



COMMONWEALTH OF KENTUCKY

Matthew G. Bevin
Governor

Greg Thomas
Secretary

June 17, 2016

TO: Recipients of the Kentucky Transportation Cabinet's
2016 Highway Plan

On behalf of Governor Matthew Bevin, the Kentucky Transportation Cabinet (KYTC) is pleased to present the *2016 Highway Plan*. As required by the *Kentucky Revised Statutes, Chapter 176*, this Plan is the result of the process through which major highway improvement project phases scheduled for the next six fiscal years were submitted to, and enacted by, the Kentucky General Assembly. The *2016 Highway Plan* outlines scheduled project phases for Fiscal Year (FY) 2016 through FY 2022.

As we evaluate the Transportation Cabinet's ability to meet future highway needs, we must recognize that when budgets are tight and projects cost more, we must make careful choices about the type and extent of road system improvements which are constructed. Kentucky's highway infrastructure represents a huge public capital investment that must be protected and maintained. Accordingly, the *2016 Highway Plan* contains many priority operational improvements, maintenance, safety, pavement restoration, and bridge repair projects. As important as upgrading our existing infrastructure is today, the need is also great to adequately provide for the economy of tomorrow.

As mandated by the approved biennial operating budget bill, the KYTC must monitor the current and projected available State Road Fund cash balance. The KYTC uses a "Cash Balance Management Model" to project the available State Road Fund balances using the current projected revenues versus the projected expenditures. The projected available State Road Funds for FY 2016 through FY 2022 is \$690 million, with only \$50 million currently projected to be available in FY 2018 for new projects.



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With remaining dollars available for FY 2016, and looking ahead through FY 2022, the *2016 Highway Plan* is based on expectations that \$5.7 billion of traditional State Road Funds and Federal-aid Highway Funding will be available to address transportation needs throughout the state during that timeframe. It is necessary to note that the annual Federal-aid Highway Funding expectations for this edition of the Highway Plan have been over-programmed by approximately \$55 million against projects scheduled in the FY 2016-2018 Biennium federal program categories, and over-programmed by approximately \$492 million against projects scheduled in the FY 2019- 2022 federal program categories in the four out years of the Plan. The State Bond 2009 (SPB) and State Bond 2010 (SB2) categories are over-programmed by approximately \$266 million, and the State Priority Project (SPP) category is over-programmed by approximately \$1.1 billion in this Highway Plan. A total of \$3.8 billion of other projects are shown as State Projects (SPs), and no funding is available for the scheduled SP projects in the *2016 Highway Plan*.

With the State Road Fund program being over-programmed, combined with the current projected decline in available State Road Funds due to declining motor fuel tax receipts, the KYTC must prioritize the project funding authorizations using State Road Funds and Federal-aid Highway Funding. By making careful choices and by prioritizing project funding, the KYTC will preserve and shore up the Road Fund cash balance. The current low cash balance requires halting the start of new state-funded projects in all phases of projects (design, right-of-way, utility relocations, and construction) for the first year in the FY 2016-2018 Biennium, and the KYTC may be limited to \$50 million to spend on new projects in the second year of the Biennium depending upon the actual State Road Fund cash balance.

State Road Fund spending has exceeded revenues since FY 2014. Road Fund revenues totaled \$4.537 billion over FY 2014-2016, and expenses over the same period totaled \$5.035 billion. The expenditures exceeded revenues by \$498 million over the FY 2014-2016 time period. Prioritization is necessary with a projected debt service payment of approximately \$120 million on State Road Fund bonds to be paid in June of 2016, a projected \$84 million of Revenue Sharing payments due in August of 2016, and a \$60 million debt service payment on the federal GARVEE bond programs also due in August of 2016.

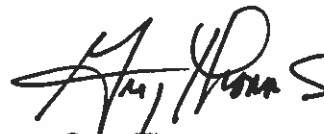
One of the reasons for this projected shortfall in the State Road Fund cash balance is the decline of 6.5 cents per gallon in the motor fuels tax in FY 2015. As a result, the Road Fund revenues are anticipated to be \$152 million less over the FY 2015-2016 period than the actual FY 2014 revenues. The motor fuels tax is currently at the statutory floor of 24.6 cents per gallon for FY 2016, and it is expected to remain at the statutory floor for FY 2017 and FY 2018. State construction Road Fund expenditures have been more than \$1 billion over the last 3 fiscal years, and the required KYTC maintenance expenditures have also increased during the past 2 fiscal years. The unspent but obligated balance of active State Road Funded projects at the end of FY 2016 is projected to be approximately \$860 million compared to \$506.6 million at the end of FY 2012. The maintenance costs for FY 2016 have increased and are projected to be approximately \$400 million, which is over budget. All of these considerations require the KYTC to take appropriate measures to constantly monitor State Road Fund expenditures and to appropriately monitor and manage the overall State Road Fund program cash balance as required by statute.

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However, as we look to the future to adequately provide for the economy of tomorrow, the KYTC will continue its ongoing commitments to "Mega-Projects" including I-69 improvements, the Mountain Parkway, US 68/KY 80 roadway improvements, and the Louisville Bridges. With the Congressional approval of the FAST Act, which was signed into law by the President on December 4, 2015, the federal funding levels are sustainable (approximately \$704 million per year). The KYTC will proceed on new federally-funded projects including the widening of I-75 in Rockcastle County, a new I-65 interchange in Bullitt County, and upgrading the William H. Natcher Parkway to interstate standards in order to establish the Interstate Spur Route between Bowling Green and Owensboro. The resurfacing program will continue to be a priority, and the local county and city governments will continue to utilize the Flex Fund and Bridge Replacement Programs.

Providing a safe and reliable transportation system that delivers economic opportunity and enhances the quality of life for all Kentuckians is the mission of the KYTC. The *2016 Highway Plan* provides a group of projects built around this mission in order to responsibly address our transportation system priorities within the funding resources available. It is the desire of Governor Bevin that we manage the responsibility for Kentucky's road network effectively and above reproach. We assure the citizens of the Commonwealth that we are working honorably every day to build trust and credibility in Kentucky's highway programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Thomas", with a stylized flourish at the end.

Greg Thomas
Secretary