of transportation funds include state motor fuels tax revenue received through the Special City and County Highway Fund, federal-aid funds received through KDOT, state funds through partnership with KDOT on certain projects or through the local federal fund exchange program, property taxes, local option sales taxes, and bond issues. Of these transportation revenue sources, property taxes are the largest with the majority of this revenue being spent on maintenance rather than new construction.

The funds are distributed to cities and counties with respect to all applicable federal laws, state statutes, and/or KDOT policies and these funds compromise the “obligation authority” or “allocation” that is distributed to each Local Public Authority (LPA). The method of distribution of MAP-21 funds to locals will be determined once all the regulations and terms of MAP-21 are known. In general, county funding is allocated in accordance with K.S.A. 68-402(b) and funding to cities is allocated based upon the proportion each cities population is to the total population of all eligible cities. Only cities with a population between 5,000 and less than 200,000, not within an urbanized area are eligible. Cities with a population of 200,000 or greater fall within the urbanized classification and funding for these cities is in the requirements in place for Metropolitan Planning Organizations (MPO).

Additionally, local governments may obtain funding through the Local Partnership Program. In this program, the state participates in a portion of the project cost. The Local Partnership Program includes the City Connecting Link (KLINK) Resurfacing Program. The KLINK program is for resurfacing type projects that are intended to improve the surfacing of City Connecting Links of the State Highway System. All cities with City Connecting Links within their city limits are eligible for the KLINK program. City Connecting Links on the Interstate System and ful-

ly controlled access sections on the Freeway System are excluded from this program. The KLINK program is intended to address deficiencies of the driving surface. Projects may include, but are not limited to, surface replacement, milling, overlay, curb and gutter replacement and bridge improvements.

The Geometric Improvement (GI) on City Connecting Links Program is a highway construction program intended to improve geometric deficiencies on City Connecting Links. All City Connecting Links within city limits are eligible except those on the Interstate System and fully controlled access sections on the Freeway System. To be eligible for this program cities must have a City Connecting Link on the State Highway System within their boundaries and if selected must be able to provide their matching share (as determined by statute) of the total project cost. Projects are limited to geometric improvements to the driving lanes on the connecting links.

Another option for funding is the City Connecting Link Payments. In this option, cities through an agreement with KDOT take responsibility for maintaining the City Connecting link and in return receive payments from KDOT to assist in the cost of the maintenance.

A new program recently implemented with the new T-WORKS program is the Federal Fund Ex-

changed Program. The program is a voluntary program that allows a Local Public Authority (LPA) to trade all or a portion of its federal fund allocation in a specific federal fiscal year with KDOT, in exchange for state transportation dollars or with another LPA in exchange for their local funds.

Under this program, the LPA may utilize the funds in a project following its own procedures, criteria, and standards. All work performed shall be consistent with the Kansas Statutes, applicable regulations, and normal engineering practices. Any work performed on the state highway or city connecting link will require coordination with the local KDOT Area Office.

Only LPAs eligible to receive a federal fund allocation may participate in the federal fund exchange program. Eligible LPAs include all counties in the state and cities with populations greater than 5,000 that are not located in a Transportation Management Area (TMA). Currently the only TMAs in Kansas are the Mid-America Regional Council (MARC – Kansas City Region) and the Wichita Metropolitan Planning Organization (WAMPO).

This optional program provides LPAs more flexibility when planning their programs and when deciding how to fund them. Eligible LPAs may elect to exchange their federal funds or they may use the funds to develop a federal-aid project following the established

procedures. If exchanged, the exchange rate for the program is \$0.90 of state funds for every \$1.00 of local federal obligation authority exchanged. For more information about this program, visit KDOT's website at the following link:

http://www.ksdot.org/burlocalproj/BLPDocuments/Fund_Exchange_Program_Guidelines.pdf.

STATE EXPENDITURES

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 computer systems are used to maintain program information and specific project and contract information. Data generated from these two computer programs are used to create the FFY 2013-2016 Estimated Apportionments and Obligations table, Interim Project Index- Appendix A, FFY 2013-2016 Project Index- Appendix B, Project Index Summaries- Appendix C and the Advance Construction Index- Appendix D, and aids in the generation of the expenditure information in the Cash-Flow Worksheet.

Expenditures in the Cash-Flow Worksheet may be divided into fixed costs and variable costs. Fixed costs represent the expense of KDOT's daily operation and costs like debt service and transfers to other agencies. Varia-

ble costs are expenses that change in proportion to the level of activity being undertaken. For KDOT, these are the costs associated with the preservation, modernization and expansion of the highway infrastructure. In the Cash-Flow Worksheet, the expenditures that are a part of the operations and fixed cost category are Maintenance, Agency Operations under Local Support, Management, Buildings, Transfers Out and Debt Service.

Maintenance (routine) is defined as expenditures on equipment, staff salaries, and materials used in snow/ice removal, mowing and minor roadway repair. These types of activities are typically done entirely by KDOT forces. The long-term projected need for this expense is calculated by inflating historical expenditures using a standard inflation rate of 2.5 percent. In the Cash-Flow Worksheet, the values for SFY 2013 and 2014 are from the budget submittal, while SFY 2015 & 2016 are percentage estimates based upon projected inflation.

To ensure that the expenditures in place for these activities are sufficient to meet the need, KDOT has several internal initiatives in place to monitor these activities. These initiatives include the Maintenance Quality Assurance (MQA) Program, Managing Snow & Ice (MS&I) guidance, and the Managing Kansas' Roadsides (MKR) guidelines for mowing. Together these three resources help KDOT en-

sure that routine maintenance is being performed at adequate levels.

The MQA program divides the road into different segments for monitoring: Travelway-the portion of the roadway for the movement of vehicles, Traffic Guidance-all KDOT maintained signs, pavement markings, striping or anything used to regulate, warn or guide traffic, Shoulders, Drainage and Roadside-which includes fencing, litter, vegetation control etc. The MQA program is a management tool that assists managers in prioritizing maintenance projects and resources (personnel, equipment, materials and funding) and helps determine funding needs. The program involves the annual physical inspections of randomly selected sites across the state. Each sample is rated using a level of service (LOS) criteria rating. The data from the inspections are compiled into the LOS reports. These reports provide information about the Kansas highway system at the State, District, Area and Subarea levels. From these reports, KDOT staff make determinations about what areas need increased maintenance efforts or if additional funding should be requested in the next budget for additional equipment or materials.

KDOT's MQA program was initiated in 1999. The program was developed using the National Cooperative Highway Research Program (NCHRP) report 422 "Maintenance QA Program Implementation Ma-

nual". With guidance from the manual and input from KDOT staff, LOS targets were established for each of the roadway segments. The LOS targets for the different segments are Travelway-80; Traffic Guidance-80; Shoulders-80; Drainage-75 and Roadside-75. The combined statewide target LOS is 89. In SFY 2012, the statewide LOS rating was 89. (This rating does denote that all districts /areas /subareas or that all segments monitored met their target LOS but that the overall rating for the state as a whole was a level of service of 89.)

Snow /Ice removal has its own set of LOS targets based upon traffic volume as set out in the Managing Snow and Ice (MS&I) guidance. For snow and ice removal LOS targets are based upon degrees of snow clearance with roads with higher traffic volumes requiring greater levels of snow clearance than roads with lower traffic volumes. In general, the greater the traffic volume on a road, then the more frequently the road is treated and plowed. During a storm situation, snow/ice removal is continued on all qualifying roads until the level of service for each as determined by its traffic volume is reached. For more information about Managing Snow and Ice at KDOT, visit the following link http://www.ksdot.org/PDF_Files/SnowandIceEfforts.pdf .

KDOT maintains more than 150,000 acres of highway right-of-way. To maintain a land area of this

size requires a flexible approach that adjusts to the needs of differing areas. To meet this need KDOT uses the Managing Kansas' Roadside Program (MKR). The MKR program is a responsive program that uses different mowing approaches to achieve greater mowing efficiency. The different approaches include not mowing, mowing at varying heights and varying mowing frequency per season. The characteristics of each mowing site determines which approach or approaches are employed. Some of the site characteristics considered when making mowing decisions are the location (rural versus urban), line of sights and slopes. This tailored mowing approach has yielded key benefits like cost reductions and increased employee safety. The overall reduction in cost has allowed KDOT's dollars to stretch further in difficult financial times and the reduction in mowing accidents has reduced KDOT employee injury and time away from duties. This modified approach to mowing also benefits wildlife by increasing necessary cover and reduces erosion on roadsides. For more information about KDOT's roadside management, visit KDOT's website at http://www.ksdot.org/PDF_Files/RoadsideBrochure.pdf.

Management expenditures encompass salaries for administrative and support personnel and the daily operation costs of the agency such as building rents and utilities. Likewise under Local Support, the expenditure

Agency Operations are salaries for administrative and support personnel dedicated to the support of local activities. Both of these expenditures are fixed costs, projected by growing the historical expenditures using an inflation rate of 2.5 %.

The **Buildings** expense in the Cash-Flow Worksheet is for the purchase, maintenance and repair of KDOT owned buildings. These buildings are located throughout the state in the district, areas and subareas of KDOT and are used for offices, equipment storage and material storage. Estimates for this expenditure are from the Capitol Improvement Plan, which is a five year request that is adjusted to reflect the Governor's budget.

Transfers Out are expenditures for transportation-related functions performed by other state agencies but financed by the State Highway Fund. KDOT transfers funds to agencies to finance salary and operating costs of these functions. The Department of Revenue, for example, receives state highway funds for activities related to the collection and enforcement of vehicle registrations, titles, driver licensing and motor fuel tax. Estimates for 'transfers out' are from the budget and are modified after each legislative session to reflect appropriations set by the legislature.

Debt Service reflects the expense related to the repayment of

highway bonds. These are fixed rate bonds so the expenditures are a fixed cost.

In addition to fixed costs, there are the variable costs for construction related activities. The variable costs in the Cash-Flow Worksheet are the expenditures in the Construction and Modes sections and all expenses in the Local Support section-except for Agency Operations.

Construction expenditures: Preservation, Modernization and Expansion are anticipated construction work phase expenditures for T-WORKS projects. These three programs are concerned with road system infrastructure. The construction expenditure information presented here is provided at the project work phase level in Appendix A & Appendix B for projects KDOT currently has programmed. However, the total of the projects programmed may not equal the Cash-Flow Worksheet forecasts. The reason for the difference is two-fold:

- 1) the Cash-Flow Worksheet forecasts the entire program including the unprogrammed portion, while the Appendixes only provide information about projects actually programmed at the time of STIP preparation;
- 2) the Cash-Flow Worksheet provides projections for projects that are already underway and obligated or are projects from a

prior program like the CTP, neither of which are a part of Appendixes A or B. Expenditures in the Cash-Flow Worksheet, prior to construction being let are based on engineers' estimates and post construction letting expenditures are based on the encumbered construction contract amount and actual payments made to the contractor.

For preservation as with routine maintenance, there are measures- one for roads and one for bridges to verify that the system is being maintained at adequate levels. Roads are assessed annually using the Pavement Management System and bridges are assessed annually using the Pontis Bridge Management System. For roads, the targets are 80 percent and 75 percent for Interstate and Non-Interstate pavements, respectively with a rating of PL-1. A PL-1 rating indicates that the roadway surface is in good condition and needs only routine or light preventative maintenance. For bridges, a bridge health index (BHI) is used, and while KDOT's goal is to maintain the bridge system at a higher level, an overall statewide bridge health index of 80 is defined as the minimum acceptable condition level. Following this discussion are two tables one for roads and one for bridges showing the actual road and bridge conditions statewide for the years 2009-2011. As the tables illustrate KDOT continues to maintain

roads and bridges at acceptable levels. For more information concerning asset allocation and the maintenance, levels of the highway infrastructure see the 2011 CAFR report at the following link:

<http://www.ksdot.org/burfiscal/rfq/findisc/CAFR.pdf> .

Statewide Roadway Condition for Interstate and Non-Interstate Miles				
Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2009	80	97	75	86
2010	80	97	75	86
2011	80	96	75	84

* - Percent of miles in PL-1 condition

Statewide Bridge Health Ratings		
Fiscal Year	Minimum Acceptable Bridge Health Index	Actual Health Index
2009	80	94
2010	80	94
2011	80	94

Construction engineering and preliminary engineering (CE & PE) are expenditures for the design portion of T-WORKS projects that deal with the road system infrastructure. This category of expense is a combination of agency CE & PE work and projected contracted CE & PE work. For the agency engineering salary portion, the first two years of the Cash-Flow Worksheet expenditure is taken directly from the budget and the last two years are determined by inflating the

budgeted amounts. For the contract CE & PE, estimates are provided by the Bureau of Design and are adjusted for inflation. CE & PE information is provided at the project level in Appendix A & Appendix B for projects KDOT currently has programmed.

The **modes expenditure** grouping is for transportation forms other than road system infrastructure. For KDOT these modes are aviation, public transit and rail. In an effort to leverage transportation dollars to obtain the largest benefit possible, the new T-WORKS program has increased funding to all three of these alternate modes correlating to an increase in spending in these areas. The expenditures forecasted in the Cash-Flow Worksheet are provided by the Division of Aviation and the Bureau of Transportation Planning- Public Transit and Rail sections and are adjusted for inflation. While the modes are a part of the Cash-Flow Worksheet, the projects that compose the modal group are not represented in the Project Indexes or Summaries. Rather, the STIP's focus is on the projects that provide maintenance and improvement of the road system infrastructure.

The expenditures in the **Local Support** grouping in the Cash-Flow Worksheet are for improvements on city or county roads. Special City & County Highway Fund (SC&CHF), Local Federal Aid Projects, Local Partnership Programs, City Connect-

ing Links and Other are the expenditures that compose this grouping.

Of these expenditures, the SC&CHF, the City Connecting Links, and Other expenditures are not project related. Instead, the **SC&CHF expenditure** is a pass through of funds to LPAs. Consequently, while the funds are in the transportation T-WORKS program, they are not KDOT's to use. Instead, these are funds reserved for the counties and cities. The expenditure amount is based upon expected tax receipts and the disbursement is calculated and made by the State Treasurer. The **City Connecting Links** is expenditure for payments from KDOT to cities that have elected to maintain the City Connecting Links within their boundaries. Instead of KDOT, the cities oversee the maintenance of these roads and KDOT pays for a share of the cost of the maintenance. The calculation to determine the expenditure for each participating entity is based upon the miles of City Connecting Links within the entities boundaries and the payment rate for the cities or counties as outlined in state statute.

The **Other expenditure** is for costs related to the network of 76 communication towers KDOT operates across the state. Expenditures are for maintenance to keep the towers in operational condition and for the conversion of the towers from an 800 MHz conventional radio system to an 800 MHz digital trunked radio system.

Additionally, the expenditure includes equipment purchases for digital 800 MHz which in turn are leased to first responder agencies across the state that are unable to afford the purchase themselves. (This lease program is the Communication System Revolving Fund; the following internet link provides more information about this program:

<http://www.ksdot.org/burconsmain/Connections/Radio/default.asp> .

The Local Federal Aid and Local Partnership Programs are both expenditures related to projects. The **Local Federal Aid expenditures** are for projects that are on city and county roads. Specific project information for city and county projects programmed during the STIP years are in the STIP appendixes-except those projects being done by counties and cities using the Federal Fund Exchange program. For Local Federal Aid projects, expenditures prior to letting are based upon engineers' estimates and post construction letting expenditures are based upon the encumbered construction contract amount and actual payments to contractors. Since the Federal Fund Exchange program has been initiated, the number of LPA projects funded with federal funds has diminished greatly. Currently, most counties and cities elect to trade their federal funds with KDOT for state funds. For more information on the Federal Fund Exchange program, see the discussion in the Project Selection section of this document.

The **Local Partnership Programs expenditure** is a combination of two types of projects City Connecting Link projects and geometric improvement projects. City Connecting Link projects are on city streets that connect two rural portions of the state highway system and are for resurfacing the existing roadway. Geometric improvement projects are designed to help cities widen pavements, add or widen shoulders, eliminate steep hills or sharp curves and add needed acceleration and deceleration lanes. Unlike the City Connecting Link expenditure discussed previously, the City Connecting Link portion of the Local Partnership Program (LPP) is for projects that both KDOT and the city are participating in jointly. Most LPP City Connecting Link projects are let by KDOT and administered by KDOT. LPP expenditures prior to construction are based upon engineers' estimates and post construction letting are based upon the encumbered construction contract amount and actual payments to contractors.

The final "expenditure" in the Cash-Flow Worksheet is the **Minimum Ending Balance Requirement**. This is not an expenditure but rather is the reserve amount of cash that must be available at any given time to ensure the continued orderly function of the agency. This amount is determined by considering such factors as the funds needed to satisfy bond debt service requirements, funds allocated by statute for distribution to specific

programs and the funds needed for the continued timely payment of agency bills.

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. To be fiscally constrained by year, the demand on total available funding (state, federal and local) for each STIP year must not exceed the funding that is available for that year. To assure fiscal constraint, KDOT's OFIM maintain a Cash-Flow Worksheet that summarizes agency revenue and expenditure projections. The agency's most recent Cash-Flow Worksheet is at the end of this discussion. The Cash-Flow Worksheet is reviewed and updated as needed at key times during the SFY in:

- September during budget preparation
- January after the Governor's budget is presented
- May/June at the conclusion of the legislative session
- And as changes to programs and projects warrant.

As previously discussed throughout the finance section, the sources of information and data used to compile and maintain the Cash-Flow Worksheet are many and varied. In addition to the methods already described, the OFIM use a Cash-Flow computer system, Cash Availability

and Forecasting Environment (CAFE). CAFE maintains the cash flow data and models cash flows in and out of the agency. CAFE is compatible with and interacts with KDOT's other computer systems which greatly automates cash-flow modeling and allows project data from the project management system, WinCPMS, to be incorporated into the modeling. In addition, CAFE has the ability to store assumptions such as inflation factors for motor fuel taxes for use in modeling. CAFE allows for efficient and effective cash management by the agency.

The Cash-Flow Worksheet forecasts all anticipated revenues (state, federal and local) and all anticipated expenditures in the next four years. Although a new federal program, MAP-21, is in place because of the timing of passage, the federal funding applied in the Cash-Flow Worksheet assumes a flat level (no growth) of federal funding based on what was received during the SAFETEA-LU program and extensions. When the details of MAP-21 are determined, adjustments to these assumptions will be made if warranted. To estimate state and local revenues that will be available for the agency's use, KDOT uses information from both the CEG and the HREG. 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 information continues to support current

revenue projections in the cash-flow modeling. If KDOT's OFIM determines the new information warrants an adjustment to the state and local funding projections, changes are made to CAFE, which generates the Cash-Flow Worksheet. Likewise, as information changes in KDOT's project management system, these changes are incorporated automatically to CAFE since the two systems interact. Finally, the OFIM staff continually monitors and reviews the data relevant to revenue and expenditure. In this way, the Cash-Flow Worksheet generated from CAFE is timely and provides the information KDOT needs to be fiscally constrained.

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KDOT Cash-Flow Worksheet

as of June 2012

KDOT - All Agency Funds

(\$000)	2013	2014	2015	2016	Total SFY 2013-2016
BEGINNING BALANCE	366,533	404,306	449,221	345,952	
Resources					
Motor Fuel Taxes	430,221	433,541	436,861	440,181	1,740,804
Sales & Compensating Tax	325,994	488,119	520,557	540,073	1,874,743
Registration Fees	185,000	202,500	209,500	212,500	809,500
Drivers Licenses Fees	8,999	8,999	8,999	8,999	35,996
Special Vehicle Permits	2,107	2,107	2,107	2,107	8,428
Interest on Funds	5,642	8,309	10,105	9,540	33,596
Miscellaneous Revenues	17,052	8,551	8,584	8,617	42,804
Transfers:	3,421	1,421	1,421	1,421	7,684
Motor Carrier Property Tax	-	-	10,064	10,235	20,299
Subtotal	978,436	1,153,547	1,208,198	1,233,673	4,573,854
Federal & Local Construction Reimbursement					
Federal Reimbursement - SHF	254,101	214,215	255,496	251,098	974,910
Local Construction - Federal	81,999	71,262	54,816	63,637	271,714
Local Construction - Local	43,865	51,034	24,746	25,221	144,866
Miscellaneous Federal Aid	26,955	27,552	28,167	28,801	111,475
Subtotal Federal & Local	406,920	364,063	363,225	368,757	1,502,965
Total before Bonding	1,385,356	1,517,610	1,571,423	1,602,430	6,076,819
Bond Sales (par)	250,000	150,000	-	150,000	550,000
Issue Costs/Premium/Discount/Acc Int.	-	-	-	-	-
Net from Bond Sales:	250,000	150,000	-	150,000	550,000
Net TRF Loan Transactions	5,747	5,468	5,057	4,681	20,953
TOTAL RECEIPTS	1,641,103	1,673,078	1,576,480	1,757,111	6,647,772
AVAILABLE RESOURCES	2,007,636	2,077,384	2,025,701	2,103,063	8,213,783

The following revenue estimates are currently being used:

-April 2012 State Consensus Revenue Estimating Group

-November 2011 Highway Revenue Estimating Group

Debt Service updated 08/01/2011

KDOT Cash-Flow Worksheet

as of June 2012

KDOT - All Agency Funds

(\$000)	2013	2014	2015	2016	Total SFY 2013-2016
EXPENDITURES:					
Maintenance	149,613	153,354	157,187	161,117	621,271
Construction					
Preservation	352,854	388,118	441,535	442,831	1,625,338
Modernization	30,446	30,623	28,555	24,442	114,066
Expansion & Enhancements	280,578	233,759	224,330	236,132	974,799
CE & PE	116,381	116,629	118,363	120,141	471,514
Total Construction	780,259	769,129	812,783	823,546	3,185,717
Modes					
Aviation	3,000	5,000	5,000	5,000	18,000
Public Transit	22,216	27,737	28,273	28,825	107,051
Rail	1,661	6,619	6,625	6,648	21,553
Total Modes	26,877	39,356	39,898	40,473	146,604
Local Support					
SC&CHF	144,666	145,782	156,963	158,250	605,661
Local Federal Aid Projects	66,246	80,551	56,832	64,734	268,363
Local Partnership Programs	50,655	41,185	40,646	38,465	170,951
City Connecting Links	3,360	3,360	3,360	3,360	13,440
Agency Operations	10,877	11,102	11,332	11,568	44,879
Other	14,391	13,959	13,344	12,815	54,509
Total Local Support	290,195	295,939	282,477	289,192	1,157,803
Management					
Buildings	6,774	9,953	9,121	9,249	35,097
Total	70,099	74,851	75,632	77,412	297,994
Transfers Out					
TOTAL before Debt Service	1,419,472	1,438,480	1,476,475	1,502,950	5,837,377
Debt Service					
TOTAL before Debt Service	183,859	189,683	203,274	185,447	762,263
TOTAL EXPENDITURES	1,603,331	1,628,163	1,679,749	1,688,397	6,599,640
ENDING BALANCE					
Minimum Ending Balance Requirement	262,613	278,168	258,577	269,669	
AVAILABLE ENDING FUND BALANCE:	141,693	171,053	87,375	144,998	
	2013	2014	2015	2016	Total SFY 2013-2016

Required Ending Balances reflect:

1. Amounts required to satisfy bond debt service requirements.
2. Funds allocated by statute for distribution to specific programs.
3. An amount necessary to provide for orderly payment of agency bills.