

# Program Financing



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## PROGRAM FINANCING

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### FUNDING

The funding of highway improvements depends on the availability of funds and on criteria established by state and federal law for the use of those funds. Highway projects may be financed entirely by state funds, by a combination of federal and matching state funds, 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 in each year of the STIP reflect an inflation rate of approximately 3.5 percent per year. KDOT's historical cost trends and future cost expectations were used to develop this rate. Cost trend information is based upon reasonable financial principles developed cooperatively by KDOT, the MPO's, and the public.

One of the federal requirements of the STIP is the demonstration of fiscal constraint. To meet this requirement, the STIP provides two project indexes- one of all projects currently programmed for the four federal fiscal years reported and one for the interim projects in the preceding year remaining to be obligated. Also provided is an advanced construction project index that lists the projects being advance constructed and the year(s) and

amount of anticipated conversion. Additionally, the finance section provides two documents that aid in the illustration of fiscal constraint. First, in the Federal Funds section is the "Federal Fiscal Years 2012-2015 Estimated Apportionment & Obligations" table. This table provides a view at the time of the STIP preparation of the anticipated federal apportionments and obligations for the next four federal fiscal years. Second, in the Fiscal Constraint section, the KDOT Cash-Flow Worksheet provides a view of all anticipated funding sources –state, federal and local and all anticipated expenditures in the upcoming four years. The KDOT Cash-Flow Worksheet is based upon the state fiscal year (SFY) which is from July 1 through June 30 while the "Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations" table is based upon the federal fiscal year, which is from October 1 through September 30. The difference is that federal funds are distributed on the FFY while state funds are distributed on the SFY. This is important to recognize when comparing the information in the table and worksheet. The federal funding estimated in the KDOT Cash-Flow Worksheet is the funding estimated for the state fiscal years. This is not the same period as the anticipated apportionments and obligations presented in

the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table.

### STATE FUNDS

With a new highway program, T-WORKS, in place at the State level, total KDOT revenues for the 10-year program are anticipated to increase by total of \$2.7 billion. The sources for this additional funding are 0.4% increase in State Sales Tax deposits beginning in SFY 2014, authority to issue bonds up to 18.0% of State Highway revenues that are already in place and an increase in the Heavy Truck Registration fees (part of vehicle registration fees) effective in SFY 2013. Under the T-WORKS program, 100 % of the highway system’s preservation needs are met. In addition, 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 \$8.0 billion program. As previously, mentioned preservation needs are met with an anticipated \$4.2 billion to be spent for highway preservation over the next ten years. Transit spending increases from \$6 million per year to \$11 million per year (effective in SFY 2014) for a 10-year total of \$95 million spent. Aviation spending increases from \$3 million per year to \$5 million per year beginning in SFY 2014 for a 10-year expenditure of \$44 million. 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 \$1.6 billion in the 10-year program. The remaining \$2.0 billion funds the highway expansion and modernization programs and the KDOT Local Partnership program.

Source	State Fiscal Years				Total
	2012	2013	2014	2015	
Motor Fuels Tax	434	440	447	453	1,774
Vehicle Registration Fees	172	181	199	211	763
Sales & Comp Tax	302	312	465	495	1,574
Bond Proceeds (Net)	50	250	200	200	700
Drivers License Fees & Special Vehicle Permits	11	11	11	11	44
Misc Revenues, Transfers, Motor Carrier Property Tax & Interest	<u>26</u>	<u>22</u>	<u>31</u>	<u>31</u>	<u>110</u>
<b>Total Estimated State Revenues</b>	<b><u>\$995</u></b>	<b><u>\$1,216</u></b>	<b><u>\$1,353</u></b>	<b><u>\$1,401</u></b>	<b><u>\$4,965</u></b>

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Specific funding resources for T-WORKS include motor fuels tax, sales and compensating tax, vehicle registration fees, bond proceeds, drivers' license fees, special vehicle permit fees and a number of miscellaneous fees such as mineral royalties, publications and sale of usable condemned equipment. These miscellaneous funding sources are categorized as Miscellaneous Revenues in the Cash-Flow Worksheet. In the "Estimated State Generated Revenues by Source" table on the previous page Miscellaneous Revenues are combined with Transfers, Motor Carrier Property Tax and interest on funds. The table on the previous page estimates the anticipated revenue by source per year for the next four years, sums these anticipated revenue sources by year to yield the yearly total estimated revenue and sums all four years by source to yield a four year anticipated total revenue for each source and the four year total anticipated revenues.

As the "Estimated State Generated Revenues by Source" table illustrates motor fuels tax receipts and sales tax receipts provide the majority of the funding with an estimated 36 % and 32 %, respectively of the four-year total SFY 2012 - 2015 state-generated funding. Vehicle registration fees and bond proceeds represent approximately 15 % & 14 % respectively and all remaining sources- Drivers License Fees, Special Vehicle Permits, Miscellaneous Revenues, Motor Carrier Property Tax, Transfers and Interest compose 3 % of the 4-year total.

The estimates for KDOT revenues come from three main sources- the Consensus Estimating Group (CEG), the Highway Revenue Estimating Group (HREG) and agency staff in the Office of Financial & Investment Management (OFIM). The CEG includes staff from the State Division of the Budget, the Department of Revenue, Legislative Research, as well as several consulting economists. The members of the group prepare independent estimates of receipts to the State General Fund and then meet to arrive at a consensus. Although the primary emphasis of the group is on State General Fund receipts, the group also prepares estimates for the growth rate of personal income, inflation, interest rates, and fuel prices and production. All of these factors have an effect on the state revenues and ultimately on revenues KDOT receives from taxes and fees. The CEG provides estimated revenue growth from sales and compensating use taxes for two years.

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

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years, the HREG agrees on a long- term growth rate of revenues for the out-years.

The remaining KDOT revenues in the Cash-Flow Worksheet Resources grouping are projected by KDOT's OFIM. Miscellaneous revenues are estimated based upon historical data and the previous year's actual revenues. Transfers are determined by review of applicable statute and interest projections on cash balances are based on staff projected interest rates.

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

## FEDERAL FUNDS

The Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted on August 10, 2005, and provided federal funds to state and local units of government through FFY 2009. When this STIP was prepared, new funding through the enactment of a new transportation act was not in place at the federal level. However, several proposals were pending and all of the proposals provide for federal funding at the same or greater level than provided under SAFETEA-LU. Therefore, as a conservative forecast, this document assumes future federal funding levels in FFY 2012-2015 at the same funding levels provided under SAFETEA-LU.

The major programs of the SAFETEA-LU included the National Highway System (NHS), Surface Transportation Program (STP), Bridge Replacement and Rehabilitation Program, Interstate Maintenance (IM), Congestion Mitigation and Air Quality (CMAQ), and Safety. For the FFY 2012-2015, these programs are presumed to continue.

A new program was established under, SAFETEA-LU called the Equity Bonus Program. This program replaced the Minimum Guarantee Program under the previous federal transportation program, TEA-21, and ensured that each state's return on its share of contributions to the Highway Trust Fund (in the form of fuel and other highway taxes) was at least a minimum 92 % relative rate of re-

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turn by 2008. In addition, every state was guaranteed a specified rate of growth over its average annual TEA-21 funding level, regardless of its Highway Trust Fund contributions. These funds were made available to KDOT for use at its discretion, subject to existing limitation controls. A similar funding disbursement is anticipated for FFY 2012-2015 for the Equity Bonus program.

Additionally, SAFETEA-LU required states to pass on a portion of the federal funding allocated to local units of government for city and county projects. This is also assumed to continue in the FFY 2012-2015. Finally, there was funding earmarked for certain “high priority” projects in SAFETEA-LU. At the time of the draft STIP preparation, the status of the “high priority” funding for FFY 2012-2015 was uncertain. Therefore, high priority funding is not included in the apportionments or obligations in the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table.

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

this document, the distribution provided under SAFETEA-LU is assumed to continue.

Federal funds used for projects that are eligible under a transportation act such as SAFETEA-LU must meet specific program objectives. For example, CMAQ funds are used on projects that help areas in Kansas meet federal air quality standards. Currently Kansas uses CMAQ funds in the Wichita and Kansas City areas. There are numerous requirements of a transportation act like SAFETEA-LU that impact the use of federal funds on projects programmed in the FFY 2012-2015 Kansas STIP.

In addition to apportioning funds to the states, Congress annually sets an upper limit, termed an obligation ceiling on the total amounts of obligations that may be incurred by each state. This limit is used as a means of controlling budget outlays to make the federal-aid highway program responsive to the nation’s current economic and budgetary conditions. The obligation limitation is typically less than the amount of federal-aid apportioned to the states. Based upon the obligation ceiling in effect for SAFETEA-LU, the apportionments and obligations for FFY 2012-2015 are estimated in the table “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” on the previous page. As the table title states, the estimated apportionments and estimated obligations for the MPO area projects are included. However, the projects that compose the estimated obligations in the MPO areas are not part of

## Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations

### Estimated Apportionments for KDOT, Local, Metro Projects as of 7/27/2011 All Dollar Amounts in \$1,000's- Dollar amounts may be rounded

Apportionment Grouping	2012	2013	2014	2015	Total
NHS	\$88,195	\$88,195	\$88,195	\$88,195	\$352,778
IM	\$63,987	\$63,987	\$63,987	\$63,987	\$255,946
STP (KDOT)	\$49,450	\$49,450	\$49,450	\$49,450	\$197,799
STP (Local)	\$21,279	\$21,279	\$21,279	\$21,279	\$85,114
STP (Metro)	\$18,057	\$18,057	\$18,057	\$18,057	\$72,229.4
STP (TE)	\$10,304	\$10,304	\$10,304	\$10,304	\$41,216
HSIP (Rail Safety)	\$11,070	\$11,070	\$11,070	\$11,070	\$44,278
HSIP (Federal Safety)	\$13,953	\$13,953	\$13,953	\$13,953	\$55,810
BR (KDOT)	\$32,811	\$32,811	\$32,811	\$32,811	\$131,245
BR (Local)	\$21,720	\$21,720	\$21,720	\$21,720	\$86,880
BR (Metro)	\$5,125	\$5,125	\$5,125	\$5,125	\$20,502
CMAQ	\$8,600	\$8,600	\$8,600	\$8,600	\$34,399
Other	<u>\$3,057</u>	<u>\$3,057</u>	<u>\$3,057</u>	<u>\$3,057</u>	<u>\$12,226</u>
<b>Total</b>	<b>\$347,606</b>	<b>\$347,606</b>	<b>\$347,606</b>	<b>\$347,606</b>	<b>\$1,390,424</b>

### Estimated Obligations for KDOT, Local, Metro Projects -as of 7/27/2011 All Dollar Amounts in \$1,000's- Dollar amounts may be rounded

Obligation Grouping	Advance Construction Conversion after 2015	2011	2012	2013	2014	2015	Total
NHS	\$365,318	\$28,291	\$83,237	\$105,247	\$93,432	\$72,193	\$747,719
IM	\$527,775	\$7,453	\$71,788	\$62,656	\$75,102	\$63,155	\$807,928
STP (KDOT)	\$109,837	\$23,685	\$35,073	\$35,265	\$50,375	\$43,561	\$297,796
STP (Local)	\$0	\$0	\$23,399	\$14,161	\$39,249	\$23,999	\$100,807
STP (Metro)	\$0	\$15,229	\$19,343	\$11,650	\$2,915	\$1,500	\$50,637
STP (TE)	\$0	\$2,573	\$12,130	\$0	\$0	\$0	\$14,703
HSIP (Rail Safety)	\$0	\$505	\$6,487	\$200	\$200	\$0	\$7,392
HSIP (Federal Safety)	\$0	\$3,556	\$23,345	\$8,690	\$0	\$0	\$35,591
BR (KDOT)	\$6,085	\$54	\$29,736	\$52,156	\$12,218	\$5,559	\$105,808
BR (Local)	\$0	\$3,157	\$18,501	\$8,182	\$7,613	\$6,560	\$44,014
BR (Metro)	\$0	\$917	\$295	\$47	\$856	\$0	\$2,115
CMAQ	\$0	\$591	\$1,111	\$540	\$1,376	\$0	\$3,618
Other	<u>\$0</u>	<u>\$3,453</u>	<u>\$20,405</u>	<u>\$1,331</u>	<u>\$0</u>	<u>\$1,631</u>	<u>\$26,820</u>
<b>Total</b>	<b>\$1,009,015</b>	<b>\$89,462</b>	<b>\$344,850</b>	<b>\$300,125</b>	<b>\$283,336</b>	<b>\$218,158</b>	<b>\$2,244,947</b>

**Note:**

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

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



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the STIP Appendix A- Interim Project Index or Appendix B the FFY 2012 – 2015 Project Index. Rather, MPO project information is provided in the STIP by reference only. (For more information concerning MPO’s, please refer to the Metropolitan Transportation Improvement Program section of this document.)

The apportionment section of the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table provides the total apportionments for KDOT, Local and Metro projects anticipated in each of the four FFY and displays how the funding is anticipated to be distributed by year in the major federal funding categories. For programming purposes, the FFY 2012 – 2015 apportionments were estimated by KDOT based on the prior funding levels used in SAFETEA-LU, on historical apportionments, and on the funding provided by recent action taken by congressional budget committees.

Below the apportionment section of the table is the estimated obligation section that provides the total estimated obligations for FFY 2012-2015 for KDOT, Local and Metro projects. In addition to the total obligations anticipated in each of the four years, the table displays how the obligations are anticipated to be obligated by the major federal funding categories. For programming purposes, the FFY 2012 - 2015 obligation limitations were estimated by KDOT using the same levels used in SAFETEA-LU. For each year in the table, the estimated obligations for each grouping is

composed of the expected conversion of advance construction projects including projects within MPO areas- if any, and the obligation of non-advance construction projects including projects within MPO areas. From the table on the previous page, the total estimated obligations for FFY 2012-2015 are \$1,146,469,000 and of this obligation total advance constructed conversions anticipated for FFY 2012-2015 are \$880,086,000 as detailed in Appendix D- the Advance Construction Project Index.

Additionally, in the “Advance Construction Conversion after 2015” column estimates are provided for advance construction already in place for years that exceed the STIP range. The advance construction conversions for years after 2015 are listed in lump sum amounts by federal fund category.

Both, MPO project information and estimated obligations for advanced construction after FFY 2015 are included in the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table in an effort to facilitate the demonstration of fiscal constraint. Because MPO projects compose a significant portion of the projects funded in the state, the anticipated apportionments and obligations in MPO areas are included in the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table. Without inclusion of these projects in the estimated obligations, fiscal constraint would be difficult to demonstrate. The Advance Construction information past FFY 2015 is included to



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clarify that the State does not exceed advance construction limits in place in 23 U.S.C. 115 and SAFETEA- LU and to demonstrate fiscal constraint.

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

The inclusion of MPO information in the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table precludes the total expected obligations in the table and the total expected obligations from Appendix C-

Summary of State Transportation Improvement Program Project Indexes from matching. In general, the information presented within the “Federal Fiscal Years 2012-2015 Estimated Apportionments & Obligations” table is broader and more encompassing than the information provided in the Appendix A- State Transportation Improvement Program Interim Index, Appendix B-FFY 2012-2015 Project Index and Appendix C- Summary of State Transportation Improvement Program Project Indexes.

## **LOCAL FUNDS**

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

Construction funds that local governments receive from FHWA through KDOT include Surface Transportation (STP) and Bridge (BR) funds. Each year the county STP funds are distributed based on the percentage of state motor fuels tax each county received in the prior year. With the implementation of the Federal Fund Exchange, we no longer distribute the city funding based on the three categories of populations. Instead,

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the STP and BR funds are distributed based on the cities total population compared to the total population of all cities with populations between 5,000 and less than 200,000.

KDOT maintains a log of all deficient bridges within the state. Each local government is eligible to receive a portion of the BR funds. KDOT utilizes the proportion of deficient bridge area within their jurisdiction to the total deficient bridge area of all local jurisdictions in the state to determine the amount of BR funds to distribute to each LPA.

Additionally, local governments may obtain funding through the Local Partnership Program. In this program, a portion of a projects expense is covered by state funds. The Local Partnership Program includes the KLINK Resurfacing projects for resurfacing on City Connecting Links and Geometric Improvement projects to help widen pavements and add turning, acceleration, and deceleration lanes on City Connecting Links. 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.

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

help in the cost of the maintenance.

A new program recently implemented with the new T-WORKS program is the Federal Fund Exchanged Program (FFEP). The program is a voluntary program that allows a local public agency (LPA) to trade all or a portion of its federal fund allocation in a specific federal fiscal year with KDOT or with another LPA. In the exchange with KDOT, the LPA receives state transportation dollars and in exchanges with other locals receive local dollars for the LPA's federal obligation authority.

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 federal-aid projects 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 FFEP, visit KDOT's

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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 2012-2015 Estimated Apportionments and Obligations table, Interim Project Index-Appendix A, FFY 2012-2015 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 fixed 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 under Local Support, Management, Buildings, Transfers Out and Debt Service.

**Maintenance (routine)** is defined as expenditures on equipment, staff salaries, and materials used in snow/ice removal, mowing and minor roadway repair. These types of activities are typically done entirely by KDOT forces. The long-term projected need for this expense is calculated by inflating historical expenditures using a standard inflation rate of 2.5 percent. In the Cash-Flow Worksheet, the values for SFY 2012 and 2013 are from the budget submittal, while SFY 2014 & 2015 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, Snow & Ice Control and Other Motorist Guidelines and the Managing Kansas' Roadsides Guidelines for Mowing. Together these three resources help KDOT 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

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anything used to regulate, warn or guide traffic, Shoulders, Drainage and Roadside-which includes fencing, litter, vegetation control etc. The MQA program is a management tool that assists managers in prioritizing maintenance projects and resources (personnel, equipment, materials and funding) and helps determine funding needs. The program involves the annual physical inspections of randomly selected sites across the state. Each sample is rated using a level of service (LOS) criteria rating. The data from the inspections are compiled into the LOS reports. These reports provide information about the Kansas highway system at the State, District, Area and Sub-area 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, LOS targets were established for each of the roadway segments. The LOS targets for the different segments are Travelway-80; Traffic Guidance-80; Shoulders-80; Drainage-75 and Roadside-75. The combined statewide target LOS is 89. Since 2004, the statewide LOS has been 90 or above, and in 2010 the Statewide LOS was 90. (This is not to imply that all districts /areas

/subareas or that all segments monitored met their target LOS but that the overall rating for the state as a whole was a level of service of 90.)

Snow /Ice removal has its own set of LOS targets based upon traffic volume. For snow and ice removal LOS targets are based upon degrees of snow clearance with roads with higher traffic volumes requiring greater levels of snow clearance than those roads with lower volumes. In general, the greater the traffic volume on a road, then the more frequently the road is treated and plowed. During a storm situation, snow/ice removal is continued on all qualifying roads until the level of service for each as determined by its traffic volume is reached.

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. This is a responsive program that uses different mowing approaches including: not mowing, varying mowing heights and varying the number of mowings per season based on the characteristics of each mowing site. Some of the site characteristics considered when making mowing decisions are: the location (rural versus urban), line of sights and slopes. This tailored approach to mowing has yielded many benefits: an overall reduction in cost, thereby allowing KDOT's dollars to stretch further in difficult financial times; reduction in

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mowing accidents, thereby reducing KDOT employee injury; and reduction in erosion on roadsides. This modified approach to mowing also benefits wildlife by increasing necessary cover. For more information about KDOT's roadside management visit KDOT's website at <http://www.ksdot.org:9080/burconsmain/Connections/roadside/Roadside.asp>

**Management** expenditures encompass salaries for administrative and support personnel and the daily operation costs of the agency such as building rents and utilities. Likewise under Local Support, the expenditure **Agency Operations** are salaries for administrative and support personnel dedicated to the support of local activities. Both of these expenditures are fixed costs, projected by growing the historical expenditures using an inflation rate of 2.5 %.

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

**Transfers Out** are expenditures for transportation-related functions performed by other state agencies but financed by the State Highway Fund. KDOT transfers funds to agencies to fin-

ance salary and operating costs of these functions. The Department of Revenue, for example, receives state highway funds for activities related to the collection and enforcement of vehicle registrations, titles, driver licensing and motor fuel tax. Estimates for 'transfers out' are from the budget and are modified after each legislative session to reflect appropriations set by the legislature.

**Debt Service** reflects the expense related to the repayment of highway bonds. These are fixed rate bonds so the expenditures are a fixed cost.

In addition to fixed costs, there are the variable costs for construction related activities. The variable costs in the Cash-flow Worksheet are the expenditures in the Construction section, Modes section and 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 twofold: First the Cash-Flow Worksheet forecasts the entire program-even if specific projects have not yet been pro-

grammed, while the Appendixes provide information only about projects actually programmed at the time of STIP preparation; Second, the Cash-Flow Worksheet provides projections for projects that are already underway and obligated or are carry-over projects from the CTP, neither of which would be a part of the Appendix A or B. Expenditures in the Cash-Flow Worksheet, prior to construction being let are based upon engineers' estimates and post construction letting expenditures are based upon the encumbered construction contract amount and actual payments made to the contractor.

For preservation as with routine maintenance, there are measures- one for roads and one for bridges to verify that the system is being maintained at adequate levels. Roads are assessed annually using the Pavement Management System and bridges are assessed annually using the Pontis Bridge Management System. For roads, the targets are 80 percent and 75 percent for Interstate and Non-Interstate pavements, respectively with a rating of PL-1. For bridges, a bridge health index (BHI) is used, and while KDOT's goal is to maintain the bridge system at a higher level, an overall statewide bridge health index of 80 is defined as the minimum acceptable condition level. Following this discussion are two tables one for roads and one for bridges showing the actual road and bridge conditions statewide for the years 2008-2010. As the tables illustrate KDOT continues to maintain roads and bridges at acceptable levels. For more information concerning asset allocation

and the maintenance levels of the highway infrastructure see the 2010 CAFR report at the following link:  
<http://www.ksdot.org:9080/burfiscal/rfq/indisc/CAFR.pdf>

Statewide Roadway Condition for Interstate and Non-Interstate Miles				
Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2008	80	96	75	85
2009	80	97	75	86
2010	80	97	75	86

\* - Percent of miles in PL-1

Statewide Bridge Health Ratings		
Fiscal Year	Minimum Acceptable Bridge Health Index	Actual Health Index
2008	80	94
2009	80	94
2010	80	94

**Construction engineering and preliminary engineering (CE & PE)** are expenditures for the design portion of T-WORKS projects that deal with the road system infrastructure. This category of expense is a combination of agency CE & PE work and projected contracted CE & PE work. For the agency engineering salary portion, the first two years of the Cash-Flow Worksheet expenditure is taken directly from the budget and the last two years are determined by inflating the budgeted amounts. For the contract CE & PE, estimates are provided by the Bureau of Design and are adjusted for inflation. CE & PE information is provided at the project level in Appendix A & Appendix B for projects KDOT currently has programmed.

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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 & the Bureau of Transportation Planning- Public Transit and Rail sections and are adjusted for inflation. While the modes are a part of the Cash-Flow Worksheet, the projects that compose the modal group are not represented in the Project Indexes or Summaries. Rather, the STIP's focus is on the projects that provide maintenance and improvement of the road system infrastructure.

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

The **Other expenditure** is for costs related to the network of 76 communication towers KDOT operates across the state. Expenditures are for maintenance to keep the towers in operational condition and for the conversion of the towers from an 800 MHz conventional radio system to an 800 MHz digital trunked radio system. Additionally, the expenditure includes equipment purchases for digital 800 MHz which in turn are leased to first responder agencies across the state that are unable to afford the purchase themselves. (This lease program is the Communication System Revolving Fund; the following internet link provides more information about this program:

<http://www.ksdot.org:9080/bureaus/burConsMain/Connections/Radio/default.asp>).



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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. These projects are from lists of projects submitted by cities and counties to the Bureau of Local Projects. The Bureau of Local Projects staff enters the projects from these lists into the computer programs used by KDOT to track projects. This allows project information for the locals to be handled in the same manner as state funded projects. Specific project information for city and county projects programmed during the STIP years are in the STIP appendixes. 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.

The **Local Partnership Programs expenditure** is a combination of two types of projects City Connecting Link projects and geometric improvement projects. City Connecting Link projects are on city streets that connect two rural portions of the state highway system and are for resurfacing the existing roadway. Geometric improvement projects are designed to help cities widen pavements, add or widen shoulders, eliminate steep hills or sharp curves and add needed acceleration and deceleration lanes. Unlike the City Connecting Link expenditure discussed previously, the City Connecting Link portion of the Local Partnership Program (LPP) is for

projects that both KDOT and the city are participating in jointly. Most LPP City Connecting Link projects are let by KDOT and administered by KDOT. LPP expenditures prior to construction are based upon engineers' estimates and post construction letting are based upon the encumbered construction contract amount and actual payments to contractors.

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

## **FISCAL CONSTRAINT**

In accordance with 23 CFR 450.216(a)(5), the STIP is required to be financially constrained by year and this fiscal constraint must be demonstrated in the STIP. To be fiscally constrained by year, the demand on total available funding (state, federal and local) for each STIP year must not exceed the funding that is available for that year. To assure fiscal constraint, KDOT's OFIM maintain a Cash-Flow Worksheet that summarizes agency revenue and expenditure projections. The agency's most recent

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Cash-Flow Worksheet is at the end of this discussion. The Cash-Flow Worksheet is reviewed and updated at key times during the SFY in:

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

As previously discussed throughout the finance section, the sources of information and data used to compile and maintain the Cash-Flow Worksheet are many and varied. In addition to the methods already described, the OFIM use a Cash-Flow computer system, Cash Availability and Forecasting Environment (CAFE). CAFE maintains the cash flow data and models cash flows in and out of the agency. CAFE is compatible with and interacts with KDOT's other computer systems which greatly automates cash-flow modeling and allows project data from the project management system WinCPMS to be incorporated into the modeling. In addition, CAFE has the ability to store assumptions such as inflation factors for motor fuel taxes for use in modeling. CAFE allows for efficient and effective cash management by the agency.

The Cash-Flow Worksheet forecasts all anticipated revenues (state, federal and local) and all anticipated expenditures in the next four years. Since a

new federal program is not in place, the federal funding applied in the Cash-Flow Worksheet assumes a flat level (no growth) of federal funding based on what was received during the SAFETEA-LU program. When an extension(s) or a new federal transportation program is passed, adjustments to these assumptions will be made if warranted. To estimate state and local revenues that will be available for the agency's use, KDOT uses information from both the CEG and the HREG. Whenever, the CEG and/or HREG issue revised information, usually three times annually in April, November and September, KDOT reviews the new data to determine whether the new information continues to support current revenue projections in the cash-flow modeling. If KDOT's OFIM determines the new information warrants an adjustment to the state and local funding projections, changes are made to CAFE which generates the Cash-Flow Worksheet. Likewise, when information in KDOT's project management system changes, these changes are incorporated automatically to CAFE since the two systems interact. Finally, the OFIM staff continually monitors and reviews the data relevant to revenue and expenditure. In this way, the Cash-Flow Worksheet generated from CAFE is timely and provides the information KDOT needs to be fiscally constrained.

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## KDOT - All Agency Funds

The Program Financing narrative provides additional information that is helpful to a full understanding of the data provided in this Cash-Flow Worksheet.

(\$000)	2012	2013	2014	2015	TOTAL SFY 2012-2015
<b>BEGINNING BALANCE</b>	684,206	273,604	242,094	275,478	
<b>Resources</b>					
Motor Fuel Taxes	434,012	440,412	446,812	453,212	1,774,448
Sales & Compensating Tax	301,747	311,556	465,374	495,107	1,573,784
Registration Fees	171,500	181,000	199,000	210,500	762,000
Drivers Licenses Fees	8,983	8,983	8,983	8,983	35,932
Special Vehicle Permits	2,102	2,102	2,102	2,102	8,408
Interest on Funds	13,391	12,263	11,508	11,230	48,392
Misc. Revenues	11,950	7,771	7,791	7,824	35,336
Transfers:	1,441	1,441	1,441	1,441	5,764
Motor Carrier Property Tax	-	-	10,235	10,409	20,644
Subtotal	945,126	965,528	1,153,246	1,200,808	4,264,708
<b>Federal and Local Construction Reimbursement</b>					
Federal Reimbursement - SHF	355,412	254,101	214,215	250,496	1,074,224
Local Construction - Federal	122,723	93,950	65,783	76,806	359,262
Local Construction - Local	67,432	49,890	55,226	38,454	211,002
Expansion: Local	22,841	11,386	2,855	100	37,182
Miscellaneous Federal Aid	26,328	26,906	27,502	28,117	108,853
Subtotal Federal & Local	594,736	436,233	365,581	393,973	1,790,523
Total before Bonding	1,539,862	1,401,761	1,518,827	1,594,781	6,055,231
<b>Bond Sales (par)</b>	50,000	250,000	200,000	200,000	700,000
<b>Net TRF Loan Transactions</b>	15,401	10,176	9,952	9,733	45,262
<b>TOTAL RECEIPTS</b>	1,605,263	1,661,937	1,728,779	1,804,514	6,800,493
<b>AVAILABLE RESOURCES</b>	2,289,469	1,935,541	1,970,873	2,079,992	8,275,875

The following revenue estimates are currently being used:  
 April 2011 State Consensus Revenue Estimating Group  
 November 2010 Highway Revenue Estimating Group  
 Debt Service updated 06/18/2011

## KDOT - All Agency Funds

The Program Financing narrative provides additional information that is helpful to a full understanding of the data provided in this Cash-Flow Worksheet.

(\$000)	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL SFY 2012-2015</b>
<b>EXPENDITURES:</b>					
<b>Maintenance</b>	149,856	151,068	154,845	158,716	614,485
<b>Construction</b>					
Preservation	332,899	354,387	381,174	409,106	1,477,566
Modernization	40,110	40,647	22,898	18,094	121,749
Expansion	319,487	240,967	227,400	246,221	1,034,075
CE & PE	140,440	142,557	144,296	146,078	573,371
Total Construction	832,936	778,558	775,768	819,499	3,206,761
<b>Modes</b>					
Aviation	3,000	3,000	5,000	5,000	16,000
Public Transit	21,712	22,216	27,737	28,273	99,938
Rail	32,716	1,906	6,716	6,668	48,006
Total Modes	57,428	27,122	39,453	39,941	163,944
<b>Local Support</b>					
SC&CHF	145,925	158,141	160,464	162,791	627,321
Local Federal Aid Projects	163,178	112,165	99,706	98,681	473,730
Local Partnership Programs	56,686	46,840	32,963	26,000	162,489
City Connecting Links	3,360	3,360	3,360	3,360	13,440
Agency Operations	10,473	10,688	10,907	11,133	43,201
Other	20,750	20,011	19,410	18,823	78,994
Total Local Support	400,372	351,205	326,810	320,788	1,399,175
<b>Management</b>	65,749	67,916	69,603	71,334	274,602
Buildings	6,140	9,064	9,853	9,837	34,894
Total	71,889	76,980	79,456	81,171	309,496
<b>Transfers Out</b>	307,871	105,436	108,065	110,759	632,131
<b>TOTAL before Debt Service</b>	1,820,352	1,490,369	1,484,397	1,530,874	6,325,992
<b>Debt Service</b>	195,513	203,078	210,998	231,918	841,507
<b>TOTAL EXPENDITURES</b>	2,015,865	1,693,447	1,695,395	1,762,792	7,167,499
<b>ENDING BALANCE</b>	273,604	242,094	275,478	317,200	
<b>Minimum Ending Balance Requirement</b>	241,652	226,784	227,187	200,434	
<b>AVAILABLE ENDING FUND BALANCE:</b>	31,952	15,310	48,291	116,766	
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total FY 2012-2015</b>

**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.