Estimated Financial Summary for the 2009-2013 Highway and Bridge Construction Schedule

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. This section provides an overview of MoDOT's revenue and expenditure assumptions that support the 2009-2013 Highway and Bridge Construction Schedule.

Revenue

State

The largest source of state transportation revenue is the **motor fuel tax**. Assessed at a rate of 17-cents per gallon, it produces 44 percent of state transportation revenues; however, it is not indexed to keep pace with inflation, and there has been no rate increase since 1996. Trends show motor fuel tax revenues increase about 1 percent annually. In fiscal year 2009, MoDOT estimates $525 million of motor fuel tax receipts grow to $571 million in fiscal year 2013; however, if fuel prices rise and stay at higher rates, more Missourians may well turn to more fuel-efficient vehicles, make fewer trips or seek out other transportation options they had previously avoided. While good for the environment, these actions erode motor fuel tax revenues.

Motor vehicle and driver licensing fees provide approximately 23 percent of the state transportation revenue. Similar to motor fuel tax, these fees are not indexed to keep pace with inflation, and there have been no annual registration fee increases since 1984. This revenue source is projected to increase at a rate of 2.1 percent annually. In fiscal year 2009, MoDOT estimates $284 million of motor vehicle and driver licensing fee receipts that grow to $304 million in fiscal year 2013.

MoDOT receives a portion of **motor vehicle sales and use taxes** paid upon the purchase or lease of motor vehicles. These tax revenues provide approximately 25 percent of the state transportation revenues. Motor vehicle sales tax is the one state revenue that has recently provided substantial additional resources to transportation. In November 2004, voters passed 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 will be fully phased in, and the rate of growth in this revenue source slows dramatically. Annual growth is projected at 2.6 percent, which like the rate of increase in motor fuel taxes is less than the rate of increase in construction and maintenance costs. In fiscal year 2009, MoDOT estimates $296 million of motor vehicle sales and use tax receipts grow to $328 million in fiscal year 2013. A complicating factor is as consumers look for ways to decrease their personal transportation costs, one option is turning to smaller, more fuel-efficient vehicles. Since these vehicles cost less, sales taxes are lower, resulting in lower transportation revenues.

The remaining 8 percent of state transportation revenue comes from **interest earned on invested funds and other miscellaneous collections**. During the Amendment 3 bonding program, cash balances in state transportation funds have been unusually high. The cash balance in state transportation funds and the end of fiscal year 2008 is expected to be approximately $1.1 billion. Bond proceeds are received in large increments and are paid out over time as project costs are incurred. When the Amendment 3 projects are completed, the balance of state transportation funds will be substantially less, and interest income will also decline. Other miscellaneous collections include construction cost reimbursements from local governments, proceeds from the sale of surplus property and fees associated with the Missouri logo-signing program. In fiscal year 2009, MoDOT estimates $138 million of interest earned on invested funds and other miscellaneous receipts decrease to $88 million in fiscal year 2013.

Federal

Federal revenue sources include the 18.4-cents per gallon tax on gasoline and 24.4-cents per gallon tax on diesel fuel. 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 six-year transportation funding acts. The current transportation bill, “Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users” (SAFETEA-LU), expires in 2009. Approximately 40 percent of Missouri’s transportation revenue comes from the federal government. MoDOT is assuming Congress will provide funding in 2008 and 2009 at the committed SAFETEA-LU levels, but will provide no additional revenue to the Highway Trust Fund from 2010-2013.

Since 1992, Missouri’s federal funding growth has averaged 9 percent each year. SAFETEA-LU continued this strong growth; however, the anticipated federal receipts are not sufficient to support these funding levels. Federal receipts must be supplemented by spending down accumulated balances in the Highway Trust Fund to maintain SAFETEA-LU funding levels.

A significant drop in federal funds will cause a dramatic drop in Missouri’s highway and bridge construction and maintenance. The U.S. Department of Transportation is advising states that by 2010, the large Highway Trust Fund balance will be spent down, and funding will be insufficient to continue federal aid at the SAFETEA-LU levels. Nationwide funding levels are expected to decrease from $41 billion in 2009 to $25 billion in 2010. They will steadily increase every year thereafter. The nationwide funding level is not expected to rebound to its 2009 amount of $41 billion until 2021.

According to the American Association of State Highway and Transportation Officials, an amount equivalent to a 3-cents per gallon increase in federal fuel taxes must be identified to sustain federal programs at the level guaranteed by SAFETEA-LU. Restoring the program's purchasing power to 1998 levels would take the equivalent of an additional 7-cents per gallon increase in federal fuel taxes. Unless Congress takes some action to increase revenues to the Highway Trust Fund, Missouri's federal transportation revenues will decrease dramatically.

In fiscal year 2009, MoDOT estimates $927 million of federal funds available to obligate which drops to $568 million in fiscal year 2010. This amount increases to $643 million in 2011 and $857 million in 2012 and then rebounds slightly thereafter based on projected federal receipts. These estimates include state and local programs.

Bond proceeds

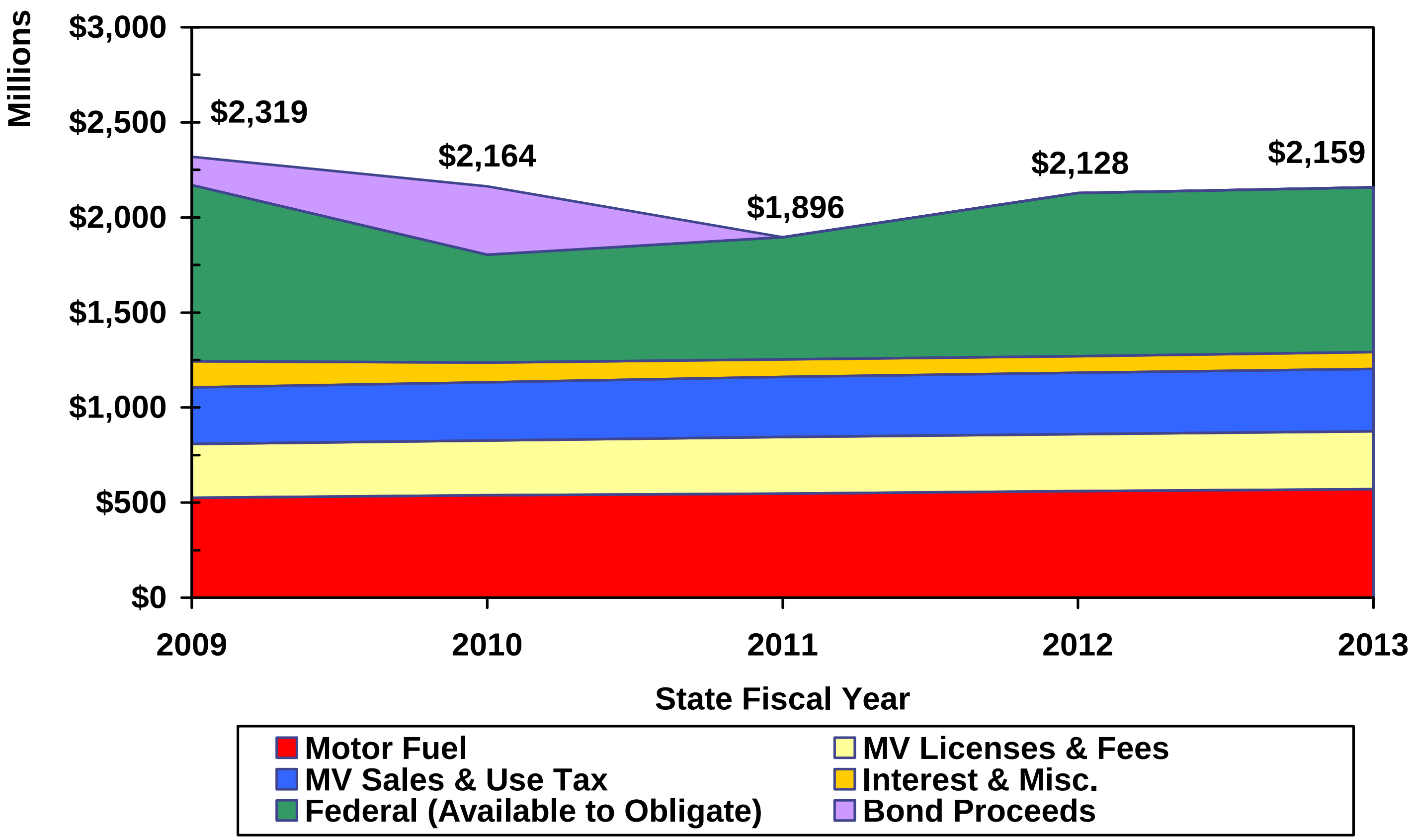
As discussed earlier in the state revenue section, Amendment 3 provided additional motor vehicle sales tax for transportation. In accordance with this constitutional change, MoDOT began selling bonds and dedicated the funds to the *Smoother, Safer, Sooner* program. The new Amendment 3 revenues are used for all principal and interest payments on Amendment 3 debt. When Amendment 3 bond proceeds are spent, the new Amendment 3 revenues will be committed to repayment of principal and interest through state fiscal year 2029.

In addition to the Amendment 3-related bond proceeds, MoDOT plans to sell approximately $150 million of bonds in fiscal year 2009 for a portion of the new design-build Interstate 64 project in the St. Louis region. For the first time, MoDOT plans to secure these bonds with federal funds, rather than state funds.

Total revenue

The stability and predictability of future transportation revenues are subject to many variables; however, using historical trends and various economic indicators, Figure 1 provides an estimate of Missouri's transportation revenues for state fiscal years 2009 through 2013. Various revenue components grow at the rates discussed earlier. As shown in Figure 1, estimated revenue decreases from $2.3 billion in state fiscal year 2009 to $2.2 billion in state fiscal year 2013, due to the end of the Amendment 3 bonding program.

Figure 1: MoDOT's Anticipated Highway and Bridge Revenues for State Fiscal Years 2009-2013



Expenditures

Other state agencies

Law appropriates a portion of state transportation revenues to the Missouri State Highway Patrol (MSHP) to administer and enforce motor vehicle laws. The Missouri Department of Revenue (DOR) is entitled to 3 percent of revenues collected to cover the cost of collection. Approximately 90 percent of these expenditures is appropriated to the MSHP, and the remaining 10 percent is appropriated to the DOR. These expenditures are projected to increase 3.1 percent annually. In fiscal year 2009, MoDOT estimates $212 million of other state agency expenditures grow to $239 million in fiscal year 2013.

Debt service

After other state agency expenditures, the state constitution dictates the next payment must be principal and interest repayments on any outstanding state road bonds. MoDOT has issued or plans to issue approximately $3 billion of bonds from state fiscal year 2001 to 2010. The final payment for this debt will be in state fiscal year 2029. In fiscal year 2009, MoDOT estimates $216 million of debt service expenditures grow to $241 million in fiscal year 2013.

Operating costs

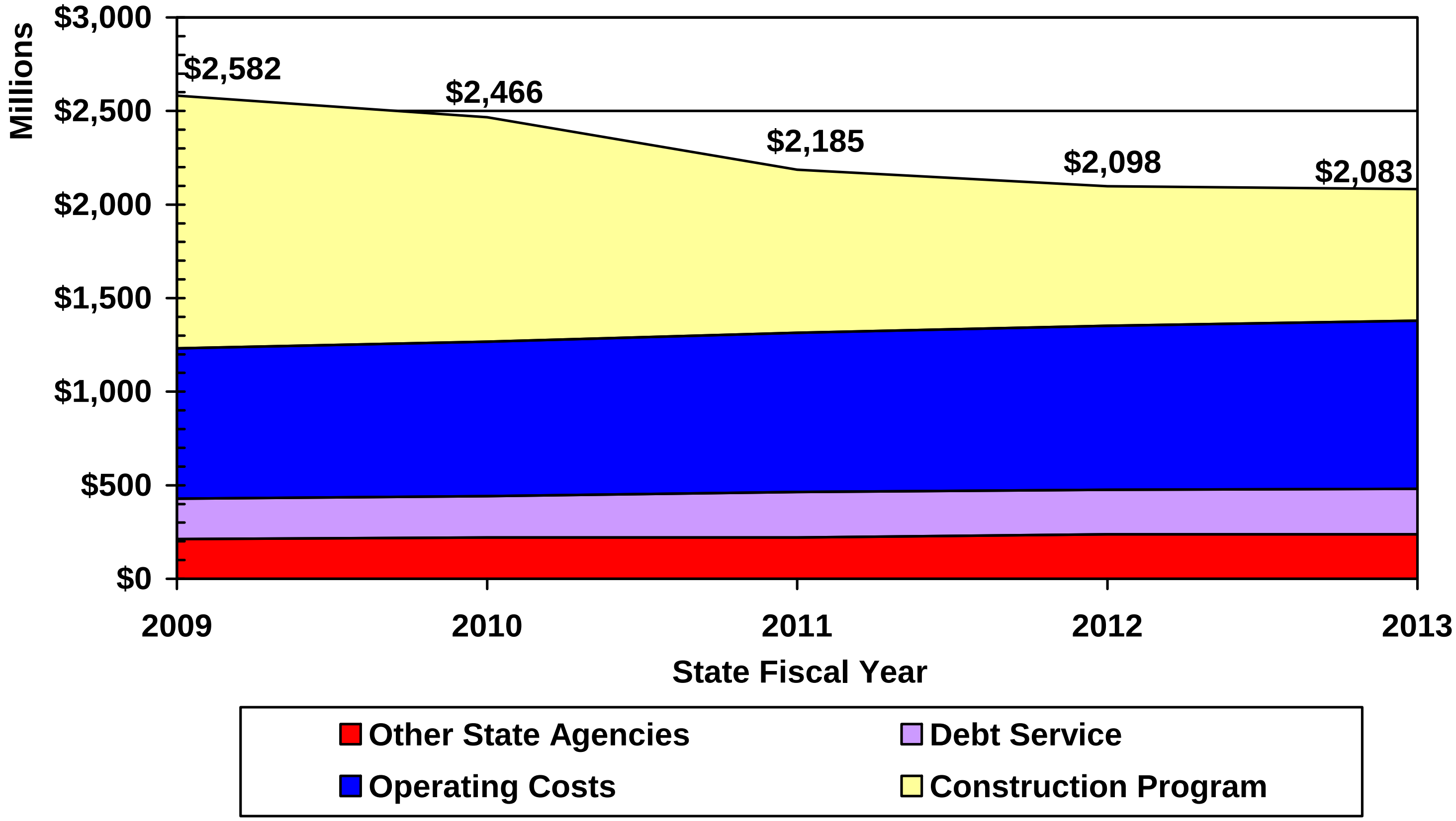
Operating costs include MoDOT's salaries, fringe benefits and materials and equipment needed to deliver the highway and bridge construction and maintenance programs. While this category includes MoDOT's internal engineering costs, the majority is associated with basic maintenance activities. Basic maintenance activities include minor surface treatments such as chip seals, small concrete repairs and pothole patching; mowing right of way; snow removal; replacing signs; striping roads; and repairing traffic signals. Performing these activities requires employees; vehicles and other machinery; facilities to house equipment, employees and materials; and materials such as salt, asphalt and fuel. Support staff is also necessary in disciplines such as finance, human resources, information technology and risk management to keep department operations running. These expenditures are projected to increase 3.1 percent annually. In fiscal year 2009, MoDOT estimates $803 million of operating expenditures grow to $899 million in fiscal year 2013.

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 2 provides an estimate of Missouri's transportation expenditures for state fiscal years 2009 through 2013.

As shown in Figure 2, estimated transportation expenditures decline from $2.6 billion in state fiscal year 2009 to $2.1 billion in state fiscal year 2013. From fiscal years 2009-2013, total expenditures exceed total revenue by $748 million, which is offset by cash balances available from the end of fiscal year 2008, which totals approximately $1.1 billion from state transportation funds. The construction expenditures are derived from the 2009-2013 Highway and Bridge Construction Schedule. These amounts decline due to the end of the Amendment 3 bonding program. Assumptions for the construction program expenditures are in the next subsection. The remaining expenditures are expected to have inflationary growth as outlined above.

Figure 2: MoDOT's Anticipated Highway and Bridge Expenditures for State Fiscal Years 2009-2013



Construction Program

After deducting expenditures for other state agencies, debt service and operating costs from MoDOT's funding sources, 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, engineering and utility relocations. These amounts in the table below do not include sub-allocated federal funds since they are administered by local governments.

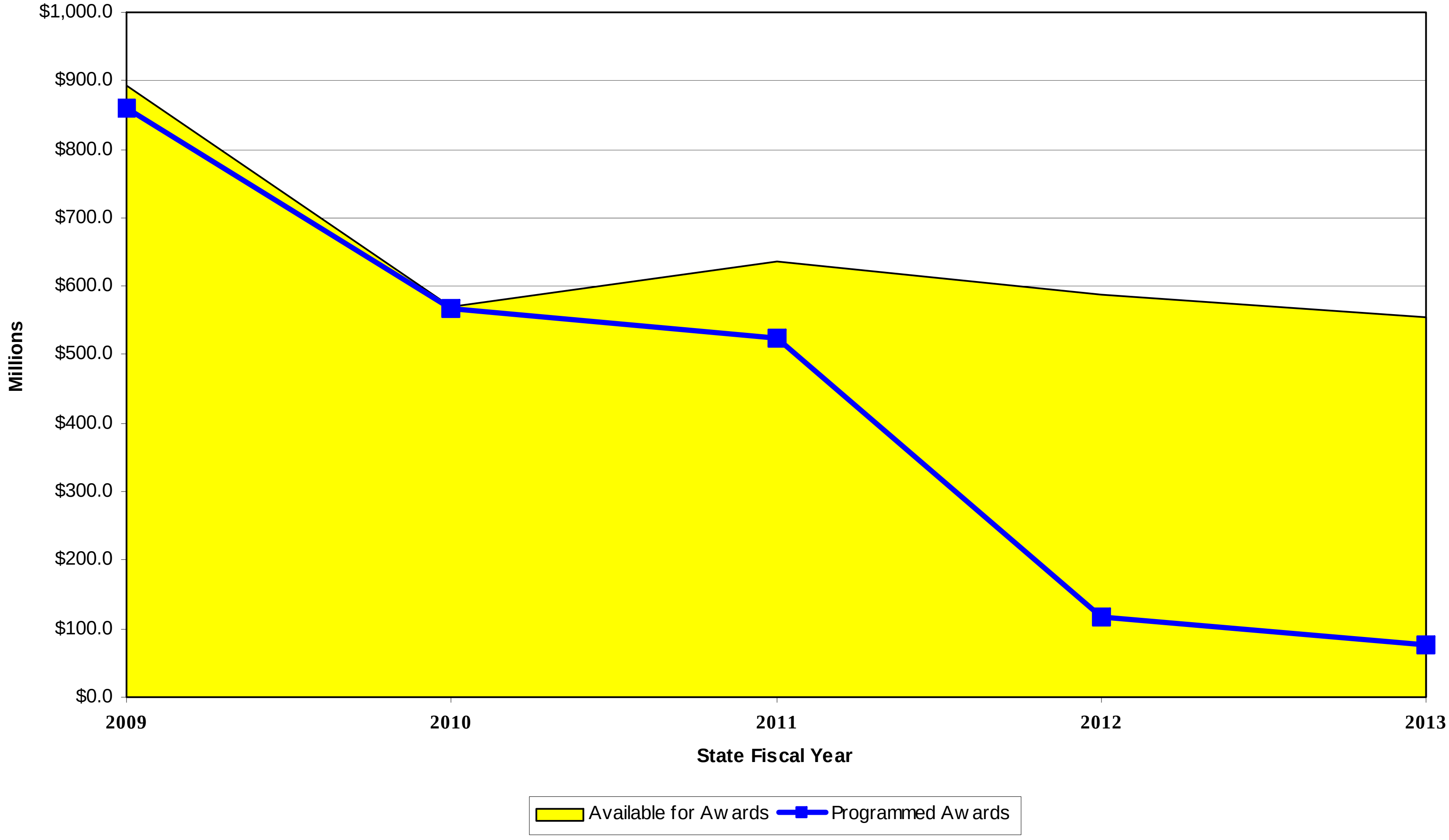
Table 1 below and Figure 3 on the next page summarize the highway and bridge construction program available funds for construction awards only for state fiscal years 2009-2013.

Table 1: Highway and Bridge Construction Awards Summary

Dollars in Millions

State Fiscal Year	2009	2010	2011	2012	2013	Total
Available for Awards	$893.5	$569.0	$635.2	$586.6	$554.1	$3,238.4
Programmed Awards	$850.8	$565.8	$523.2	$118.2	$76.5	$2,134.5

Figure 3: Highway and Bridge Construction Awards Summary



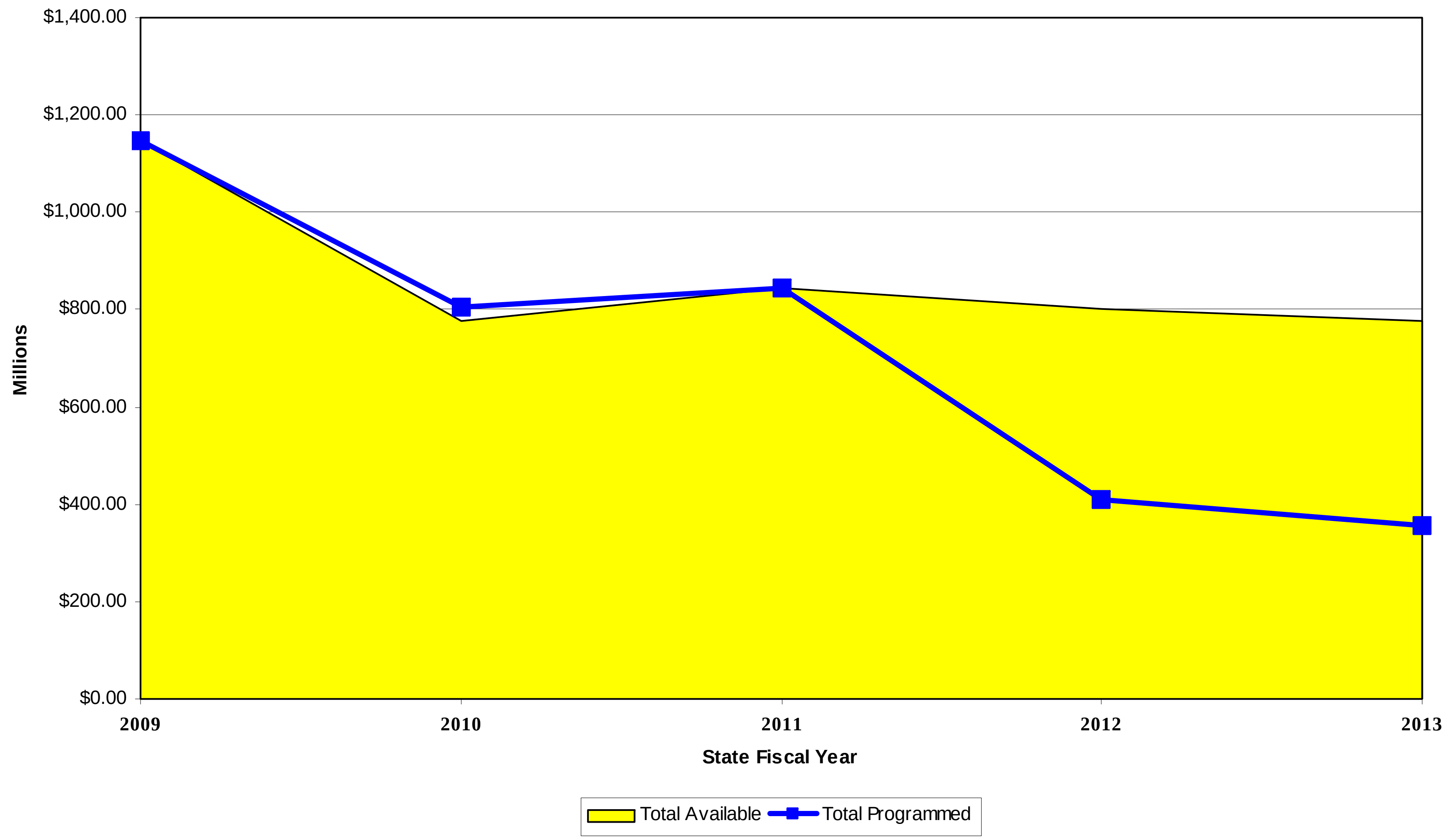
Other expenditures are included in the Highway and Bridge Construction Program in addition to awards. These other expenditures include right of way purchases, engineering, utility relocations and payments. Table 2 below and Figure 4 on the following page summarize the highway and bridge construction program total available funds for state fiscal years 2009-2013. These amounts also do not include sub-allocated federal funds since they are administered by local governments.

Table 2: Highway and Bridge Construction Program Summary

Dollars in Millions

State Fiscal Year	2009	2010	2011	2012	2013	Total
Available for Right-of-way and Construction	$957.40	$591.40	$655.20	$606.50	$574.10	$3,384.60
Engineering	$190.40	$185.50	$190.80	$196.20	$201.80	$964.70
Total Available	$1,147.80	$776.90	$846.00	$802.70	$775.90	$4,349.30
Programmed Right-of-way and Construction	$955.16	$620.54	$653.10	$213.45	$152.99	$2,595.24
Engineering	$190.40	$185.50	$190.80	$196.20	$201.80	$964.70
Total Programmed	$1,145.56	$806.04	$843.90	$409.65	$354.79	$3,559.94
Percent Programmed	99.8%	103.8%	99.8%	51.0%	45.7%	81.9%

Figure 4: Highway and Bridge Construction Program Summary



Special Project – Mississippi River Bridge

On February 28, 2008, an agreement was reached between Missouri Governor Blunt and Illinois Governor Blagojevich concerning the Mississippi River Bridge. The total cost for the entire New Mississippi River Bridge project including engineering, right-of-way, utilities and construction is $640 million:

- Illinois roadway connection = $264 million
- The bridge cost is $306 million (Illinois = $213 million and Missouri = $93 million)
- Missouri roadway connection = $70 million

The Illinois roadway connection project is not included in Missouri's STIP because it will be fully funded and delivered by Illinois. Illinois' share of the bridge cost of $213 million is in Missouri's STIP since Missouri will be administering this project. SAFETEA-LU earmarks and a Grant Anticipation Revenue Vehicle or GARVEE loan will provide most of Missouri's contribution toward this project of $93 million for the bridge and $70 million for its roadway connection. The funds from the SAFETEA-LU earmarks total $66 million and the funds from the GARVEE loan total $85 million. Table 3 below illustrates the Mississippi River Bridge funding.

The programmed Right-of-way and Construction levels in 2011, 2012 and 2013 are the GARVEE loan payments that are applied to available District 6 Right-of-way and Construction funds reflected in Table 2. The difference between programmed and available engineering funds in 2010 reflects the use of MoDOT forces for Construction Engineering. This Construction Engineering is part of the available engineering in Table 2.

Table 3: Mississippi River Bridge Funding

Dollars in Millions

State Fiscal Year	2009	2010	2011	2012	2013	Total
Available for Right-of-way and Construction	$17.70	$267.90	$56.56	$0.00	$0.00	$340.52
Engineering	$12.00	$9.83	$0.00	$0.00	$0.00	$23.48
Total Available	$29.70	$277.73	$56.56	$0.00	$0.00	$364.00
Programmed Right-of-way and Construction	$17.70	$267.90	$59.96	$5.20	$5.20	$354.32
Engineering	$12.00	$23.90	$3.45	$0.00	$0.00	$39.35
Total Programmed	$29.70	$291.80	$63.42	$5.20	$5.20	$395.32

The total available for programming projects in the highway and bridge construction program is the result of several items: the commission approved funding distribution method; any funding from external sources over and above the anticipated amount; and any adjustments due to balances from the state fiscal year 2008 program.

Funding Distribution

The Missouri Highways and Transportation Commission approved a funding distribution method in January of 2003 that was modified in June of 2004 and again in February of 2006. This funding distribution and its subsequent modifications was developed with extensive public involvement and is consistent with MoDOT's Mission, Values and Tangible Results. The following steps outline the distribution of funds for the Highway and Bridge Construction Program.

Of the total funds available, including federally earmarked funds:

Step 1: Deduct approximately $145 million per year in federally sub-allocated funds designated for specific purposes, including the following:

- Off-System Bridge Replacement and Rehabilitation Program (BRO)
- On-System Bridge Replacement and Rehabilitation Program (BRM) – Small Urban and Large Urban
- Surface Transportation Program (STP-U) – Small Urban and Large Urban
- Congestion Mitigation and Air Quality (CMAQ) Program
- Enhancement Program

See Section 6 for more information regarding these programs.

Step 2: Deduct approximately $23 million per year in funding for other transportation modes (aviation, railways, transit, and waterways) appropriated by the state legislature for the designated purposes. This funding cannot be used for roads and bridges.

Step 3: Deduct federal discretionary (above-formula) earmarks for distribution to the related earmarked projects. This distribution will be *in addition to* the district-distributed funds. This amount varies per year based on the actual years that the earmarked projects are programmed or projected to be programmed.

Step 4: Deduct $30 million per year for economic development and cost-share projects statewide.

Step 5: Deduct the financing cost for projects accelerated through bond financing, including debt service relative to Amendment 3, ranging from $216 to $241 million per year.

Step 6: Deduct a projected $60 million per year in funds dedicated to specific projects such as a city's portion of a cost share project.

Of the remaining funds available for road and bridge improvements:

Step 1: Deduct Amendment 3 Funds for use on Element 3 of MoDOT's Smoother, Safer, Sooner Program. This amount varies per year based on the actual years that the Amendment 3, Element 3 projects are programmed or projected to be programmed.

Step 2: Allocate $460 million per year to Taking Care of the System, divided as follows:

$125 million for Interstates/Major Bridges

$ 25 million for Safety Projects

Distribution based on three-year average accident rate.

$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 up to $131 million per year to Flexible Funds that can be used for either 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.

Step 4: Allocate remaining funds, if any, to Major Projects and Emerging Needs. These funds are distributed to the three Transportation Management Areas and the rural area.

Distribution based on formula that averages:

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

Half of the rural area funding is distributed to the districts based on the above factors. The other half of the rural funding will be used for statewide rural projects.