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Section 5 – Estimated Financial Summary

Estimated Financial Summary for the 2018-2022 Highway and Bridge Construction Schedule

Overview

Section 5 of the Statewide Transportation Improvement Program explains the sources and projected levels of Missouri's transportation revenues, while also sharing the planned expenditures for the next five years.

The department is proud to be able to cost-effectively maintain a safe and efficient transportation system. Great strides have been made in the past decade to improve the condition of Missouri's roads and bridges. However, those improvements were funded with temporary revenue sources – a bonding program made possible by the passage of Amendment 3 in 2004 and the American Recovery and Reinvestment Act in 2009. And while those funds supported a booming construction program between 2005-2010, during 2011-2016, MoDOT's construction budget significantly declined.

About 67 percent of every dollar MoDOT receives comes from fuel taxes. But the fuel tax rate at the state level hasn't changed since 1996, and the federal level hasn't changed since 1993. In addition, cars are becoming more fuel efficient. With the cost of concrete tripled, steel prices doubled, and asphalt costing more than twice what it did 20 years ago, this means Missouri is trying to fund its current transportation needs with a budget that is almost two decades out of date. What was 17 cents of purchasing power in 1996 is now about 8 cents today. It should come as no surprise that under these circumstances, MoDOT struggles to maintain and preserve the current system.

Other sources of state revenue for transportation include sales tax, vehicle and driver licensing fees, interest earned on invested funds and other miscellaneous collections, and a small portion of general revenue funds. Revenue collected through these avenues has remained relatively flat in recent years with the exception of sales taxes which are projected to grow 4.5 percent annually through 2019 and 4 percent, thereafter.

On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation (FAST) Act, which authorizes the federal surface transportation program for highways, highway safety, transit, freight, ports and rail for the five-year period from 2016 through 2020. The FAST Act is estimated to provide 2.9 percent or $27 million more in federal funds to Missouri, annually.

MoDOT continues to operate efficiently. The department's operating expenses remain flat, outside of minimal increases. In the past ten years, MoDOT has completed 4661 projects worth $12.6 billon, at 7 percent under budget. **Since 2011, MoDOT has reduced its workforce by 20 percent, disposed of more than 750 pieces of equipment and sold 124 facilities. Those efforts have saved more than $751 million and bolstered the construction program to enable critical roadway improvements. But the department cannot cut its way to an improved transportation system and a solution to its funding constraints.**

DRAFT

Even with these savings, Missouri has some challenges ahead. Missouri's 2018-2022 STIP is primarily maintenance-focused. In previous years, the annual contractor awards in the STIP were as high as $1.2 billion, with about 50 percent used for taking care of the system. In this STIP, the annual contractor awards average approximately $890 million, and nearly 84 percent is aimed at taking care of the existing system. The opportunities to expand the system – widening a busy two-lane road to four lanes to reduce congestion and make systematic safety improvements, or building a new roadway or interchange to help promote business development and bring jobs to the state – are minimal. The financial capacity to reconstruct and modernize our interstate system is also minimal.

Missourians rely on a modern and safe transportation system to get to work, school and everywhere in between. A healthy transportation infrastructure ensures businesses can operate and grow. It ensures the state can prosper and jobs can be created. Essentially, transportation is what keeps Missouri moving. Missourians must work together and recognize that investments in transportation are part of the solution for the state's growth and prosperity.

DRAFT

Revenue

Federal

The largest source of transportation revenue is from the **federal government** including the 18.4-cents per gallon tax on gasoline and 24.4-cents per gallon tax on diesel fuel. The last time either tax was increased was in 1993. Other sources include various taxes on tires, truck and trailer sales, and heavy vehicle use. These highway user fees are deposited in the federal Highway Trust Fund and distributed to the states based on formulas prescribed by federal law through transportation funding acts. This revenue source also includes multimodal and highway safety grants (see Section 7 for a summary of all multimodal operations). Approximately 40 percent of Missouri's transportation revenue comes from the federal government.

State

The next largest source of transportation revenue is from the **state fuel tax**. Fuel taxes represent the state share (approximately 27 percent is distributed to cities and counties) of revenue received from the state's 17-cent per gallon tax on gasoline and diesel fuels which must be spent on highways and bridges. This revenue source also includes a 9-cent per gallon tax on aviation fuel which must be spent on airport projects (see Section 7). These tax revenues provide approximately 26 percent of transportation revenues. The state motor fuel tax is not indexed to keep pace with inflation, and no rate increase has occurred since 1996.

MoDOT receives a portion of the **state sales tax** paid on the purchase or lease of motor vehicles. This revenue source also includes the sales tax paid on aviation fuel which is dedicated to airport projects (see Section 7). These tax revenues provide approximately 16 percent of transportation revenues. In November 2004, voters passed constitutional Amendment 3, which set in motion a four-year phase in, redirecting motor vehicle sales taxes previously deposited in the state's general revenue fund to a newly created State Road Bond Fund. In state fiscal year 2009, the process of redirecting motor vehicle sales taxes to transportation was fully phased in, and the rate of growth in this revenue source slowed dramatically. Starting July 2013, state legislation eliminated the state motor vehicle use tax. The state motor vehicle use tax was replaced with the state motor vehicle sales tax which directs more of the tax to local government agencies.

Vehicle and driver licensing fees include the state share of revenue received from licensing motor vehicles and drivers. This revenue source also includes fees for railroad regulation which are dedicated to multimodal programs (see Section 7). These fees provide approximately 13 percent of transportation revenues. Similar to motor fuel tax, the motor vehicle and driver licensing fees are not indexed to keep pace with inflation, and most have not increased since the 1980's.

The **interest earned on invested funds and other miscellaneous collections** provides approximately 4 percent of transportation revenues. Cash balances in all funds for roads and bridges are declining. As referenced in Table 1 in Section 5-11, the cash balance of all funds for roads and bridges is expected to decline from $770 million at the beginning of fiscal year 2018 to approximately $397 million by the end of fiscal year 2022. Other miscellaneous collections include construction cost reimbursements from local governments and other states, proceeds from the sale of surplus property and fees associated with the Missouri logo-signing program.

The state **General Revenue Fund** provides less than 1 percent of transportation revenue. The Missouri General Assembly appropriates general revenue for multimodal programs (see Section 7).

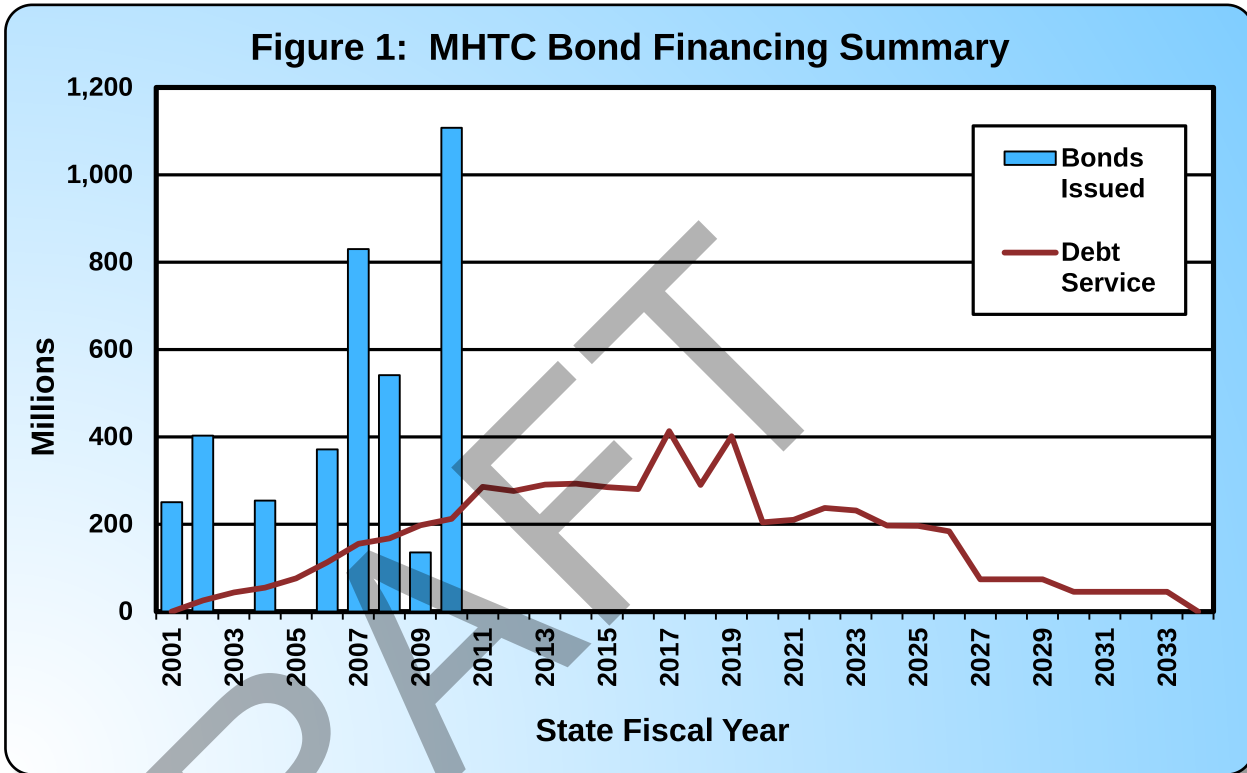
Other

While not a true revenue, **bonding** is a method of financing used by the Missouri Highways and Transportation Commission (MHTC) to deliver needed transportation improvements. Statutory authority was established in May 2000 for the MHTC to begin borrowing money, now called senior lien bonds. The **senior lien** bonds were limited to a total issuance of not more than $2.25 billion. The lien was closed after $907 million was issued from 2001 to 2004. The MHTC will issue no additional bonds under this lien. Bonding is not a source of funding; it is a method of financing. It is debt that must be repaid along with interest payments.

In November 2004, Constitutional **Amendment 3** was approved by Missouri voters. Amendment 3 redirects motor vehicle sales taxes to transportation. In accordance with this constitutional change, MoDOT borrowed money and dedicated the funds to the *Smoother, Safer, Sooner* program. The Amendment 3 revenues are used for principal and interest payments on Amendment 3 debt. MoDOT borrowed $2 billion authorized by Amendment 3.

DRAFT

In fiscal year 2009, MoDOT borrowed $143 million for a portion of the new Interstate 64, a design-build project in the St. Louis region. For the first time, MoDOT secured bonds primarily with federal funds, rather than state funds. These bonds are called **Grant Anticipation Revenue Vehicle (GARVEE)** bonds. In fiscal year 2010, MoDOT borrowed $100 million additional GARVEE bonds for the new Mississippi River Bridge project and $685 million for the Safe and Sound Bridge Improvement Program. The GARVEE principal and interest is scheduled to be repaid through state fiscal year 2033. MoDOT sold $928 million of GARVEE bonds and has completed all planned GARVEE bond sales. See Figure 1 for a summary of the MHTC bond financing program. The summary includes calling $118 million of bonds in 2017 and $111 million in 2019, which will provide interest savings of $45 million.



Along with federal and state revenue, **existing cash balances** are used each year to remain fiscally constrained. The existing cash balances are made up of federal and state revenue in the State Road Fund, State Highways and Transportation Department Fund, and the State Road Bond Fund. These funds are considered available for funding highway and bridge construction projects.

<u>Expenditures</u>

Missouri's Constitution dictates a portion of state transportation revenues can be appropriated by the General Assembly to **other state agencies**. Appropriations are limited to (1) the Missouri State Highway Patrol (MSHP) to administer and enforce motor vehicle laws and (2) the Missouri Department of Revenue (DOR) to cover the cost of collection. DOR is entitled to the actual cost of collection not

DRAFT

to exceed 3 percent of revenues collected. Approximately 92 percent of these expenditures are appropriated to the MSHP, and the remaining 8 percent is appropriated to the DOR. These costs are approximately 11 percent of transportation expenditures.

The state constitution also dictates that **debt service**, which is principal and interest payments on any outstanding state road bonds, must be paid prior to funding MoDOT operations and STIP costs. MoDOT borrowed $3.8 billion during state fiscal years 2001 to 2010. The final payment for this debt is scheduled in state fiscal year 2033. These costs are approximately 10 percent of transportation expenditures. See Figure 1, Section 5-4 for a summary of the MHTC bond financing program.

Administration includes activities such as financial planning, accounting, human resources, communications, governmental relations and legal services. The dollars associated with administering self-insurance plans and contributions to retiree medical plans are included in this disbursement category. Administration is approximately 2 percent of transportation expenditures.

System Management includes maintenance, traffic, highway safety and motor carrier services. Maintenance and traffic costs, approximately 97 percent of system management costs, include funding for activities such as snow removal, signing, striping, litter control, mowing, maintaining roadsides and rest areas, completing routine road and bridge repairs, repairing guardrail and median guard cable, and traffic signal operations. The Highway Safety Division, approximately 1 percent of system management costs, implements programs addressing behavioral traffic safety issues. Emphasis areas include high-risk drivers, serious crash types and vulnerable roadway users. Safety strategies include enforcement (manpower, training and equipment), education (promotional materials, campaigns and educational/awareness programs) and engineering (data collection/evaluation and high accident location assessments). Division staff works with safety advocates statewide to implement the Motor Carrier Safety Assistance Plan and Missouri Blueprint for Safer Roadways to reduce traffic crashes, prevent serious injuries and save lives. This category includes the Highway Safety Program, Motor Carrier Safety Assistance Program, and Motorcycle Safety Trust Fund. The Motor Carrier Services Division, approximately 2 percent of system management costs, is the one-stop shop for commercial vehicle licensing and permits, and works with commercial vehicle safety and compliance. Commercial vehicles include trucks, tractor-trailers, buses, limousines and other vehicles that transport property, passengers or hazardous materials. System management costs are approximately 21 percent of transportation expenditures.

MoDOT's continued investment in the **fleet, facilities and information systems** infrastructure is necessary to support the system management and construction programs. Annual costs to maintain MoDOT's fleet, facilities and information systems are included in this disbursement category. These costs are approximately 3 percent of transportation expenditures.

The **Multimodal** Division works with cities, counties and regional authorities to plan improvements for public transit, railroad, aviation, waterway facilities and freight development in Missouri. These costs are approximately 4 percent of transportation expenditures. See Section 7 for further information on Multimodal Operations.

The **construction program operating costs** are costs associated with implementing MoDOT's construction program which primarily includes in-house preliminary engineering, construction engineering and right of way incidentals as identified in Sections 3 and 4.

DRAFT

These costs are approximately 5 percent of the transportation expenditures. All remaining revenues are made available for the **highway and bridge construction program.** This category encompasses payments to contractors for construction projects, right of way purchases, consultant engineering, utility relocations and federal funding for local governments that passes through MoDOT's budget. Contractor payments encompass the majority of construction program expenditures. Contractor payments, right of way purchases, consultant engineering, utility relocations and federal pass through payments are approximately 44 percent of the transportation expenditures.

Sections 5-1 through 5-6 describe the overview of all revenue and expenditures for the Missouri Department of Transportation, which includes the Highway and Bridge Construction Program, Multimodal and Highway Safety. The remaining Sections contain only projections of future revenue and expenditures for the Highway and Bridge Construction Program. Highway Safety programs not intended for road improvements are included in Section 6. Multimodal programs are included in Section 7.

Projections of future revenues and expenditures for the Highway and Bridge Construction Program as determined by cash flow analysis

The following provides a description of each revenue and expenditure category and how they are projected.

Revenue

- Federal reimbursements
  - Annual obligation authority increases from $982 million in 2018 to $1,029 million by 2020. Obligation authority is estimated to be 98 percent of apportionments. Obligation authority is a restriction or "ceiling" on the amount of federal assistance that can be programmed to projectes (obligated) during a specific time period. It's a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which the funds may be used.
  - MoDOT estimates $947 million of federal reimbursements in fiscal year 2018, increasing to $1,047 million in fiscal year 2022.
  - Additional detail regarding federal funding starts on Section 5-16.
- Motor fuel taxes
  - Projections are based on gasoline and diesel consumption projections from the U.S. Energy Information Administration's Annual Energy Outlook 2016 (AEO 2016) for the region (region includes: ND, SD, NE, KS, MO, IA, and MN).
  - In fiscal year 2018, MoDOT estimates $530 million of motor fuel tax receipts, growing to $538 million by 2020, and then remaining flat, as we expect Missourians will drive more, but they will turn to more fuel-efficient vehicles due to Corporate

DRAFT

Average Fuel Economy (CAFÉ) standards that reduce energy consumption by increasing the fuel economy of vehicles. While good for the environment, these actions erode motor fuel tax revenues.

- Motor vehicle & driver licensing fees
  - Projections are based on estimates of the population over the age of sixteen from the AEO 2016 and driver licensing renewal data from the Department of Revenue.
  - In fiscal year 2018, MoDOT estimates $301 million of motor vehicle and driver licensing fee receipts, growing to $318 million in fiscal year 2022, an average annual growth rate of 1.5 percent.

- Motor vehicle sales tax
  - Projections are based on real disposable income estimates from the AEO 2016.
  - In fiscal year 2018, MoDOT estimates $369 million of motor vehicle sales tax receipts, growing to $434 million in fiscal year 2022, an average annual growth rate of 4 percent. The average annual growth rate from fiscal years 2012-2016 was five percent. In the last several years, Missourians have purchased more vehicles and the vehicles they are purchasing are more expensive.

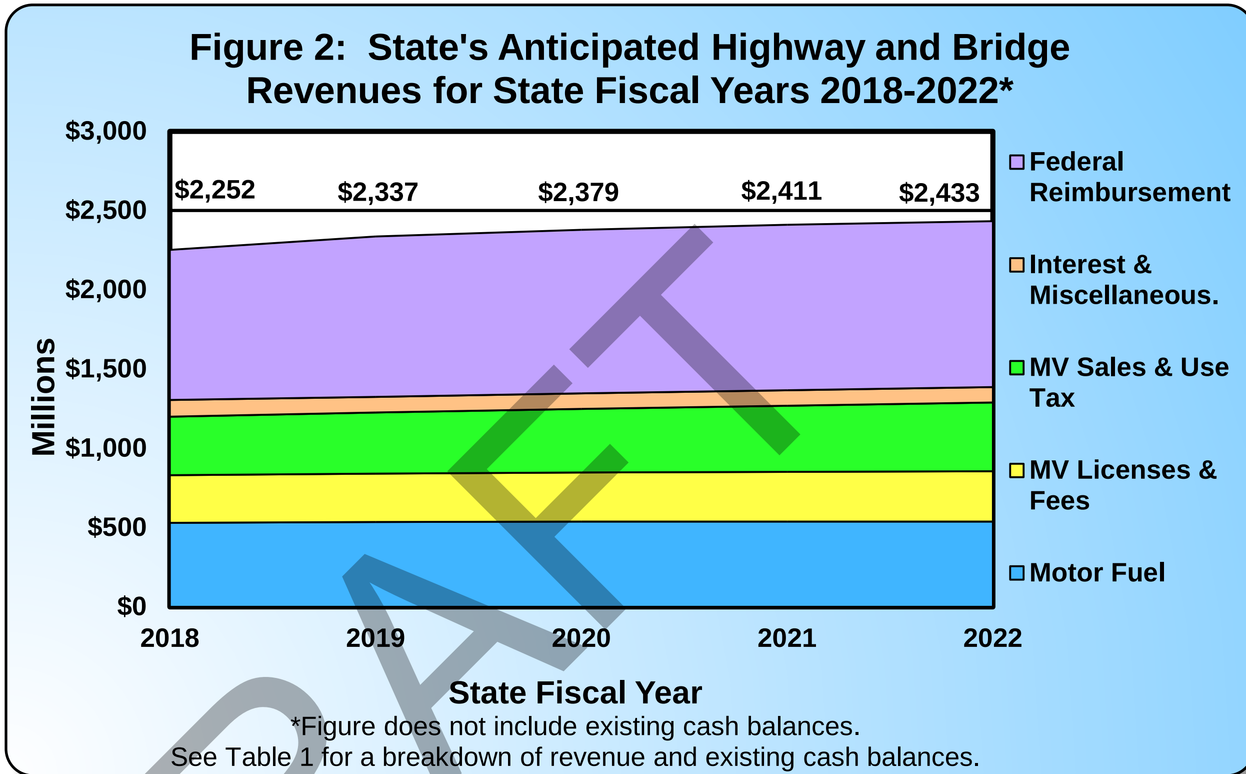
- Interest and Miscellaneous Revenue
  - Projections are based on 0.75 percent earnings rate for interest revenue and historic receipts for miscellaneous revenue.
  - MoDOT estimates $105 million of interest earned on invested funds and other miscellaneous receipts in fiscal year 2018 will decrease to $97 million in fiscal year 2022 due to declining cash balances. This category includes construction project cost reimbursements from local governments and other states.

- Bond proceeds
  - No new issuances are planned in fiscal years 2018-2022.

DRAFT

Total revenue

The stability and predictability of future transportation revenues is subject to many variables; however, using the U.S. Energy Information Administration's projections, Figure 2, Section 5-8 provides an estimate of Missouri's transportation revenues for state fiscal years 2018 through 2022. As shown in Figure 2, estimated revenue increases from $2.3 billion in state fiscal year 2018 to $2.4 billion in state fiscal year 2022, primarily because of federal reimbursements. See Table 1, Section 5-11 for a breakdown of revenue.



Expenditures

- Other State Agencies
  - Projections are based on historical amounts with an annual growth rate assumption of 2 percent.
  - In fiscal year 2018, MoDOT estimates $262 million of other state agency expenditures, growing to $283 million in fiscal year 2022.
- Debt Service
  - Projections are based on the repayment of outstanding state road bonds.
  - Amounts do not include capital or operating lease payments.

DRAFT

- In fiscal year 2018, MoDOT estimates $290 million of debt service expenditures, decreasing to $237 million in fiscal year 2022. In 2019, debt service expenditures include calling $111 million of bonds which will generate interest savings of $16 million.

- Operating Costs (includes Administration; System Management; Fleet, Facilities and Information Systems; Multimodal; and Construction Program Operating costs)
  - Projections are based on the fiscal year 2017 budget and fiscal year 2018 appropriations request; the personal service and fringe benefits growth rate assumption is based on the 5-year Pay Strategy which includes average annual increases of 1.7 percent; and an additional $5 million each year for expense and equipment, not cumulative.
  - In fiscal year 2018, MoDOT estimates $759 million of operating expenditures, growing to $807 million in fiscal year 2022, an average annual growth rate of 1.5 percent.

- Construction Program expenditures
  - Projections are based on a cash flow model that calculates payment schedules of MoDOT's active and future construction projects as provided in Section 4 of the STIP.
  - Contractor payments, right of way purchases, consultant engineering, accelerated program payments, suballocated federal funding for local governments and utility relocation costs are included.
  - In fiscal year 2018, MoDOT estimates $956 million of construction program disbursements that grow to $1,158 million in fiscal year 2022, an average annual growth rate of 5 percent. See Table 1, Section 5-11 for further details on the Construction program expenditures.

Total expenditures

Consistent with future transportation revenues, future transportation expenditures are also subject to many variables; however, using historical trends and various economic indicators, Figure 3, Section 5-10 provides an estimate of Missouri's transportation expenditures for state fiscal years 2018 through 2022. As shown in Figure 3, estimated transportation expenditures (including costs associated with state advance construction projects, see Section 5-17 through 5-18 for further discussion on state advance construction projects), will grow from $2.3 billion in fiscal year 2018 to $2.5 billion in fiscal year 2022.

DRAFT

From fiscal years 2018-2022, total expenditures exceed total revenue by $373 million, which is offset by projected cash balances totaling approximately $770 million available at the beginning of fiscal year 2018. The construction expenditures are derived from the cash flow analysis on the 2018-2022 Highway and Bridge Construction Schedule (Section 4). Assumptions for the construction program expenditures are in the next subsection. The remaining expenditures are expected to have inflationary growth as outlined above. See Table 1 in Section 5-11 below for a breakdown of expenditures by each budget category.

Missouri's Statewide Transportation Improvement Program (STIP) includes a five-year plan of highway and bridge construction projects, which is financially constrained for each fiscal year. Table 1 provides the cash flow analysis summary for the fiscal year 2018-2022 STIP. An adequate cash flow balance is maintained as determined by projected monthly cash balances in any given year. MoDOT maintains at least a $200 million cash balance based on debt covenants and cash reserve to manage revenue and expenditure fluctuations. The amounts only include revenues and disbursements dedicated to highways and bridges since Multimodal and a portion of Highway Safety funding cannot be included in the minimum cash balance.

Figure 3: State's Anticipated Highway and Bridge Expenditures for State Fiscal Years 2018-2022*

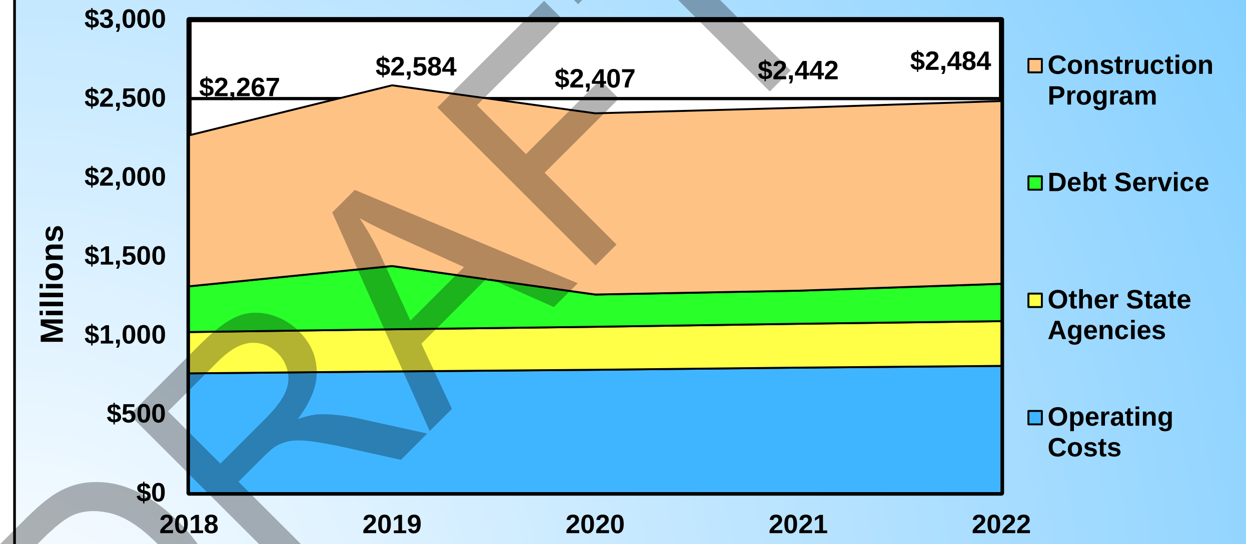


*Figure does not include existing cash balances.
See Table 1 for a breakdown of expenditures by each budget Category

DRAFT

Table 1: MoDOT Construction Cash Flow Projections for Roads and Bridges for Fiscal Years 2018-2022

Dollars in Millions

		Additions to Cash Balance						**Subtractions from Cash Balance**					
Fiscal Year	**Beginning Cash Balance**	Federal Reimburse-ment*	Motor Fuel Tax Revenue	Motor Vehicle & Drivers Licensing Revenue	Motor Vehicle Sales Tax Revenue	Interest and Misc. Revenue	Other State Agencies	Debt Service	Adminis-tration	System Manage-ment	Fleet, Facilities and Infor--mation Systems	Total Construction Disburse**	**Ending Cash Balance**
2018	**$769.9**	$946.9	$529.9	$300.7	$369.0	$105.5	$261.7	$289.6	$58.3	$487.7	$78.7	$1,091.0	**$754.9**
2019	**$754.9**	$1,012.1	$535.2	$305.2	$385.7	$98.4	$267.0	$400.8	$60.5	$494.2	$79.2	$1,282.4	**$507.4**
2020	**$507.4**	$1031.9	$537.8	$309.8	$401.1	$98.1	$272.3	$204.3	$62.6	$499.8	$79.7	$1,287.8	**$479.6**
2021	**$479.6**	$1,044.2	$537.8	$313.6	$417.1	$97.7	$277.7	$209.6	$65.1	$507.2	$80.2	$1,301.8	**$448.4**
2022	**$448.4**	$1,046.7	$537.8	$317.6	$433.8	$97.2	$283.3	$236.6	$67.5	$513.0	$80.6	$1,303.3	**$397.2**

*Includes regular federal funds, federal advance construction conversions and sub-allocated pass-through funds to local governments.

** Includes engineering, payments (see Section 4) and sub-allocated funds to local governments. See Table 2, Section 5-12 (blue line) for further analysis.

Construction Program

The anticipated expenditures for active construction projects awarded in prior fiscal years and the future construction projects programmed in the STIP, as provided in Section 4, are summarized in the following discussion. For example, a construction contract awarded today can result in contractor payments over multiple years as the project is completed. The future award amount assumptions and the contractor payments assumptions resulting from the cash flow analysis are summarized in Table 2. Other expenditures are included in the Highway and Bridge Construction Program in addition to awards. These other expenditures include utility relocation payments, right of way payments, MoDOT and Consultant engineering,

DRAFT

and accelerated program payments, as well as suballocated federal dollars that pass through MoDOT to local governments. The Total Construction Disbursements in Table 2 below (blue line) match the Construction Disbursements from Table 1 in Section 5-11 (blue column).

Table 2: STIP construction awards versus contractor payments

How we budget for STIP projects (dollars in millions)							
	Award	FY18	FY19	FY20	FY21	FY22	Future FY
Prior FY Remaining Balance	$562.8	$392.6	$170.2	-	-	-	-
FY18	$850.0	$297.5	$382.5	$170.0	-	-	-
FY19	$900.0	-	$315.0	$405.0	$180.0	-	-
FY20	$900.0	-	-	$315.0	$405.0	$180.0	-
FY21	$900.0	-	-	-	$315.0	$405.0	$180.0
FY22	$900.0	-	-	-	-	$315.0	$585.0
Contractor Payments:		$690.1	$867.7	$890.0	$900.0	$900.0	
Utility Relocation Payments		$8.1	$8.1	$8.1	$8.1	$8.1	
Right of Way Payments		$35.0	$35.0	$35.0	$35.0	$35.0	
MoDOT and Consultant Engineering		$174.8	$177.6	$180.0	$183.2	$185.7	
Federal Pass Through *		$169.2	$172.8	$161.6	$161.6	$161.6	
Payments (see Section 4)**		$13.8	$21.2	$13.1	$13.9	$12.9	
Total Construction Disbursements		$1,091.0	$1,282.4	$1,287.8	$1,301.8	$1,303.3	

* Federal transportation dollars paid directly to local public agencies.

** Payments include dollars to be paid back for accelerating a project or payments to others. Payments do not include GARVEE debt service payments.

DRAFT

Table 3 summarizes the total available funding for the highway and bridge construction program for state fiscal years 2018-2022 based on cash flow projections. These amounts do not include sub-allocated federal funds since they are administered by local governments.

Table 3: Highway and Bridge Construction Funding Summary

Dollars in Millions

State Fiscal Year	2018	2019	2020	2021	2022	Total
Available for Awards	$850.0	$900.0	$900.0	$900.0	$900.0	$4450.0
Available for Right of Way, Utilities, etc.	$43.1	$43.1	$43.1	$43.1	$43.1	$215.5
Available for Payments (see Section 4)	$78.3	$85.7	$77.6	$78.5	$77.5	$397.6
Available for Engineering	$174.8	$177.6	$180.0	$183.2	$185.7	$901.3
Total Available	$1,146.2	$1,206.4	$1,200.8	$1,204.8	$1,206.2	$5,964.5

Table 4, Section 5-14 summarizes the programmed levels for state fiscal years 2018-2022. State Fiscal Years 2020, 2021 and 2022 are purposely under-programmed to accommodate unforeseen changes. Table 4 includes adjustments for additional funding from partnering agencies above what is assumed in the financial forecast and funding distribution for State Fiscal Year 2018. Table 4 also includes an adjustment for projects delayed from State Fiscal Year 2017 to 2018, as well as an adjustment for capacity remaining from State Fiscal Year 2017, after the April 2017 STIP revisions.

DRAFT

Table 4: Highway and Bridge Construction Program Summary

Dollars in Millions

State Fiscal Year	2018	2019	2020	2021	2022	Total
Total Programmed	**$1,145.7**	**$1,077.5**	**$925.0**	**$311.6**	**$229.9**	**$3,689.8**
Less Programmed for Engineering	$155.6	$97.6	$69.4	$18.4	$7.8	$348.9
Less Programmed for Right of Way, Utilities, etc.	$24.1	$11.3	$5.0	$4.6	$0.4	$45.3
Less Programmed for Payments	$92.5	$81.1	$81.4	$80.7	$79.5	$415.3
Programmed for Awards	**$873.5**	**$887.6**	**$769.1**	**$207.9**	**$142.2**	**$2,880.3**
Less Remaining SFY 2017 Capacity	$5.7	$0.0	$0.0	$0.0	$0.0	$5.7
Less Additional Funding From Others	$11.8	$0.0	$0.0	$0.0	$0.0	$11.8
Less Net Amount Delayed from SFY 2017	$15.8	$0.0	$0.0	$0.0	$0.0	$15.8
Awards Anticipated with Funding Projected	**$840.2**	**$887.6**	**$769.1**	**$207.9**	**$142.2**	**$2,847.0**

Funding Distribution

The Missouri Highways and Transportation Commission approved a funding distribution method in January 2003. It was developed with extensive public involvement and is consistent with MoDOT's Mission, Values and Tangible Results. Various modifications were approved in 2004, 2006, 2011 and 2012.

A modification in February 2016 resulted in several changes:
- Increased the Safety Program from $25 million to $35 million, of which $3 million is set aside for a Statewide Safety Program.
- Eliminated the Major Projects and Emerging Needs category. All remaining funds now flow to the Flexible category.
- Allocated half of the Transportation Alternatives funds for MoDOT use for ADA transition plan compliance.
- Revised Multimodal funding to include federal funds.
- Released unallocated SFY 2018 Cost Share funds for district use.

A modification in January 2017 resulted in several changes:
- Reactivated the suspended Cost Share program, at $10 million in 2018, $15 million in 2019 and $25 million in each year, thereafter.
- Created the Asset Management Deficit Program, at $10 million per year, starting in 2018. The Asset Management Deficit Program

DRAFT

allocates funds to districts to help meet MoDOT’s asset management goals.

The following steps outline the distribution of funds for the Highway and Bridge Construction Program.

Of the total funds available for awards, right of way, utilities, payments, and engineering, including federally earmarked funds:

Step 1: Deduct federally sub-allocated pass-through funds designated for specific purposes (amount varies). This includes the following: the Off-System Bridge Replacement and Rehabilitation Program for county bridges, the Urban Surface Transportation Program for large city transportation improvements, the Congestion Mitigation and Air Quality Program for air quality improvements in the St. Louis and Kansas City regions, the Transportation Alternatives Program for regional improvements, the Recreational Trails program, the Rail/Highway Crossing Program, the Highway Planning & Research Program, and the Metropolitan Planning Program. Additional information about these programs may be found in Section 6.

Step 2: Deduct state and federal funding for other transportation modes (aviation, railways, transit and waterways) (amount varies). This funding cannot be used for roads and bridges.

Step 3: Deduct the repayment of borrowed funds for projects accelerated through bond financing (amount varies). Excludes GARVEE bonds.

Step 4: Deduct funding for specific funding sources (amount varies). This includes categories such as Statewide Transportation Alternatives funds, Open Container safety funds, and other uniquely distributed funds.

Step 5: Deduct funding for the Cost Share Program (amount varies). Beginning in 2018, deduct $10 million, $15 million in 2019, and $25 million in each year thereafter.

Step 6: Deduct funding contributed by Partnering Agencies (amount varies). These are funds dedicated to specific projects such as a city’s portion of a cost share or cost participation project.

Step 7: Deduct funding for project savings and adjustments (amount varies). Savings or over-runs are credited or debited to specific districts or programs. Adjustments for certain types of planning studies are debited from specific districts.

Of the remaining funds available for road and bridge improvements:

Step 1: Allocate up to $35 million per year to Safety. Allocate these funds as follows:

DRAFT

- $32 million distributed based on a three-year average accident rate.
- $3 million allocated to the Statewide Safety Program.

Step 2: Allocate up to $435 million per year to Taking Care of the System. Allocate these funds as follows:

- $125 million for Interstate/Major Bridges.
- $310 million for remaining Taking Care of System.
    - Distribution based on a formula that averages:
        - Percent of total Vehicles Miles Traveled (VMT) on the National Highway System and remaining arterials.
        - Percent of square feet of state bridge deck on the total state system.
        - Percent of total lane miles of National Highway System and remaining arterials.

Step 3: Allocate remaining funds, if any, to Flexible Funds that can be used for either Safety, Taking Care of the System or Major Projects and Emerging Needs. This amount may be reduced if funding is not available.

- Distribution based on the average of:
    - Percent of total population.
    - Percent of total employment.
    - Percent of total VMT on the National Highway System and remaining arterials.

Federal Funding

The Fixing America's Surface Transportation (FAST) Act is five-year legislation to improve the Nation's surface transportation infrastructure, including our roads, bridges, transit systems, and rail transportation network. The bill reforms and strengthens transportation programs, refocuses on national priorities, provides long-term certainty and more flexibility for states and local governments, streamlines project approval processes, and maintains a strong commitment to safety.

Congress passed the FAST Act and it was signed into law by the President on December 4, 2015.

From Fiscal Year 2016 to Fiscal Year 2020, Missouri is estimated to receive an average of about $1 billion in federal transportation dollars per year, which represents an increase of 9.8 percent over the previous federal bill – MAP 21.

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Our forecasted federal revenue is based on our anticipated annual obligation limitation, which is the annual funding made available through the appropriations bill rather than the funding authorized in the surface transportation act. Federal funding for the 2018-2022 STIP will be obligated for the following (1) suballocated funding that flows through MoDOT to local governments, (2) converting advance construction projects and (3) current construction program. First, suballocated federal funds will pass through MoDOT to local governments. Second, MoDOT will convert advance construction projects to regular federal funds (see Sections 5-17 through 5-18 for further information on advance construction). Lastly, any remaining federal funding will be available for the current construction program. See Figure 4, Section 5-17 for federal obligation authority assumptions used for the 2018-2022 STIP.

Advance Construction (AC)

MoDOT uses a federal funding tool called advance construction to maximize the receipt of federal funds and provide greater flexibility/efficiency in matching federal aid categories to individual projects. Advance Construction (AC) is an innovative financing technique, which allows states to initiate a project using non-federal funds, while preserving eligibility for future federal aid. Eligibility means the Federal Highway Administration (FHWA) has determined the project qualifies for federal aid; however, no present or future federal aid is committed to the project. States may convert the project to regular federal aid provided federal aid is available for the project. AC does not provide additional federal funding, but simply changes the timing of receipts by allowing states to construct projects with state or local money and seek federal aid reimbursement in the future.

MoDOT began using AC in 1992 and will continue to use it in future years. MoDOT generally utilizes AC for National Highway Performance Program

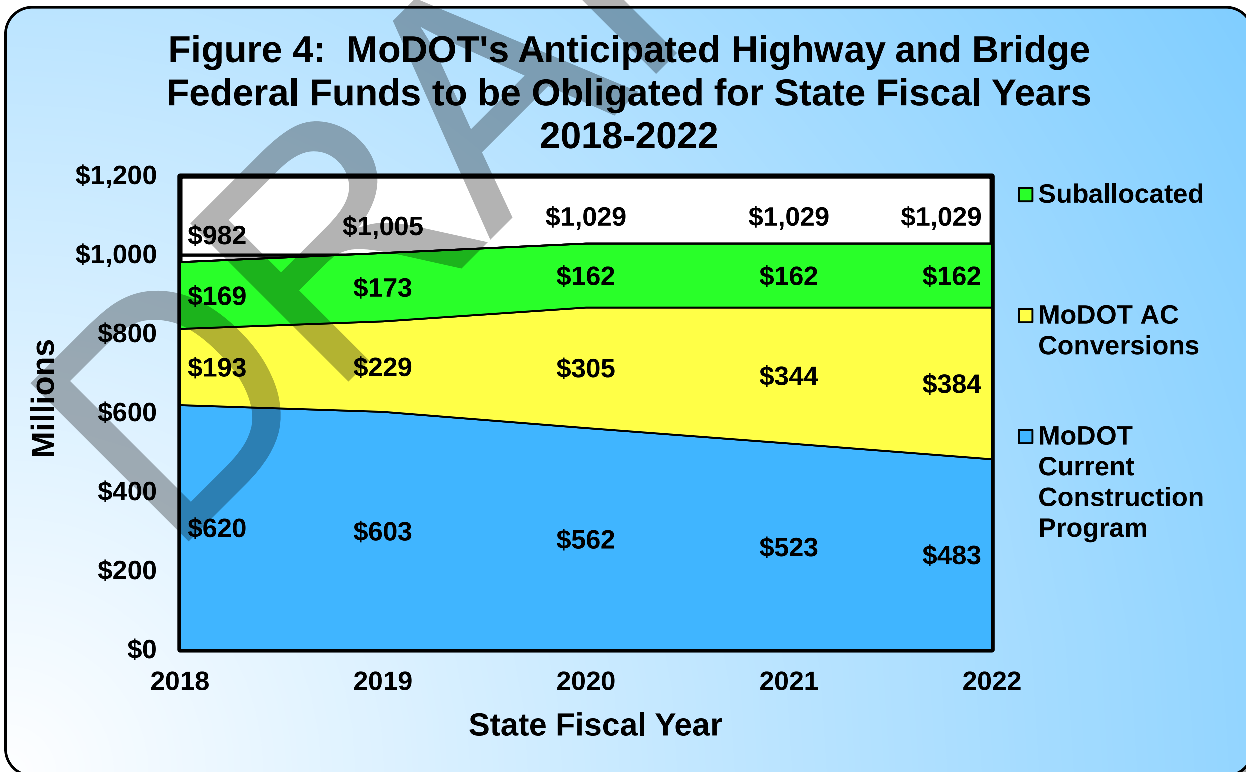

Figure 4: MoDOT's Anticipated Highway and Bridge Federal Funds to be Obligated for State Fiscal Years 2018-2022

DRAFT

(NHPP) and Surface Transportation Block Grant Program (STBG) projects or when sufficient obligation limitation is not available.

MoDOT anticipates sufficient revenue exists to cover new AC projects, as shown in Table 1, Section 5-11. Funding sources include existing cash balances, state motor fuel, motor vehicle sales tax and motor vehicle licensing and fees revenue, federal reimbursement (includes conversion of AC), interest and miscellaneous revenue as shown in Figure 2, Section 5-8.

Table 5, Section 5-18, provides MoDOT's AC forecast, which shows the projected balance at the end of each fiscal year. Generally, state funds pay for new AC project expenditures until federal aid is available. Once federal aid is available, the projects are converted to federal funds and previous state expenditures are reimbursed. The oldest projects are converted first, if possible, to maximize federal aid reimbursement. Which projects are converted also depends on what federal funds are made available. The AC balance is driven by the relationship between available federal funds and the construction program. For example, if available federal funds are more than the size of the construction program, the AC balance will decrease. The amounts in Table 5 are based on MoDOT's AC forecast. Also included in Table 5 are AC conversions of projects from prior STIPs. The amounts are subject to change based on future federal apportionment amounts and categories.

Table 5: MoDOT's Advance Construction Forecast Estimates

Dollars in Millions

State Fiscal Year	2018	2019	2020	2021	2022
Beginning AC Balance*	$193	$229	$305	$344	$384
Plus: New AC Projects (incl. Unprogrammed)**	$229	$305	$344	$384	$424
AC Subtotal	$422	$534	$649	$728	$808
Less: AC Conversions (prior STIP projects)	$193	$0	$0	$0	$0
Less: AC Conversions (incl. Unprogrammed)**	$0	$229	$305	$344	$384
Estimated Ending AC Balance	$229	$305	$344	$384	$424

*Estimated Beginning AC Balance

**Additional projects will be programmed in outer years of the STIP

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This STIP does not contain a listing of partial AC projects, as previous STIPs have. Projects will be wholly federal funded, AC, or state funded.

The chart below is the Federal Funds Supplement. The Federal Funds Supplement compares the projected available federal funds, by category, with the proposed programmed use of federal funds.

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FEDERAL FUNDS SUPPLEMENT

Federal Spending Categories based on Total Available to Obligate Forecast

	2018	2019	2020	2021	2022
NHPP	559.7	571.4	582.9	582.9	583
STP	261.8	266.8	273.1	273.1	273.1
CMAQ	24.8	25.5	26.1	26.1	26.1
Rec Trails	1.8	1.9	1.9	1.9	1.9
Metro Pl.	5.3	5.4	5.6	5.6	5.6
SPR	20.0	20.4	20.9	20.9	20.8
HSIP	56.1	57.2	58.4	58.4	58.4
TAP	18.2	18.3	18.3	18.3	18.3
National Freight	28.2	31.9	35.4	35.4	35.4
Rail/Highway Crossings	6.1	6.2	6.4	6.4	6.4
Total	982.0	1005.0	1,029.0	1,029.0	1,029.0

Total Federal Category Program Levels

	2018	2019	2020	2021	2022
NHPP	542.7	530.9	453.0	277.4	51.9
STP	342.1	307.9	308.7	214.1	134.6
CMAQ	28.8	27.2	25.5	25.5	25.5
Rec Trails	1.8	1.8	1.9	1.9	1.9
Metro Pl.	5.2	5.3	5.5	5.5	5.5
SPR	19.6	20.1	20.6	20.6	20.6
HSIP	33.5	21.6	41.0	18.7	19.4
Earmark	0.7	0.0	0.0	0.0	0.0
TAP	9.7	9.9	10.1	10.1	10.1
National Freight	1.5	62.7	0.0	0.0	0.0
Rail/Highway Crossings	5.9	6.1	6.2	6.2	6.2
Total	991.4	993.6	872.5	579.9	275.8

Remaining Federal Funds Capacity

	2018	2019	2020	2021	2022
Total Federal Program Levels	991.4	993.6	872.5	579.9	275.8
Unprogrammed RW & CN	0.0	48.8	165.2	728.4	798.4
Assumed 80% of unprogrammed amount will be obligated for Federal Funding	0.0	0.0	0.0	0.0	0.0
SFY 2017 Award Savings through April	56.2	0.0	0.0	0.0	0.0
Assumed 80% of SFY 2017 Award Savings will be obligated for Federal Funding	45.0	0.0	0.0	0.0	0.0
Delays from SFY 2017	15.8	0.0	0.0	0.0	0.0
Assumed 80% of Delays from SFY 2017 will be obligated for Federal Funding	12.6	0.0	0.0	0.0	0.0
Total Assumed Program Adjusted	933.8	993.6	872.5	579.9	275.8
Total Federal Funds Forecast	982.0	1005.0	1029.0	1029.0	1029.0
Remaining Federal Funds Capacity	48.2	11.4	156.5	449.1	753.2

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