CHAPTER SEVEN:
FINANCING

7.1 Federal Funding Sources

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.

MAP-21, the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141), was signed into law by President Obama on July 6, 2012. Funding surface transportation programs at over $105 billion for fiscal years (FY) 2013 and 2014, MAP-21 is the first long-term highway authorization enacted since 2005.

MAP-21 is a milestone for the U.S. economy and the Nation's surface transportation program. By transforming the policy and programmatic framework for investments to guide the system's growth and development, MAP-21 creates a streamlined and performance-based surface transportation program and builds on many of the highway, transit, bike, and pedestrian programs and policies established in 1991.

Approximately 40 percent of Missouri's transportation revenue comes from the federal government. Since 1992, Missouri's federal funding growth has averaged 9 percent each year. SAFETEA-LU continued this strong growth; however, the anticipated federal revenues are not sufficient to support these funding levels. A significant drop in federal funds will cause a dramatic drop in Missouri's highway and bridge construction and maintenance.

According to the American Association of State Highway and Transportation Officials, an amount equivalent to three cents per gallon increase in federal fuel taxes must be identified to sustain federal programs at the level guaranteed by SAFETEA-LU. Between 2010 and 2015, it would take the equivalent of an additional 7-cent per gallon increase in federal fuel taxes to restore the program's purchasing power to 1998 levels. Unless Congress takes action to increase revenues to the Highway Trust Fund, Missouri's federal transportation revenues will decrease dramatically.

The stability and predictability of future transportation revenues are subject to a host of variables. However, using historical trends and various economic indicators, Figure 1 provides an estimate of Missouri's transportation revenues for state fiscal years 2007 through 2013. MoDOT is assuming federal funds are continued at SAFETEA-LU levels after the expiration of the funding bill at the end of the year. Estimated revenue decreases from $2.8 billion in 2007 to $2.1 billion in 2013, due to the end of the Amendment 3 bonding program.

Federal Lands Highway Program

The Federal Lands Highway Program, as an adjunct to the Federal-Aid Highway Program, covers highway programs in cooperation with federal-land managing agencies. It provides transportation-engineering services for planning, design, construction and rehabilitation of the highways and bridges providing access to federally owned lands. The Federal Lands Highway organization also provides training, technology, deployment, engineering services and products to other customers. The Federal Highway Administration administers the Federal Lands Highway Program, including survey, design and construction of forest highway system roads, parkways and park roads, Indian reservation roads, defense access roads and other federal-lands roads. The Federal Highway Administration, through cooperative agreements with federal-land managing agencies such as the National Park Service, Forest Service, Military Traffic Management Command, Fish and Wildlife Service and the Bureau of Indian Affairs, administers a coordinated federal-lands program consisting of forest highways, public-lands highways, park roads and parkways, refuge roads and Indian reservation roads. This program provides support for approximately 30,000 miles of public roads serving Federal and Indian lands to support the economic vitality of adjacent communities and regions. The agency's Federal Lands Highway Office provides program coordination, administration, and design and construction engineering assistance and directs the conduct of transportation planning and engineering studies.

FAA Airport and Airway Trust Fund (AATF)

The Airport and Airway Trust Fund (AATF), created by the Airport and Airway Revenue Act of 1970, provides funding for the federal commitment to the nation's aviation system through several aviation-related excise taxes. Funding currently comes from collections related to passenger tickets, passenger flight segments, international arrivals/ departures, cargo waybills, aviation fuels and frequent flyer mile awards from non-airline sources like credit cards.

7.2 State Funding Sources

A six-cent gasoline sales tax passed by the legislature during the 1992 session has provided additional state and federal dollars for highways and bridges in Missouri. With passage of the Transportation Equity Act for the 21st Century (TEA 21) in 1998, Missouri's share of the federal Highway Trust Fund increased by 52.9 percent, providing the state with a very significant increase in available funds for highway construction and maintenance. The total tax on a gallon of gasoline in Missouri is 36 cents, including 18.4 cents in federal tax and 17.6 cents in state tax. The total tax on a gallon of diesel fuel in Missouri is 42 cents, including federal tax of 24.4 and state tax of 17.6 cents. Missouri's construction/maintenance budget in 2009 was $1.9 billion.

Missouri's transportation needs are substantial, and the costs of the needs are enormous. Yet, the sources that have traditionally provided transportation funding in Missouri and in the nation are not adequate. They do not keep pace with the rising cost of construction and maintenance, and they provide little for alternative modes of transportation. Another complicating factor is that Missouri's transportation revenues are small in comparison to many other states. Missouri's revenue per mile of state highway is one of the lowest in the region and in the country. Missouri ranks 42nd nationally in revenue per mile on the state highway system and 43rd when comparing state transportation revenues to the average daily miles driven. Missouri receives both state and federal transportation funds. Much of the funding comes with strings attached, limiting the activities for which it can be used. For example, the state motor fuel tax can only be spent on highways and bridges. It is not available for alternative modes of transportation. Federal funds may be earmarked for specific projects or limited to specific types of construction such as interstate maintenance. Some federal and state funds are allocated to specific modes of transportation such as transit or passenger rail.

Highway and Bridge Revenue Sources

State Motor fuel tax

The workhorse of Missouri's 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, the motor fuel tax is not indexed to keep pace with inflation, and there has been no rate increase since 1996. History shows that even when fuel prices rise dramatically, Missourians are generally unwilling or unable to turn to other modes of transportation, continuing to drive their personal vehicles and to purchase fuel to do so. Trends show motor fuel tax revenues increase about one percent annually. However, if fuel prices rise and stay at higher rates, more Missourians may turn to more fuel-efficient vehicles, make fewer trips or seek other transportation options they had previously avoided. While good for the environment, these actions erode motor fuel tax revenues.

Motor vehicle sales and use taxes

Motor vehicle sales and use taxes provide approximately 24 percent of state transportation revenues. This is the one source of state revenue that has recently provided substantial additional resources for transportation. In November 2004, Missouri voters passed Amendment 3. This 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 accordance with this constitutional change, MoDOT began selling bonds to fund road improvements. MoDOT estimated the bonding capacity provided by the new revenues at $1.7 to $1.9 billion.

Similar to home mortgages used to buy or build a house, bond proceeds provide funds immediately to make necessary road and bridge improvements. The principal and interest is then paid back over the life of the asset, which in MoDOT's case is the road and bridge improvement. Some bond proceeds have already been used to fund the Smooth Roads Initiative, which brought 2,200 miles of Missouri's busiest highways up to good condition. Proceeds were also used to accelerate a number of major projects originally planned to start in the later years of the current five-year construction program called the Statewide Transportation Improvement Program (STIP) and allowed other major projects for which no funding was available to be added to the STIP.

It is important to note that only the new Amendment 3 revenues are used to pay principal and interest on Amendment 3 debt. Now that the Amendment 3 bond proceeds are spent, the new Amendment 3 revenues will be committed to repayment of principal and interest through state fiscal year 2026. When the process of redirecting motor vehicle sales taxes to transportation is fully phased in, the rate of growth in this revenue source slows dramatically. Annual growth is projected at 2.5 percent, which, like the rate of increase in motor fuel taxes, is less than the rate of increase in construction and maintenance costs. A complicating factor is that as consumers look for ways to decrease personal transportation costs, one option is turning to smaller, more fuel-efficient vehicles. Since these vehicles cost less, motor vehicle sales and use taxes are lower, resulting in less transportation revenues.

Motor vehicle and driver's licensing fees

Motor vehicle and driver's licensing fees also provide approximately 25 percent of Missouri's 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 increases at a rate of about 2.5 percent annually. It is important to remember that cities and counties receive a substantial portion of these state transportation revenues. For example, cities and counties receive approximately five cents of the state's 17-cent per gallon fuel tax. They also receive approximately 15 percent of the remaining state transportation revenues discussed earlier. These funds go directly to cities and counties to fund local transportation.

<u>Interest earned on invested funds and other miscellaneous collections</u>

The remaining five percent of state transportation revenues 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. 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.

Funding for Alternative Modes of Transportation

Transportation funding for alternative modes has historically been less than five percent of all MoDOT transportation revenue (approximately $60 million annually). Funding for alternate modes of transportation comes from a variety of sources including motor vehicle sales taxes, aviation fuel and sales taxes, railroad regulation fees, state general revenue funds and federal grants. Estimated revenues dedicated to alternative modes of transportation for state fiscal years 2007-2013 are expected to remain relatively constant.

Much of the funding for alternative modes comes with strings attached, limiting the activities for which it can be used. For example, aviation fuel taxes, which include excise and sales taxes, must be spent on aviation projects. Revenues from railroad regulation fees and a 25-cent fee that is paid upon registration or renewal of motor vehicles must be spent on rail projects. However, funding from motor vehicle sales taxes and general revenue has flexibility to be spent on various modes.

Missouri plans to invest almost 50 percent of these funds in transit, approximately 30 percent in aviation, approximately 15 percent in rail and the remaining 5 percent in waterways. These funds are used to support operating, maintenance, capital and planning activities for Missouri's transit and rail providers, airports and port authorities. With the transportation bill, funding is typically set aside for local enhancement and safe routes to school projects, including sidewalks, bike and pedestrian paths.

7.3 Funding Tools for the Local or Regional Level

Funding for local county and municipal roadway maintenance and construction comes primarily from the state-distributed motor fuel tax, individual city and county capital improvement sales taxes and transportation sales taxes. Additional potential revenue options are available for local or regional transportation projects.

Economic Development Administration - Public Works and Economic Development Program

Through the Public Works and Economic Development Act of 1965, the United States Department of Commerce, through its EDA branch, offers project grants to enhance regional competitiveness and promote long-term economic development in regions experiencing substantial economic distress. EDA provides Public Works investments to help distressed communities and regions revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies and generate or retain long-term private sector jobs and investment. Current priorities include proposals that help support existing industry clusters, develop emerging new clusters or attract new economic drivers.

Project grants may be used for investments in facilities such as water and sewer systems, industrial access roads, industrial and business parks, port facilities, railroad sidings, distance learning facilities, skill-training facilities, business incubator facilities, redevelopment of brownfields, eco-industrial facilities and telecommunications infrastructure improvements needed for business retention and expansion. Eligible activities include the acquisition or development of public land and improvements for use for a public works, public service or development facility, and acquisition, design and engineering, construction, rehabilitation, alteration, expansion, or improvement of publicly-owned and operated development facilities, including related machinery and equipment. A project must be located in a region that, on the date EDA receives an application for investment assistance, satisfies one or more of the economic distress criteria set forth in 13 C.F.R. 301.3(a). In addition the project must fulfill a pressing need of the region and must: 1) improve the opportunities for the successful establishment or expansion of industrial or commercial plants or facilities in the region; 2) assist in the creation of additional long-term employment opportunities in the region; or 3) primarily benefit the long-term unemployed and members of low-income families. In addition, all proposed investments must be consistent with the currently approved Comprehensive Economic Development Strategy (CEDS) for the region in which the project will be located, and the applicant must have the required local share of funds committed, available and unencumbered. Also, the project must be capable of being started and completed in a timely manner.

USDA Rural Development

Community Programs, a division of the Housing and Community Facilities Programs, is part of the United States Department of Agriculture's Rural Development mission area. Community Programs administers programs designed to develop essential community facilities for public use in rural areas. These facilities include schools, libraries, childcare, hospitals, medical clinics, assisted living facilities, fire and rescue stations, police stations, community centers, public buildings and transportation. Through its Community Programs, the Department of Agriculture is striving to ensure that such facilities are readily available to all rural communities. Community Programs utilizes three flexible financial tools to achieve this goal: the Community Facilities Guaranteed Loan Program, the Community Facilities Direct Loan Program, and the Community Facilities Grant Program.

Community Programs can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 20,000 in population. Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and tribal governments. Applicants must have the legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate and maintain the facilities. They must also be financially sound and able to organize and manage the facility effectively. Repayment of the loan must be based on tax assessments, revenues, fees, or other sources of money sufficient for operation and maintenance, reserves and debt retirement. Feasibility studies are normally required when loans are for start-up facilities or existing facilities when the project will significantly change the borrower's financial operations. The feasibility study should be prepared by an independent consultant with recognized expertise in the type of facility being financed.

Community Programs can guarantee loans made and serviced by lenders such as banks, savings and loans, mortgage companies which are part of bank holding companies, banks of the Farm Credit System or insurance companies regulated by the National Association of Insurance Commissioners. Community Programs may guarantee up to 90% of any loss of interest or principal on the loan. Community Programs can also make direct loans to applicants who are unable to obtain commercial credit. Loan funds may be used to construct, enlarge, or improve community facilities for health care, public safety and public services. This can include costs to acquire land needed for a facility, pay necessary professional fees and purchase equipment required for its operation. Refinancing existing debts may be considered an eligible direct or guaranteed loan purpose if the debt being refinanced is a secondary part of the loan, is associated with the project facility and if the applicant's creditors are unwilling to extend or modify terms in order for the new loan to be feasible.

Additionally, Community Programs also provides grants to assist in the development of essential community facilities in rural areas and towns of up to 20,000 in population. Grants are authorized on a graduated scale. Applicants located in small communities with low populations and low incomes will receive a higher percentage of grants. Grants are available to public entities such as municipalities, counties, and special-purpose districts, as well as non-profit corporations and tribal governments. In addition, applicants must have the legal authority necessary for construction, operation, and maintenance of the proposed facility and also be unable to obtain needed funds from commercial sources at reasonable rates and terms.

Grant funds may be used to assist in the development of essential community facilities. Grant funds can be used to construct, enlarge, or improve community facilities for health care, public safety and community and public services. This can include the purchase of equipment required for a facility's operation. A grant may be made in combination with other Community Facilities financial assistance such as a direct or guaranteed loan, applicant contributions or loans and grants from other sources. The Community Facilities Grant Program is typically used to fund projects under special initiatives, such as Native American community development efforts, child care centers linked with the Federal government's Welfare-to-Work initiative, Federally-designated Enterprise and Champion Communities and the Northwest Economic Adjustment Initiative area.

Delta Regional Authority - Delta Development Highway System

The Delta Regional Authority (DRA) was established by Congress in 2000 to enhance economic development and improve the quality of life for residents of this region. The DRA encompasses 252 counties and parishes in Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri and Tennessee.

As a key part of its effort to improve the lives of Delta residents, the DRA operates a grant program in the eight states it serves. The DRA works closely with local development districts, which provide technical assistance to grant applicants. Once grant applications are submitted each year, the federal co-chairman determines which applications are eligible for funding and which are ineligible. There is an appeals process for those applicants whose submissions are deemed ineligible. From the list of eligible applicants, the governors of the eight states then make recommendations to the full board. The board decides which projects are funded based on the funds available.

Congress has mandated that transportation and basic public infrastructure projects must receive at least 50 percent of appropriated funds. The authority may provide matching funds for other state and federal programs.

During a planning retreat in February 2005, the Delta Regional Authority board voted to make transportation one of the authority's three major policy development areas. The Delta Development Highway System (DDHS) plan was developed following input from transportation executives and local organizations in the eight states covered by the DRA. Public meetings were held throughout the region in the fall of 2006. The plan was presented to the president and Congress.

The Delta Development Highway System consists of 3,843 miles of roads throughout the region. The estimated cost to complete the planned improvement projects for these roads is $18.5 billion. Of the roads in the plan, 27 percent provide four or more travel lanes already and the remainder is two-lane roads.

There are 29 counties in Missouri that are a part of the DRA region. The counties are in the southeast part of the state, they are: Bollinger, Butler, Cape Girardeau, Carter, Crawford, Dent, Douglas, Dunklin, Howell, Iron, Madison, Mississippi, New Madrid, Ozark, Pemiscot, Perry, Phelps, Oregon, Reynolds, Ripley, Scott, Shannon, St. Francois, Ste. Genevieve, Stoddard, Texas, Washington, Wayne and Wright. There are a total of 566 DDHS miles identified in Missouri, which constitutes 14.7 percent of the total DDHS miles, of which 346 miles are 2-lane facilities. The Missouri DDHS improvements consist of widening and upgrading portions of US 60, US 63, US 67, US 412 and MO 8.

Community Development Block Grants

The Community Development Block Grant Program (CDBG) offers grants to small Missouri communities to improve local facilities, address critical health and safety concerns and develop a greater capacity for growth. The program offers funds for projects that can range from housing and street repairs to industrial loans and job training. State CDBG funds are only available to non-entitlement areas (incorporated municipalities under 50,000 and counties under 200,000 in population). Other communities receive funds directly through the Entitlement Communities Grants program.

The entitlement program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low-income and moderate-income persons. HUD awards grants to entitlement community grantees to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development and providing improved community facilities and services. Entitlement communities develop their own programs and funding priorities. However, grantees must give maximum feasible priority to activities which benefit low- and moderate-income persons. A grantee may also carry out activities which aid in the prevention or elimination of slums or blight. Additionally, grantees may fund activities when the grantee certifies that the activities meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. CDBG funds may not be used for activities which do not meet these broad national objectives.

Sales Tax

The 4.225 percent state sales/use tax rate in Missouri is lower than the rates in 35 other states. Missouri communities have the option of adopting a local sales tax, generally ranging from one-half to one percent. Counties may also adopt a sales tax generally ranging from one-fourth to one percent that can be used for transportation.

Use Tax

Use tax is similar to sales tax, but is imposed when tangible personal property comes into the state and is stored, used or consumed in Missouri. Communities have the option of adopting a local use tax equal to the local sales tax for that community to use for transportation expense.

Local Option Economic Development Sales Tax

The Local Option Economic Development Sales Tax, approved by the Missouri General Assembly in 2005, allows citizens to authorize a supplemental sales tax dedicated exclusively for certain economic development initiatives in their home municipality. The state statute section governing this program is found at 67.1305 RSMo. The voter-approved tax of not more than one half per cent is charged on all retail sales made in the municipality that are subject to sales taxes under Ch.144 RSMo. Missouri statutes define “municipality” as an incorporated city, town, village or county. Revenues generated by the tax may not be used for retail developments unless such retail projects are limited exclusively to the redevelopment of downtown areas and historic districts. A portion of the revenues may be used for project administration, staff and facilities, and at least twenty per cent of the funds raised must be used for projects directly related to long-term economic preparation, such as land acquisition, installation of infrastructure for industrial or business parks, water and wastewater treatment capacity, street extensions and for matching state or federal grants related to such long-term projects. Any remaining funds may also be used for marketing, training for advanced technology jobs, grants and loans to companies for employee training, equipment and infrastructure and other specified uses.

Missouri Downtown and Rural Economic Stimulus Act

The Missouri Downtown and Rural Economic Stimulus Act (MODESA) became a law in 2003. MODESA authorizes public financing for qualifying development projects in the “downtowns” of this state’s cities and towns. The mechanism is similar to the one used in State Tax Increment Financing. A portion of the new state and local taxes created by a project can be diverted to fund eligible public infrastructure and related costs for a period of up to 25 years.

Neighborhood Improvement District

A Neighborhood Improvement District (NID) may be created in an area desiring certain public-use improvements that are paid for by special tax assessments to property owners in the area in which the improvements are made. The kinds of projects that can be financed through an NID must be for facilities used by the public, and must confer a benefit on property within the NID. An NID is created by election or petition of voters and/or property owners within the boundaries of the proposed district. Election or petition is authorized by a resolution of the governing body of the municipality in which the proposed NID is located. Language contained in the petition narrative or ballot question must include certain information including, but not limited to a full disclosure of the scope of the project, its cost, repayment and assessment parameters to affected property owners within the NID.

Community Improvement District

A Community Improvement District (CID) may be either a political subdivision or a not-for-profit corporation. CID's are organized for the purpose of financing a wide range of public-use facilities and establishing and managing policies and public services relative to the needs of the district. By request petition, signed by property owners owning at least 50% of the assessed value of the real property, and more than 50% per capita of all owners of real property within the proposed CID, presented for authorizing ordnance to the governing body of the local municipality in which the proposed CID would be located. Unlike a Neighborhood Improvement District, a CID is a separate legal entity, and is distinct and apart from the municipality that creates the district. A CID is, however, created by ordinance of the governing body of the municipality in which the CID is located, and may have other direct organizational or operational ties to the local government, depending upon the charter of the CID.

Tax Increment Financing

Local Tax Increment Financing (Local TIF) permits the use of a portion of local property and sales taxes to assist funding the redevelopment of certain designated areas within your community. Areas eligible for Local TIF must contain property classified as a "Blighted", "Conservation" or an "Economic Development" area, or any combination thereof, as defined by Missouri Statutes.

The idea behind Local TIF is the assumption that property and/or local sales taxes (depending upon the type of redevelopment project) will increase in the designated area after redevelopment, and a portion of the increase of these taxes collected in the future (up to 23 years) may be allocated by the municipality to help pay the certain project costs, partially listed above.

Transportation Development Districts

Transportation Development Districts (TDDs) are organized under the Missouri Transportation Development District Act, Sections 238.200 to 238.275 of the Missouri State Statutes. The district may be created to fund, promote, plan, design, construct, improve, maintain and operate one or more projects or to assist in such activity.

Transportation Development Corporations

Transportation Development Corporations (TDCs) are organized under the Missouri Transportation Corporation Act, Sections 238.300 to 238.367 of the Missouri State Statutes. TDCs act in promoting and developing public transportation facilities and systems and in promoting economic development.

Demands for transportation improvements have greatly outpaced the funds available to meet them. In response to this demand, the Missouri Department of Transportation has established various mechanisms for successful public/public and public/private partnerships. These expand financing options for transportation projects that serve a public purpose, including: highway and rail projects, transit equipment, air and water transportation facilities and elderly/handicapped vehicles. The benefits to a project assisted by these partnerships may include: inflation cost savings, early economic and public benefits, financing tailored to the project's needs and a reduced cost of project financing.

Partnership Debt-Financing Programs

These programs make loans to a project that has to be repaid.

Missouri Transportation Finance Corporation (MTFC) - a non-profit lending corporation established to assist local transportation projects, and to administer the Statewide Transportation Assistance Revolving Fund (STAR Fund)

State Transportation Assistance Revolving Fund (STAR Fund) - a fund created by the Missouri General Assembly to assist in the planning, acquisition, development and construction of non-highway transportation facilities.

Federal Aviation Administration - Airport Improvement Program

The Airport Improvement Program (AIP) provides grants to public agencies - and, in some cases, to private owners and entities - for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems (NPIAS). For large and medium primary hub airports, the grant covers 75 percent of eligible costs (or 80 percent for noise program implementation). For small primary, reliever, and general aviation airports, the grant covers 95 percent of eligible costs. AIP grants for planning, development or noise compatibility projects are at or associated with individual public-use airports (including heliports and seaplane bases). A public-use airport is an airport open to the public that also meets the following criteria:

1. Publicly owned, or
2. Privately owned but designated by the FAA as a reliever, or
3. Privately owned but having scheduled service and at least 2,500 annual enplanements.

Further, to be eligible for a grant, an airport must be included in the NPIAS. The NPIAS, which is prepared and published every 2 years, identifies public-use airports that are important to public transportation and contribute to the needs of civil aviation, national defense, and the postal service. The description of eligible grant activities is described in the authorizing legislation and relates to capital items serving to develop and improve the airport in areas of safety, capacity and noise compatibility. In addition to these basic principles, a grantee must be legally, financially and otherwise able to carry out the assurances and obligations contained in the project application and grant agreement.

Eligible projects include those improvements related to enhancing airport safety, capacity, security and environmental concerns. In general, sponsors can use AIP funds on most airfield capital improvements or repairs except those for terminals, hangars, and non-aviation development. Any professional services that are necessary for eligible projects - such as planning, surveying and design - are eligible as is runway, taxiway and apron pavement maintenance. Aviation demand at the airport must justify the projects, which must also meet Federal environmental and procurement requirements. Projects related to airport operations and revenue-generating improvements are typically not eligible for funding. Operational costs - such as salaries, maintenance services, equipment and supplies - are also not eligible for AIP grants.

Recreational Trails Program - Department of Natural Resources

The Recreational Trails Program was authorized in the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The Recreational Trails Program is a federal-aid assistance program that helps states provide and maintain recreational trails for both motorized and non motorized recreational trails uses. Annual funding for this program for the fiscal year 2010 is $1,500,000. The program provides funds for many recreational trail uses, such as pedestrian (hiking, running, wheelchair use), bicycling, inline skating, equestrian, cross-country skiing, off-road motorcycling, all-terrain vehicle riding and four-wheel driving. The Department of Natural Resources holds a competitive grant round each year and distributes the funding in response to recreational trail needs within the state. The Recreational Trails Program encourages trail enthusiasts to work together to provide a wide variety of recreational trail opportunities.

Transportation Enhancement Program

The Transportation Enhancement Program requires each state to reserve 10 percent of its Federal Surface Transportation Program funds annually for designated Transportation Enhancement activities to ensure transportation spending supports more than just roads. This program provides funding through a competitive selection process for transportation related activities other than routine highway and bridge construction. Transportation Enhancement funds are available for a variety of project types, that are located in both rural and urban communities. These projects help create more travel choices by providing funding to construct sidewalks, bike lanes and to convert abandoned railroad rights of way to trails. Communities may also use the Transportation Enhancement Program to revitalize local regional economies by restoring historic buildings, renovating streetscapes or providing transportation museums and visitor centers.

Missouri Safe Routes to School Program

Missouri Safe Routes to School Program (SRTS) was created by Section 1404 of the SAFETEA-LU in 2005. The Highway Safety Division is responsible for administration of SRTS federal funds. The funding is used to provide safer biking and walking accommodations for children in kindergarten through eighth grade, including those with disabilities. There are two areas eligible for funding, behavioral and infrastructure. Behavioral activities may be used for public awareness and outreach campaigns, traffic education, and enforcement efforts. Infrastructure projects include engineering and construction efforts such as sidewalks, crosswalks, lighting and bike racks. State, local, and regional agencies, schools, and non-profit organizations may submit applications to MoDOT to receive a grant from federal safe routes to school funds.

7.4 Cost Estimates for Transportation Improvements

Major highways' condition - $7.6 billion ($380 million annually for 20 years)
MoDOT's goal is to maintain 85 percent of the major highway network in good or better condition. Because of highways' life cycles, improving more than 85 percent of the major highways would likely result in repairing roads that have not reached the end of their useful life. To determine the cost of achieving this goal, MoDOT is assuming a mix of mid-term and long-term pavement treatments, the use of bolder stripes, rumble stripes, and shoulder and sign improvements.
These assumptions indicate the investment would be approximately $380 million annually to maintain the 85-percent goal. This cost could increase or decrease depending on material costs, inflation, construction inspection and project designs.

Minor highways' condition - $4.2 billion ($210 million annually for 20 years)
For these improvements, MoDOT is assuming pavement treatments like chip seals and thin-lift overlays, striping and new signing. These assumptions indicate the investment would be approximately $210 million per year. This cost could increase or decrease depending on material costs, inflation, construction inspection and project designs.

Bridges on major highways - $800 million ($40 million annually for 20 years)
To estimate the cost of maintaining bridges on major routes in good condition, MoDOT uses an assumption of $160 per square foot of bridge deck. This equals an annual investment of approximately $40 million for 20 years. This annual cost is much lower than costs for roads, because the expected life of a bridge is longer.

Bridges on minor highways - $1.6 billion ($80 million annually for 20 years)
To estimate the cost of maintaining bridges on minor routes in good condition, MoDOT uses an assumption of $140 per square foot of bridge deck. This equates to an annual investment of approximately $80 million for 20 years.

Major bridges - $1.08 billion ($54 million annually for 20 years)
To estimate the cost of addressing the needs of Missouri's 200 major bridges, MoDOT uses the following assumptions. The average square footage of major bridges' decks is approximately 100,000 square feet. The approximate average cost to reconstruct or perform major rehabilitation on the major bridges is $270 per square foot. Applying these assumptions and addressing two of these structures every year equals an average annual investment of $54 million. Examples of major bridges on Missouri's state highways include the twin river crossings in Jefferson City, the Paseo Bridge in Kansas City and the Poplar Street Bridge in downtown St. Louis.

Interstates 70 and 44 - $7.2 billion, ($360 million annually for 20 years)
The two biggest expansion needs for Missouri – rebuilding the state's largest interstates: I-70 and I-44 – address Missourians' expectations of improved safety and access, efficient mobility and connectivity, and enhanced freight movement and economic opportunities. Nearly 60 percent of the state's population lives within 30 miles of Interstate 70. Interstate 44 serves the area that has seen Missouri's highest population growth rate since 1990. This growth and demand on roads, which were built in the 1950s, require more in the future than treatments that merely hold the aging highways together. To successfully meet the needs of the state's future, both interstates require additional lanes and improved medians, and the possibility of dedicated truck lanes. To achieve key safety and economic benefits, these two expansion needs require an investment of approximately $7.2 billion.

Transit - $4 billion - ($200 million annually for 20 years)
MoDOT's Missouri Statewide Passenger Transportation Study identified significant unmet public transit mobility needs in both rural and urban areas of the state. On average, Missouri's urban areas are approximately 50 percent underserved, while the rural areas of the state meet about one third of the demand. To increase transit services to meet the identified mobility gaps that fulfill Missourians' expectations for efficient movement of people and goods, for enhancing economic development, for improving safety and for developing a multi-modal system of transportation, an estimated $200

million is needed annually for 20 years. Since federal transit funding is capped by formula, it leaves increased state and local investments as the funding sources for Missouri's transit services. To meet the demand for transit services, transit needs include additional buses, light rail vehicles and infrastructure to support the increase in trips. Other needs include facilities and amenity improvements such as shelters at bus stops and inter-modal connections. Improvements for operating and managing the systems are also needed. The study estimate does not include funding for capital-intensive projects such as the introduction or expansion of light rail services. For example, the recent extension of St. Louis' MetroLink was financed almost entirely from local funding at an approximate cost of $86 million per mile of light rail track. Cash strapped localities with limited potential for increased federal and local funds look to the state to meet the need for additional transit services.

Aviation - $710 million ($35.5 million annually for 20 years)
According to MoDOT's 2005 State Airport System Plan, there is annually $35.5 million in capital and maintenance needs in aviation. Current annual funding is approximately $25 to $30 million. Major needs of airports include extending runways to accommodate business jets, adding improvements to navigational aids and addressing safety improvements. These improvements could help address the public's expectations for safe traveling, economic development and efficient movement of people and goods. The public airports' funding from federal and state sources for 2001-2005 has totaled between $19 million and $29 million per year.

MoDOT's Statewide Freight Study reports that the 2022 anticipated annual cargo tonnage would be within each airport's current capabilities based upon airport runway lengths. However, based on growth the primary needs when looking ahead 20 years will be adequate taxiway space, equipment storage, maintenance areas and taxiway access points for trucks and courier vans. The challenge for state and local planning and development agencies is to anticipate what will increase the number of planes and the cargo they carry. Ease of access, fluid traffic flow and limited congestion must be key objectives in enhancing air cargo operations and growth.

Ports and Waterways - $60 million ($3 million annually for 20 years)
Investment in Missouri's 13 ports is a beneficial economic development generator for the state, thus helping to meet an expectation of Missourians that the state's transportation system enhance the state's economy. Trends in inland freight movement support continual efforts to increase ports' capacity to maximize economic potential. As an example, MoDOT facilitated a state investment in SEMO Port of $500,000 in 2006 that helped generate private investment of over $200 million. A MoDOT survey, in conjunction with Missouri Public Port Authorities: Assessment of Importance and Needs, found the total of all port needs – critical, immediate, short-term and long-term – is approximately $61 million or $3 million per year for 20 years.

Freight Rail
MoDOT's investment in the state's rail system is primarily limited to addressing rails that intersect state-maintained highways. MoDOT's Statewide Freight Study made five recommendations for supporting freight movements in Missouri. One recommendation suggests strengthening intermodal connectors that impact Missouri's freight movement. The accessibility to major highways and other important transportation modes is a significant factor that influences new business development, new warehouse locations and new freight terminals and facilities.

According to the American Society of Civil Engineers (ASCE), for the first time since World War II, limited rail capacity has created significant chokepoints and delays. This problem is likely to get worse since freight rail tonnage is expected to increase by at least 50 percent by 2020. Public sector investments could help shift freight movement from highways to rail, providing congestion relief, improving safety and environmental and economic development benefits. The ASCE says the freight railroad industry needs to spend $175–$195 billion nationwide over the next 20 years to maintain existing infrastructure and expand for freight growth. The consequences of inadequate rail infrastructure investment will be borne by the public, not only by the rail industry. The American Association of State Highway and Transportation Officials estimates that shifting all freight nationwide currently carried by rail to trucks would cost shippers an additional $69 billion annually; this would mean higher prices for U.S. consumers. This increased truck traffic on the nation's highways will require an additional $64 billion in highway funds over the next 20 years to maintain the roads.

Passenger Rail - $1 billion ($50 million annually for 20 years)
The Midwest Regional Rail Initiative is an on-going effort to develop, improve and expand the rail system in the Midwest and is sponsored by the state transportation agencies of nine states: Illinois, Michigan, Minnesota, Missouri, Iowa, Indiana, Nebraska, Ohio and Wisconsin. Implementing the initiative's recommendations would provide approximately 90 percent of the region's population an opportunity of being within a one-hour trip of a train station or 30 minutes from a bus route, helping to meet customers' expectations for efficient travel and for blending transportation options in a seamless manner. Other specific benefits of the services identified in the initiative include a new transportation option in congested major rail corridors; a time-saving service for short- to medium-distance trips; and a transportation system for individuals who do not or cannot drive a motor vehicle. A goal of the initiative is to improve passenger rail service with public investments in infrastructure and equipment to either eliminate or minimize public operating subsidies. Missouri's portion of the estimated operating and maintenance costs is $34 million (in total) for 20 years. Missouri's portion of infrastructure costs is estimated to be $980 million (in total) for 20 years. MoDOT is also exploring the extension of Amtrak, the state's only passenger rail service, between St. Louis and Springfield, another travel option for meeting the public's expectations regarding efficient movement of people. Passenger service expansion provides expanded mobility to the state's citizens and increases the possibility for tourism. A new passenger rail service from St. Louis to Springfield and then on to Branson provides an additional destination to thousands of travelers in the Chicago area and other rail lines beyond St. Louis.

Bicycle and Pedestrian

Bicycle and pedestrian facilities are integrated in the design of highway projects. Investments in bicycle and pedestrian facilities are part of the costs associated with the highway and bridge system. Bicycle and pedestrian facilities are incorporated in the transportation system when appropriate, particularly in instances that improve the ability to cross major roadways and provide a link for neighborhoods, schools, medical facilities, employment centers and shopping areas. In addition to dedicated bicycle and pedestrian facilities, additional benefits can be gained from educational, enforcement and encouragement programs supported or initiated by MoDOT.

7.5 Funding Distribution

On January 10, 2003, the Missouri Highways and Transportation Commission adopted an objective method to distribute transportation funds using factors reflecting system size and usage and where people live and work. The distribution of funds has been the subject of debate for over a decade. The method for determining where and on what to spend limited transportation dollars has changed several times. Changes have been a result of both long-term project plans and political pressure centered around dividing funds between the urban and rural areas of the state. This method goes beyond the narrow discussions of geography and allows for allocation of funding based on objective, transportation-related factors that are representative indicators of physical system needs.

Another aspect of the funding distribution method was the determination of the correct balance of funding – in today's economic and political climate – between taking care of the existing system and adding new pieces to that system. Historically, Missouri has focused heavily on building and expanding the roadway system. This direction was necessary as the vast network of roads and bridges was under development. But Missouri has come to a point where this direction has taken a toll on the statewide system. The condition of roads and bridges reflects this past emphasis on expansion – taking better care of this system is long overdue.

The funding distribution method sets aside a fixed amount of funds to take care of the system (TCOS). Past methods have had similar set-asides, but the amount dedicated has not been enough to stop the decline of the transportation system. The method now allocates enough money to stabilize the system in the present condition and to also begin making some modest improvements. In addition to the TCOS category of funding, there are funds that can be used for major projects and emerging needs. These projects are generally more focused on expansion work or may have to do with meeting needs unique to a specific region. There is also a flexible funding category, which allows for meeting additional TCOS needs or major projects and emerging needs.

Funding Distribution Overview

The following is a description of how funds are to be distributed using a projected MoDOT beginning funding total of $960 million. This estimate is based on 2009 obligation authority levels. In fiscal year 2015, the funding will decrease to $644 million due to the end of ARRA and SAFTEA-LV. These are all funds available for transportation projects.

Of the total funds available, including federally earmarked funds:

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

Step 2: Deduct funding for other transportation modes (aviation, railways, transit, and waterways) appropriated by the state legislature for the designed purposes (Varies). 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 (Varies).

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 Interstate/Major Bridges

$25 million for Safety Projects

-Distribution based on three-year average accident rate.

$310 million for remaining Taking Care of the System

-Distribution based on a formula that averages:

1.) Percent of total Vehicle Miles Traveled (VMT) of the National Highway System and remaining arterials.

2.) Percent of square feet of state bridge deck on the total state system.

3.) 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 is based on the average of:

1.) Percent of total population.

2.) Percent of total employment

3.) 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 based on formula that averages:

-Distribution based on formula that averages:

1.) Percent of population.

2.) Percent of total employment.

3.) 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.