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. Estimates for project cost in the FFY 2017-2020 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 experts from the public and private sector.

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 2017-2020 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. To stay within limitation on obligations imposed by the Congress, KDOT strives to keep obligations at 93% of apportionment.

In addition to the "Federal Fiscal Years 2017-2020 Estimated Apportionments & Obligations" table, at the end of this discussion is a Cash-Flow Worksheet, which provides a broader picture of KDOT funding, by itemizing all anticipated resources- state, federal and local and <u>all</u> 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 funded through 2020.

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 2017-2020 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 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 2017-2020 Estimated Apportionments & Obligations" table.

STATE FUNDS

Designated funding sources for T-WORKS include motor fuels tax, sales and compensating tax, vehicle registration 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 on the following page. 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 have been 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 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 36 % and 43 %, respectively of the four-year total SFY 2017 - 2020 state-generated funding. Vehicle registration fees and bond proceeds represent approximately 17 % & 0 % respectively. All remaining sources combined- Driver's License Fees, Special Vehicle Permits, Miscellaneous Revenues, Transfers and Interest-compose 4% 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 and 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

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
	2017	2018	2019	2020	
Motor Fuels Tax	439	440	442	443	1,764
Vehicle Registration Fees	206	206	206	206	824
Sales & Compensating Tax	531	551	571	593	2,246
Bond Proceeds (Net)	0	0	0	0	0
Driver's License Fees & Special Vehicle Permits	10	10	10	10	39
Miscellaneous Revenues, Transfers & Interest	46	21	20	20	107
Total Estimated State Revenues by Fiscal Year	$1,232	$1,228	$1,249	$1,272	$4,980

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** 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 agencies 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 reimbursements for shortages are requested from the LPA.

FEDERAL FUNDS

With a new long-term federal program in place, Fixing America's Surface Transportation Highway act (FAST Act) passed on December 4, 2015 available federal funding is established for the years of this STIP. In general, the FAST Act provides for a modest increase in funding with levels slightly higher than inflation and with proportionate funding increases for both highway and transit programs. The FFY 2017-2020 STIP for Kansas funding information reflects the funding outlined in the FAST Act. Using these funding levels in the STIP assures that programming is based upon reasonably expected sources and ensures that the State of Kansas does not over program.

The FAST Act builds upon the program structure established in MAP-21 while making some revisions. The changes enacted by the FAST Act are reflected in this STIP. The "core" program established in MAP-21 continues in the FAST Act with some modifications and with the addition of a new program. This brings the total number of core programs to six. Additionally, the smaller programs and allocations from MAP-21 are continued and two new discretionary programs were created.

The National Highway Performance program (NHPP), which is part of the apportioned core programming continues without change. This program is designed to provide support for the condition and performance of the National Highway System (NHS), for the construction of new facilities on the NHS and to ensure that funds used in highway construction support the newly established performance targets established in each state's asset management plan for the NHS.

The second core program, the Surface Transportation Program (STP) has been converted under the FAST Act into the Surface Transportation Block Grant Program (STBG). The most significant change to the STBG program is the addition as a set-aside, of the Transportation Alternatives (TA) program, which was originally created under MAP-21 and designated as a core program. The STBG program has the greatest flexibility in eligibility among all Federal fund programs and is intended to provide funding to address transportation needs at the State and local levels. To achieve this goal, the STBG program sub-allocates funds by population to areas with populations greater than 200,000, to areas with populations greater than 5,000 but not more than 200,000 and to areas with populations of 5,000 or less. The percentage of funding to be sub-allocated by population grows over the period of the FAST Act by 1% each year beginning at 52% of state apportionment of STBG in FFY 2017 to 55% in FFY 2020. The portion of STBG funds remaining after all set-asides and sub-allocations are applied may be used in any area of the State.

With the authorization of the FAST Act, the Transportation Alternatives Program (TAP) created under MAP-21 was eliminated. Instead the projects and activities that were previously eligible under TAP are now funded by the Transportation Alternatives (TA) set aside of the STBG program. The TA set aside provides funds that encompass a variety of smaller-scale transportation projects such as pedestrian and bicycle facilities, recreational trails, safe routes to school projects, community improvements such as historic preservation and vegetation management, and environmental mitigation related to storm water and habitat connectivity. Recreational Trails funding remains a set-aside of the TA funds and the portion of funding for RT is transferred to the Kansas Department of Wildlife, Parks and Tourism (KDWP&T) for their administration as directed by the Governor. Since these funds are transferred from KDOT and are never obligated by KDOT, they are not included in the KDOT funding tables of apportionment and obligation that follow this discussion. For more information about the RT program including funding and projects, see the RT narrative section later in this document.

Congestion Mitigation and Air Quality program (CMAQ) remains a core program under the FAST Act and is designed to provide funding for projects or programs that alleviate congestion to improve air quality in areas of nonattainment or in areas of former nonattainment. Some limited expansion in activity eligibility was made under the FAST Act but essentially the program remains unchanged from MAP-21.

The fourth core program under the FAST Act, the Highway Safety Improvement program (HSIP) is intended to achieve a significant reduction in traffic fatality and serious injury accidents nationally on all public roads including Federal, State and non-State-owned public roads and roads on tribal lands. The approach to achieving the goals of this program and the newly created performance measures are data driven and strategic in nature. To be eligible under HSIP, projects must be for safety activities and must be consistent with each State's strategic highway safety plan.

A set-aside of the HSIP, the Railway-Highway Crossings program, continues to be funded under the FAST Act. The Railway Highway Crossing program provides funding for safety related improvements to reduce fatal and serious injury accidents at public railway-highway grade crossings. Funds set-aside for this program are not eligible for transfer to other apportioned programs.

The FAST Act establishes a new core program, the National Highway Freight Program (NHFP), to promote the efficient transport of freight on the National Freight Network (NHFN) by investing in infrastructure and operational improvements that will strengthen economic competitiveness, reduce congestion, reduce freight transport costs, improve reliability and increase overall productivity. Other areas of emphasis of the program include the improvement of safety and security of freight transport across the nation in both rural and urban areas, the improvement of State flexibility in supporting corridor planning and highway freight connectivity and the reduction of environmental impacts created by freight transport on the NHFN. To be eligible for funding from this program a State must have a State freight plan and a freight investment plan in place by FFY 2018.

Metropolitan Planning (MP) is the sixth and last core program of the FAST Act and continues from prior acts. The focus of this program is the establishment of a cooperative comprehensive framework for decision making concerning transportation issues and investments in metropolitan areas of the state. The MP program funds are transferred to the FTA and are managed jointly by FTA, FHWA, the Kansas MPOs and KDOT. Since these funds are transferred from KDOT and never obligated by KDOT, they are not included in the funding tables of apportionment and obligation that follow this discussion.

Two new discretionary grant programs were established by the FAST Act, the Surface Transportation System Funding Alternatives program and the Fostering Advancements in Shipping and Transportation for the Long-Term Achievement of National Efficiencies (FASTLANE) program. Both of these programs require the submittal of an application from all interested eligible candidates with selection and award of funding made by FHWA. Since the funding for these programs is made by award, their dollars are not part of the apportioned funding table and obligations for these programs would only be added to the obligation table if/when an application submitted by Kansas were to be selected. Additionally, the non-core program Ferry Boats created under MAP-21 is continued under the FAST Act but Kansas does not receive this funding.

Discretionary programs were greatly reduced under MAP-21 and, in general, this trend continues with the FAST Act. For the discretionary programs that remain under the FAST Act, funds are allocated on a yearly basis without guarantees that the level of funding or frequency of funding will be in place from one year to the next. Generally KDOT receives some allocated funding from the On-the-Job Training Support Services program and Disadvantaged Business Enterprise (DBE) Support Services program but the amounts received have varied greatly from one year to the next.

The funding tables showing the apportionment and obligations that KDOT anticipates in the years of the STIP are by the apportioned funding categories just described. The HSIP and STBG set aside programs of Railway Grade Crossings (Railway) and Transportation Alternatives (TA) have been grouped independently from their associated core programs. The funding table is grouped in this way to match the manner in which funding was distributed to the States by FHWA and reflects the manner in which information concerning these funds must be reported to FHWA.

As with past transportation acts, some provisions in the FAST Act are comprehensive applying to all projects that use federal funding, while other provisions are program specific. For a project to be eligible to use a specific program's funding, the project must meet the conditions identified within the program in addition to meeting the broader requirements laid out in the act itself. The contents of this STIP reflect the requirements of the FAST Act.

In addition to apportioning funds to the states, Congress annually sets an upper limit, termed an obligation ceiling on the total amount of obligations that each state may incur. 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 and is determined and approved by Congress on an annual basis. Since this "ceiling" is unknown when the STIP is prepared, KDOT tries to limit total estimated obligations for the four years of the STIP at approximately 93% of the total expected four year contract authority. This percentage approximates the average obligation ceiling that Kansas has historically received.

The apportionment section of the "Federal Fiscal Years 2017-2020 Estimated Apportionments & Obligations" table provides the total apportionments anticipated to be received in each of the four years of the STIP and the anticipated FFY 2016 Carry-Over Apportionment by program. The FFY 2017 –2020 apportionments were estimated based upon the levels specified in the FAST Act. Furthermore, the table displays how the funding is anticipated to be distributed by year in the core funding programs previously discussed.

The funds estimated in the program groups are those that are at KDOT's discretion to use with the exception of SBTG and CMAQ. A por-

Federal Fiscal Years 2017-2020 Estimated Apportionments & Obligations

Estimated Apportionments for FFY 2017-2020 STIP as of 07/19/2016

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

Apportionment Grouping	Anticipated Carryover from FFY 2016	FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2017-2020 Total	FFY 2017-2020 plus FFY 2016 Carry Over Total
NHPP	$202,144	$224,811	$229,086	$233,786	$238,649	$926,332	$1,128,476
STBG*	$98,643	$101,514	$103,703	$105,752	$108,303	$419,272	$517,915
HSIP	$41,785	$18,563	$18,900	$19,228	$19,616	$76,308	$118,093
Railway	$12,783	$6,232	$6,367	$6,502	$6,638	$25,739	$38,522
CMAQ	$18,452	$9,496	$9,677	$9,854	$10,054	$39,080	$57,532
TA	$28,434	$9,248	$9,439	$9,439	$9,439	$37,567	$66,001
Freight**	$10,819	$10,348	$11,289	$12,700	$14,112	$48,450	$59,269
Other	$18,813	$0	$0	$0	$0	$0	$18,813
Total	**$431,873**	**$380,213**	**$388,461**	**$397,262**	**$406,811**	**$1,572,747**	**$2,004,620**

Notes: * STBG is the former STP grouping- this apportionment grouping was renamed under the FAST Act and the Transportation Alternative (TA) program was merged into the group as a set- aside. However, a line for TA remains in both the apportionment and obligation tables as the federal funds were distributed in this manner to the States.

** this is a new fund grouping authorized under the FAST Act.

Estimated Obligations for FFY 2017-2020 STIP as of 07/19/2016

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

Obligation Grouping	Advance Construction Conversion after FFY 2020	FFY 2016 Remaining to Obligate	FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2017-2020 Total	FFY 2016-2020 & AC Conversions after FFY 2020 Total
NHPP	$86,725	$154,492	$223,617	$243,626	$66,236	$0	$533,479	$774,697
STBG*	$18,111	$53,603	$63,532	$68,299	$43,285	$65,178	$240,294	$312,008
HSIP	$0	$17,835	$34,461	$1,998	$0	$0	$36,459	$54,294
Railway	$0	$597	$0	$0	$0	$0	$0	$597
CMAQ	$0	$643	$5,567	$1,660	$0	$0	$7,227	$7,871
TA	$0	$7,614	$17,561	$3,263	$0	$0	$20,824	$28,438
Freight**	$0	$0	$21,167	$0	$0	$0	$21,167	$21,167
Other	$13	$3,755	$23,336	$75	$0	$0	$23,411	$27,179
Total	**$104,850**	**$238,539**	**$389,241**	**$318,921**	**$109,521**	**$65,178**	**$882,861**	**$1,226,250**

Notes:

* STBG is the former STP grouping- this apportionment grouping was renamed under the FAST Act and the Transportation Alternative (TA) program was merged into the group as a set- aside. However, a line for TA remains in both the apportionment and obligation tables as the federal funds were distributed in this manner to the States.

In some years, the estimated obligation grouping may include funds apportioned in prior years resulting in the anticipated obligations being greater than the corresponding apportionments for that grouping.

The Other grouping estimates the obligations for allocated funds and other specials funds that are not apportioned like emergency funding. For this reason, there is not a corresponding apportionment in the Other grouping in the apportionments portion of this table.

Estimated obligations may include advance construction projects that are anticipated to be converted in the year.

tion of each of these program funds is shared. The SBTG funding as specified in the program guidelines must be divided into three portions, one for local entities, one for MPOs and the remaining portion is at KDOT's discretion to use. As specified in the CMAQ funding guidelines portions are reserved for the two larger MPO areas, the Kansas City area and the Wichita area, and for State planning and research activities with the remaining to be used at KDOT's discretion. As discussed in the program descriptions, neither, neither the MP program nor the RT program funding is shown in the tables since the MP funding is transferred to the FTA and RT funding is transferred to the KDWP&T.

Currently, within the apportionments section the 'Other' grouping is reserved for the discretionary programs (if applicable) and the redistribution of miscellaneous funds- currently there are no apportionments in this grouping.

The estimates presented within the apportionment and obligation table capture 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 MPOs and their TIPs, please refer to the Metropolitan Transportation Improvement Program section of this document.)

Below the apportionment section of the table is the estimated obligation section that provides the total estimated obligations for FFY 2017-2020. 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 funding programs and the 'Other' grouping.

In the obligation section, the 'Other' grouping is reserved for ear mark funding-if applicable and allocated funding. For the 2017 year the 'Other' Grouping is composed of allocated DBE, OJT and TIGER grant funds anticipated to be awarded in FFY 2017, and emergency funding. In FFY 2018 'Other' is composed of the DBE and OJT funds estimate. Since OJT and DBE funds are allocated, the funding is distributed on a yearly basis, is not guaranteed each year and past amounts received have varied greatly from one year to the next. For these reasons, Kansas does not estimate receiving the funds in the apportionment tables and does not develop projects and corresponding obligation for these funds in any year but the current year to be awarded plus one year. In this way, KDOT ensures that excessive over programming without funding does not occur.

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 committed projects including projects within MPO areas. From the table on the previous page, the total estimated obligations for FFY 2017-2020 are $883 million and of this obligation total advance construction conversion anticipated for FFY 2017-2020 is $743 million (as determined from Appendix D-the Advance Construction Project Index). Additionally, in the "Federal Fiscal Years 2017-2020 Estimated Apportionments & Obligations" table the "Advance Construction Conversion after 2020" column provides estimates for advance construction already in place for years that exceed the STIP range. The advance construction conversions for years after 2020 are lump sums by federal fund category and are currently estimated at $105 million.

An exception to MPO projects not being listed in the STIP is projects using Advanced Construction. Since MPO projects comprise a significant portion of the projects funded in the state and these projects are the majority being constructed using the advance construction mechanism, adequately illustrating fiscal constraint would not be possible without their inclusion. Thus, MPO project information is included in Appendix D-Advanced Construction and in the estimated obligations for advanced construction in the "Federal Fiscal Years 2017-2020 Estimated Apportionments & Obligations" table. This inclusion facilitates the demonstration of fiscal constraint in federal funding. The Advance Construction in years after FFY 2020 is included to clarify that the State does not exceed advance construction limits in place under 23 U.S.C. 115 and to further 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 2016 Carry Over). 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. The anticipated carry- over apportionment anticipated from FFY 2016 for each grouping has been added to the apportionment table. There is anticipated apportionment carry- over from FFY 2016 for all groupings.

Finally, it must be noted that the inclusion of the anticipated advance construction conversions and MPO information in the "Federal Fiscal Years 2017-2020 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 does not include the MPO projects (MPO project information is available in the individual MPO TIPs) or the advance construction conversion information (AC information is listed separately in Appendix D). In general, the information presented within the "Federal Fiscal Years 2017-2020 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 "obligation 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 statue) 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.

The Federal Fund Exchange program was implemented under T-WORKS the. The program is a voluntary program allowing 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 Statues, 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 necessary to preserve the State Highway System. This Cash- Flow Worksheet expenditure is a summation of four budgeted groups: salary, contractual activities, commodities and capital outlay. The **salary** portion is the budgeted funded amount for positions in SFY 2016 & 2017 that are necessary to maintain the system. (Included are the salaries for the district, area and subarea maintenance personnel as well as some headquarters positions that provide policy and planning support.). **Contractual activities** are the portion budgeted for equipment repair that exceeds the capabilities of the KDOT shops or repairs that are more cost effective to be contracted. The **commodities** portion represents the materials necessary to accomplish the work anticipated to be performed in SFY 2016 & 2017. (This is a large and varied group composed of items like fuels-unleaded, ethanol, diesel, equipment repair parts, signing materials, motor oil, propane gas, rock salt and traffic paint among others.) **Capital outlay** is the last group included in routine maintenance and is for the purchase of heavy equipment to maintain the system, vehicles to transport the personnel to the work sites, shop tools, equipment and computers used in the support of these maintenance activities. Routine maintenance is typically done entirely by KDOT forces. The long-term projected need for this expense is calculated by inflating historical actual expenditures for the above four groupings 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 routine maintenance 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 2015, 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 2015 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 information 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 the roadway surface is in good condition and needs only routine or light preventative maintenance. The road table below shows the actual road conditions in the state for the years SFY 2013-2015.

Statewide Roadway Condition for Interstate and Non-Interstate Miles

	Interstate Miles		Non-interstate Miles	
Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2013	85	96	80	83
2014	85	98	80	89
2015	85	98	80	90

* - 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 2013-2015.

Statewide Bridge Health Ratings

Fiscal Year	Minimum Acceptable Bridge Health Index	Actual Health Index
2013	85	88
2014	85	87
2015	85	86

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 current CAFR report at the following link: http://www.ksdot.org/Assets/wwwksdotorg/bureaus/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 **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 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. 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 MHzconventional radio system to an 800 MHzdigital 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 <u>not</u> 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 al located 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 this year. However, in SFY 2018 & 2019 the budget is anticipated to improve and the minimum balance is expected to be 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 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 OFAB maintain a Cash-Flow Worksheet that summarizes agency revenue and expenditure projecttons. The agency's most recent Cash-Flow Worksheet follows 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. The federal reimbursement estimates in the Cash-Flow Worksheet while based upon the level of federal funding KDOT expects to receive (the obligation limit) as outlined in the recently passed FAST Act, do not correlate exactly. Since Federal aid is a reimbursement program funds must be expended and then requests for reimbursement made. The federal reimbursement for the years of the cash-flow is composed of three parts: 1) underway projects with outstanding reimbursement expected to be received in the 2017-2020 SFYs ; 2) the reimbursement from new projects that are anticipated to obligate and reimburse in the four years of this STIP; 3) and projects advanced constructed and anticipated to be converted in each of the four years. 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 2016

KDOT - All Agency Funds

($000)	2017	2018	2019	2020	2017-2020
BEGINNING BALANCE	656,145	226,440	428,247	557,195	
Resources					
Motor Fuel Taxes	439,133	440,433	441,733	443,033	1,764,332
Sales & Compensating Tax	530,924	550,822	571,473	592,898	2,246,117
Registration Fees	206,000	206,000	206,000	206,000	824,000
Drivers Licenses Fees	7,090	7,090	7,090	7,090	28,360
Special Vehicle Permits	2,763	2,763	2,763	2,763	11,052
Interest on Funds	4,777	5,982	5,359	5,149	21,267
Misc. Revenues	14,920	10,487	10,530	10,570	46,507
Transfers:	21,201	1,401	1,401	1,401	25,404
Motor Carrier Property Tax	-	-	-	-	-
Transfers Out	(515,054)	(108,630)	(110,272)	(111,940)	(845,896)
Subtotal	711,754	1,116,348	1,136,077	1,156,964	4,121,143
Federal and Local Construction Reimbursement					
Federal Reimbursement - SHF	295,594	275,839	283,320	291,492	1,146,245
Local Construction - Federal	55,239	74,607	71,428	64,886	266,160
Local Construction - Local	18,088	33,019	24,392	20,732	96,231
Miscellaneous Federal Aid	36,866	36,525	36,730	36,947	147,068
Subtotal Federal & Local	405,787	419,990	415,870	414,057	1,655,704
Total before Bonding	1,117,541	1,536,338	1,551,947	1,571,021	5,776,847
Bond Sales (par)	-	-	-	-	-
Issue Costs/Premium/Discount/Acc Int.	-	-	-		-
Net from Bond Sales:	-	-	-	-	-
Net TRF Loan Transactions	5,087	2,974	2,660	2,698	13,419
TOTAL RECEIPTS	1,122,628	1,539,312	1,554,607	1,573,719	5,790,266
AVAILABLE RESOURCES	1,778,773	1,765,752	1,982,854	2,130,914	

The following revenue estimates are currently being used:
- April 2016 State Consensus Revenue Estimating Group
- November 2015 Highway Revenue Estimating Group
- Debt Service updated December 2015

KDOT Cash-Flow Worksheet

as of June 2015

EXPENDITURES:	2017	2018	2019	2020	2017-2020
Maintenance	136,235	136,832	140,253	143,759	557,079
Construction					
Preservation	369,729	277,530	377,715	445,373	1,470,347
Modernization	33,443	24,378	48,898	118,761	225,480
Expansion & Enhancements	304,962	167,228	140,626	168,332	781,148
CE & PE	95,537	91,845	95,723	97,766	380,871
Total Construction	803,671	560,981	662,962	830,232	2,857,846
Modes					
Aviation	5,954	5,336	5,118	5,042	21,450
Public Transit	38,028	38,028	38,028	38,028	152,112
Rail	9,083	7,410	6,850	6,680	30,023
Total Modes	53,065	50,774	49,996	49,750	203,585
Local Support					
SC&CHF	147,674	148,111	148,548	148,985	593,318
Local Federal Aid Projects	57,663	81,413	74,199	67,334	280,609
Local Partnership Programs	70,666	79,955	66,176	62,862	279,659
City Connecting Links	3,360	3,360	3,360	3,360	13,440
Agency Operations	7,243	7,307	7,489	7,677	29,716
Other	12,772	10,781	9,584	9,465	42,602
Total Local Support	299,378	330,927	309,356	299,683	1,239,344
Administration & Transportation Planning	57,960	58,338	59,771	61,241	237,310
Buildings	7,128	7,435	7,621	7,812	29,996
Total	65,088	65,773	67,392	69,053	267,306
TOTAL before Debt Service	1,357,437	1,145,287	1,229,959	1,392,477	5,125,160
Debt Service	194,895	192,220	195,700	187,209	770,024
TOTAL EXPENDITURES	1,552,332	1,337,507	1,425,659	1,579,686	5,895,184
ENDING BALANCE	226,440	428,247	557,195	551,228	
Minimum Ending Balance Requirement	281,559	284,629	297,759	291,107	
AVAILABLE ENDING FUND BALANCE:	(55,119)	143,618	259,436	260,121	
	2017	2018	2019	2020	Total FY 2017-2020

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.