

FINANCIAL PLANNING

Federal regulations require the financial component of the Metropolitan Transportation Plan to demonstrate that the requested projects' cost does not exceed that amount which can be reasonably expected to be made available to the MPO in the next 25 years. When these costs do not exceed forecasted revenues, the financial plan is considered to be fiscally constrained. KTMPO demonstrates this compliance in the complete project listing, which can be found in **Appendix A**.

KTMPO prioritizes roadway projects in the MTP in accordance with the approved Project Selection Process (found in **Appendix B**). From the rank created from this process, KTMPO staff worked with the TAC and TPPB to finalize the project listing based on the following criteria identified in the adopted Project Selection Process. The Project Selection Process followed KTMPO goals to improve mobility; reduce congestion; improve access to jobs, homes, goods, and services; improve safety, reliability, and efficiency in the transportation system; promote a healthier environment; and encourage a regional coordination in decision making. In the past, project readiness was a priority and resulted in a decision by the TPPB to allocate Development Authority funds for projects. The TPPB also chose to reserve 10% of funding for transit projects. Projects which can be funded with the estimated available dollars are placed on a short and long-range plan list. Those projects which fall outside of the available funding limits are placed on the regionally significant-unfunded list.



Because of KTMPO's designation as a Transportation Management Area (TMA), it receives two additional dedicated sources of funding that are available for alternative transportation modes: Category 7—Surface Transportation Program—Metropolitan Mobility (STPMM), and Category 9—Transportation Alternatives Program (TAP). Scoring criteria was developed to specifically score alternative transportation modes and a separated ranked MTP list of livability projects was developed as well. For the transit element, the provider's federal, state, and local funding projection is provided.

REVENUE FORECAST METHODOLOGY

KTMPO is eligible for and expects to receive funding in categories 2M, 7, 9, and 11. KTMPO does not receive Category 5 Funds—Congestion Mitigation Air Quality since KTMPO is considered "in-attainment" in regards to ground-level ozone. With the status designation of TMA, KTMPO

receives direct distributions for Metropolitan Mobility and Transportation Alternatives (Categories 7 and 9) which are included in the forecasted scenarios as well. Since the development of the 2040 MTP, Category 2 funds have been made available and as a result, projects were funded through FY 2020.

In regards to maintenance, non-traditionally funded transportation projects, statewide urban connectivity, bridge replacement, safety, supplemental transportation, and strategic priority (Categories 1, 3, 4, 6, 8, 10, and 12 respectively), placeholders for TxDOT grouped CSJ projects are provided in the MTP 2045 project listing. KTMPo participates in the use of grouped projects in cooperation with FHWA and TxDOT. TxDOT developed Grouped Project CSJ (Control-Section-Job) numbers for projects that are “not determined to be regionally significant” and typically includes non-mobility projects such as preliminary engineering, right of way, maintenance, rehab, bridges, safety, etc. This allows those projects to be grouped in one line item as permitted in Title 23 USC Section 135 Statewide Planning. For these categories, the MPO assumed that given a 25-year planning period, future allocations would reflect similarly on past allocations, allowing no additional funding for inflationary purposes.

FUNDING SCENARIO DEVELOPMENT AND SELECTION

The KTMPo region relies primarily on state and federal funding to implement regional transportation improvements. Considerable statewide needs coupled with rising fuel efficiency and an unstable transportation funding trend leave many future transportation funding questions unanswered. As a result, the Texas Transportation Institute (TTI) developed a model to estimate future state & federal highway revenues based upon user-specified assumptions and inputs. This model, called TRENDS (Transportation Revenue Estimation and Needs Determination System) forecasts state transportation revenues by year through the year 2045. In addition to requiring users to estimate the degree and timing of various tax and revenue changes, the model also requires users to estimate possible population growth and fuel economy scenarios. To estimate revenues available to the MPO for the MTP planning period of 2019-2045, the MPO utilized this model and developed possible funding scenarios by making certain assumptions on how funds would be distributed using previous practices and TxDOT's UTP. The scenarios that were developed include a **Baseline, Low, Medium, and High (With Local Option)**, which represent varying extremes of federal and state legislative changes that would generate increased revenue for transportation funding. For each scenario, the TRENDS model outputs a statewide revenue figure.

To determine the fiscal constraint for the 2045 MTP, staff prepared two options that were

presented to TAC and TPPB for their input. Option #1 (Exhibit 11.1) used the same scenarios for the 2040 MTP and Option #2 (Exhibit 11.2) used the same scenarios as the 2040 MTP plus additional inputs that were developed by TTI since the last MTP update. These scenarios can be found on the following page. The 2045 MTP only includes Mobility scenarios since the funds for Maintenance projects are distributed by TxDOT.

DRAFT

Exhibit 11.1: Funding Scenario Option #1



Option #1: Same Outputs as 2040 MTP Update				
	Baseline	Low	Medium	High (Local Option)
SCENARIO				
State Population Growth Rate	Low	Low	Low	High
Fuel Efficiency	Average	High	Average	Low
TxDOT Maintenance Standards by 2035	Current TxDOT Scenario	Current TxDOT Scenario	80% good or better condition	90% good or better condition
FEDERAL AND STATE OPTIONS				
State Gas Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
State Diesel Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
Federal Gas Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
Federal Diesel Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
TX Rate of Return on Federal Funds	Default (85%)	90%	95%	100%
Indexing the Gas Tax to CPI	No	No	Yes in 2035	Yes in 2025
% of State Gas Tax Increase to Transportation	Default (75%)	80%	85%	90%
Vehicle Registration Fees Increase	No Increase	\$5 in 2025	\$15 in 2025	\$25 in 2025
State Vehicle Mile Traveled Tax	No	No	No	\$0.001 per mile in 2025 and 2035 (\$1 per 1,000 mi)
Add New Capacity Dollars	No	No	No	\$5 Billion in 2035
LOCAL OPTIONS				
Local Option Gas Tax	None	None	None	\$0.10 increase in 2030
Local Option Diesel Tax	None	None	None	\$0.10 increase in 2030
Local Option Vehicle Registration Fee	None	None	None	\$10 increase in 2030
Local Option Vehicle Mile Traveled Tax	None	None	None	\$0.001 per mile in 2035 (\$1 per 1,000 mi)

Exhibit 11.2: Funding Scenario Option 2

Option #2: 2040 Scenarios With New Inputs				
	Baseline	Low	Medium	High (Local Option)
SCENARIO				
State Population Growth Rate	Low	Low	Low	High
Fuel Efficiency	Average	High	Average	Low
TxDOT Maintenance Standards by 2035	Current TxDOT Scenario	Current TxDOT Scenario	80% good or better condition	90% good or better condition
Annual Percent Increase in Planning Expenses	Default (1%)	5%	10%	15%
Annual Percent Increase in Build Expenses	Default (1%)	5%	10%	15%
Annual Percent Increase in Maintenance Expenses	Default (1%)	5%	10%	15%
Annual Percent Increase in Use Expenses	Default (1%)	5%	10%	15%
Annual Percent Increase in Manage Expenses	Default (1%)	5%	10%	15%
Annual Percent Increase in cost of other agencies funded by TxDOT	Default (1%)	5%	10%	15%
Annual percent increase in contributions from TxDOT to Comptroller and Retirement	Default (1%)	5%	10%	15%
Annual percent increase in Category 1 Preventative and Routine Maintenance Expenses	Default (1%)	5%	10%	15%
Annual percent increase in Category 6 Bridge Maintenance	Default (1%)	5%	10%	15%
Annual percent increase in Category 7 STP Metro Mobility and Maintenance	Default (1%)	5%	10%	15%
Annual percent increase in Category 8 Federal Safety expenses	Default (1%)	5%	10%	15%
Annual percent increase in Category 9 Federal Enhancement expenses	Default (1%)	5%	10%	15%
Annual percent increase in Category 10 Supplemental Transportation Project expenses	Default (1%)	5%	10%	15%
Annual percent increase in Category 11 District Discretionary funding	Default (1%)	5%	10%	15%

FEDERAL AND STATE OPTIONS				
State Gas Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
State Diesel Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
Federal Gas Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
Federal Diesel Tax	No Increase	\$0.02 increase in 2025 and \$0.05 in 2035	\$0.06 increase in 2025 and 2035	\$0.10 increase in 2025 and 2035.
TX Rate of Return on Federal Funds	Default (85%)	90%	95%	100%
Indexing the Gas Tax to CPI	No	No	Yes in 2035	Yes in 2025
% of State Gas Tax Increase to Transportation	Default (75%)	80%	85%	90%
Vehicle Registration Fees Increase	No Increase	\$5 in 2025	\$15 in 2025	\$25 in 2025
State Vehicle Mile Traveled Tax	No	No	No	\$0.001 per mile in 2025 and 2035 (\$1 per 1,000 mi)
Add New Capacity Dollars	No	No	No	\$5 Billion in 2035
Percent of Revenue Enhancements Spent Maintenance	Default (25%)	30%	35%	40%
LOCAL OPTIONS				
Local Option Gas Tax	None	None	None	\$0.10 increase in 2030
Local Option Diesel Tax	None	None	None	\$0.10 increase in 2030
Local Option Vehicle Registration Fee	None	None	None	\$10 increase in 2030
Local Option Vehicle Mile Traveled Tax	None	None	None	\$0.001 per mile in 2035 (\$1 per 1,000 mi)
Fuel Efficiency Assumption for Local Vehicles	None	None	None	Low
Bonding Options				
General Obligation Bond Amounts ¹				
Revenue Bonds ²				

After the scenarios were developed, KTMPo ran the TRENDS model to decide projected funding for Categories 2, 7, 9 and 11 for years 2019-2045. Projected funding outputs were presented to both TAC and TPPB for Option #1 (Exhibit 11.3) and Option #2 (Exhibit 11.4).

Exhibit 11.3: Option #1 Funding Outputs

Revenue (In Millions)				
Baseline Scenario				
	Short Range¹	Long Range²	Total	
Category 2	\$0.00	\$0.00	\$0.00	
Category 7	\$39.20	\$71.90	\$111.10	
Category 9	\$5.00	\$9.30	\$14.30	
Category 11	\$5.30	\$10.20	\$15.50	
Total	\$49.50	\$91.40	\$140.90	
Low Scenario				
	Short Range	Long Range	Total	
Category 2	\$5.20	\$41.80	\$47.00	
Category 7	\$45.60	\$133.80	\$179.40	
Category 9	\$6.60	\$23.00	\$29.60	
Category 11	\$6.50	\$19.10	\$25.60	
Total	\$63.90	\$217.70	\$281.60	
Medium Scenario				
	Short Range	Long Range	Total	
Category 2	\$16.40	\$115.80	\$132.20	
Category 7	\$59.70	\$216.90	\$276.60	
Category 9	\$9.50	\$41.60	\$51.10	
Category 11	\$8.50	\$31.40	\$39.90	
Total	\$94.10	\$405.70	\$499.80	
High (Local Option) Scenario				
	Short Range	Long Range	Total	
Category 2	\$36.20	\$115.00	\$151.20	
Category 7	\$84.80	\$440.90	\$525.70	
Category 9	\$15.20	\$91.50	\$106.70	
Category 11	\$11.60	\$64.40	\$76.00	
Total	\$147.80	\$711.80	\$859.60	

¹Short Range: 2019-2028

²Long Range: 2029-2045

Exhibit 11.4: Option #2 Funding Outputs

Revenue (In Millions)			
Baseline			
	Short Range ³	Long Range ⁴	Total
Category 2	\$0.00	\$0.00	\$0.00
Category 7	\$39.20	\$71.90	\$111.10
Category 9	\$5.00	\$8.70	\$13.70
Category 11	\$5.30	\$10.20	\$15.50
Total	\$49.50	\$90.80	\$140.30
Low Scenario			
	Short Range	Long Range	Total
Category 2	\$6.00	\$45.70	\$51.70
Category 7	\$46.90	\$166.80	\$213.70
Category 9	\$7.00	\$27.00	\$34.00
Category 11	\$7.40	\$23.80	\$31.20
Total	\$67.30	\$263.30	\$330.60
Medium Scenario			
	Short Range	Long Range	Total
Category 2	\$17.00	\$72.50	\$89.50
Category 7	\$61.90	\$313.30	\$375.20
Category 9	\$10.20	\$52.30	\$62.50
Category 11	\$8.80	\$44.90	\$53.70
Total	\$97.90	\$483.00	\$580.90
High (Local Option) Scenario			
	Short Range	Long Range	Total
Category 2	\$36.20	\$294.00	\$330.20
Category 7	\$84.80	\$440.90	\$525.70
Category 9	\$15.20	\$91.50	\$106.70
Category 11	\$12.10	\$64.40	\$76.50
Total	\$148.30	\$890.80	\$1,039.10

³Short Range: 2019-2028

⁴Long Range: 2029-2045

After reviewing each estimated funding output for Categories 2, 7, 9, and 11, TPPB approved using the baseline scenario under Option #1 for the short-range funding and the medium scenario under Option #1 for the long range funding for the 2045 MTP fiscal constraints as shown in Exhibit 11.5.

Exhibit 11.5: 2045 MTP Fiscal Constraints-Mobility Funding

2045 MTP Update-Mobility		
Short Range:	Baseline	\$49,500,000
Long Range:	Medium	\$405,700,000
Total:		\$455,200,000

MAINTENANCE FUNDING PROJECTIONS

Both short and long-range maintenance forecasts were determined by the projected Categories 1, 6, and 8 as stated in the 2040 MTP. These amounts will be used as a placeholder for the 2045 MTP and are shown in Exhibit 11.6.

Exhibit 11.6: 2045 MTP Fiscal Constraints-Maintenance Funding

2045 MTP Update-Maintenance		
Short Range:	Medium	\$165,803,999
Long Range:	Medium	\$295,989,993
Total:		\$461,793,992

TRANSIT FUND PROJECTIONS

Due to the progressing mileage and age of fixed route buses and complementary paratransit vehicles being used in service in the Killeen and Temple urbanized areas, HCTD projected the need and costs for replacement buses based on average annual miles, service life of existing vehicles, and increasing costs. KTMPO plans to continue allocating 10% of Category 7 funds for vehicle capital replacement projects for transit through 2045. **Appendix F** provides detailed information on estimated operating costs through 2045.

CONCLUSIONS

The fiscal constraint figures formulated in this section were determined by future funding projections generated by the TRENDS model. The fiscal constraint represents the most feasible funding scenario for the KTMPO region given the 25-year planning period. However, the future of transportation funding relies heavily on the actions of state and federal legislators and is subject to change and uncertainty.