

## Chapter 10

# FINANCIAL PLAN

For purposes of implementing the provisions of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation, the Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA) jointly issued revised planning regulations governing the development of plan and programs for urbanized areas.<sup>17</sup> These regulations were designed to ensure the adequacy of metropolitan transportation planning and programming and the eligibility of metropolitan areas for federal highway and transit funds. The SAFETEA-LU Act continues most, and adds several new, requirements to those contained in the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) for planning. One part of the SAFETEA-LU regulations requires that the Transportation Plan include a financial plan “*that demonstrates how the adopted transportation plan can be implemented.*”<sup>18</sup> The regulations for the Financial Plan include:

- (i) For purposes of transportation system operations and maintenance, the financial plan shall contain system-level estimates of costs and revenue sources that are reasonably expected to be available to adequately operate and maintain Federal-aid highways (as defined by 23 U.S.C. 101(a)(5)) and public transportation (as defined by title 49 U.S.C. Chapter 53).
- (ii) For the purpose of developing the metropolitan transportation plan, the MPO, public transportation operator(s), and State shall cooperatively develop estimates of funds that will be available to support metropolitan transportation plan implementation, as required under Sec. 450.314(a). All necessary financial resources from public and private sources that are reasonably expected to be made available to carry out the transportation plan shall be identified.
- (iii) The financial plan shall include recommendations on any additional financing strategies to fund projects and programs included in the metropolitan transportation plan. In the case of new funding sources, strategies for ensuring their availability shall be identified.
- (iv) In developing the financial plan, the MPO shall take into account all projects and strategies proposed for funding under title 23 U.S.C., title 49 U.S.C. Chapter 53 or with other Federal funds; State assistance; local sources; and private participation. Starting December 11, 2007, revenue and cost estimates that support the metropolitan transportation plan must use an inflation rate(s) to reflect “year of expenditure dollars,” based on reasonable financial principles and information, developed cooperatively by the MPO, State(s), and public transportation operator(s).
- (v) For the outer years of the metropolitan transportation plan (i.e., beyond the first 10 years), the financial plan may reflect aggregate cost ranges/cost bands, as long as the future funding source(s) is reasonably expected to be available to support the projected cost ranges/cost bands.
- (vi) For nonattainment and maintenance areas, the financial plan shall address the specific financial strategies required to ensure the implementation of TCMs in the applicable SIP.

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<sup>17</sup> 23 CFR Part 450 and 500, 49 CFR Part 613

<sup>18</sup> 23 CFR Part 450.322(f)(10)

- (vii) For illustrative purposes, the financial plan may (but is not required to) include additional projects that would be included in the adopted transportation plan if additional resources beyond those identified in the financial plan were to become available.
- (viii) In cases that the FHWA and the FTA find a metropolitan transportation plan to be fiscally constrained and a revenue source is subsequently removed or substantially reduced (i.e., by legislative or administrative actions), the FHWA and the FTA will not withdraw the original determination of fiscal constraint; however, in such cases, the FHWA and the FTA will not act on an updated or amended metropolitan transportation plan that does not reflect the changed revenue situation.

## **HISTORY OF TRANSPORTATION FINANCING**

The development and maintenance of the transportation system is primarily financed by user fees. Local finances have become an important contributor in recent years as well. At the State level, user fees include a per gallon tax on gasoline and diesel fuel and a per vehicle registration fee based on vehicle value. The State gas tax is currently \$0.19 per gallon for gasoline and \$0.15 per gallon for diesel. Oregon was the first state to levy a gasoline tax in 1919 and Michigan followed suit in 1925. Since that time, all states have adopted some form of the tax. Gasoline is also taxed at the federal level at \$0.184 per gallon. Diesel fuel is taxed at the federal level at \$0.244 per gallon.

## **SOURCES OF TRANSPORTATION FUNDING**

Collection and distribution of gasoline and diesel fuel taxes in Michigan is regulated under State Act 51 of 1951. Michigan's fuel tax is collected and deposited into the Michigan Transportation Fund (MTF). Federal taxes are placed in the Federal Highway Trust Fund, with the exception of \$0.001 per gallon which pays for cleanup of underground storage tanks. Most states, as well as the federal government, earmark all or some portion of the tax for support of highways and mass transit improvements. MTF dollars are distributed to the Michigan Department of Transportation, county road commissions, cities, and villages.

Most states have vehicle registration fees that are earmarked for highway and mass transit improvements. In Michigan, the registration fees for automobiles and trucks are also deposited in the MTF. There is no passenger vehicle registration fee at the federal level, and no local community is permitted to assess a gasoline tax.

County and city MTF allocations have generally accounted for 50 to 60 percent of transportation revenues. Cities and villages may provide additional funding for transportation improvements. Typical sources at this level include:

- a community's general fund, special millages and general obligation bonds;
- contributions from county governments and other communities;
- public transportation fare box revenues,
- tax increment financing, and
- special assessment districts.

Some communities also accumulate interest on MTF revenue after it has been distributed to them.

County road commissions supplement their budgets through contributions from townships. The private sector has become involved as a source of financing as well. This usually involves developers paying for the construction of access drives or roadways leading to their development. The accounting of such development related expenditures is difficult as they are included in the overall cost of the development. These development related costs are not addressed in this plan.

At the federal level, SAFETEA-LU extended funding programs from previous highway legislation and created new programs for system improvements. The Interstate and National Highway System programs were developed primarily for improvements to the state trunkline system. The Surface Transportation Program (STP) provides funds for the urban and rural areas. The STP also includes an Enhancement Fund for different categories of projects including beautification, historic preservation, and non-motorized projects. The Federal Transit Administration provides operating and capital funding for public transportation and programs.

There are separate programs specifically for:

- bridge replacement and rehabilitation: the Local Bridge Program (partially funded with State MTF revenues);
- Safety projects and programs;
- Rail-highway crossing programs and projects;
- Safe Routes to School programs and projects;
- Recreational Trails programs; and
- projects that relieve congestion and address air quality emissions, i.e. the Congestion Mitigation and Air Quality Improvement Program (CMAQ).

Programs that are not likely to be used in Kalamazoo County include Appalachian Development Highway System and Border Infrastructure programs.

## **SOURCES OF REVENUE FOR PLAN DEVELOPMENT**

### *Federal Funding*

Interstate Maintenance  
 National Highway System (NHS)  
 Surface Transportation Program (STP) including Enhancement Funds  
 Bridge Replacement and Rehabilitation  
 Congestion Mitigation & Air Quality (CMAQ) Improvement Program  
 Safety  
 Rail-Highway Crossings  
 Safe Routes to School  
 Recreational Trails  
 Border Infrastructure  
 Federal Transit Administration Operating and Capital programs  
 New Freedom Program  
 Job Access Reverse Commute Program  
 Other federal sources

*State Funding*

Motor Vehicle Tax (Act 51) Distribution  
 Comprehensive Transportation Fund Distribution  
 Transportation Economic Development Funds  
 Other state sources

*Local Funding*

General Revenue Contributions	Dedicated millages
Township Contributions	Service contracts
Street Improvement Assessments	Fare box revenues
Road Improvement Bonds	Private Industry Contributions
Tax Increment Financing Districts	Foundation Contributions
Special Assessment Districts	Others

**REVENUES PROJECTED FOR THE 2030 TRANSPORTATION PLAN**

The following table shows the projected transportation revenues available to the agencies in Kalamazoo County over the life of the 2030 Transportation Plan. The following assumptions and data were used to develop these revenues projections:

- Local road agency revenues are based on the 2002 - 2004 average revenues as reported on the Act 51 reports. It is assumed that revenues will continue to be available at the same levels as this average.
- Revenues for the local road agencies are in constant 2004 dollars.
- MDOT revenues available for the Transportation Plan were provided by MDOT and exclude funds used to maintain and operate the highway system through routine maintenance and winter maintenance activities.
- Public transportation revenue projects were provided by the public transportation service provider. State revenues were held constant in 2006 dollars. Federal and local revenues increased by 3% annually. Fares are projected at 2006 levels.
- It is assumed that local public transportation revenues obtained through fares, millages, contracts, etc. will be sufficient to match federal and state funds to maintain the current level of public transportation service.
- All public transportation services are combined into one system covering fixed route, supplemental Americans with Disabilities Act (ADA) service, and demand response service.
- Federal funding included in the local streets revenues came from:
  - Surface Transportation Program (urban and rural)
  - Local Enhancement
  - Congestion Mitigation Air Quality (CMAQ)
  - Local Safety

- Other federal programs may be used at a project by project basis but are not included in the estimated revenues.
- The majority of the local road agency revenues come from the Michigan Transportation Fund and local revenues.
- Road revenues received by the smaller cities and villages are primarily used for street operations, maintenance, winter maintenance, and are not included in these estimated revenues.
- Estimates for local revenues from Federal programs (Surface Transportation Program, Local Enhancement, Safety, and Congestion Mitigation Air Quality) are based on historic receipts.

### 2030 TRANSPORTATION SYSTEM REVENUES

	FY 2002 - FY 2004 Annual Average				
Source	City of Kalamazoo	City of Portage	Road Commission	Annual Total	Total (Annual Total x 25)
<b>TOTAL TRANSPORTATION REVENUES</b>					<b>\$2,193,155,951</b>
Local/Secondary Streets	\$3,233,178	\$1,726,596	\$6,523,075	\$11,482,849	\$287,071,225
Major/Primary Streets	\$4,991,572	\$6,679,206	\$11,457,789	\$23,128,567	\$578,214,175
Local STP				\$3,396,543	\$84,913,575
MDOT Preserve					\$346,709,700
MDOT Capacity and New Streets					\$213,253,975
Public Transportation					\$621,687,126
Local Safety				\$250,000	\$6,250,000
Congestion Mitigation Air Quality				\$1,588,584	\$39,714,600
Local Enhancement				\$613,663	\$15,341,575

Note that these revenues do not include funds that may be applied for in categories such as Local Bridge, Safe Routes to School, etc.

These revenues are total revenues available to the local agencies that have been historically received and used for operation, maintenance, and construction/heavy maintenance on the entire local street system. MDOT funding provided is only those revenues to be used for construction activities, routing maintenance and operations are funded by other revenues. Public transportation revenues include both capital and operating revenues. Detailed revenue and expense information is included in the appendix.

## TRANSPORTATION EXPENDITURES

Over the 25-year horizon of the 2030 Transportation Plan, there will be expenditures on operations, maintenance, and construction on roads and non-motorized facilities; and on operations and capital for public transportation. The expenditures are projected for the 25-year horizon using the following data and assumptions:

- Local Act 51 reports were used to determine the average expenditures for 2002 - 2004 for the Local/Secondary street systems and for the Major/Primary street systems.
- Costs are assumed to grow at the same rate as inflation for the streets and non-motorized part of the system. There fore, constant dollars were used in expenditure projections for streets and non-motorized.
- Public transportation expenditures for capital, operations, and maintenance equipment were increased 3% per year starting with 2006 costs.
- Public transportation service levels are assumed to remain at existing levels including the 3 new bus routes in the City of Portage.
- Non-motorized lanes, wide lanes, paved shoulders, signed routes, and sidewalks built under this plan are assumed to be included where feasible in the cost of adjacent road projects.
- Separate non-motorized paths/trails are assumed to be funded by local Enhancement grants.
- The same proportion of expenditures on streets will remain constant through the plan horizon. Costs to operate and maintain the streets will not significantly change from the 2002 - 2004 average.
- Expenditure on capital are based on Federal vehicle replacement schedules. Operating and Capital expenditures were provided by the public transportation service provider.
- Operation and maintenance costs used to maintain the MDOT system are not included here. MDOT will maintain and operate their system using funds not provided to KATS.

The following table projects the expenditures on the transportation system over the life of the 2030 Transportation Plan. It includes public transportation operations and capital, specific non-motorized separate trail projects, local street system operations and maintenance including winter maintenance, local agency and MDOT preservation and capacity projects.

**TOTAL TRANSPORTATION SYSTEM EXPENDITURES**

	FY 2002 - FY 2004 Annual Average				
Source	City of Kalamazoo	City of Portage	Road Commission	Annual Total	Total (Annual Total x 25)
<b>TOTAL TRANSPORTATION EXPENDITURES</b>					<b>\$2,133,889,351</b>
Local/Secondary Street Operations, Maintenance, and	\$2,626,389	\$1,824,192	\$6,523,075	\$10,973,656	\$274,341,400
Major/Primary Street Maintenance	\$679,069	\$776,130	\$1,435,365	\$2,890,564	\$72,264,100
Major/Primary Street Winter Maintenance	\$414,468	\$415,504	\$857,573	\$1,687,545	\$42,188,625
Major/Primary Street Other excluding Construction	\$851,363	\$977,747	\$1,250,428	\$3,079,538	\$76,988,450
<b>TOTAL OPERATIONS &amp; MAINTENANCE OF THE STREET SYSTEM</b>					<b>\$465,782,575</b>
Public Transportation Operations and Capital					\$621,208,076
Plan Preservation Projects					\$632,335,060
Plan Capacity Projects					\$356,942,440
Local Safety					\$6,250,000
Local Enhancement(Separate Non-motorized trails)					\$11,656,600
Congestion Mitigation Air Quality					\$39,714,600
<b>TOTAL PLAN EXPENDITURES</b>					<b>\$1,668,106,776</b>

**ILLUSTRATIVE PROJECTS**

Even though many road projects are included in the 2030 Transportation Plan, there are several significant capacity improvement or new facility projects that have not been included as part of the document. These projects that the area considers to be important have to remain illustrative because funding cannot be reasonably projected for them over the life of the 2030 Transportation Plan. These illustrative projects are discussed in Chapter 13.

## **TRANSPORTATION CONTROL MEASURES CONTAINED IN THE STATE IMPLEMENTATION PLAN**

There are no transportation control measures that apply to the Kalamazoo Area Transportation Study area in the Michigan State Implementation Plan.

## **COMPARISON OF TRANSPORTATION SYSTEM REVENUES TO EXPENDITURES**

The comparison of total projected transportation system revenues to the total projected transportation system expenditures for the 25-year plan horizon is shown in the following table:

**Total Transportation System Revenues and Expenditures**

Total Revenue	\$2,193,155,951
Total Operations and Maintenance (non-MDOT streets)	(\$465,782,575)
Total Plan Expenditures	(\$1,668,107,776)
Revenues - Expenditures	\$59,266,600

## **OPERATION AND MAINTENANCE OF THE TRANSPORTATION SYSTEM**

Based on historic revenue sources and expenditures from the local road agencies excluding MDOT, there are sufficient resources to maintain existing operations and maintenance of the system. It is assumed that MDOT has identified sufficient funding in the statewide system to operate and maintain their system. The 2030 Transportation Plan does allow for adequate operation and maintenance of the transportation system. In addition to these resources identified, a significant number of Transportation Plan projects are system preservation projects.

## **2030 TRANSPORTATION PLAN FINANCIAL CONSTRAINT**

This chapter has shown that total projected transportation system revenues exceed total expenditures. The financial plan sets aside resources for system operation and maintenance separate from the projects included specifically in the Transportation Plan. As shown in the previous table, total revenues exceed total expenditures over the 2030 Transportation Plan by \$59,266,600. The 2030 Transportation Plan is financially constrained.