

# ***Financial Summary and Analysis***



*A Technical Report to the  
2035 Flint/Genesee County Long Range Transportation Plan*

Genesee County  
"Shaping our Transportation Future Together"  
2035 Long Range Transportation Plan



Prepared by the Genesee County Metropolitan Planning Commission

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## **FINANCIAL SUMMARY AND ANALYSIS**

In this plan, the identification of future transportation system needs and their solutions are constrained by projected available revenues as required per the Safe, Accountable, Flexible, Efficient, Transportation Equity Act - A Legacy for Users (SAFETEA-LU). Utilizing the methodology approved by Michigan Transportation Planning Association (MTPA) and Michigan Department Of Transportation (MDOT), revenues are forecasted for the 25 year planning horizon and are derived from federal sources, user fees and taxes available to the State of Michigan, county road commissions, cities and villages.

This summary and analysis is intended to provide an increased level of understanding of the sources of revenue, the magnitude and types of improvements that can be implemented with those revenues, as well as meeting the SAFETEA-LU requirements for a fiscally constrained, thus more realistic long range transportation plan.

This section will discuss in progression, transportation financing, the financial forecast methodology, forecasted revenues for the Flint-Genesee County Transportation system along with spending goals. The cost of the projects to meet the transportation needs will be fiscally constrained to the 25-year revenue projections discussed in this plan.

## **TRANSPORTATION FINANCING**

The development and maintenance of the transportation system has been, and is today, primarily financed by user fees. Yet, local finances have become an important contributor in recent years as well. At the state level, user fees include a per gallon tax on gasoline and diesel fuel and a per vehicle registration fee based on vehicle value. The state road gas tax is currently \$0.19 per gallon. Michigan was the first state to adopt the gasoline tax in 1925 and since that time all states have adopted some form of the tax. Gasoline and diesel fuel are also taxed at the federal level at \$0.18.4 per gallon.

The following information details the different sources of transportation funding available to the Flint-Genesee County Transportation Program.

### Federal Funding

At the federal level, SAFETEA-LU provides programs for system improvements. The Interstate and National Highway System programs were developed primarily for improvements to the state trunkline system. The Surface Transportation Program (STP) provides funds for the urban and rural areas of the region and for communities of between 5,000 and 50,000 in population. The STP also includes a Safety Fund and an Enhancement Fund for beautification and non-motorized projects. The Transportation Economic Development Fund (TEDF) Category A and Category C, provide funds for the financing of roadways for area economic development purposes and for the alleviation of congestion on area roadways. The Critical Bridge Program (partially funded with State MTF revenues) is a separate program specifically for bridge repairs and rehabilitation. There is also a program for projects that relieve congestion which is the Congestion Mitigation/Air Quality Program (CMAQ). CMAQ funds however, are

available only to areas that are classified as non-attainment for the National Ambient Air Quality Standards (NAAQS).

Public transit systems are funded through a combination of federal, state, and local subsidies, combined with fare box and other operating revenue. At one time, federal, state, and local/operating revenue each contributed about one third of the annual operating budget of the Mass Transportation Authority. However, over the last decade, the Federal government has reduced transit operating assistance, and it is anticipated that this funding will be eventually eliminated. The current funding strategy calls for passenger user fees to increase to cover 50% of the operating cost. State and local subsidies would cover the other 50%. The federal government is expected to continue to support capital projects.

State and local governments have substantial flexibility in the use of their federal transportation funds, to choose the best mode or combination of modes where their dollars will be invested. Both highway funds and public transit funds may be used for capital projects.

### State Funding

Collection and distribution of gasoline and diesel fuel taxes in Michigan is regulated under State Act 51 of 1951. Michigan's fuel tax is collected at the refinery and deposited into the Michigan Transportation Fund (MTF), as amended. Federal taxes are placed in the Federal Highway Trust Fund with the exception of \$0.025 that is used for deficit reduction and \$0.01 which pays for clean-up of underground storage tanks. Most states, as well as the federal government, earmark all or some portion of the tax for support of highways and mass transit improvements. MTF dollars are distributed to MDOT, county road commissions, cities and villages, and the Comprehensive Transportation Fund (CTF). The CTF was established to fund public transportation requirements. In addition to the funding from the MTF, the CTF receives funding from the State of Michigan general fund.

Most states have vehicle registration fees that are earmarked for highway and mass transit improvements. In Michigan, the registration fees for automobiles and trucks are also deposited in the MTF. There is no passenger vehicle registration fee at the federal level and no local community is permitted to assess a gasoline tax or vehicle registration fee in the State.

### Local Funding

County and City MTF allocations have generally accounted for 50 to 60 percent of transportation revenues. Cities and villages may provide additional funding for transportation improvements. Typical sources at this level include a community's general fund, millages, general obligation bonds, contributions from county governments and other communities, tax increment financing, and special assessment districts. Some communities also accumulate interest on MTF revenue after it has been distributed to them.

County road commissions supplement their budgets through contributions from townships. Some enter into maintenance agreements with MDOT for work on state trunklines within the county. The private sector as of late has become involved as a source of financing as well. This usually involves developers paying for the construction of access drives or roadways leading to their development. The accounting of such expenditures is difficult as they are most likely included in the overall cost of the development.

## FINANCIAL FORECAST METHODOLOGY

To determine the amount of revenue for the Flint-Genesee County area through FY 2035, the following methodology (Table 1) was developed and approved by the MTPA and MDOT.

Federal Funds	
Baseline	2009
No Growth	2010 - 2011
3.2% Increase	2012 - 2013
4.89% Increase	2014 - 2035
Non-Federal Funds	
Baseline	2009
1% Growth	2010 - 2011
2% Growth	2012 - 2013
4.04% Growth	2014 - 2035

Table 1

The methodology is based on the state of the current economy therefore utilizing interim growth rates. The revenue estimates were based on fiscal year 2009 funding levels and were not changed through fiscal year 2011. In this manner, current funding levels available for projects can be used as a benchmark for comparison with future projects and program costs. Adjustments to the benchmark based on additional assumptions, policy choices, and/or information specific to individual urbanized areas may then be made and carefully outlined in the plan. In anticipation of an upturn in the economy, future revenue was increased by 3.2% in fiscal years 2012 and 2013. By 2014 and beyond, it is predicted that the economy will have rebounded and revenue increases were calculated at 4.89% which is consistent with the current Michigan Long Range Transportation Plan.

The Non-Federal revenues (MTF, Local) are estimated at the 20% match required for all federally funded projects. Future MTF revenues were also calculated at interim growth rates. Fiscal years 2010 and 2011 were estimated at 1% growth, FY 2012 and 2013

were estimated at 2% growth and 2014 and beyond were estimated at 4.04%, which is consistent with the current Michigan Transportation Plan.

The local category does take into account local governments which at the present time allocate funding through millages or municipal bonds for transportation improvements. These funds are projected for the twenty year life of the plan based on present levels of availability. Both the operating expenses and maintenance spending incorporated in the plan support the current funding levels provided to the Flint-Genesee County Transportation Study. The revenue projected for transit capital and operating expenses are based on the same percentages of increases as the above mentioned federal funding levels.

## **2035 FINANCIAL FORECAST**

The financial forecast is an important tool in developing the Long Range Transportation Plan. By forecasting the amount of expected revenue for the Flint-Genesee County, MDOT and local road and transit agencies can reasonably plan to address the needs of the transportation infrastructure. The following table estimates, per the methodology described above, the amount of revenue available for projects for the next 25 years.

### **Projected Federal & State Revenues for 2010 - 2035**

Federal Transportation Funds for Local Roads	\$498,995,299
Federal/State/Local Transit Funds	\$1,867,603,763
State Transportation Funds for Local Road Maintenance	\$1,511,969,955
Federal/State Funds for State Trunkline Projects	<u>\$1,783,074,122</u>
Total Projected Revenue for Flint-Genesee County	\$5,661,643,139

### **Detail of the Projected Revenue**

#### 1. Federal Transportation Funds for Local Roads:

##### Local: Surface Transportation Program (Urban STP, Rural STP)

Federal Urban STP and Rural STP funds can be used for a wide variety of transportation projects in the Flint-Genesee County area. Based on projected revenues, it has been estimated that revenues averaging \$13,200,241 per year will be expended for this category over the life of the plan.

##### Local: Minimum Guarantee

Federal and State Transportation Economic Development Fund (TEDF) monies are included in the targets. These are based on 2009 funding levels.

##### Local: Other Allocations (enhancement, local safety, rail crossing)

Enhancement funding can be utilized to enhance a transportation project such as landscaping or beautification efforts. Safety funding is used to make roadway improvements to enhance safety. For Federal Aid categories that are more competitive

and have no targets or allocations, it is assumed that annualized over the twenty-five year period the Flint-Genesee County Transportation Study will receive funds. Due to the difficulty in determining what this amount will be, the Flint-Genesee County Transportation Study estimated future projections based on current funding levels.

#### Local: Congestion Mitigation/Air Quality

CMAQ funds are provided to reduce traffic congestion and/or improve air quality including traffic signal interconnections, construction of bike/walking trails, and carpool programs. Based on projected revenues, it is estimated that \$7,505,913 will be available for CMAQ projects annually.

#### Category A:

The TEDF Category A program provides funds to improve highway services essential for economic development, improve accessibility to industries for economic growth, support initiatives to retain jobs, and encourage economic development that improves the health, safety, and welfare of Michigan citizens. These are competitive funds therefore a projection has not been calculated.

#### Category C:

Category C program provides funding for transportation projects which improve the operational level of service in heavily congested urban areas, reduce the accident rate on heavily congested urban roadways, and improve the surface and base condition of heavily congested urban roadway. Based on projected revenues, it is estimated that \$2,117,066 will be available annually.

### 2. Federal/State/Local Transit Funding

#### Federal Transit (Section 5307 Capital)

Based on projected revenues, it has been estimated that revenues averaging \$11,233,940 per year would be made available for this category over the life of the plan.

#### Federal Transit (5309 Operating)

Based on projected revenues, it has been estimated that revenues averaging \$5,728,943 per year would be made available for this category over the life of the plan.

### 3. State Transportation Funds for Maintenance of Local Roads - Michigan Transportation Fund (MTF)

#### Michigan Transportation Funds

Based on projected revenues for MTF funds in Genesee County, MDOT has estimated that revenues averaging \$16,836,984 per year would be made available for this category over the life of the plan.

#### Highway Operations and Maintenance (MTF)

Based on projected revenues for operation and maintenance of State trunkline facilities in Genesee County MDOT has estimated that revenues averaging nearly \$7,413,829 per year would be made available for this category over the life of the plan.

#### 4. Locally Raised Funds for Construction of Local Roads

##### Michigan Transportation Fund (MTF- Act 51) Local Operations and Maintenance

The total Act 51 revenue received by the eligible local agencies used for highway operating and maintenance is estimated to approximate \$60,478,798 per year.

#### 5. Federal Transportation Funds for State Roads

##### MDOT: Federal Funds for State Trunklines

Based on projected revenues, MDOT has estimated that revenues averaging \$67,347,939 per year would be made available for this category over the life of the plan.

##### MDOT: Other Allocations (enhancement, local safety, rail crossing)

For Federal Aid categories that are more competitive and have no targets or allocations, it is assumed that annualized over the twenty-five year period the Genesee County will receive funds. Due to the difficulty in determining what this amount will be, the MDOT estimated future projections based on current funding levels.

##### MDOT: Federal Surface Transportation Program (STP)

Based on projected revenues, MDOT has estimated that revenues averaging \$13,300,912 per year would be made available for this category over the life of the plan.

##### MDOT: Minimum Guarantee

Federal and State Transportation Economic Development Fund (TEDF) monies are included in the targets.

## **2035 CATEGORY SPENDING GOALS**

Since the development of the previous LRTP, there have been a number of plans and studies completed in Genesee County surrounding transportation planning. With the development of new plans and policies, the category spending policies should also be updated. The new category spending goals propose slightly different target levels of spending in the Congestion Relief, System Preservation, Safety, Transit, Critical Bridge, Non-Motorized Travel and Traffic Study Areas. The goals propose greater investment in the highest use facilities and in non-highway modes that have historically received a disproportionately low percentage of the transportation funding. The policy represents investment from a county-wide, system-oriented approach. Investment does not target specific projects, but rather emphasizes areas where dollars should be invested to achieve system-wide improvement goals. Tables 2 & 3 represent the proposed goals for all transportation funds in Genesee County, as well as the proposed goals for the subset of local funds administered by the GCMA.

2035 Spending Policy (All Funds)	
Program Type	25 Year Goal
Congestion Relief	10.00%
Preservation	55.00%
Safety	5.00%
Transit	17.00%
Bridge Repair	7.00%
Non-Motorized	5.00%
Studies	1.00%
<b>Total</b>	<b>100.0%</b>

Table 2

2035 Spending Policy (GCMA Administered Funds)	
Program Type	25 Year Goal
Congestion Relief	12.00%
Preservation	77.00%
Safety	1.00%
Transit	4.00%
Bridge Repair	0.00%
Non-Motorized	5.00%
Studies	1.00%

Table 3

These spending goals have been developed in conjunction with an evaluation of the spending trends experienced over the last five years in Genesee County.

The implementation of these spending policies will support a stronger transportation system in Genesee County by utilizing more funding to preserve our deteriorating roadways, spending more to alleviate congestion at the local, intersection level, and offer alternate transportation options by supporting non-motorized travel.

The Technical Advisory Committee (TAC) realizes that there are limitations to the suggested percentages given the federal and state mandated restrictions on how some of the funds may be spent. This policy will require the creativity and determination of the TAC to produce funding and project recommendations which make the targets attainable. The TAC endorses these percentages as targets for future spending within Genesee County.

The improvement program included in the plan is the package of projects chosen for funding within the projected revenue limits and from local input on deficiencies. In Genesee County, there are currently 492.94 lane miles of deficiencies. This plan will

address 70.18 lane miles by implementation of the capacity projects. Due to the lack of funding to address the needs in this area, this still leaves a deficiency of 422.76 lane miles of congested roadways. See the Congestion Management Process and Long Range Transportation Projects Technical Report for a list of projects and deficiencies.

## FISCAL CONSTRAINT SUMMARY

Total revenue and expenditures for the time-period of the Plan are shown in Table 4. The total proposed program of the FY 2035 Plan is well within the total anticipated revenues expected to be available for capital projects over the Plan period. Therefore, GCMPC's Long Range 2035 Transportation Plan is fiscally constrained in the context of the Federal regulations through the twenty-five year life of the plan.

Projected Capital Revenues	Total
Federal Highway Funds for Local Roads	\$498,995,299
Federal Highway Funds for State Trunklines	\$1,683,698,475
Federal Transit Funds (operating and capital - O & C)	\$461,805,405
Michigan Transportation Fund Revenues for State Trunklines	\$606,270,347
Comprehensive Transportation Fund for Transit Projects (O & C)	\$115,451,351
MTF(Act 51) for Local Roads	\$1,511,969,955
Locally Raised Funds for Transit (O & C)	\$360,324,900
<b>TOTAL</b>	<b>\$5,238,515,734</b>
Planned Capital Expenditures	Total
Local Road Projects	\$900,487,391
Transit Projects	\$111,299,948
State Trunkline Projects	\$853,514,944
Projects Yet to be Determined from \$5.3 Billion Unmet Needs	\$3,373,213,451
<b>TOTAL</b>	<b>\$5,238,515,734</b>

Table 4

Although the list of projects in this plan is constrained within the \$5.2 Billion of revenue coming into this area, Genesee County is experiencing a large shortage of funding to address its needs. As illustrated in technical reports in this plan, Genesee County has a shortfall of \$872 Million to address local pavement condition issues, \$3.2 Billion shortfall to address capacity issues, and \$1.1 Billion shortfall to address bridge projects that contribute to a projected \$5.3 Billion dollar shortfall over the life of the plan. The lack of available funds leaves Genesee County in a state of disrepair.