

Funding

Comparing estimated costs for transportation improvements against anticipated dollars is important with any planning activity. As such, project costs in *Horizon 2030* have been compared to an estimation of reasonably available financial resources.

Project Costs

The estimated cost associated with each transportation improvement is developed by a project's sponsor. A project sponsor is typically the agency responsible for implementing the proposed improvement. Cost assumptions are based on various factors that each agency takes into consideration; these may include items such as estimated cost of acquiring land for a project's right of way, equipment acquisition, cost of materials, and labor. Project costs are identified in their anticipated Year of Expenditure (YOE). Year of Expenditure is a process where project costs identified in today's dollars are factored for the possible cost of a project by the time it is opened to the public. An annual factor of 4% was applied to each project whose sponsor had not already provided their project in Year of Expenditure in order to ascertain a project's Year of Expenditure cost. The 4% factor was determined based upon recommendations from the Kentucky Transportation Cabinet and their historic review of project costs. The Indiana Department of Transportation reviewed and concurred with the methodology for the purposes of this update. The 4% factor also aligns with Federal guidance. Agencies responsible for maintaining and operating infrastructure improvements have indicated their commitment to ensuring that transportation infrastructure is maintained and operated using a combination of local, state, and federal funding resources. Rehabilitation of some existing facilities has been proposed in *Horizon 2030* and such funding sources have been accounted for in the estimation of available resources through the year 2030.

Resources

Federal regulations (23 C.F.R. 450.322 (f)(10)) pertaining to the metropolitan transportation plan development states that for the development of, "[a] financial plan the demonstrating how the adopted transportation plan can be implemented" is required in the update. Since the 1993 transportation plan, *Regional Mobility 2010*, and each subsequent update, the process for determining future funding estimates begins with a review of the cost of projects programmed in the previous five years of the Transportation Improvement Program (TIP). The TIP is the programming document that identifies specific dollar amounts and sources needed to fund a project. Revenue estimates for this document, *Horizon 2030*, were developed based on a historic analysis of fiscally constrained TIPs, and individual fiscally constrained years of those TIPs. Revenue projections assume a similar level of federal, state, and local availability of funds through the horizon year of the Metropolitan Transportation Plan. Inherent in identifying projections of future anticipated revenue is the possibility that future funding levels may change with the introduction of federal, state, and/or local legislative action. If warranted, a review of the anticipated revenue will be conducted to reflect modifications introduced as a result of changing circumstances at the federal, state, and/or local level. Under such circumstances the Transportation Policy Committee, Indiana Department of Transportation, Kentucky Transportation Cabinet, and the Transit Authority of the River City will collaborate in order to determine what changes, if any, are necessary to the anticipated revenue identified in the *Horizon 2030 Metropolitan Transportation Plan*.

Traditional Funding Sources

Traditional funding sources are those federal, state, and local transportation funds that are generally available for the implementation of projects identified in the Metropolitan Transportation Plan. Federal funds, often referred to as formula federal aid dollars, are funds provided annually to each state based

upon formulas derived from the U.S. Department of Transportation. In order to identify a reasonable estimate of traditional funds that may be available for the implementation of projects a review of the previous five years of TIP programming began with Fiscal Year 2005 and ended with Fiscal Year 2009. In the analysis of the previous five years of the TIP, some projects, because of their unique nature and scope and/or funding opportunities, were removed from the analysis and did not contribute to estimating future resources. Also included in this analysis were state and local dollars that had been programmed in the TIP's previous five years. These anticipated dollars, in combination with the traditional federal funds formed the basis of projecting available revenue. Just as project costs reflect Year of Expenditure, so do anticipated sources of funding revenue. Beginning with a funding estimate in today's dollars, the anticipated revenue sources are factored to reflect inflation rates, etc. In adjusting for Year of Expenditure, an annual 5% factor is applied to the anticipated revenue sources. The 5% factor was recommended by the Kentucky Transportation Cabinet. The Indiana Department of Transportation reviewed and concurred with the methodology for the purposes of this update. For *Horizon 2030*, the estimation of available resources is based on formula distribution of federal funds to Indiana and Kentucky and the past programming of state and local dollars for each state. Examples of federal funding categories distributed to each state based on a formula that, among other things, takes into consideration a state's or region's population are: National Highway System, Surface Transportation Program, Interstate Maintenance, Bridge, etc.

Non Traditional Funding Sources

There are funding sources other than those distributed to the states by formula that may be considered when proposing projects for the *Horizon 2030 Metropolitan Transportation Plan*. Examples of these types of funds may include congressional appropriations through legislative action, local and state funding initiatives, sale of bonds, etc. Project sponsors are asked to identify reasonable funding sources for projects for which they intend to use funds other than federal funds distributed on a formula basis.

The Ohio River Bridges Project is a project in the *Horizon 2030 Metropolitan Transportation Plan* that identifies non-traditional funding sources as a significant component of its anticipated revenue. The financial demonstration prepared for the *Horizon 2030 Metropolitan Transportation Plan* does not exclude the use of traditional funding sources. The states of Kentucky and Indiana established a bi-state authority whose charge is to oversee the financing and construction of the Ohio River Bridges Project. In accordance with 23 CFR Part 450.322(f)(10)(iii), the Louisville and Southern Indiana Bridges Authority has submitted, for the purposes of the Metropolitan Transportation Plan update, a financial demonstration for the Ohio River Bridges Project (please see Appendix D).

Operations and Maintenance

The nature of a metropolitan transportation plan does not lend itself to specifically identifying all future maintenance needs through the horizon year. The metropolitan transportation plan emphasis is on projects and programs which hold constant (relative to demand), and when appropriate, expand the transportation system to meet evolving needs and wants. For the most part, roadway projects involve a geometric change to the cross section of a road, its alignment and/or its termini. This also includes the construction of new roads and bridges. In terms of transit and other alternate mode opportunities, *Horizon 2030* identifies strategies that expand services to meet current and anticipated needs. Conversely, maintenance projects are intended to repair and rehabilitate existing roadways without introducing significant changes that may influence travel behavior. Operation and maintenance of the transit system is seen in the same context as roadway operation and maintenance. The intent is to ensure that the transit system continues to operate with minimal disruption of service.

It is appropriate to reflect, within the Plan itself, an area’s ability to operate and maintain the transportation system. To that end, a projection of possible operating and maintenance funding resources has been completed. Each state and the transit authority was requested to identify a typical annual expense for maintaining and operating the roadway and transit systems for Bullitt, Clark, Floyd, Jefferson, and Oldham counties. A review of federally funded maintenance projects in the *FY 2007-FY 2011 Transportation Improvement Program* provided an estimate of federal funds used to maintain the roadway system.

Both states, the local governments, and the Transit Authority of River City (TARC), rely on a mix of resources to preserve, maintain, and operate the road and public transportation system. Contributors to the mix include federal formula funds, state transportation funds, local transportation funds, and local tax revenue dedicated to TARC. Both the states of Kentucky and Indiana have state funding sources for maintaining and preserving the roadway infrastructure. The states also make available to local governments funds for the maintenance of roadways located in their jurisdictions. For example, the state of Kentucky provides County Road Aid, Municipal Aid, and Rural Secondary funds to the local government entities. The state of Indiana also provides revenue to local jurisdictions for the maintenance of roads. Indiana provides local governments with resources from the Local Road and

Estimated Operations and Maintenance	
Indiana	\$ 94,000,000
Kentucky	\$ 680,376,000
TARC	\$ 1,103,000,000

Street Accounts, and the Motor Vehicle Highway Accounts. Some local governments utilize funds from their General Budget while others may also include tax generated revenue. For instance, Clark County, Indiana collects a local tax identified as the Cumulative Bridge Account and another local tax referred to as the Wheel Tax that is collected by

Clark County and distributed to cities and towns located within the County. Along with fare box revenue and Federal Transit Administration funding, TARC utilizes a payroll tax (Mass Transit Trust Fund) to meet some of their operating and maintenance expenses.

Comparison of Costs and Resources

After completing project development, the total estimated cost of proposed projects (in Year of Expenditure dollars) in *Horizon 2030* is found to be within reasonable limits of the anticipated resources (in Year of Expenditure dollars) for their implementation. The Ohio River Bridges Project is also included in the comparison of revenue to cost and the financial demonstration developed by the Louisville and Southern Indiana Bridges Authority can be found in Appendix D.

The sources of anticipated revenue and the estimated project costs are subject to modification as new information becomes available. It is anticipated that as planning for the existing proposed projects progresses and as new projects are identified for inclusion in the *Horizon 2030 Metropolitan Transportation Plan* the balance of anticipated revenue to estimated project cost will change. As the *Horizon 2030 Metropolitan Transportation Plan* was being developed, the planning processes for both the state departments of transportation for Indiana and Kentucky were on-going. Both states have indicated that the modification of existing projects and addition of new projects will occur. The Indiana Department of Transportation has indicated they will be providing additional projects to be amended into the *Horizon 2030 Metropolitan Transportation Plan* as their asset management process identifies additional projects within the area. As with all changes that occur within the context of the *Horizon 2030 Metropolitan Transportation Plan* the formal amendment process will be adhered to and the balance of anticipated revenue to estimated project cost will remain reasonable.

	Anticipated Revenue				Estimated Cost			Balance
	Federal-Aid Formula, State, and Local Transportation Funds	Federal Discretionary Funds*	Alternative Funding & Financing Sources*	Total Anticipated Revenue for MTP	Estimated MTP Projects (w/o ORB Project)	Estimated Ohio River Bridges (ORB) Project Costs*	Total Estimated Project Costs for MTP	MTP Balance
Indiana	\$ 1,180,000,000	\$ -	\$ -	\$ 1,180,000,000	\$ 493,400,000	\$ -	\$ 493,400,000	\$ 686,600,000
Kentucky	\$ 5,314,000,000	\$ -	\$ -	\$ 5,314,000,000	\$ 5,237,000,000	\$ -	\$ 5,237,000,000	\$ 77,000,000
Ohio River Bridges*	\$ 1,502,000,000	\$ 420,000,000	\$ 2,200,000,000	\$ 4,122,000,000	\$ -	\$ 4,096,000,000	\$ 4,096,000,000	\$ 26,000,000
Totals	\$ 7,996,000,000	\$ 420,000,000	\$ 2,200,000,000	\$ 10,616,000,000	\$ 5,730,400,000	\$ 4,096,000,000	\$ 9,826,400,000	\$ 789,600,000

* For more detailed financial information regarding the Ohio River Bridges Project, see Appendix D.