Section 5 – Estimated Financial Summary

Estimated Financial Summary for the 2016-2020 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 while decreasing roadway fatalities to their lowest level since the 1940s. 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, since that time MoDOT's construction budget has been on a downward slide. This decreased level of funding will continue to get worse during this STIP cycle.

About 63 percent of every dollar MoDOT receives comes from fuel taxes. But the fuel tax rate at the state level hasn't changed since 1992, 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ago, this means Missouri is trying to fund its current transportation needs with a budget that is almost two decades out of date.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 and decreasing each year.

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, and the forecast for future revenue remains stagnant.

Without any growth in state revenues, Missouri will not be able to match the federal funds by fiscal year 2017. With $1 of state funds, Missouri can use it to match $4 of federal funds. By 2018 there will be $400 million per year in potentially lost federal funds that Missouri will be unable to use. Those are transportation dollars Missourians paid through federal fuel taxes that could go to other states instead.

Federal funding continues to be uncertain. On June 29, 2012, Congress passed "Moving Ahead for Progress in the 21st Century Act," or MAP-21, a two-year act set to expire September 30, 2014. After many months of discussion regarding the insolvency of the Highway Trust Fund, on July 31, 2014, Congress provided $10.8 billion from the General Fund and the Leaking Underground Storage Tank Trust Fund to the Highway Trust Fund and extended MAP-21 until May 31, 2015. This short-term fix will not solve the federal transportation funding issue. In late May 2015, Congress extended MAP-21 until July 31, 2015. Because of Missouri's inability to match some of the current federal funding, any increases would not be able to be matched as well.

MAP-21 reduced the amount of funding for all state transportation departments, and Missouri received $71 million less per year for fiscal years 2012, 2013 and 2014 compared to fiscal year 2011. The federal assumptions for fiscal years 2016 and beyond are based on the reduced funding levels received during MAP-21.

MoDOT continues to be one of the most efficient state agencies in difficult economic times. The department's operating expenses remain flat, outside of minimal increases related to healthcare and retirement costs. In the past ten years, MoDOT has completed 4606 projects worth $12.2 billon, at 6 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 $605 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.

Even with these savings, Missouri has some rough roads ahead. Missouri's 2016-2020 STIP is primarily maintenance-focused with little room for anything else. 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 contractor awards average $382 million, and nearly 85 percent is aimed at taking care of the existing system. To keep Missouri's roads and bridges in the condition they are today requires $485 million per year. During this STIP cycle, Missouri's construction awards are projected to fall far below that – to $325 million. The opportunities to expand the system – widening a busy two-lane road to four lanes to reduce congestion and improve safety, or building a new roadway or interchange to help promote business development and bring jobs to the state – are disappearing.

When the construction awards hit $325 million, MoDOT will have to adjust how it takes care of Missouri's highway system. In February 2015, the commission approved "Missouri's 325 System," which will focus the limited resources in an equitable way. The state-maintained highway system will be divided into primary and supplementary routes. Primary routes include approximately 8,000 miles of the the 34,000 mile system and are the roads that connect cities across the state. Supplementary routes are the remaining miles used mostly for local travel.

Nearly all of Missouri's "major" roadways are part of the primary system. Only those major routes that function as business routes or loops or more like local roadways are excluded. MoDOT has decided to focus its limited resources on the primary system because it offers equity across the state between urban and rural areas. Every county in the state has at least one highway on the primary system.

The primary system differs from MoDOT's current focus on major and minor roads because the major roads, which make up 20 percent of the system and carry 80 percent of the traffic, are confined to limited areas of the state. It will take all $325 million to keep the primary routes in their current condition. MoDOT will only do limited routine maintenance on supplementary roads, which means their condition will deteriorate.

These facts mean Missourians have some tough choices ahead of them. They 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.

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 33 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. The last time the gasoline and diesel tax was changed was in 1992. 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 30 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 upon 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 18 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 a greater portion of the tax to local government agencies. Future projected growth in this category is less than the rate of increase in construction and maintenance costs; therefore, not keeping pace with inflation.

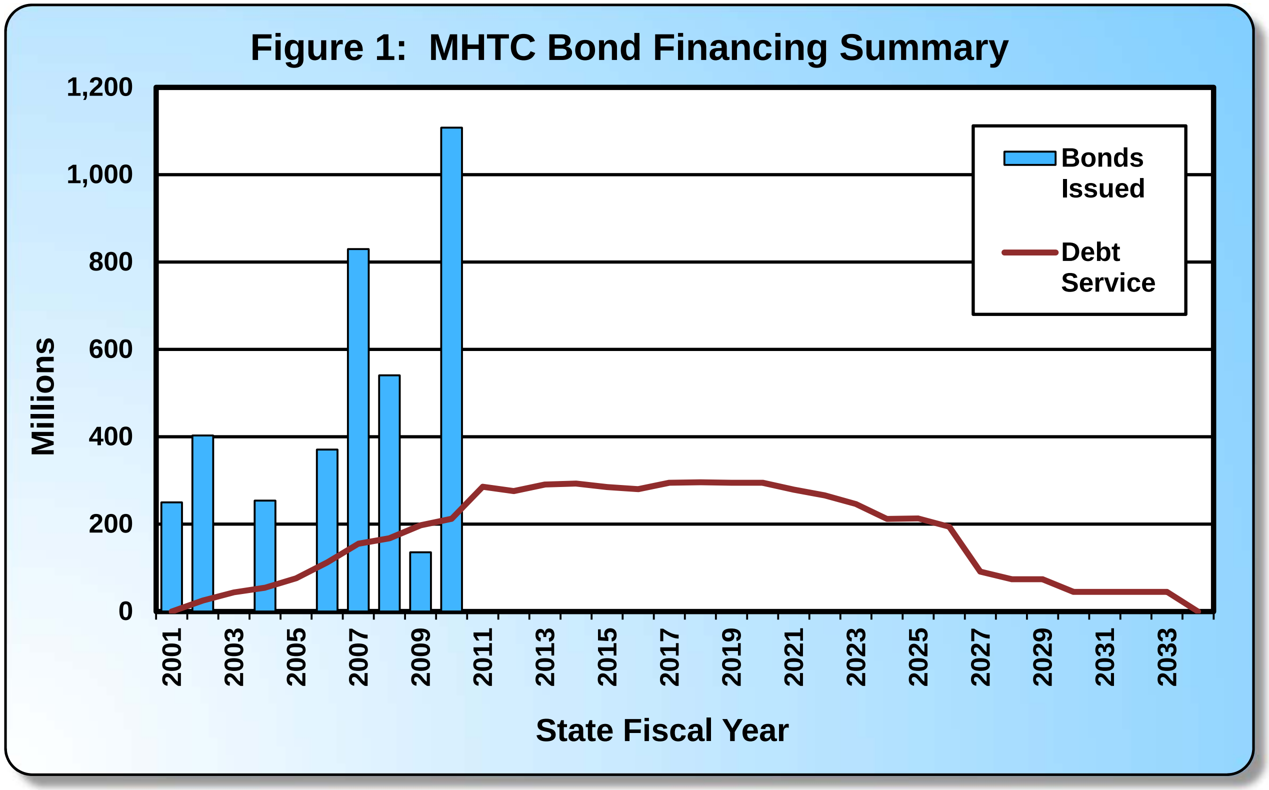
Vehicle and driver licensing fees include the state share of revenue received from licensing motor vehicles and drivers. This revenue source also includes fees for railroad regulation which are dedicated to multimodal programs (see Section 7). These fees provide approximately 15 percent of transportation revenues. Similar to motor fuel tax, the motor vehicle and driver licensing fees are not indexed to keep pace with inflation, and no registration fee increases have occurred since 1984.

The **interest earned on invested funds and other miscellaneous collections** provides approximately 3 percent of transportation revenues. Cash balances in state transportation funds are declining. As referenced in Table 1 in Section 5-13, the cash balance of all state transportation funds is expected to decline from $853 million at the beginning of fiscal year 2016 to approximately $208 million by the end of fiscal year 2020. 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 approximately 1 percent of transportation revenue. The Missouri General Assembly appropriates it 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 receive the best value for every dollar spent. Statutory authority was established in May 2000 for the MHTC to begin selling bonds, 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 2000 to 2003. The MHTC will issue no additional bonds under this lien.



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 began selling bonds 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 sold $2 billion of Amendment 3 bonds and has completed all planned Amendment 3 bond sales.

In fiscal year 2009, MoDOT sold $143 million of bonds 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 sold $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.

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 revenue and state revenue that have been deposited into MoDOT funds such as 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.

Expenditures

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 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 13 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 issued $3.8 billion of bonds from state fiscal years 2001 to 2010. The final payment for this debt is scheduled in state fiscal year 2033. These costs are approximately 14 percent of transportation expenditures. See Figure 1, Section 5-5 for a summary of the MHTC bond financing program.

Administration includes activities such as financial planning, accounting, human resources, community and governmental relations, multimodal and legal services. The dollars associated with administering self-insurance plans and contributions to retiree medical plans are included in this disbursement category. These costs are approximately 3 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, traffic signal operations and system management. 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 work with safety advocates statewide to implement the Highway Safety Plan, Motor

Carrier Safety Assistance Plan, and the 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 24 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 4 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. These costs are approximately 6 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 32 percent of the transportation expenditures.

Sections 5-1 through 5-7 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

Historical highway and bridge data for the previously-described revenue and expenditure categories are combined with detailed statistical models to forecast future revenue and expenditure data. The following provides a description of each revenue and expenditure category and how they are projected.

Revenue

- Federal reimbursements
  - Annual obligation authority declines from $904 million in 2015 to $887 million for 2016 through 2020. Obligation authority is estimated to be 97 percent of apportionments. Future federal funding is very uncertain and the federal Highway Trust Fund is currently projected to be insolvent in the Summer of 2015.
  - Local public agencies spending down available carry-over balances ($20 million in 2016).
  - MoDOT estimates $885 million of federal reimbursements in fiscal year 2016 will decrease to $491 million in fiscal year 2020 due to a declining construction program, resulting from insufficient state revenues.
  - Additional detail regarding federal funding starts on Section 5-18.
- Motor fuel taxes
  - Projections are based on gasoline and diesel consumption projections from the US Department of Energy's Annual Energy Outlook 2014 (AEO 2014) for the region (region includes: ND, SD, NE, KS, MO, IA, MN).
  - In fiscal year 2016, MoDOT estimates $484 million of motor fuel tax receipts will decrease to $474 million in fiscal year 2020, as we expect more Missourians will turn to more fuel-efficient vehicles due to Corporate Average Fuel Economy (CAFÉ) standards that reduce energy consumption by increasing the fuel economy of a vehicle or they may seek out other transportation options they had previously avoided. 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 2014 and drivers licensing renewal data from the Department of Revenue.

- In fiscal year 2016, MoDOT estimates $277 million of motor vehicle and driver licensing fee receipts will grow to $288 million in fiscal year 2020, an average annual growth rate of 1 percent.

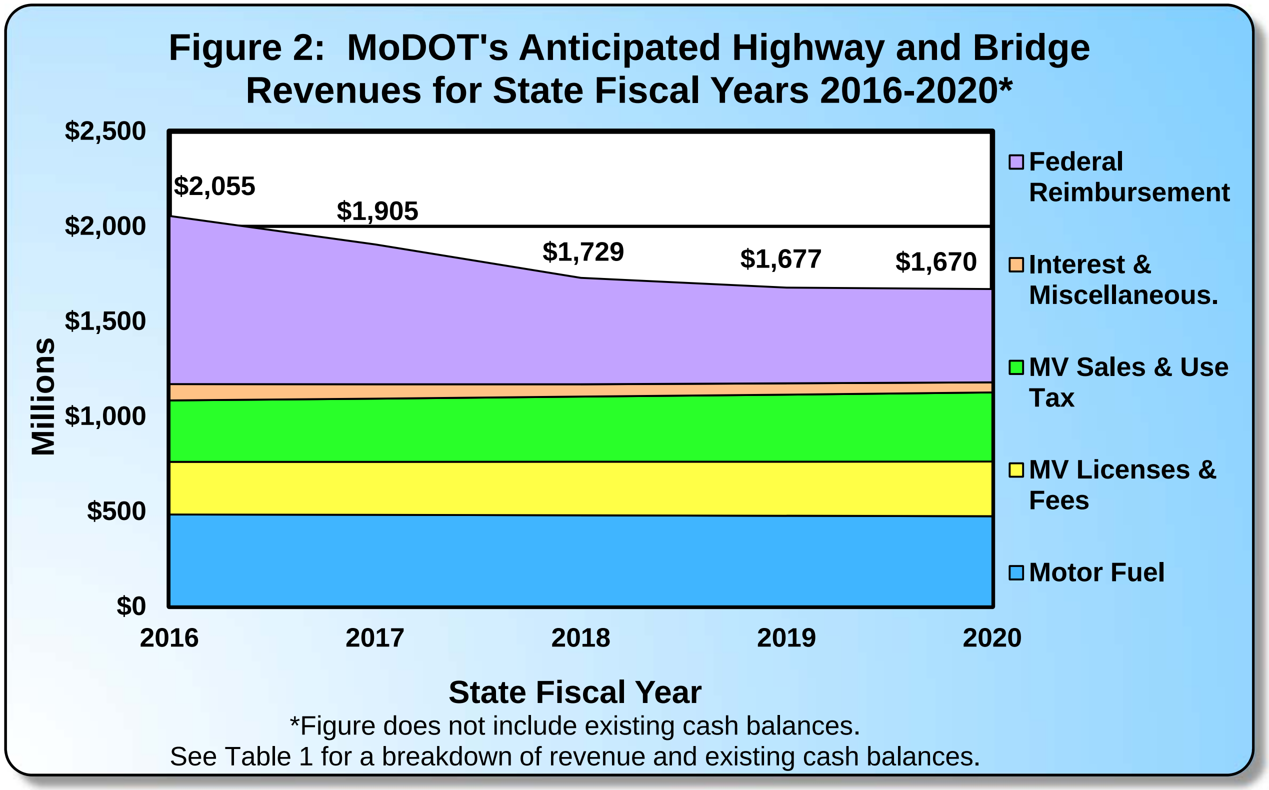
- Motor vehicle sales tax
  - Projections are based on real disposable income estimates from the AEO 2014.
  - In fiscal year 2016, MoDOT estimates $323 million of motor vehicle sales tax receipts will grow to $363 million in fiscal year 2020, an average annual growth rate of 3 percent. The average annual growth rate from fiscal years 2010-2014 was five percent. 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, the growth in sales taxes is projected to be lower, resulting in lower transportation revenues. Economic conditions also play a factor in this category. As unemployment remains high, consumer credit problems still exist, and financial institutions continue to have tighter lending standards creating unfavorable conditions for this category.

- Interest and Miscellaneous Revenue
  - Projections are based on 0.75 percent earnings rate for interest revenue and historic receipts for miscellaneous revenue.
  - MoDOT estimates $81 million of interest earned on invested funds and other miscellaneous receipts in fiscal year 2016 will decrease to $51 million in fiscal year 2020 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 2016-2020.

Total revenue

The stability and predictability of future transportation revenues is subject to many variables; however, using the Department of Energy's projections, Figure 2, Section 5-10 provides an estimate of Missouri's transportation revenues for state fiscal years 2016 through 2020. As shown in Figure 2, estimated revenue decreases from $2.1 billion in state fiscal year 2016 to $1.7 billion in state fiscal year 2020, primarily because of declining federal reimbursements due to the inability to match federal funds. See Table 1, Section 5-13 for a breakdown of revenue.



Expenditures

- Other State Agencies
  - Projections are based on fiscal year 2015 appropriation amounts; the personal service and fringe benefits growth rate assumption is 0 percent in fiscal years 2017, 2018 and 2020; 2 percent in fiscal years 2016 and 2019; and expense and equipment growth rates are 0 percent for fiscal years 2016-2020.
  - In fiscal year 2016, MoDOT estimates $259 million of other state agency expenditures grow to $263 million in fiscal year 2020.
- Debt Service
  - Projections are based on the repayment of outstanding state road bonds.
  - Amounts do not include capital or operating lease payments.
  - In fiscal year 2016, MoDOT estimates $280 million of debt service expenditures grow to $295 million in fiscal year 2020.

- Operating Costs (includes Administration; System Management; Fleet, Facilities and Information Systems; Multimodal; and Construction Program Operating costs)
  - Projections are based on the fiscal year 2015 budget and fiscal year 2016 appropriations request; the personal service and fringe benefits growth rate assumption is 2 percent in fiscal years 2016 and 2019, 0 percent in fiscal years 2017, 2018 and 2020; and expense and equipment growth rates average 0 percent for fiscal years 2019-2020.
  - In fiscal year 2016, MoDOT estimates $721 million of operating expenditures grow to $741 million in fiscal year 2020, an average annual growth rate of 1 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 2016, MoDOT estimates $949 million of construction program disbursements that falls to $507 million in fiscal year 2020. See Table 1, Section 5-13 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 5-12 provides an estimate of Missouri's transportation expenditures for state fiscal years 2016 through 2020. As shown in Figure 3, estimated transportation expenditures (including costs associated with state advance construction projects, see Section 5-20 through 5-21 for further discussion on state advance construction projects), will decline from $2.2 billion in fiscal year 2016 to $1.8 billion in fiscal year 2020. From fiscal years 2016-2020, total expenditures exceed total revenue by $646 million, which is offset by projected cash balances totaling approximately $853 million available at the beginning of fiscal year 2016. The construction expenditures are derived from the cash flow analysis on the 2016-2020 Highway and Bridge Construction Schedule (Section 4). These amounts decline primarily due to the end of many larger projects awarded in previous fiscal years. 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 5-13 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 2016-2020 STIP. An adequate cash flow balance is maintained as determined by projected monthly cash balances in any given year. MoDOT maintains at least a $100 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: MoDOT's Anticipated Highway and Bridge Expenditures for State Fiscal Years 2016-2020*

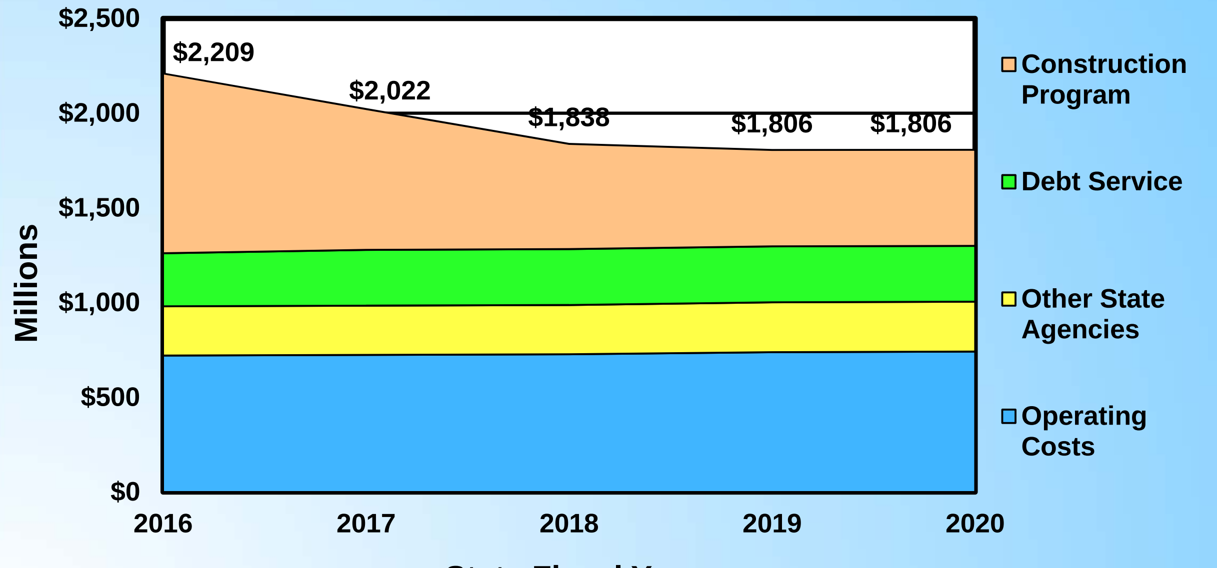


*Figure does not include existing cash balances.
See Table 1 for a breakdown of expenditures by each budget Category

Table 1: MoDOT Construction Cash Flow Projections for Roads and Bridges for Fiscal Years 2016-2020

Dollars in Millions

		Additions to Cash Balance						**Subtractions from Cash Balance**					
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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	Administ-ration	System Manage-ment	Fleet, Facilities and Inform-ation Systems	Total Construction Disburse**	**Ending Cash Balance**
2016	**$853.2**	885.2	$483.9	$276.6	$322.9	$86.1	$259.5	$280.2	$53.3	$465.9	$76.4	$1,074.0	**$698.6**
2017	**$698.6**	$735.5	$481.5	$279.4	$332.6	$75.8	$259.5	$294.7	$54.4	$467.3	$76.5	$869.2	**$581.8**
2018	**$581.8**	$559.5	$479.1	$282.2	$342.6	$65.1	$259.5	$295.6	$55.5	$468.7	$76.6	$682.0	**$472.4**
2019	**$472.4**	$503.2	$476.7	$285.0	$352.8	$59.6	$263.4	$295.4	$57.0	$474.8	$77.1	$638.0	**$344.0**
2020	**$344.0**	$490.5	$474.3	$287.8	$363.4	$53.8	$263.4	$294.6	$58.0	$476.4	$77.2	$636.5	**$207.7**

*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 5-14 (blue line) for further analysis.

Construction Program

The actual dollar amounts for right of way and construction projects awarded in prior fiscal years, the estimated award amount for right of way and construction projects programmed in the STIP along with estimates for the construction budget based on the cash flow analysis of existing construction contracts and future construction contracts, 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, 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 5-13 (blue column).

Table 2: STIP construction awards versus contractor payments

How we budget for STIP projects (dollars in millions)							
	Award	FY16	FY17	FY18	FY19	FY20	Future FY
Prior FY Remaining Balance	$637.62	$529.5	$108.1	-	-	-	-
FY16	$596.4	$178.9	$328.0	$89.5	-	-	-
FY17	$338.7	-	$101.6	$186.3	$50.8	-	-
FY18	$325.0	-	-	$97.5	$178.8	$48.7	-
FY19	$325.0	-	-	-	$97.5	$178.8	$48.7
FY20	$325.0	-	-	-	-	$97.5	$227.5
Contractor Payments:		$708.4	$537.7	$373.3	$327.1	$325.0	
Utility Relocation Payments		$8.5	$5.0	$3.0	$3.0	$3.0	
Right of Way Payments		$15.0	$10.0	$5.0	$5.0	$5.0	
MoDOT and Consultant Engineering		$135.3	$135.8	$136.3	$139.0	$139.6	
Federal Pass Through		$170.6	$150.8	$150.9	$150.8	$150.8	
Payments* (see Section 4)		$36.2	$29.9	$13.5	$13.1	$13.1	
Total Construction Disbursements		$1,074.0	$869.2	$682.0	$638.0	$636.5	

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

Table 3 summarizes the total available funding for the highway and bridge construction program for state fiscal years 2016-2020 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	2016	2017	2018	2019	2020	Total
Available for Awards	$596.4	$338.7	$325.0	$325.0	$325.0	$1,910.1
Available for Right of Way, Utilities, etc.	$23.5	$15.0	$8.0	$8.0	$8.0	$62.5
Available for Payments (see Section 4)	$100.6	$94.4	$77.6	$77.6	$77.6	$427.8
Available for Engineering	$135.3	$135.8	$136.3	$139.0	$139.6	$686.0
Total Available	$855.8	$583.9	$546.9	$549.6	$550.2	$3,086.4

Table 4, Section 5-16 summarizes the programmed levels for state fiscal years 2016-2020. State Fiscal Years 2018, 2019 and 2020 are purposefully under programmed in order to accommodate unforeseen changes.

This STIP does not include adjustments for anticipated award savings, as past STIPs have. While projects awarded since 2007 reflected significant savings when compared to the programmed amounts, that pattern did not continue in State Fiscal Year 2014, when project awards slightly exceeded programmed values. Projects awarded in State Fiscal Year 2015 show a small award savings compared to programmed values.

Table 4, Section 5-16 includes a small adjustment for additional funding from partnering agencies above what is assumed in State Fiscal Year 2016.

Table 4, Section 5-16 also includes a small adjustment for projects delayed from State Fiscal Year 2015 to 2016.

Table 4: Highway and Bridge Construction Program Summary

Dollars in Millions

State Fiscal Year	2016	2017	2018	2019	2020	Total
Total Programmed	**$763.9**	**$439.8**	**$339.7**	**$188.1**	**$174.3**	**$1905.8**
Less Programmed for Engineering	$60.3	$26.9	$15.0	$3.0	$5.3	$110.5
Less Programmed for Right of Way, Utilities, etc.	$22.4	$3.1	$2.4	$6.6	$0.4	$34.9
Less Programmed for Payments	$95.5	$103.3	$88.9	$72.5	$64.9	$425.1
Programmed for Awards	**$585.7**	**$306.5**	**$233.4**	**$106.0**	**$103.7**	**$1,335.3**
Less Reasonably Available Due to Award Savings	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Less Additional Funding From Others	$0.5	$0.0	$0.0	$0.0	$0.0	$0.5
Less Net Amount Delayed from 2015	$5.7	$0.0	$0.0	$0.0	$0.0	$5.7
Awards Anticipated with Funding Projected	**$579.5**	**$306.5**	**$233.4**	**$106.0**	**$103.7**	**$1,329.1**

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. A modification in February of 2011 increased the annual amount set aside for the Cost Share and Economic Development program from $30 million to $35 million plus a variable amount based on debt refunding savings. A modification in March 2012 increased the annual amount set aside for the Cost Share and Economic Development program to $45 million. This funding distribution and its subsequent modifications were developed with extensive public involvement and are 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 for awards, right of way, utilities, payments, and engineering, including federally earmarked funds:

Step 1: Deduct federally sub-allocated funds designated for specific purposes (Varies).

Step 2: Deduct funding for other transportation modes (aviation, railways, transit and waterways) appropriated by the state legislature for the designated purposes (Varies). This funding cannot be used for roads and bridges.

Step 3: Deduct the financing cost for projects accelerated through bond financing (Varies).

Step 4: Deduct funding for specific funding sources (Varies). This includes categories such as Statewide Transportation Enhancement/Alternatives funds, special safety funds, Amendment 3 Funds for use on Element 3 of MoDOT's Smoother, Safer, Sooner Program and federal discretionary (above-formula) earmarks for distribution to the related earmarked projects.

Step 5: Deduct funding for the Economic Development and Cost Share Program (Varies). The Economic Development and Cost Share Program has been suspended for SFY 2016.

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

Step 7: Deduct funding for project savings (Varies). Savings or over-runs are credited or debited to specific districts or programs.

Of the remaining funds available for road and bridge improvements:

Step 1: Allocate up to $460 million per year to Taking Care of the System. Allocate these funds as follows:

- $125 million for Interstates/Major Bridges
- $ 25 million for Safety Projects
  - Distribution based on a 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 2: 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. This category is fully funded in 2016 and has some funding to allocate in 2017 through 2020.

- 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 3: Allocate remaining funds, if any, to Major Projects and Emerging Needs. This category has funding in 2016, but there are no remaining funds to allocate in 2017 through 2020. These funds are distributed to the three Transportation Management Areas and the rural area based on a 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.

Federal Funding

The current transportation bill, "Moving Ahead for Progress in the 21st Century" (MAP-21), was signed into law by President Obama on July 6, 2012. MAP-21 creates a streamlined, performance-based, and multimodal program to address the many challenges facing the U.S. transportation system. These challenges include improving safety, maintaining infrastructure condition, reducing traffic congestion, improving efficiency of the system and freight movement, protecting the environment, and reducing delays in project delivery.

MAP-21 funded surface transportation programs for fiscal years 2013 and 2014. The funding is slightly less than provided in the previous transportation bill, "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU). The funding levels required transfers of $2.4 billion from the Leaking Underground Storage Tank Trust Fund and $18.8 billion from the General Fund to the Highway Trust Fund.

MAP-21 restructures core highway formula programs. Activities carried out under some existing formula programs – the National Highway System Program, the Interstate Maintenance Program, the Highway Bridge Program, and the Appalachian Development Highway System Program – are incorporated into the following new core formula program structure:

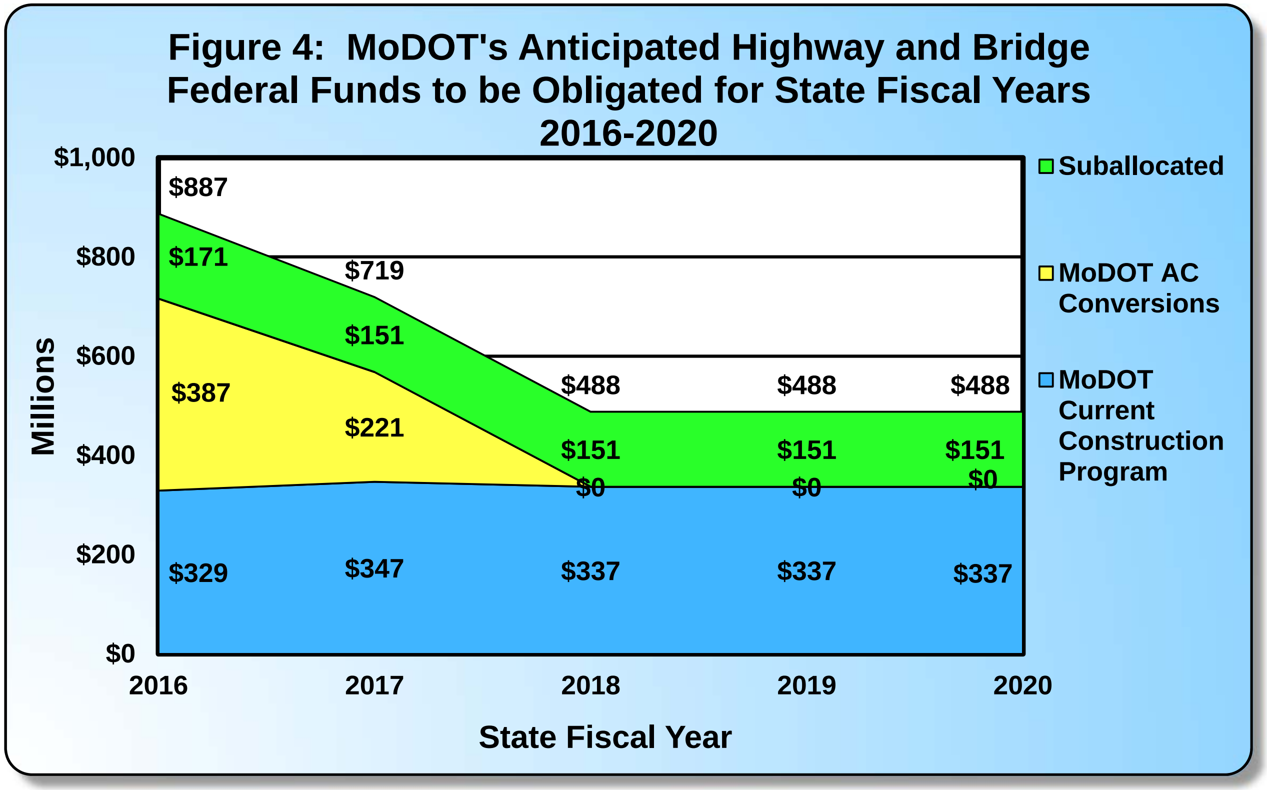
- National Highway Performance Program (NHPP)
- Surface Transportation Program (STP)

- Congestion Mitigation and Air Quality Improvement Program (CMAQ)
- Highway Safety Improvement Program (HSIP)
- Railway-Highway Crossings (set-aside from HSIP)
- Metropolitan Planning

It created two new formula programs:

- Construction of Ferry Boats and Ferry Terminal Facilities – replaces a similarly purposed discretionary program.
- Transportation Alternatives (TA) – a new program, with funding derived from the NHPP, STP, HSIP, CMAQ and Metropolitan Planning programs, encompassing most activities funded under the Transportation Enhancements, Recreational Trails, and Safe Routes to School programs under SAFETEA-LU.

MAP-21 was extended until July 31, 2015. Congressional action is required to continue federal funding beyond MAP-21.



Our forecasted federal revenue is based on our anticipated annual obligation limitation, which is the amount of authorized funding Congress allows states to obligate in any given year. Federal funding for the 2016-2020 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 5-20 through 5-21 for further information on advance construction).

Lastly, any remaining federal funding will be available for the current construction program. See Figure 4, Section 5-19 for federal obligation authority assumptions used for the 2016-2020 STIP. Starting in 2017, Missouri will not be able to match all available federal funds due to insufficient state revenue.

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 finance funding 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 (NHPP) and Surface Transportation System (STP) 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 5-13. 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 5-10.

Table 5, Section 5-21, provides MoDOT's AC forecast, which shows the projected balance at the end of each fiscal year. 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. As displayed in Table 5, MoDOT anticipates the AC balance will be zero by state fiscal year 2017. 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	2016	2017	2018	2019	2020
Beginning AC Balance*	$387	$221	$0	$0	$0
Plus: New AC Projects (incl. Unprogrammed)**	$221	$0	$0	$0	$0
AC Subtotal	$608	$221	$0	$0	$0
Less: AC Conversions (prior STIP projects)	$387	$0	$0	$0	$0
Less: AC Conversions (incl. Unprogrammed)**	$0	$221	$0	$0	$0
Estimated Ending AC Balance	$221	$0	$0	$0	$0

*Estimated Beginning AC Balance

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

Appendix A lists partial AC projects. These projects are shown as AC in Section 4, but part of the projects will be federal, not AC.

Appendix A: 2016 - 2020 STIP Construction Projects That are Partial Advance Construction Projects

District	County	Route	JOB NUMBER	Description	SFY	Letting Date	Federal Amount (x $1,000)
NW	Buchanan	YY	1S3027	Pavement and sidewalk improvements at the intersection with Rte. 169 (Belt Highway) in St. Joseph. $480,000 Statewide Transportation Enhancement funds.	2016	3/16	480
KC	Clay	291	4P3081C	Pavement improvements from south of Old Rte. 33 to Orchard Drive in Liberty. $21,000 Statewide Transportation Enhancement funds.	2016	11/15	21
KC	Jackson	W	4P3081D	Pavement and sidewalk improvements from I-435 to the Kansas State line. $1,349,000 Statewide Transportation Enhancement funds.	2016	1/16	1,349
KC	Jackson	24	4S3052	Pavement and sidewalk improvements from Ewing Avenue to the Rte. 291 outer road in Independence. $430,000 Statewide Transportation Enhancement funds.	2016	11/15	430
CD	Morgan	52	5S3008D	ADA improvements in Morgan, Moniteau and Miller Counties. $229,000 Statewide Transportation Enhancement funds.	2016	1/16	229
SW	Benton	65	7P3040	Pavement and safety improvements on various sections of the southbound lanes from Rte. 52 west junction to Rte. 52 east junction. $127,000 Open Container funds.	2016	11/15	127
SW	St. Clair	52	7P3081	ADA improvements at various locations in Appleton City. $120,000 Statewide Transportation Enhancement funds.	2016	2/16	120
SW	Greene	744	8S3019	Intersection improvements at Rte. 744 (Kearney Street) and Packer Road. $582,977 Cost Share, $728,721 Springfield STP-Urban, $182,180 Springfield.	2016	2/16	728
						Total	3,484