

Program Financing



PROGRAM FINANCING

FUNDING

The funding of highway improvements depends on the availability of funds and on criteria established by state and federal law for the use of those funds. Highway projects may be financed entirely by state funds, by a combination of federal and matching state funds, by a combination of federal or state funds and matching local funds; or by a combination of all three- federal, state and local funds. Project cost estimates through SFY 2015 of the STIP reflect an inflation rate of approximately 3.5 percent per year while project cost estimates in SFY 2016 and 2017 use a rate of 4.5 percent. KDOT's historical cost trends and future cost expectations were used to develop these rates. Cost trend information is based upon reasonable financial principles developed cooperatively by KDOT, the MPO's, and the public.

A key federal requirement of the STIP is the demonstration of fiscal constraint. Within the finance section there are two documents that aid in the illustration of fiscal constraint. First, in the Federal Funds section is the "Federal Fiscal Years 2014-2017 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. Second, in the Fiscal Constraint portion of the Program Financing section, the KDOT Cash-Flow Worksheet provides a view of all anticipated funding sources – state, federal and local and all anticipated expenditures in the upcoming four years.

Additionally to further illustrate financial constraint all projects administered by KDOT and anticipated to have one or more work phase obligate in the STIP years are listed in appendixes- this includes projects without federal funding. 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 prepared 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 (including if funded, estimates for work phases outside the STIP years) for each project listed. Appendix C provides a summary by year of the information provided in Appendixes A & B. A fourth appen-

dix, 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 2014-2017 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 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 2014-2017 Estimated Apportionments & Obligations” table.

STATE FUNDS

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

Source	State Fiscal Years				Source 4-year Total
	2014	2015	2016	2017	
Motor Fuels Tax	434	436	439	442	1,751
Vehicle Registration Fees	200	207	210	213	828
Sales & Comp Tax	479	510	530	549	2,068
Bond Proceeds (Net)	150	210	200	0	560
Drivers License Fees & Special Vehicle Permits	11	11	11	11	45
Misc Revenues, Transfers, Motor Carrier Property Tax & Interest	<u>35</u>	<u>37</u>	<u>33</u>	<u>34</u>	<u>139</u>
Total Estimated State Revenues by Fiscal Year	<u>\$1,309</u>	<u>\$1,411</u>	<u>\$1,423</u>	<u>\$1,249</u>	<u>\$5,392</u>

highway system's preservation needs are met. Additionally, investment in transit, aviation and rail is increased. Moreover, a minimum of \$8 million is invested in each of the state's 105 counties during the program. There are various components of this \$7.8 billion program. As previously, mentioned preservation needs are met with an anticipated \$4.2 billion to be spent for highway preservation over the next ten years. Transit spending increases from \$6 million per year to \$11 million per year (effective in SFY 2014) for a 10-year total of \$95 million spent. Aviation spending increases from \$3 million per year to \$5 million per year beginning in SFY 2014 for a 10-year expenditure of \$44 million. 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 \$1.8 billion funds the highway expansion and modernization programs and the KDOT Local Partnership program.

Specific funding sources for T-WORKS include motor fuels tax, sales and compensating tax, vehicle registration fees, bond proceeds, drivers' license fees, special vehicle permit fees and a number of miscellaneous fees such as mineral royalties, publications and sale of usable condemned equipment. All of these revenues are in the **Resources section** of

the Cash-Flow Worksheet located in the Fiscal Constraint section of this narrative. In addition, these revenue sources are listed in the "Estimated State Generated Revenues by Source" table on the previous page. However, in the "Estimated State Generated Revenues by Source" table some of the sources have been grouped together rather than being listed separately as in the Cash-Flow Worksheet. Specifically Miscellaneous fees (Revenues), Transfers, Motor Carrier Property Tax and Interest (on funds) are grouped together and Drivers License Fees and Special Vehicle Permits are combined. The "Estimated State Generated Revenues by Source" table on the previous page estimates anticipated revenue by source per year for the next four years and provides a sum of the 4-year total revenue anticipated from each source. The table, also, provides the estimated total yearly revenue anticipated from all sources and provides a sum of the total revenue anticipated over the next four years.

As the "Estimated State Generated Revenues by Source" table illustrates, motor fuels tax receipts and sales tax receipts provide the majority of the revenue with an estimated 33 % and 38 %, respectively of the four-year total SFY 2014 - 2017 state-generated funding. Vehicle registration fees and bond proceeds represent approximately 15 % & 10 % respectively. All remaining sources combined- Drivers License Fees, Special Vehicle Permits,

Miscellaneous Revenues, Motor Carrier Property Tax, 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 Financial & Investment Management (OFIM). The CEG includes staff from the State Division of the Budget, the Department of Revenue, Legislative Research, as well as several consulting economists. Each member of the CEG prepares independent estimates of receipts to the State General Fund and then the CEG meets as a group to arrive at a consensus. Although the primary emphasis of the CEG group is on State General Fund receipts, the group also prepares estimates for the growth rate of personal income, inflation, interest rates, and fuel prices and production. These factors all affect state revenues and ultimately the revenues KDOT receives from taxes and fees. The CEG provides estimated revenue growth from **sales and compensating use taxes** for two years.

The HREG group is composed of representatives from the State Department of Revenue, Legislative Research, Division of the Budget and KDOT. Typically, this group meets shortly after the CEG meets. The primary function of the HREG is to prepare forecasts for the amounts of **motor vehicle registration fees and mo-**

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

The second group in the Cash-Flow Worksheet revenues section is the **Federal and Local Construction Reimbursement**. While this group is not a "revenue" in the traditional sense, the section estimates the receipt of the federal share and local share of project costs. The federal-aid program is a reimbursement program, which means funding received from FHWA is reimbursement for monies already spent. In the case of the local share, these are monies received from locals in advance of a project being let. The local share is the LPA estimated portion of projects programmed. At the conclusion of construction for projects with LPA participation a final accounting of cost is done. This final

accounting is to determine if the local share received prior to construction was less than or greater than the actual local share of actual project costs. Any overage is returned to the LPA and reimbursements for shortages are requested from the LPA.

FEDERAL FUNDS

A new transportation program, Moving Ahead for Progress in the 21st Century (MAP-21), was enacted on July 6, 2012, and the details of the new program are now in place. In general, MAP-21 funding levels remain at FFY 2012 levels with a small allowance for inflation. Since the FFY 2014 distribution was not in place at the time the STIP document was prepared, federal funding for all STIP years, FFY2014-2017, is estimated at the 2013 levels. This assumption is applied in the Estimated Apportionments and Obligations table and the Cash-Flow Worksheet. Using the funding levels received in FFY 2013 as the estimated funding for future years, assures a level of conservatism is built into the forecasting, thereby, helping to ensure that the State of Kansas does not over program.

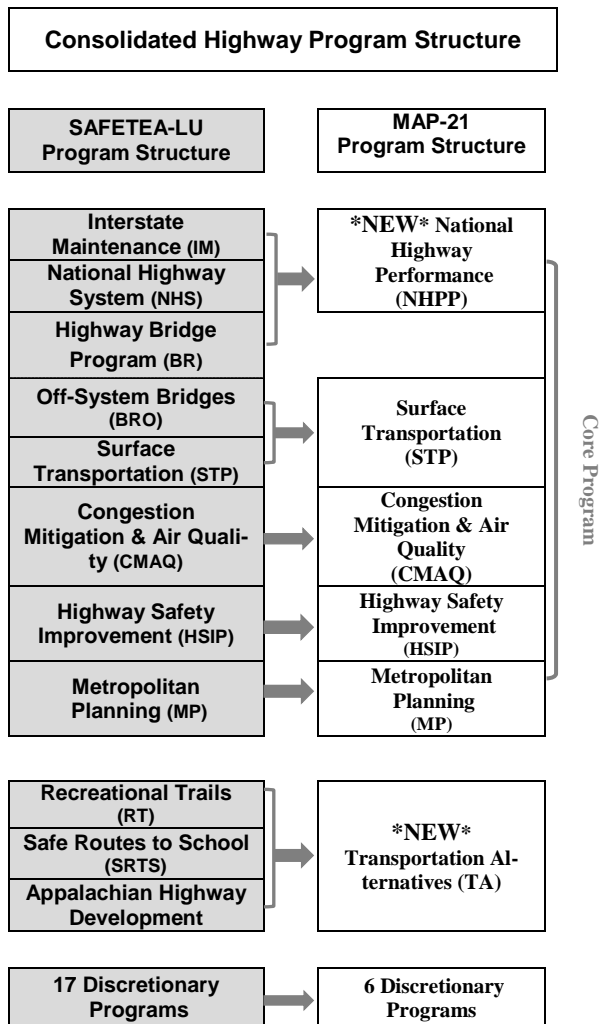
In MAP-21 changes were made to the program structure resulting in the elimination of several programs that were previously authorized under SAFETEA-LU while several other programs were combined to form broader more encompassing programs. Additionally, within MAP-21 a “core”

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

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

Discretionary programs were greatly reduced in MAP-21 with only five programs continuing and one new program created. Of the remaining

discretionary programs, Kansas receives funding from only two- the On-the-Job Training Support Services and Disadvantaged Business Enterprise (DBE) Support Services. However, many of the eligibilities from the discontinued discretionary programs have been incorporated into the remaining programs under MAP-21. Below is a chart illustrating the program structure changes from SAFETEA-LU to MAP-21.



The new funding categories created under MAP-21 have been incorporated into the information in this STIP and are reflected in the tables and appendixes. In the apportionment and obligation table, the discretionary program funding that Kansas receives is lumped together with ear mark funding in the 'Other' group.

There are numerous requirements in a transportation act like MAP-21 that affect the use of federal funds on projects programmed in the FFY 2014-2017 Kansas STIP. Some provisions are broad and apply to all projects using federal funding, while other provisions are program specific. In order for a project to be eligible to use a specific program's funding, the project must meet the conditions defined within MAP-21 for that program. With the requirements of MAP-21 in place, project funding has been addressed and changes made as applicable to comply with the requirements of MAP-21.

In addition to apportioning funds to the states, Congress annually sets an upper limit, termed an obligation ceiling on the total amounts of obligations that each state may incur. 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

Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations

Estimated Apportionments for KDOT, Local and Metro Projects as of 07/23/2013

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

Apportionment Grouping	FFY					Total
	2014	2015	2016	2017	2014-2017	
NHPP	\$213,952	\$213,952	\$213,952	\$213,952		\$855,809
STP (KDOT)	\$28,264	\$28,264	\$28,264	\$28,264		\$113,056
STP (Local)	\$46,406	\$46,406	\$46,406	\$46,406		\$185,626
STP (Metro)	\$23,735	\$23,735	\$23,735	\$23,735		\$94,941
TA	\$10,278	\$10,278	\$10,278	\$10,278		\$41,112
HSIP (Rail Safety)	\$9,897	\$9,897	\$9,897	\$9,897		\$39,587
HSIP (Federal)	\$13,900	\$13,900	\$13,900	\$13,900		\$55,600
CMAQ	\$9,037	\$9,037	\$9,037	\$9,037		\$36,147
Other	\$766	\$766	\$766	\$766		\$3,063
Total	\$356,235	\$356,235	\$356,235	\$356,235		\$1,424,940

Estimated Obligations for KDOT, Local and Metro Projects as of 07/23/2013

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

Obligation Grouping	Advance		FFY					FFY	FFY 2013-2017
	Construction Conversion after 2017	Remaining to Obligate FFY 2013	2014	2015	2016	2017	2014-2017 Total	& AC Conversion after 2017 Total	
NHPP	\$587,745	\$123,038	\$204,049	\$213,275	\$199,974	\$211,615	\$828,913	\$1,539,697	
STP (KDOT)	\$153,870	\$14,004	\$52,575	\$66,634	\$71,623	\$75,670	\$266,503	\$434,377	
STP (Local)	\$0	\$9,882	\$8,751	\$48	\$1,585	\$0	\$10,385	\$20,266	
STP (Metro)	\$0	\$6,398	\$26,698	\$9,495	\$9,780	\$0	\$45,973	\$52,371	
TA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
HSIP (Rail Safety)	\$0	\$351	\$7,249	\$0	\$0	\$0	\$7,249	\$7,600	
HSIP (Federal)	\$0	\$9,037	\$19,083	\$6,447	\$205	\$200	\$25,936	\$34,973	
CMAQ	\$0	\$7,947	\$7,913	\$2,055	\$1,583	\$0	\$11,552	\$19,499	
Other	\$0	\$4,767	\$28,686	\$2,823	\$0	\$1,011	\$32,520	\$37,287	
Total	\$741,615	\$175,425	\$355,004	\$300,777	\$284,751	\$288,497	\$1,229,029	\$2,146,069	

Note: □

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

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

amount of federal-aid apportioned to the states. The obligation set out (the ceiling) in MAP-21 for FFY 2013 was used for all STIP years to estimate apportionments and obligations in the “Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations” table on the previous page.

The table “Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations” depicts the apportionment and obligation that KDOT estimates to be available for projects during the years of this STIP. The groupings listed in the table reflect the MAP-21 programs outlined above with a few minor modifications. Both, the STP and HSIP (federal safety) programs are further sub-divided to more clearly demonstrate where the funding from each is anticipated to be used. The MP program is not shown since the funding is sub-allocated to the state MPOs. Additionally, KDOT elects to group many of the smaller programs together into one grouping of ‘Other’. Currently, within the ‘Other’ grouping in the apportionments section is the funding for the discretionary programs and in the obligation section the ‘Other’ grouping is composed of the carry-over funding from the Transportation Enhancement (TE) SAFETEA-LU program and earmark funding in addition to the discretionary funding. The carry-over in ‘Other’ is from programs that are no longer funded under MAP-21.

The estimates presented within the table are for all projects within the boundaries of the state including those estimates for projects located within MPO areas.

However, the actual projects that comprise the estimates that fall within MPO areas are not listed in the project appendixes of this document. Rather, MPO project information is provided in the STIP by reference only. Specific projects in MPO areas may be viewed in each MPO’s Transportation Improvement Program (TIP), a document similar to the STIP that covers an MPO area. (For more information concerning MPO’s and their TIPs, please refer to the Metropolitan Transportation Improvement Program section of this document.)

The apportionment section of the “Federal Fiscal Years 2014-2017 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 core federal funding categories, plus the additional discretionary MAP-21 programs grouped in ‘Other’. However, the apportionments do not include any carry-over apportionment remaining from previous years. Apportionments for all four years are estimated using the apportionment amount distributed to Kansas for FFY 2013 without inflation.

Below the apportionment section of the table is the estimated obligation section that provides the total estimated obligations for FFY 2014-2017 for KDOT, Local and Metro projects. In addition to the total obligations anticipated in each of the four years, the table displays how the obligations are anticipated to be obligated

within the core federal funding programs plus the ‘Other’ grouping which includes the discretionary MAP-21 programs and the carry-over funds from the SAFETEA-LU TE program and high priority earmark. The FFY 2014 –2017 obligation limitations were estimated based upon the levels received for FFY 2013. 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 obligation for FFY 2014-2017 is \$1.23 billion and of this obligation total advance constructed conversion anticipated for FFY 2014-2017 is \$963 million (as determined from Appendix D-the Advance Construction Project Index). Additionally, in the “Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations” table the “Advance Construction Conversion after 2017” column provides estimates for advance construction already in place for years that exceed the STIP range. The advance construction conversions for years after 2017 are listed in lump sum amounts by federal fund category.

Both, MPO project information and estimated obligations for advanced construction after FFY 2017 are included in the “Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations” table to facilitate the demonstration of fiscal constraint. MPO projects comprise a significant portion of the projects funded

in the state and therefore, the anticipated apportionments and obligations in MPO areas are included in the “Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations” table. Without inclusion of the MPO project dollars, fiscal constraint could not be demonstrated. The Advance Construction in years after FFY 2017 is included to clarify that the State does not exceed advance construction limits in place under 23 U.S.C. 115 and to aid in demonstrating fiscal constraint.

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 FFY are based on historical levels previously provided to the state and on the limitation set for FFY 2013.

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. The reason for this apparent disparity is that some estimated obligations are for funds that were apportioned in prior year(s). This arises because in a prior year(s), the obligation ceiling for the grouping was less than the apportioned amount. Therefore, a portion of the apportionments was carried over into the next FFY. This carry-over may result in the obligations for a grouping(s)

in a given year to exceed the corresponding apportionment grouping in the year as carry-over is not reflected in the apportionments table. Specifically, in FFY 2014 KDOT currently has carry-over in the HSIP (Federal Safety), STP and Other groupings. Additionally, there is carry-over in FFY 2015 in the STP grouping. Also, the apparent disparity in the STP grouping between the KDOT and Local apportionment estimates and the obligation estimates for each is because the obligation estimates reflect the anticipated fund exchange transfer from the local group to the KDOT group as a result of the Federal Fund Exchange program.

Finally, it must be noted that the inclusion of the anticipated advance construction conversions and MPO information in the “Federal Fiscal Years 2014-2017 Estimated Apportionments & Obligations” table precludes the total expected obligations in the table and the total expected obligations from Appendix C-Summary of State Transportation Improvement Program Project Indexes from matching. The table and the appendix do not share the same source data. Appendix C summarizes, Appendixes A & B which do not include the MPO projects or the advance construction conversion information (this information is listed separately in Appendix D). In general, the information presented within the “Federal Fiscal Years 2014-2017 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 city's population is to the total population of all eligible cities. Only cities with a population between 5,000 and less than 200,000, not within an urbanized area are eligible. Cities with a population of 200,000 or greater fall within the urbanized classification and funding for these cities is in the requirements in Place for Metropolitan Planning Organizations (MPO).

Additionally, local governments may obtain funding through the Local Partnership Program. In this program, the

state participates in a portion of the project cost. The Local Partnership Program includes the City Connecting Link (KLINK) Resurfacing Program. The KLINK program is for resurfacing type projects that are intended to improve the surfacing of City Connecting Links of the State Highway System. All cities with City Connecting Links within their city limits are eligible for the KLINK program. City Connecting Links on the Interstate System and fully controlled access sections on the Freeway System are excluded from this program. The KLINK program is intended to address deficiencies of the driving surface. Projects may include, but are not limited to, surface replacement, milling, overlay, curb and gutter replacement and bridge improvements.

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

Another option for funding is the City Connecting Link Payments. In this

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

A new program recently implemented with the new T-WORKS program is the Federal Fund Exchanged Program. The program is a voluntary program that allows a Local Public Authority (LPA) to trade all or a portion of its federal fund allocation in a specific federal fiscal year with KDOT, in exchange for state transportation dollars or with another LPA in exchange for their local funds.

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

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

This optional program provides LPAs more flexibility when planning their programs and when deciding how to fund them. Eligible LPAs may elect to exchange their federal funds or they may use the funds to develop a federal-aid project following the established procedures. If exchanged, the exchange rate for the program is \$0.90 of state funds for every \$1.00 of local federal obligation authority exchanged. For more information about this program, visit KDOT's website at the following

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

STATE EXPENDITURES

Sources used to forecast expenditures are more varied than those used for revenues. Primary sources for expenditure forecasting are the agency's budget and two computer information systems—the Comprehensive Program Management System (WinCPMS) and the Contract Management System (CMS). These two computer systems are used to maintain program information and specific project and contract information. Data generated from these two computer programs are used to create the FFY 2014-2017 Estimated Apportionments and Obligations table, Interim Project Index- Appendix A, FFY 2014-2017 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 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 2014 and 2015 are from the budget submittal, while SFY 2016 & 2017 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) Pro-

gram, 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 fund-

ing 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 2012, the statewide LOS rating was 90. (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 only that the overall rating for the state as a whole was a level of service of 89.) All the ratings for SFY 2012 may be viewed at the following link <http://kdotapp.ksdot.org/perfmeasure/s/>.

Snow /Ice removal has its own set of LOS targets based upon traffic volume as set out in the Managing Snow and Ice (MS&I) guidance. A primary goal during a weather event is to maintain mobility. KDOT strives to achieve and maintain the desired level of service with fixed resources.

For snow and ice removal LOS tar-

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

KDOT maintains more than 150,000 acres of highway right-of-way. To maintain a land area of this size requires a flexible approach that adjusts to the needs of differing areas. To meet this need KDOT uses the Managing Kansas' Roadside Program (MKR). The MKR program is a responsive program that uses different mowing approaches to achieve greater mowing efficiency. The different approaches include 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.

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

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

Transfers Out are expenditures for transportation-related functions performed by other state agencies but financed by

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

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

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

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

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. (The road targets were re-evaluated in SFY 2011 and have been revised from 80 to 85 for Interstate and

from 75 to 80 for Non-Interstate for SFY 2012 and forward.) A PL-1 rating indicates that the roadway surface is in good condition and needs only routine or light preventative maintenance. For bridges, a bridge health index (BHI) is used, and while KDOT's goal is to maintain the bridge system at a higher level, an overall statewide bridge health index of 80 is defined as the minimum acceptable condition level. (The bridge health index was reviewed in SFY 2011 and was revised from 80 to 85 effective for SFY 2012 and forward.) Following this discussion are two tables one for roads and one for bridges showing the actual road and bridge conditions statewide for the years SFY 2010-2012. As the 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 2012 CAFR report at the following link:

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

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*
2010	80	97	75	86
2011	80	96	75	84
2012	85	98	80	83

* - Percent of miles in PL-1 condition

Statewide Bridge Health Ratings		
Fiscal Year	Minimum Acceptable Bridge Health Index	Actual Health Index
2010	80	94
2011	80	94
2012	85	95

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

The **modes expenditure** grouping is for transportation forms other than road system infrastructure. For KDOT these modes are aviation, public transit and rail. In an effort to leverage transportation dollars to obtain the largest benefit possible, the new T-WORKS program has increased funding to all three of these alternate modes correlating to an increase in spending in these areas. The expenditures forecasted in the Cash-Flow Worksheet

are provided by the Division of Aviation and the Bureau of Transportation Planning- Public Transit and Rail sections and are adjusted for inflation. While the modes are a part of the Cash-Flow Worksheet, the projects that compose the modal group are not represented in the Narrative, Project Indexes or Summaries of the STIP. 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 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 MHz conventional radio system to an 800 MHz digital trunked radio system. Additionally, the expenditure includes equipment purchases for digital 800 MHz which in turn are leased to first responder agencies across the state that are unable to afford the purchase themselves. (This lease program is the Communication System Revolving Fund; the following internet link provides more information about this program:

<http://www.ksdot.org/burConsMain/Connections/Radio/CSRF.asp> .

The Local Federal Aid and Local Partnership Programs are both expenditures related to projects. The **Local Fed-**

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

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

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

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

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 project-

tions. The agency's most recent Cash-Flow Worksheet is at the end of this discussion. The Cash-Flow Worksheet is reviewed and updated as needed at key times during the SFY in:

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

As previously discussed in this finance section, the sources of information and data used to compile and maintain the Cash-Flow Worksheet are many and varied. In addition to the methods already described, the 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 in place, the federal funding applied in the Cash-Flow Worksheet assumes a flat level (no growth) of federal funding based on the federal funding received in FFY 2013, the first year of MAP-21. 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 is the system used to generate the Cash-Flow Worksheet. Likewise, as information changes in KDOT's project management system, these changes are incorporated automatically to CAFE since the two systems interact. Finally, the OFIM staff continually monitors and reviews the data relevant to revenue and expenditure. In this way, the Cash-Flow Worksheet generated from CAFE is timely and provides the information KDOT needs to be fiscally constrained.

KDOT Cash-Flow Worksheet

as of June 2013

KDOT - All Agency Funds

(\$000)	2014	2015	2016	2017	Total SFY 2014-2017
BEGINNING BALANCE	554,152	477,315	326,210	345,384	
Resources					
Motor Fuel Taxes	433,806	436,406	439,006	441,606	1,750,824
Sales & Compensating Tax	478,647	510,455	529,591	549,445	2,068,138
Registration Fees	199,500	206,500	209,500	212,500	828,000
Drivers Licenses Fees	8,844	8,844	8,844	8,844	35,376
Special Vehicle Permits	2,489	2,489	2,489	2,489	9,956
Interest on Funds	5,504	7,294	8,070	8,790	29,658
Misc. Revenues	23,394	23,756	8,410	8,443	64,003
Transfers:	1,399	1,399	1,399	1,399	5,596
Motor Carrier Property Tax	-	-	10,064	10,235	20,299
Subtotal	1,153,583	1,197,143	1,217,373	1,243,751	4,811,850
Federal & Local Construction Reimbursement					
Federal Reimbursement - SHF	265,069	228,184	254,179	252,888	1,000,321
Local Construction - Federal	55,592	88,233	72,076	72,255	288,156
Local Construction - Local	34,865	32,894	23,403	28,703	119,865
Miscellaneous Federal Aid	28,975	28,975	29,477	29,991	117,418
Subtotal Federal & Local	384,501	378,286	379,135	383,837	1,525,760
Total before Bonding	1,538,084	1,575,429	1,596,508	1,627,588	6,337,610
Bond Sales (par)	150,000	210,000	200,000	-	560,000
Issue Costs/Premium/Discount/Acc Int.	-	-	-	-	-
Net from Bond Sales:	150,000	210,000	200,000	-	560,000
Net TRF Loan Transactions	5,468	5,057	4,681	4,707	19,913
TOTAL RECEIPTS	1,693,552	1,790,486	1,801,189	1,632,295	6,917,523
AVAILABLE RESOURCES	2,247,705	2,267,801	2,127,400	1,977,679	8,620,584

The following revenue estimates are currently being used:

April 2013 State Consensus Revenue Estimating Group

November 2012 Highway Revenue Estimating Group

Debt Service updated 12/06/2012

KDOT Cash-Flow Worksheet

as of June 2013

KDOT - All Agency Funds

(\$000)	2014	2015	2016	2017	Total SFY 2014-2017
EXPENDITURES:					
Maintenance	135,664	137,270	140,702	144,219	557,855
Construction					
Preservation	343,650	411,168	471,296	428,460	1,654,574
Modernization	38,215	41,581	24,025	59,888	163,709
Expansion & Enhancements	284,966	352,748	322,562	242,401	1,202,677
CE & PE	115,590	118,918	108,356	110,715	453,579
Total Construction	782,421	924,415	926,239	841,464	3,474,539
Modes					
Aviation	5,000	5,000	5,000	5,000	20,000
Public Transit	29,210	29,210	29,711	30,226	118,357
Rail	6,344	6,427	6,574	6,647	25,992
Total Modes	40,554	40,637	41,285	41,873	164,349
Local Support					
SC&CHF	145,875	146,750	157,688	158,734	609,047
Local Federal Aid Projects	75,097	96,866	70,403	75,833	318,199
Local Partnership Programs	34,964	54,388	44,603	40,420	174,375
City Connecting Links	3,360	3,360	3,360	3,360	13,440
Agency Operations	9,281	9,464	9,654	9,848	38,247
Other	24,004	23,388	12,860	12,683	72,935
Total Local Support	292,581	334,216	298,568	300,878	1,226,243
Management	62,437	55,729	57,100	58,506	233,772
Buildings	6,136	6,856	8,249	8,080	29,321
Total	68,573	62,585	65,349	66,586	263,093
Transfers Out	267,328	242,389	111,241	113,929	734,887
TOTAL before Debt Service	1,587,121	1,741,512	1,583,384	1,508,949	6,420,966
Debt Service	183,268	200,079	198,633	210,088	792,068
TOTAL EXPENDITURES	1,770,389	1,941,591	1,782,017	1,719,037	7,213,034
ENDING BALANCE	477,315	326,210	345,384	258,641	
Minimum Ending Balance Requirement	268,878	266,718	280,078	260,151	
AVAILABLE ENDING FUND BALANCE:	208,437	59,492	65,306	(1,510)	
	2014	2015	2016	2017	Total SFY 2014-2017

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.