
PROGRAM FINANCING

FUNDING

The funding of highway improvements depends on the availability of funds and on criteria established by State and Federal law on the use of those funds. Highway projects can be financed entirely by State funds, by a combination of Federal-aid and matching State funds, or by a combination of Federal-aid or State funds and matching local funds. Project cost estimates in each year of the STIP reflect an inflation rate of approximately 3.9 percent per year. This rate is based on KDOT's historical cost trends and future cost expectations. This information is based on reasonable financial principles developed cooperatively by KDOT, the MPOs, and the public. The STIP is updated annually.

STATE FUNDS

State sources of highway funds include motor fuels tax, sales tax, vehicle registration fees, and a number of miscellaneous fees such as drivers' license fees, mineral royalties, and signboard permit fees. The table shows the sources and amounts of State Highway Fund revenues (state sources only) projected for the FY 2009 - 2012 plan.

Motor fuels represent an estimated

37.4 percent and sales tax receipts represent estimated 36.4 percent of the FY 2009 - 2012 state-generated highway revenues. Vehicle registration fees comprise an estimated 21.6 percent, and all other sources 4.6 percent of the total.

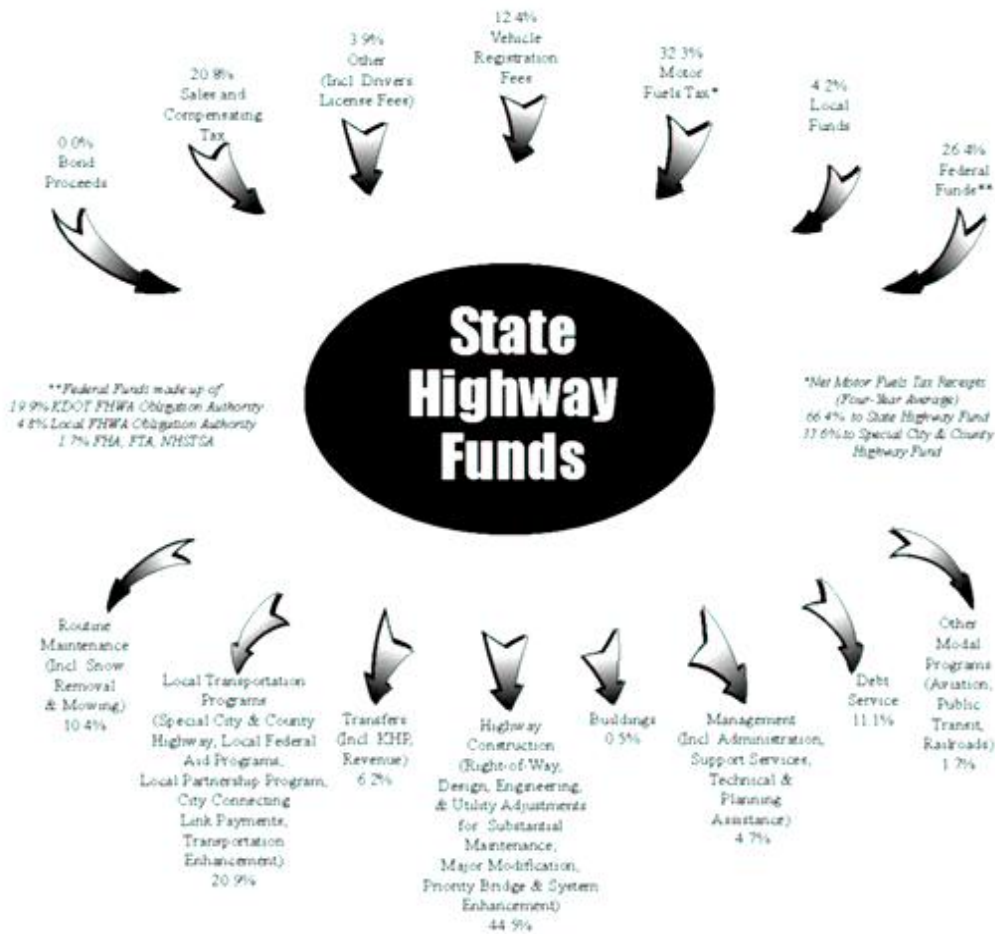
Estimated State Generated Revenue Fiscal Years 2009-2012 (\$ Millions)	
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Motor Fuels Tax	1,200
Registration Fees	695
Sales and Comp Tax	1,168
Bond Proceeds (Net)	0
Other Incl. Interest	149
Total	<u>\$3,212</u>

FEDERAL FUNDS

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted on August 10, 2005. This act provides federal aid to the state and local units of government through Federal Fiscal Year (FFY) 2009. The major programs of the Act include the National Highway System (NHS), Surface Transportation Program (STP), Bridge Replacement and Rehabilitation Program, Interstate Maintenance (IM), Congestion

Kansas Department of Transportation Fund Sources and Disposition FY 2009-2012



***Federal Funds made up of
19.9% EDOT FHWA Obligation Authority
4.8% Local FHWA Obligation Authority
1.7% FHIA, FTA, NHSTA*

**Net Motor Fuels Tax Receipts
(Four-Year Average)
66.4% to State Highway Fund
33.6% to Special City & County
Highway Fund*

July 2008 Cash Flow Basis

Mitigation and Air Quality (CMAQ), and Safety.

A new funding program provided by SAFETEA-LU is the Equity Bonus Program. This program replaces the Minimum Guarantee Program under TEA-21 and ensures that each State's return on its share of contributions to the Highway Trust Fund (in the form of gas and other highway taxes) is at least 90.5 percent in 2005 building toward a minimum 92 percent relative rate of return by 2008. In addition, every State is guaranteed a specified rate of growth over its average annual TEA-21 funding level, regardless of its Trust Fund contributions. These funds are available to KDOT for use at its discretion, subject to existing limitation controls. In addition, funding has been earmarked for certain "high priority" projects. States also pass on a portion of federal funds to local units of government for city and county projects

The federal government annually apportions 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 are based on the state's historical share of funds received in past years. Bridge Program and Congestion Mitigation apportionments are distributed based on the states specific need for these funds.

Federal funds used for projects that are eligible under SAFETEA-LU

funding categories must meet specific program objectives. For example, CMAQ funds are used for projects in the areas to help meet federal air quality standards. Currently Kansas uses CMAQ funds in the Wichita and Kansas City areas. There are numerous requirements of SAFETEA-LU which impact the use of federal funds on projects covered by the Kansas FY 2009 - 2012 State Transportation Improvement Program.

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.

The FFY 2009 - 2012 (October 1, 2008 - September 30, 2012) estimated apportionments to Kansas for all federal-aid construction are shown in the chart on the next page. For programming purposes, the FFY 2009 - 2012 apportionments were estimated by KDOT based on data provided to Congress by the Federal Highway Administration (FHWA), on historical apportionments and on recent action taken by congressional budget committees.

LOCAL FUNDS

Local government sources of transportation funds include state motor

FFY* 2009-2012
Estimated Apportionments (as of 07/29/08)
For KDOT, Local, Metro Projects
(\$ Millions)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
National Highway System	88.2	88.2	88.2	88.2	352.8
Interstate Maintenance	64.0	64.0	64.0	64.0	255.9
Surf. Transp. (KDOT)	49.4	49.4	49.4	49.4	197.8
Surf. Transp. (Local)	21.3	21.3	21.3	21.3	85.1
Surf. Transp. (Metro)	18.1	18.1	18.1	18.1	72.2
Surf. Transp. (TE)	10.3	10.3	10.3	10.3	41.2
HSIP Rail Safety	11.1	11.1	11.1	11.1	44.3
HSIP HES Safety (Inc SRTS & HRRR)	15.6	15.6	15.6	15.6	62.5
Bridge (KDOT)	32.8	32.8	32.8	32.8	131.2
Bridge (Local)	21.7	21.7	21.7	21.7	86.9
Bridge (Metro)	5.1	5.1	5.1	5.1	20.5
Congestion Mitigation	8.6	8.6	8.6	8.6	34.4
Other	<u>49.9</u>	<u>10.1</u>	<u>10.1</u>	<u>10.1</u>	<u>80.2</u>
Total	396.1	356.3	356.3	356.3	1,465.1

*Federal Fiscal Year (Oct 1- Sep 30)

FFY* 2009-2012
Estimated Obligations
For KDOT, Local, Metro Projects
(\$ Millions)

	<u>AC**</u>	<u>2008/</u> <u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
National Highway System	245.5	108.7	99.8	98.6	97.7	650.3
Interstate Maintenance	70.7	30.2	64.1	61.1	56.3	282.6
Surf. Transp. (KDOT)	49.7	88.3	53.2	48.8	37.2	277.1
Surf. Transp. (Local)	0.0	40.8	24.5	28.3	1.4	95.0
Surf. Transp. (Metro)	0.0	31.5	21.9	8.4	0.0	61.8
Surf. Transp. (TE)	0.0	18.0	0.0	0.0	0.0	18.0
HSIP Rail Safety	0.0	2.1	0.0	0.0	0.0	2.1
HSIP HES Safety (Inc SRTS & HRRR)	0.0	12.0	0.0	0.0	0.0	12.0
Bridge (KDOT)	39.9	43.6	16.4	0.0	0.7	100.6
Bridge (Local)	0.0	26.6	15.3	6.7	2.4	51.0
Bridge (Metro)	0.0	1.0	2.0	0.0	8.8	11.7
Congestion Mitigation	0.0	2.5	9.3	0.0	0.2	12.0
Other	<u>0.0</u>	<u>79.4</u>	<u>7.3</u>	<u>0.0</u>	<u>0.0</u>	<u>86.6</u>
Total	405.8	484.6	313.9	251.9	204.7	1,660.8

*Federal Fiscal Year (Oct 1- Sep 30)

**Advanced Construction (AC) projects currently obligated or projected to be obligated during the STIP Years that will not be converted until after 2012 (Not all will be converted to federal funds within the STIP period.)

fuel tax revenue received through the Special City and County Highway Fund, federal motor fuels tax revenue received from FHWA through KDOT, state funds from KDOT's local partnership program, property taxes, local option sales taxes, and bond issues. Property taxes are the largest source of transportation revenues for local governments, with much of this revenue being spent on maintenance rather than 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. Small Urban STP funds are divided into three categories based on population: cities with 5,000 to 14,999 populations; cities with 15,000 to 49,999 populations; cities with 50,000 to 200,000 populations. In each of the two smaller categories, each city within the category is given an opportunity for projects on a rotating basis. Funds within the 50,000 to 200,000 population category are distributed based on the proportion that a city's population is to the total population within that category.

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 for programming these local

government projects.

The Kansas Highway Program includes a number of Local Partnership Programs. In these programs, the State and local units of government share a project's cost. The City Connecting Link (KLINK) Resurfacing, Geometric Improvement, and Economic Development Programs are designed to assist local governments in making surfacing and geometric improvements on city connecting links and to finance projects that are needed as a result of rapid economic growth or to spur economic development.

The KLINK Resurfacing Program requires a minimum of 25 or 50 percent match in local funds, depending on the size of the city, and State funds are limited to a maximum of \$200,000 per project. The Geometric Improvement Program requires local matching funds on a sliding scale based on a city's population. The Economic Development Program requires a minimum of 25 percent in local matching funds.

In addition to the Local Partnership Program, local funds are utilized for some Substantial Maintenance Safety projects and Major Modification Hazard Elimination (HES) projects. KDOT may also jointly fund projects such as railroad grade separations or with the Kansas Turnpike Authority for projects such as the I-70/I-470/ Oakland Expressway interchange project.