

Revenue Assumptions for Approved FY 2001-2002 Biennial Highway Program and Identified Projects for FY 2003-2006

The FY 2001-2006 edition of the Six Year Highway Plan is predicated upon a number of assumptions about the revenue stream that is expected for future federal and state highway construction programs administered by the Kentucky Transportation Cabinet (KYTC). The following discussion is given as a brief overview of the scope and magnitude of these assumptions. To simplify this discussion, federal revenue assumptions are provided in Section 1, followed by state revenue assumptions in Section 2, with the “combined effect” of both presented in Section 3. A “key” to the funding category acronyms can be found at the beginning of the individual project listing found later in this document.

Section 1: Federal Revenue Assumptions

The primary basis for FY 2001-2006 federal revenue forecasts is the Transportation Equity Act for the 21st Century (TEA-21). TEA-21 was enacted by the United States Congress in 1998 and provides identified levels of funding through 2003. Baseline funding levels from TEA-21 formulas have been calculated for every state by the Federal Highway Administration (FHWA), and formula dollars and special allocations to Kentucky have been determined from FHWA tables. The FHWA has also calculated “equity adjustments” attributable to Kentucky, due to Kentucky’s “donor state” status (Kentuckians pay more tax dollars into the federal Highway Trust Fund than they receive back from it). The combination of base formula federal funds and equity adjustments were then supplemented by Cabinet estimates of federal “Revenue Aligned Budget Authority” (RABA) to determine a final level of annual federal-aid highway funding that can be reasonably expected. RABA funds are annual adjustments based upon the degree to which federal Highway Trust Fund collections exceed anticipated amounts. TEA-21 directed that any such excess be returned to the states.

Funding Chart 1 contains the “Estimated Federal Apportionments for 2001-2006.” The formula funding categories of Interstate Maintenance (IM), National Highways (NH), Surface Transportation Program (STP), Bridge Replacement (BR), Congestion Mitigation (CM), Appalachian Development (APD), High Priority Projects (HPP), and Minimum Guarantee (MG, the equity adjustment) are shown to the left of the sheet. Base amounts and RABA are then totaled to yield a dollar amount for each funding category each year. The KYTC estimate of RABA is based on the approved FY 2000 level of \$1.5 billion nationally and an FHWA estimate of \$2.0 billion for 2001. Cabinet RABA

estimates for 2002 through 2006 take a conservative view that RABA will level off in the years ahead.

Across the bottom of Funding Chart 1 is a breakdown of the base categorical funding levels in the Six Year Highway Plan, as those categories are affected by federal “sub-allocation” processes. Federal Highway Trust Fund formulas often contain directives to “set aside,” or sub-allocate, specific amounts. The STP category has a 10% set-aside for safety programs (hazard elimination (HES), rail-highway protective devices (RRP), and rail-highway grade separations (RRS)), a 10% set-aside for transportation enhancement (TE) projects, and dedicated amounts to Louisville (SLO), Lexington (SLX), and Northern Kentucky (SNK). These takedowns yield a balance of actual STP funds available for the Six Year Highway Plan that is supplemented by MG moneys to yield the final STP federal dollar amount programmed for each year. The final breakdown shown in this table involves the bridge replacement category. Federal law requires that 65% of the federal bridge money be spent on major routes, 15% be spent on county roads, and the remaining 20% can be used on either highway system.

Once all of these assumptions are brought together, Funding Chart 2 displays the resulting final estimated apportionments and state and local matching amounts. This chart details the expected federal, state, and local contributions to Kentucky’s annual highway program for each year through 2006. The total funds (federal plus state and/or local match) are the target amounts that are used to fiscally balance the Six Year Highway Plan.

Section 2: State Fund Revenue Assumptions

Funding Chart 3 outlines the assumptions supporting the state Road Fund revenues expected to be available for the Six Year Highway Plan. The base Road Fund revenues projected to be available for highway construction are determined after revenue sharing, routine maintenance, resurfacing, general administration, vehicle regulation, debt service, capital construction, and other needs are met. Remaining amounts are funneled to the Six Year Highway Plan to match federal funds and engage in state-funded highway project activities. The final Six Year Highway Plan funding levels from both state and federal sources are shown in Funding Chart 4.

Section 3: Federal and State Assumptions in Concert

Federal and state highway project funding for FY 2001-2006 totals \$5.2 billion. It is important to note that Kentucky has utilized federal pre-financing provisions heavily and continues to roll a consistent level of these carry-forward obligations from year-to-year. At the end of FY 1999, Kentucky had prefinanced some \$250 million in federally funded projects, supporting the associated project billings from state Road Fund cash until the federal share of these costs could be billed to the federal government the following year. By using this funding mechanism, Kentucky has maximized its ability to return federal dollars to the state more quickly, while at the same time accelerating many federal highway projects. Federal pre-financing does not hamper or impede state highway project funding in any way.

Two other funding mechanisms that are utilized by this edition of the Six Year Highway Plan are transfers of federal funds between categories and the use of state Road Fund cash to support state projects ahead of normal authorization schedules. State pre-financing involves constantly monitoring state Road Fund cash reserves to activate projects ahead of schedule whenever possible. The FY 2001-2002 Biennial Highway Plan is over-programmed by approximately \$400 million in expectation of drawing down cash reserves to cover some of the advanced project commitments. This drawdown is a one-time opportunity that will keep future cash reserves at a lower, but adequate, level while maximizing the Kentucky Transportation Cabinet's ability to deliver highway improvements as quickly as possible.

Finally, transfer of approximately \$100 million in federal Bridge Replacement and Interstate Maintenance funds is contemplated to offset shortfalls in the federal STP category. This is necessary to assist in the funding of STP project commitments made in the 1999-2004 Six Year Highway Plan, which was finalized prior to TEA-21.

FUNDING CHART 1

Estimated Federal Apportionments for 2001 - 2006 6YP

(Base amounts include distribution of Minimum Guarantee Equity Funds)
(Federal Dollars)

	2000			2001			2002			2003			2004			2005 & 2006		
	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL
IM	85.9	5.7	91.6	88.0	7.6	95.6	89.7	5.7	95.4	91.1	3.8	94.9	91.1	3.8	94.9	91.1	3.8	94.9
NH	95.0	6.3	101.3	97.3	8.4	105.7	99.2	6.3	105.5	100.6	4.2	104.8	100.6	4.2	104.8	100.6	4.2	104.8
STP	108.1	7.1	115.2	110.7	9.5	120.2	112.8	7.1	119.9	115.5	4.7	120.2	115.5	4.7	120.2	115.5	4.7	120.2
BR	56.1	3.7	59.8	57.5	4.9	62.4	58.6	3.7	62.3	46.9	2.5	49.4	46.9	2.5	49.4	46.9	2.5	49.4
CM	12.5	0.8	13.3	12.8	1.1	13.9	13.0	0.8	13.8	12.6	0.5	13.1	12.6	0.5	13.1	12.6	0.5	13.1
APD	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8
HPP	27.5	--	27.5	27.5	--	27.5	29.0	--	29.0	29.0	--	29.0	29.0	--	29.0	29.0	--	29.0
MG	44.8	--	44.8	45.1	--	45.1	45.4	--	45.4	52.0	--	52.0	52.0	--	52.0	52.0	--	52.0

Actual RABA 2000 = \$1.5 Billion
 Estimated RABA = \$2.0 Billion (01)
 \$1.5 Billion (02)
 \$1.0 Billion (03)
 \$1.0 Billion (04)
 \$1.0 Billion (05)
 \$1.0 Billion (06)

STP Breakdown

	6YP SAF	6YP TE	SLO, SLX, SNK (METRO)	6YP STP	TOTAL
2000	11.5	11.5	17.4	74.8	115.2
2001	12.0	12.0	18.2	78.0	120.2
2002	12.0	12.0	18.1	77.8	119.9
2003	12.0	12.0	18.2	78.0	120.2
2004	12.0	12.0	18.2	78.0	120.2
2005	12.0	12.0	18.2	78.0	120.2
2006	12.0	12.0	18.2	78.0	120.2

STP for 6YP

	STP	MG*	TOTAL
2000	74.8	44.8	119.6
2001	78.0	45.1	123.1
2002	77.8	45.4	123.2
2003	78.0	52.0	130.0
2004	78.0	52.0	130.0
2005	78.0	52.0	130.0
2006	78.0	52.0	130.0

BR Breakdown

	65% BRO	25% BRX	15% BRZ
2000	38.9	12.0	9.0
2001	40.6	12.5	9.4
2002	40.5	12.5	9.4
2003	32.1	9.9	7.4
2004	32.1	9.9	7.4
2005	32.1	9.9	7.4
2006	32.1	9.9	7.4

* Minimum Guarantee funds available for use in any category and are included in the 6YP "STP" funds.

FUNDING CHART 2

Final Estimated Federal Apportionments and State & Local Match 2001-2006 (\$ millions)

	2001				2002				2003				2004				2005				2006			
	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL
IM	95.6	10.6	0.0	106.2	95.4	10.6	0.0	106.0	94.9	10.5	0.0	105.4	94.9	10.5	0.0	105.4	94.9	10.5	0.0	105.4	94.9	10.5	0.0	105.4
NH	105.7	26.4	0.0	132.1	105.5	26.4	0.0	131.9	104.8	26.2	0.0	131.0	104.8	26.2	0.0	131.0	104.8	26.2	0.0	131.0	104.8	26.2	0.0	131.0
STP	123.1	30.8	0.0	153.9	123.2	30.8	0.0	154.0	130.0	32.5	0.0	162.5	130.0	32.5	0.0	162.5	130.0	32.5	0.0	162.5	130.0	32.5	0.0	162.5
BRO	40.6	10.2	0.0	50.8	40.5	10.1	0.0	50.6	32.1	8.0	0.0	40.1	32.1	8.0	0.0	40.1	32.1	8.0	0.0	40.1	32.1	8.0	0.0	40.1
BRX	12.5	3.1	0.0	15.6	12.5	3.1	0.0	15.6	9.9	2.5	0.0	12.4	9.9	2.5	0.0	12.4	9.9	2.5	0.0	12.4	9.9	2.5	0.0	12.4
BRZ	9.4	2.4	0.0	11.8	9.4	2.4	0.0	11.8	7.4	1.9	0.0	9.3	7.4	1.9	0.0	9.3	7.4	1.9	0.0	9.3	7.4	1.9	0.0	9.3
CM	13.9	3.5	0.0	17.4	13.8	3.5	0.0	17.3	13.1	3.3	0.0	16.4	13.1	3.3	0.0	16.4	13.1	3.3	0.0	16.4	13.1	3.3	0.0	16.4
SAF	12.0	3.0	0.0	15.0	12.0	3.0	0.0	15.0	12.0	3.0	0.0	15.0	12.0	3.0	0.0	15.0	12.0	3.0	0.0	15.0	12.0	3.0	0.0	15.0
TE	12.0	0.5	2.5	15.0	12.0	0.5	2.5	15.0	12.0	0.5	2.5	15.0	12.0	0.5	2.5	15.0	12.0	0.5	2.5	15.0	12.0	0.5	2.5	15.0
METRO	18.2	3.0	1.6	22.8	18.1	3.0	1.6	22.7	18.2	3.0	1.6	22.8	18.2	3.0	1.6	22.8	18.2	3.0	1.6	22.8	18.2	3.0	1.6	22.8
APD	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0
HPP	27.5	6.9	0.0	34.4	29.0	7.3	0.0	36.3	29.0	7.3	0.0	36.3	29.0	7.3	0.0	36.3	29.0	7.3	0.0	36.3	29.0	7.3	0.0	36.3
FH	0.8	0.0	0.0	0.8	0.6	0.0	0.0	0.6	0.3	0.0	0.0	0.3	0.5	0.0	0.0	0.5	0.5	0.0	0.0	0.5	0.5	0.0	0.0	0.5
TOTALS	516.1	111.6	4.1	631.8	516.8	111.9	4.1	632.8	508.5	109.9	4.1	622.5	508.7	109.9	4.1	622.7	508.7	109.9	4.1	622.7	508.7	109.9	4.1	622.7

FUNDING CHART 3

State Construction ("SP") Amounts Projected to be Available for the FY 2001 thru 2006 Six Year Highway Plan

(as estimated by the Kentucky Transportation Cabinet)
(\$ millions)

	2001	2002	2003	2004	2005	2006	TOTAL
State Construction under current revenue structure . . .	202.5	204.4	218.7	236.1	291.9	312.8	1,466.4

FUNDING CHART 4

Federal and State Six Year Highway Plan Funding Levels From 2001 thru 2006

(as estimated by the Kentucky Transportation Cabinet)
(\$ millions)

	2001	2002	2003	2004	2005	2006	TOTAL
Federal	516.1	516.8	508.5	508.7	508.7	508.7	3,067.5
State & Local Match	115.7	116.0	114.0	114.0	114.0	114.0	687.7
State Construction	202.5	204.4	218.7	236.1	291.9	312.8	1,466.4
State Bonds	15.6	0.0	0.0	0.0	0.0	0.0	15.6
TOTAL	849.9	837.2	841.2	858.8	914.6	935.5	5,237.2