

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 for SFY 2016-2019 of the STIP reflect an inflation rate of approximately 4.5 percent per year. 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. Fiscal constraint of only federal funds is demonstrated in the Federal Funds section of this narrative in the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table. This table provides a breakout by apportionment grouping of the federal apportionments and obligations anticipated in the next four federal fiscal years. The federal apportionments by year represent the federal funds the

state of Kansas reasonably expects to be available in the next four fiscal years. While the obligations demonstrate the projects currently programmed and anticipated to obligate in the next four fiscal years- including projects anticipated to obligate in the MPO areas. However, the state of Kansas has both state and federal funding sources for transportation and a financial discussion of fiscal constraint would be incomplete without the inclusion of all funding and expenditure sources. For this reason, the primary document of fiscal constraint for KDOT is the Cash-Flow Worksheet provided at the end of the Program Financing narrative. The Cash-Flow Worksheet provides a broader picture of the funding than the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table, by itemizing all anticipated resources- state, federal and local and all anticipated expenditures in the upcoming four years. Assuming that there are no major changes in funding or expenditures, the Cash-Flow Worksheet provided demonstrates that KDOT is reasonably funded through 2019.

Additionally to further illustrate financial constraint all projects programmed to date and administered by KDOT that are anticipated to have one or more work phase obligate regardless

of funding source (meaning not just federally funded projects) in the years of the STIP are listed in the project appendixes A & B. In Appendix A, the first project index, the interim projects from the preceding year that are anticipated to obligate during the preparation and approval period of the new STIP are reported. Appendix B, the second project index, reports all KDOT administered projects programmed at the time the STIP was developed and that are anticipated to have a work phase obligate during the four federal fiscal years of the STIP. Both appendixes provide the estimated total project cost for each project listed (included in this total project cost if funded, are the estimates for work phases that extend outside the STIP years). Appendix C provides a summary by year of the information provided in Appendixes A & B. The fourth appendix, Appendix D, lists projects using Advanced Construction and provides the year(s) and amount (s) of anticipated conversion for each project listed. The information provided in these indexes along with the information in the finance section illustrates the fiscal constraint the State of Kansas has in place.

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 2016-2019 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 fed-

eral 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 tables and worksheet provided in this section. The federal funding estimated in the KDOT Cash-Flow Worksheet is the funding estimated for the state fiscal years. This period is not the same period used in the anticipated apportionments and obligations presented in the “Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations” table.

STATE FUNDS

With the 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. As a result total KDOT revenues are anticipated to increase by total of \$2.7 billion. The sources of additional funding are 0.4% increase in State Sales Tax deposits beginning in SFY 2014, authority to issue bonds, and 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 \$7.3 billion program. As previously, mentioned preservation needs are met with an anticipated \$3.8 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 increased from \$3 million per year to \$5 million per year beginning in SFY 2014 for a 10-year expenditure of \$44 million. Beginning 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 \$1.5 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 registra-

tion fees, bond proceeds, driver's 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 itemized in the **Resources section** of the Cash-Flow Worksheet located at the end of the Fiscal Constraint section of this narrative. These revenue sources are, also, listed in the "Estimated State Generated Revenues by Source" table below. However, in the "Estimated State Generated Revenues by Source" table rather than itemizing each source as in the Cash-Flow Worksheet several of the sources are grouped together. Specifically Miscellaneous fees (Revenues), Transfers, Motor Carrier Property Tax and Interest (on funds) are grouped together and Driver's License Fees and Special Vehicle Permits are combined. The "Estimated State Generated Revenues by Source" below estimates an-

Estimated State Generated Revenues by Source					
(\$ Millions)					
Some totals may not sum due to rounding of dollars.					
Source	State Fiscal Years				Source 4-year Total
	2016	2017	2018	2019	
Motor Fuels Tax	436	437	438	439	1,750
Vehicle Registration Fees	205	205	205	205	820
Sales & Comp Tax	537	560	581	603	2,281
Bond Proceeds (Net)	250	0	0	0	250
Drivers License Fees & Special Vehicle Permits	11	11	11	11	44
Misc Revenues, Transfers, Motor Carrier Property Tax & Interest	<u>29</u>	<u>27</u>	<u>29</u>	<u>28</u>	<u>113</u>
Total Estimated State Revenues by Fiscal Year	<u>\$1,468</u>	<u>\$1,239</u>	<u>\$1,264</u>	<u>\$1,286</u>	<u>\$5,257</u>

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.

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 33 % and 43 %, respectively of the four-year total SFY 2016 - 2019 state-generated funding. Vehicle registration fees and bond proceeds represent approximately 16 % & 5 % respectively. All remaining sources combined- Driver’s 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 Finance & Budget (OFAB). 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 personal 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 their 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 latter years.

KDOT’s OFAB estimates the remaining KDOT revenues in the Cash-Flow Worksheet Resources group. **Miscellaneous revenues, Drivers Licenses Fees and Special Vehicle Permits** are estimated based upon historical data and the previous year’s actual revenues. **Transfers (Motor Carrier Property Tax)** are determined by review of applicable statute and **Interest on Funds** is determined by staff projected interest rates. **Transfers (Out)** are resources that are transferred to other state agen-

cies for transportation-related functions performed by these 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.

The second revenue section of the Cash-Flow Worksheet is the **Federal and Local Construction Reimbursement** section. While this group is not “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 using local funds 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 reimburse-

ments for shortages are requested from the LPA.

FEDERAL FUNDS

Without a new federal program in place, the federal funding applied in the FFY 2016-2019 STIP for Kansas assumes a flat level (no growth) of federal funding based on the federal funding received in the last year of MAP-21 in FFY 2014. In general, MAP-21 held funding levels at FFY 2012 levels with a small allowance for inflation. At the time the STIP document was prepared the federal distribution for 2016 was not in place, so all federal funding for all STIP years 2016-2019, is estimated at the 2014 levels. This assumption is applied in the Estimated Apportionments and Obligations table and the Cash-Flow Worksheet. Using the funding levels received in FFY 2014 as the estimated funding for future years, assures a level of conservatism is built into the forecasting, thereby, helping to ensure that the State of Kansas does not over program.

Under MAP-21 changes were made to the program structure and these changes are maintained in this STIP. Several programs that were previously authorized under SAFETEA-LU were eliminated while several other programs were combined to form broader more encompassing programs. Additionally, within MAP-21 a “core” program was established. The core program is composed of the

National Highway Performance program (NHPP), which combined the National Highway System (NHS), Interstate Maintenance (IM) and the Highway Bridge (BR) program from SAFETEA -LU; the Surface Transportation Program (STP), which combined Surface Transportation (STP) and the Off-System Bridges portion of the Highway Bridge Program from SAFETEA-LU; the Congestion Mitigation and Air Quality program (CMAQ); the Highway Safety Improvement program (HSIP); and the Metropolitan Planning (MP) program. (The MP funds are transferred to the FTA are managed jointly by FTA, the Kansas MPOs and KDOT.)

Two new non-core formula programs were created under MAP-21, the Construction of Ferry Boats and Terminal Facilities program (Kansas does not receive this funding) and the Transportation Alternatives (TA) program. TA merges several programs that were stand-alone programs under SAFETEA-LU. The programs merged under TA are Recreational Trails (RT), Safe Routes to Schools (SRT), Appalachian Highway Developments (Kansas does not qualify to receive this funding) and Transportation Enhancements (TE).

Discretionary programs were greatly reduced in MAP-21 with only five programs continuing and one new program created. Of the remaining discretionary programs, Kansas receives funding from only two- the On-

the-Job Training Support Services and Disadvantaged Business Enterprise (DBE) Support Services. However, many of the eligibilities from the discontinued discretionary programs have been incorporated into the remaining programs under MAP-21.

The funding categories created under MAP-21 have been maintained in the information in this STIP and are reflected in the tables and appendixes. One difference between MAP-21 programs and those used in the tables in this document is the ‘Other’ grouping which was created by KDOT to group together many of the smaller MAP-21 programs into a single group in the apportionment and obligation tables.

The requirements from MAP-21 that affect the use of federal funds on projects programmed in the FFY 2016-2019 Kansas STIP are assumed to continue. 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 program. The STIP reflects the requirements of MAP-21 until such time that a new program is in place.

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 each state may incur.

Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations

Estimated Apportionments for KDOT, Local and Metro Projects as of 07/16/2015

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

Apportionment Grouping	Anticipated Carry Over					FFY 2016-2019 plus FFY 2015 Carry Over
	from FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019	Total
NHPP	\$109,582	\$213,952	\$213,952	\$213,952	\$213,952	\$965,391
STP (KDOT)	\$101,347	\$58,264	\$58,264	\$58,264	\$58,264	\$334,403
STP (Local)	\$26,670	\$16,406	\$16,406	\$16,406	\$16,406	\$92,296
STP (Metro)	\$36,316	\$23,735	\$23,735	\$23,735	\$23,735	\$131,257
TA	\$25,406	\$10,278	\$10,278	\$10,278	\$10,278	\$66,518
HSIP (Rail Safety)	\$9,673	\$7,397	\$6,897	\$6,897	\$6,897	\$37,761
HSIP (Federal Safety)	\$27,838	\$16,500	\$17,000	\$17,000	\$17,000	\$95,338
CMAQ	\$21,087	\$9,037	\$9,037	\$9,037	\$9,037	\$57,234
Other	\$21,850	\$766	\$766	\$766	\$766	\$24,913
Total	\$379,769	\$356,335	\$356,335	\$356,335	\$356,335	\$1,425,340

Estimated Obligations for KDOT, Local and Metro Projects as of 07/16/2015

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

Obligation Grouping	Advance Construction Conversion	Remaining to Obligate					FFY 2016-2019 Total	FFY 2015-2019 & AC Conversions after FFY 2019 Total
	after FFY	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019		
NHPP	\$233,710	\$91,489	\$184,422	\$214,694	\$169,600	\$181,568	\$750,284	\$1,075,483
STP (KDOT)	\$215,733	\$35,334	\$63,505	\$55,725	\$75,599	\$81,551	\$276,380	\$527,447
STP (Local)	\$0	\$6,981	\$9,345	\$488	\$0	\$0	\$9,833	\$16,814
STP (Metro)	\$0	\$17,093	\$19,599	\$16,418	\$3,750	\$0	\$39,767	\$56,860
TA	\$0	\$5,121	\$10,829	\$1,060	\$1,640	\$0	\$13,529	\$18,650
HSIP (Rail Safety)	\$0	\$7,920	\$6,289	\$0	\$0	\$0	\$6,289	\$14,209
HSIP (Federal Safety)	\$0	\$6,469	\$22,240	\$9,700	\$0	\$0	\$31,940	\$38,409
CMAQ	\$0	\$5,339	\$2,833	\$1,115	\$1,127	\$0	\$5,075	\$10,414
Other	\$0	\$10,437	\$1,055	\$2,272	\$0	\$0	\$3,327	\$13,764
Total	\$449,443	\$186,183	\$320,117	\$301,472	\$251,716	\$263,119	\$1,136,424	\$1,772,050

Note:

In some years, the estimated obligations for a grouping may include funds apportioned in prior years resulting in the obligations being greater than the corresponding apportionments for that grouping. In these cases, carry over apportionment are anticipated to be used to balance the difference.

The estimated obligations for each STIP year include the anticipated conversions for projects authorized with advance construction that are expected to convert within the year.

This limit is used as a means of controlling budget outlays to improve the federal-aid highway programs' responsiveness 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 obligation set out (the ceiling) in MAP-21 for FFY 2014 was used to estimate obligations in the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table on the preceding page.

The table "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" depicts the apportionment and obligation that KDOT estimates to be available for projects during the years of this STIP. The groupings listed in the table reflect the MAP-21 programs outlined above with a few minor modifications. Both the STP and HSIP (federal safety) programs are further sub-divided to more clearly demonstrate where the funding from each is anticipated to be used. The MP program is not shown since the funding is transferred to the FTA and is not managed by KDOT. The RT funding from the 'TA' grouping is not shown since these funds are transferred to KDWP&T and are never obligated by KDOT. Currently, within the 'Other' grouping in the apportionments section is the funding for the discretionary programs (if applicable) and the redistribution of miscellaneous funds. In the obligation section, the 'Other' grouping is composed of ear mark funding-if applicable, allocated funding and the carry-over Safe Routes to School and STP- Transportation En-

hancement funds from the SAFETEA-LU TE program.

The estimates presented within the table are for all projects within the boundaries of the state including estimates for projects located within MPO areas. However, the actual projects that comprise the estimates that fall within MPO areas are not listed in the project appendixes of this document. 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 and their TIPs, please refer to the Metropolitan Transportation Improvement Program section of this document.)

The apportionment section of the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table provides the total apportionments for KDOT, Local and Metro projects anticipated in each of the four FFY and the anticipated FFY 2015 Carry-Over Apportionment by program. The FFY 2016 – 2019 apportionments were estimated based upon the levels received for FFY 2014. Furthermore, the table displays how the funding is anticipated to be distributed by year in the core federal funding programs and the 'Other' grouping which has the smaller programs lumped together as discussed. Additionally, \$30 million has been transferred from the STP (Local) grouping to the STP (KDOT) grouping in each of the four fiscal years to

reflect the transfer anticipated for the Federal Fund Exchange program described in further detail in the Local Funds section. Likewise a similar transfer was made from the FFY 2015 Carry-Over STP (Local) apportionment to the FFY 2015 Carry-Over STP (KDOT) apportionment to account for the federal fund exchange.

Below the apportionment section of the table is the estimated obligation section that provides the total estimated obligations for FFY 2016-2019 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 within the core federal funding programs and the 'Other' grouping. The FFY 2016-2019 obligation limitations were estimated based upon the levels received for FFY 2014. For each year in the table, the estimated obligations for each grouping is composed of the expected advance construction conversion 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 obligation for FFY 2016-2019 is \$1.14 billion and of this obligation total advance construction conversion anticipated for FFY 2016-2019 is \$1.04 billion (as determined from Appendix D-the Advance Construction Project Index). Additionally, in the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table the "Advance Construction Conversion after 2019" column provides estimates for ad-

vance construction already in place for years that exceed the STIP range. The advance construction conversions for years after 2019 are lump sums by federal fund category.

Both, MPO project information and estimated obligations for advanced construction after FFY 2019 are included in the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table to facilitate the demonstration of fiscal constraint in federal funding. MPO projects comprise a significant portion of the projects funded in the state and therefore, the anticipated apportionments and obligations in MPO areas are included in the "Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations" table. Without inclusion of the MPO project dollars, fiscal constraint of federal funding would be difficult to demonstrate. The Advance Construction in years after FFY 2019 is included to clarify that the State does not exceed advance construction limits in place under 23 U.S.C. 115 and to aid in demonstrating fiscal constraint.

The total estimated obligations for the four FFY covered by this STIP are less than or equal to the expected federal appropriations expected in the four year period (including FFY 2015 Carry Over). Congress sets the obligation limitation or ceiling annually. However, at the time the STIP is prepared, the limitation amount is usually unknown, so the estimated obligations for the four FFY are based on historical levels previously provided to the state and on the limitation

set for FFY 2014.

When comparing estimated apportionments for an individual grouping with the estimated obligations for that grouping, there may be instances where obligations are greater than the apportionments estimated to be available. There may be several reasons for the apparent disparity. However, the most common reason is Carry-Over apportionment. Frequently, the federal obligation ceiling is set lower than the apportionment for a given year. The difference between the two is “carried –over” to the next fiscal year as part of the estimated obligation. To make the estimated apportionments and obligations tables clearer the anticipated carry- over apportionment anticipated from FFY 2015 for each grouping has been added to the apportionment table. Currently, there is anticipated apportionment carry- over from FFY 2015 for all groupings. For the STP (KDOT) grouping the estimated obligations in FFY’s 2016, 2018 & 2019 are greater than the apportionments for those years. However, there is a significant FFY 2015 Carry-Over STP (KDOT) apportionment and this carry over is anticipated to be used to meet the overages in the FFY’s 2016, 2018 & 2019. Likewise in FFY 2017 the NHPP anticipated obligation is greater than the anticipated apportionment but the FFY 2015 Carry Over apportionment for NHPP will be more than sufficient to cover the difference.

Finally, it must be noted that the inclusion of the anticipated advance construction conversions and MPO information in the “Federal Fiscal Years 2016-

2019 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. The table and the appendix do not share the same source data. Appendix C summarizes, Appendixes A& B which do not include the MPO projects (this project information is available in the individual MPO TIPs) or the advance construction conversion information (information is listed separately in Appendix D). In general, the information presented within the “Federal Fiscal Years 2016-2019 Estimated Apportionments & Obligations” table is broader and more encompassing than the information summarized in Appendix C.

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 comprise the “ob-

ligation authority” or “allocation” that is distributed to each Local Public Authority (LPA). 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 for funding. Cities with a population of 200,000 or greater fall within the urbanized classification and funding for these cities is outlined in the requirements in place for Metropolitan Planning Organizations (MPOs).

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 fully 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 Exchange 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 BLP website at the following link:
<http://www.ksdot.org/burlocalproj/default.asp>

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 2016-2019 Estimated Apportionments and Obligations table, Interim Project Index- Appendix A, FFY 2016-2019 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. Variable 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 in Local Support, Administration & Transportation Planning, Buildings 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 ex-

penditures using a standard inflation rate of 2.5 percent. In the Cash-Flow Worksheet, the values for SFY 2016 and 2017 are from the budget submittal, while SFY 2018 & 2019 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 measure the value of the maintenance effort and helps ensure 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-areas of consideration are joint separation, cracking, drop-off or build-up and vegetation, Drainage- areas of focus include curb and gutter, ditches, erosion control, culverts and pipes and Roadside-with areas of focus that include fencing, litter, vegetation control, erosion and side roads and entrances. 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 Manual". With guidance from the manual and input from KDOT staff and public input from surveys and correspondence LOS targets were established for each of the roadway segments. These targets are reviewed periodically and adjusted as needed. The LOS established targets for the different segments are Travelway-90; Traffic Guidance-90; Shoulders-90; Drainage-85 and Roadside-85. The combined statewide target LOS is 90. In SFY 2014, the statewide LOS rating was 89. (This rating does not denote that all districts- areas -subareas met the rating target nor that all segments monitored were within their target LOS but merely that the overall rating for the state as a whole was a level of service of 89.) All the ratings for SFY 2014 may be viewed at the following link <http://kdotapp.ksdot.org/perfmeasures/>.

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 elimination of mowing, varying height mowing and varying frequency (based on the season) mowing. The characteristics of each mowing site determine 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.

Administration & Transportation Planning 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.

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 threefold:

- 1) the Cash-Flow Worksheet forecasts the entire program including the un-programmed portion, while the Appendixes only provide infor-

mation about projects actually programmed at the time the STIP was prepared;

- 2) the Cash-Flow Worksheet includes projections for projects that have all work phases obligated and underway; these projects are not a part of Appendixes A or B.

- 3) While expenditures in the Cash-Flow Worksheet prior to construction letting are based on engineers' estimates as is the STIP information in Appendixes A & B, post construction letting Cash-Flow expenditures are based on a combination of the encumbered construction contract amount (inflated slightly for change orders) and actual payments made to the contractor.

As with routine maintenance for preservation, 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 85 percent and 80 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. Following is the road table which shows the actual road conditions statewide for the years SFY 2012-2014.

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*
2012	85	98	80	83
2013	85	96	80	83
2014	85	98	80	89

* - Percent of miles in PL-1 condition

For state-owned bridges, a bridge health index (BHI) is used, and while KDOT's goal is to maintain the state-owned bridge system at a high level, an overall bridge health index (BHI) of 85 is defined as the minimum acceptable condition level. Below is the bridge table which shows the actual bridge conditions statewide for the years SFY 2012-2014.

Statewide Bridge Health Ratings		
Fiscal Year	Minimum Acceptable Bridge Health Index	Actual Health Index
2012	85	88
2013	85	88
2014	85	87

As both tables illustrate KDOT continues to maintain roads and bridges at acceptable levels. For more information concerning asset allocation and maintenance levels of the highway infrastructure refer to the 2014 CAFR report at the following link:

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

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. However, CE costs are rolled into the Construction costs in the Appendixes to display the costs in the manner the Federal Highway prefers. At the federal level, construction and CE expenditure are not separated.

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 STIP narrative, Project Indexes or Summaries. These programs are part of the Local Support program in KDOT and are outside the “Core” programs discussed in the narrative section of the STIP. Except for transit these programs do not receive federal funding. The transit program has a section in the STIP narrative and the information is presented as the FTA requests at the program level. Since the STIP is a document required by the FHWA & FTA, the material presented concentrates on meeting the requirements of the two.

The expenditures in the **LocalSupport** 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 Connecting 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. Conse-

quently, 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.

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 completed 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 Criteria 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 actual 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. This is a requirement that KDOT imposes upon itself to maintain an adequate level of funding to continue operations. SFY 2017 while not technically underfunded is over programmed to the degree that the self-imposed minimum balance is not attainable in that year. However, in SFY 2018 & 2019 the budget is anticipated to improve and the minimum balance is met.

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 fund-

ing (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 OFAB maintain a Cash-Flow Worksheet that summarizes agency revenue and expenditure projects. 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, if needed
- May/June at the conclusion of the legislative session, if needed
- And as changes to programs and projects warrant.

As previously discussed in this 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 OFAB uses 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.

CAFÉ 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. Without a new federal program in place, the federal funding applied in the Cash-Flow Worksheet assumes a flat level (no growth) of federal funding based on the federal funding received under MAP-21 in FFY 2014. 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 OFAB determines the new information warrants an adjustment to the state and local funding projections, then changes are made to CAFÉ and a revised the Cash-Flow Worksheet is generated. Likewise, as information changes in KDOT's project management system, these changes are incorporated automatically to CAFE since the two systems interact. Finally, the OFAB 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.

KDOT Cash-Flow Worksheet
as of June 2015

KDOT - All Agency Funds

(\$000)	2016	2017	2018	2019	FY 2016-2019
BEGINNING BALANCE	667,449	463,286	241,791	314,637	363,890
Resources					
Motor Fuel Taxes	435,592	436,892	438,192	439,492	1,750,168
Sales & Compensating Tax	537,496	560,144	581,144	602,931	2,281,715
Registration Fees	205,000	205,000	205,000	205,000	820,000
Drivers Licenses Fees	7,960	7,960	7,960	7,960	31,840
Special Vehicle Permits	2,634	2,634	2,634	2,634	10,536
Interest on Funds	5,141	5,142	5,502	3,703	19,488
Misc. Revenues	22,324	20,099	12,422	12,690	67,535
Transfers:	1,409	1,409	1,409	1,409	5,636
Motor Carrier Property Tax	-	-	10,064	10,064	20,128
Transfers Out	(377,563)	(375,054)	(108,630)	(110,272)	(971,519)
Subtotal	839,993	864,226	1,155,697	1,175,611	4,035,527
	1,217,556	1,239,280	1,264,327	1,285,883	
Federal and Local Construction Reimbursement					
Federal Reimbursement - SHF	213,088	260,239	250,131	249,113	972,571
Local Construction - Federal	59,478	67,107	73,240	63,636	263,461
Local Construction - Local	20,343	26,289	31,021	20,083	97,736
Miscellaneous Federal Aid	31,155	33,554	33,927	34,306	132,942
Subtotal Federal & Local	324,064	387,189	388,319	367,138	1,466,710
	1,164,057	1,251,415	1,544,016	1,542,749	5,502,237
Bond Sales (par)	250,000	-	-	-	250,000
Issue Costs/Premium/Discount/Acc Int.	-	-	-	-	-
Net from Bond Sales:	250,000	-	-	-	250,000
Net TRF Loan Transactions	5,074	5,087	2,974	2,660	15,795
TOTAL RECEIPTS	1,419,131	1,256,502	1,546,990	1,545,409	5,768,032
AVAILABLE RESOURCES	2,086,580	1,719,788	1,788,781	1,860,046	

The following revenue estimates are currently being used:
 April 2015 State Consensus Revenue Estimating Group
 November 2014 Highway Revenue Estimating Group
 Debt Service updated August 2014

KDOT Cash-Flow Worksheet

as of June 2015

EXPENDITURES:	2016	2017	2018	2019	FY 2016-2019
Maintenance	131,495	135,838	140,184	143,688	551,205
Construction					
Preservation	434,286	213,520	301,936	404,221	1,353,963
Modernization	29,170	62,082	108,126	97,062	296,440
Expansion & Enhancements	339,050	358,542	188,129	163,142	1,048,863
CE & PE	98,398	92,412	96,329	98,387	385,525
Total Construction	900,904	726,556	694,520	762,812	3,084,791
Modes					
Aviation	5,885	5,290	5,114	5,040	21,329
Public Transit	33,496	35,894	36,517	37,155	143,062
Rail	9,787	9,331	9,345	9,523	37,986
Total Modes	49,168	50,515	50,976	51,718	202,377
Local Support					
SC&CHF	146,483	146,920	157,421	157,858	608,682
Local Federal Aid Projects	58,473	69,029	90,239	70,733	288,474
Local Partnership Programs	63,794	69,175	60,841	53,167	246,977
City Connecting Links	3,360	3,360	3,360	3,360	13,440
Agency Operations	7,537	7,531	7,719	7,912	30,699
Other	12,486	12,312	11,271	8,596	44,665
Total Local Support	292,133	308,327	330,851	301,626	1,232,937
Administration & Transportation Planning	58,873	60,427	62,256	63,787	245,343
Buildings	5,624	5,735	7,435	7,621	26,415
Total	64,497	66,162	69,691	71,408	271,758
TOTAL before Debt Service	1,438,197	1,287,397	1,286,222	1,331,252	5,343,068
Debt Service	185,097	190,599	187,924	191,404	755,024
TOTAL EXPENDITURES	1,623,294	1,477,996	1,474,146	1,522,656	6,098,092
ENDING BALANCE	463,286	241,791	314,637	337,390	
Minimum Ending Balance Requirement	284,976	264,267	266,996	280,584	
AVAILABLE ENDING FUND BALANCE:	178,310	(22,476)	47,641	56,805	
	2016	2017	2018	2019	Total FY 2016-2019

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.