

6. Paying for the Transportation Plan

A plan without a strategy to pay for it is really nothing more than a wish list of projects. Fiscal constraint, proposing only projects that could realistically come to fruition given expected revenue levels, has become an important practice in creating reasonably buildable transportation plans. The practice is required of Metropolitan Planning Organizations (MPOs), with the passage of the Moving Ahead for Progress (MAP-21) legislation. The Metropolitan Transportation Plan update has been designed to meet the needs of the region within conservative budget estimates. This means that the plan has been developed by using conservative funding estimates—what is expected to be “reasonably available”—as well as realistic estimates in terms of project costs at the time the project is undertaken.

The requirement that estimated funding is reasonably available is not aimed at having planning organizations create detailed long-range budgets to accompany their long-range plans. Such budgets are done in a different part of the planning process—the 4-year Transportation Improvement Program (TIP). The TIP document is prepared annually, covers a four-year period, and is a financially-constrained document. Under MAP-21, the Metropolitan Transportation Plan must also be financially constrained. However, since it includes projects 25 years in the future, the projected availability and amount of funding is less precise.

6.1 Availability of Funding

Future funding is highly unpredictable and difficult to estimate. Funding depends on the decisions of the federal, state, and local government; the general state of the economy; and many other issues. For example, as gasoline prices increase influencing a decrease in vehicular travel, the potential for error in estimating gasoline tax revenue becomes greater.

Under the leadership of Secretary Shailen Bhatt, DelDOT has made a commitment to reduce its historical level of borrowing and make a concerted effort to reduce its debt. The Department’s debt currently exceeds one billion dollars. Based on its comprehensive program of reducing the amount of bonds issued, DelDOT anticipates being debt free by approximately FY 2031. This is based on current spending, borrowing, and revenue projections.

The Delaware Economic and Financial Advisory Council (DEFAC) is a state council comprising 33 individuals who develops projected revenues and expenditures for the State of Delaware. The DEFAC also develops specific revenues and expenditures as related to the Transportation Trust Fund (TTF). The TTF projections are updated bi-monthly, and provide projections on the expenditures of operations (personnel, debt, transit operations) and capital expenses (road projects, grants, transit, etc.).

The DEFAC also develops a Base Financial Plan for DelDOT, as related to capital expenses. In **Exhibit 6.1**, a summary of the Base Financial Plan is displayed, based on information developed by the DEFAC in September 2012.

Exhibit 6.1: DelDOT Base Financial Plan

	2013	2015	2020	2025	2030	2035	2040
Total Projected Funds	\$509 M	\$531 M	\$588 M	\$656 M	\$729 M	\$813 M	\$906 M
Total Capital Spending	\$475 M	\$389 M	\$292 M	\$327 M	\$363 M	\$357 M	\$326 M
Total Debt Service	\$116 M	\$108 M	\$88 M	\$55 M	\$10 M	\$0	\$0

Source: DelDOT Finance (M = millions of dollars)

The overriding financial philosophy for the future of transportation planning in Delaware is to reduce the amount of debt service. Approximately 36% of the FY 2013 DelDOT budget is dedicated to debt service, which represents the highest single item in the entire budget. The base financial plan noted in **Exhibit 6.1** is reflective of that philosophy, as total capital spending over the next 25 years is anticipated to be fairly consistent (approximately \$340 million per year) while the projected revenue is anticipated to grow significantly. The additional revenue generated will be used to pay down the debt service so the Department is debt free by approximately FY 2031.

Based on a review of DelDOT's Capital Transportation Programs (CTP) between 2006 and 2012, the average annual authorizations for the state were approximately \$510 million. The CTP is a six-year program of transportation investments that is updated yearly and presented for approval and funding by the Delaware General Assembly. The anticipated spending plan over the next 25 years projects a yearly capital program that will be significantly less than the previous 6 years (by approximately \$170 million per year).

Currently, DelDOT submits a proposed annual update to the CTP to the Governor's Council on Transportation (COT). The COT reviews proposed projects, works with the MPOs to prioritize new projects, holds public meetings and hearings, and submits the CTP to the governor and budget office by March of each year. Expenditure of CTP funds is authorized when the General Assembly passes the "Bond Bill" in June.

DelDOT coordinates closely with the MPOs to ensure that their long-range plans complement DelDOT's long-range plans, and that MPO transportation improvement plans align with the first three years of Delaware's Capital Transportation Program. **Exhibit 6.2** provides CTP authorizations for the entire state in FY 2013 through FY 2016.

**Exhibit 6.2: FY 2013-2016 State Transportation Improvement Program
Summary of Authorizations**

Category	Funding	FY2013	FY2014	FY2015	FY2016
Road Systems	State	\$85.6M	\$104.2M	\$112.5M	\$104.5M
	Federal	\$143.2M	\$175.9M	\$159.9M	\$159.1M
	Private	\$150.5M	\$175.1M	\$119.2M	\$28.9M
Total		\$379.3M	\$455.3M	\$391.6M	\$292.5M
Grants & Allocations	State	\$21.8M	\$12.4M	\$17.4M	\$12.4M
Transit Systems	State	\$13.3M	\$28.0M	\$5.6M	\$4.4M
	Federal	\$43.9M	\$26.1M	\$17.5M	\$15.5M
	Private	\$1.5M	\$5.1M	\$4.3M	\$1.4M
Total		\$58.8M	\$59.3M	\$27.5M	\$21.4M
Support Systems	State	\$37.6M	\$32.2M	\$29.5M	\$29.8M
	Federal	\$19.6M	\$12.2M	\$12.2M	\$12.2M
	Private	\$0	\$0.1M	\$0.1M	\$0.1M
Total		\$57.5M	\$44.4M	\$41.7M	\$42.0M
Total CTP		\$517.3M	\$571.4M	\$478.2M	\$368.3M

Source: DelDOT Finance (M = millions of dollars)

Based on **Exhibit 6.2**, the following conclusions can be drawn for the next four years of the transportation program in Delaware:

- The total funding for transportation will drop significantly in FY 2015 and FY 2016 (over \$200 million less than FY 2014 levels).
- Federal and State funding for transit systems will drop in FY 2015 and FY 2016.
- Federal funding levels for road systems will remain fairly consistent over the next four years, while State funding is projected to increase slightly.
- Private funding for road systems is projected to decrease significantly in FY 2016.
- Funding levels for support systems will decrease between FY 2013 and FY 2016.

As previously demonstrated, funding for the entire state has varied year to year. Federal funding, however, has remained fairly constant and may be predicted with more accuracy. It has been the state and bond-based funding that has varied as noted in **Exhibit 6.3**.

Exhibit 6.3: Major Sources of Transportation Revenue in Delaware FY 2010-2013

Fiscal Year	Federal	Transportation Trust Fund	Bonds
2010	\$239.1M	\$170.3M	\$0
2011	\$200.7M	\$127.5M	\$102.9M
2012	\$213.2M	\$191.5M	\$0
2013	\$260.0M	\$214.6M	\$0

Source: DelDOT Finance (M = millions of dollars)

Funding allocated to the MPOs through the CTP is project-specific. Funding is usually allocated for MPO-specific projects and for statewide projects in the MPO area, which include items such as Rail Preservation, Recreation Trails, Bridge Management, Paving and Rehabilitation, Rail Crossing Safety, Traffic Calming, Transportation Management Improvements, Job Access and Reverse Commute Funding, and many others.

Similar to the calculation of the statewide authorizations, funding for MPO-specific and statewide projects was reviewed between 2007 and 2012. Based on a review of recent CTP's, the Dover/Kent County MPO area received an estimated 15 percent of the statewide funding for the state in the past five years.

Under Federal Highway Administration (FHWA) guidance on fiscal constraint for metropolitan plans, this plan uses historical dollar allocations to the MPO, translating these into "forecast year" dollars to prepare cost projections for funding and construction costs. Based on guidance from the FHWA Office of Planning, this plan does not increase funding levels through 2012, and from 2012 through 2040, assumes a conservative 2.3 percent funding increase. An assumed 5 percent annual inflation rate for construction costs for 2012 and beyond was used for both highway and transit improvements. This is consistent with the last 15 years escalation rates, using the construction cost and the inflation indexes.

Based on this analysis, about \$50 million is expected to be available annually to the MPO for both its portion of the statewide projects and the MPO-specific projects. Of this amount, \$18 million will be available for MPO-specific projects and \$32 million will be available for MPO's share of statewide projects. Also, MPO-specific projects are further subdivided among roadway, transit, and other projects based upon historic commitments.

The division of funding for these categories is done using the historical allocation in the ratio of:

- Roadway: 92 percent
- Transit: 5 percent
- Other: 3 percent

The ultimate analysis further assumes there will be other source of funding. For any project where part of the cost will come from sources other than those described above, such as private funding, from the Federal Aviation Administration, or any other sources, only the costs that will be paid for with state or federal funds are estimated.

6.1.1 Federal Funding Sources

Delaware is a unique state in that DelDOT is responsible for maintaining nearly 90 percent of the roadways. Approximately 25 to 30 percent of Delaware's roads are eligible for federal funding for rehabilitation and restoration projects. Therefore, the majority of funding for road rehabilitation is the responsibility of the state.

The MAP-21 legislation authorized continued federal aid for transportation in all states for projects, as long as certain requirements are met. The FHWA funds authorized in MAP-21 support capital transportation improvements. State funds are necessary to match the federal funds at a rate of 20 to 50 percent, depending upon the specific program.

Currently, there are several federally-funded programs being utilized to fund projects. These include the Highway Safety Improvement Program, National Highway System, Interstate, Surface Transportation Program, Transportation Alternatives Program, Congestion Mitigation and Air Quality Improvement Program, Bridge Replacement and Rehabilitation, and the State Planning and Research Program.

6.1.2 State Funding Sources

The Transportation Trust Fund (TFF) is the main source of income covering the cost of transportation infrastructure paid for by the state. At least half of the capital program must come from annual revenue, most of which is generated from tolls, concessions, motor fuel tax, Department of Motor Vehicles (DMV) fees, and interest income. Bonds sold against the revenue stream account for the remaining portion of the fund. DelDOT's resources are available to pay for operations, debt service, and capital improvements. Funding for infrastructure is listed in the Capital Transportation Program. The non-pledged revenue sources include tolls, violations and fines, escheat (transferring of property to the state in the absence of legal heirs), transit revenue, Port of Wilmington refinancing, and other dedicated transportation sources.

6.1.3 Local Funding Sources

One local source of transportation-related funding is the Kent County Levy Court Capital Projects Fund. These capital projects are funded each fiscal year as a means of enhancing the quality of life in Kent County. Some primary areas of improvement typically include enhancing recreational parkland, adding a regional library, and economic development efforts. These funds may enhance the transportation system by providing funding for projects, such as the St. Jones River Greenway, which has increased the availability of pedestrian and bicycle facilities in Kent County.

Another important potential funding option comes from the Adequate Public Facilities Ordinances (APFO) adopted by Kent County Levy Court. The four different facilities areas include Central Water Services, Emergency Medical Services, Roads, and Schools. These were enacted to ensure that before new development is put in place, there are adequate public facilities available to serve the residents. New development needs to meet the minimum

level of service established for the different facilities. If the level of service is not being met, the developer will have to provide the necessary improvements and/or contributions to mitigate the reduction of the public facility service capacity caused by the proposed development. The developer has the ability to alter the plans, if possible, in a way that the level of service can be maintained. With the extensive growth occurring in Kent County this legislation helps ensure development decisions are made more effectively. Transportation impacts are assessed more efficiently, with developers knowing which projects will require Traffic Impact Studies for new subdivisions or site plans.

Areas identified by the County as Transportation Improvement Districts, as described in Chapter 3, or Sub-area Plans will help DelDOT determine which projects will be funded or undertaken. It will also describe whether transportation improvements will be paid by public sources or private developers.

6.1.4 Private Funding Sources

Private funds may be available for specific transportation projects. These funds usually are associated with one or more development projects. In some cases, a private developer may directly make or pay for transportation improvements in order to mitigate the transportation impacts of their developments. In others, they may choose to make the improvements before other development of a site. Because the availability of these funds is driven by market forces, it is impossible to predict the amount of funding that would be reasonably available from these sources during the life of the MTP.

6.2 Cost of the Proposed Transportation Improvements

Estimating the level of funding that will be reasonably available is only half of the equation. The cost of projects to be completed during the lifetime of the plan is the other part of the budgeting process. For the statewide projects, estimates from prior years were used to arrive at the annual costs of projects. For the MPO-specific projects, costs were estimated using amounts available from the related project studies, per-mile unit costs, and other projected information. Given that the current CTP extends to 2018, cost estimates from the document were used for those projects.

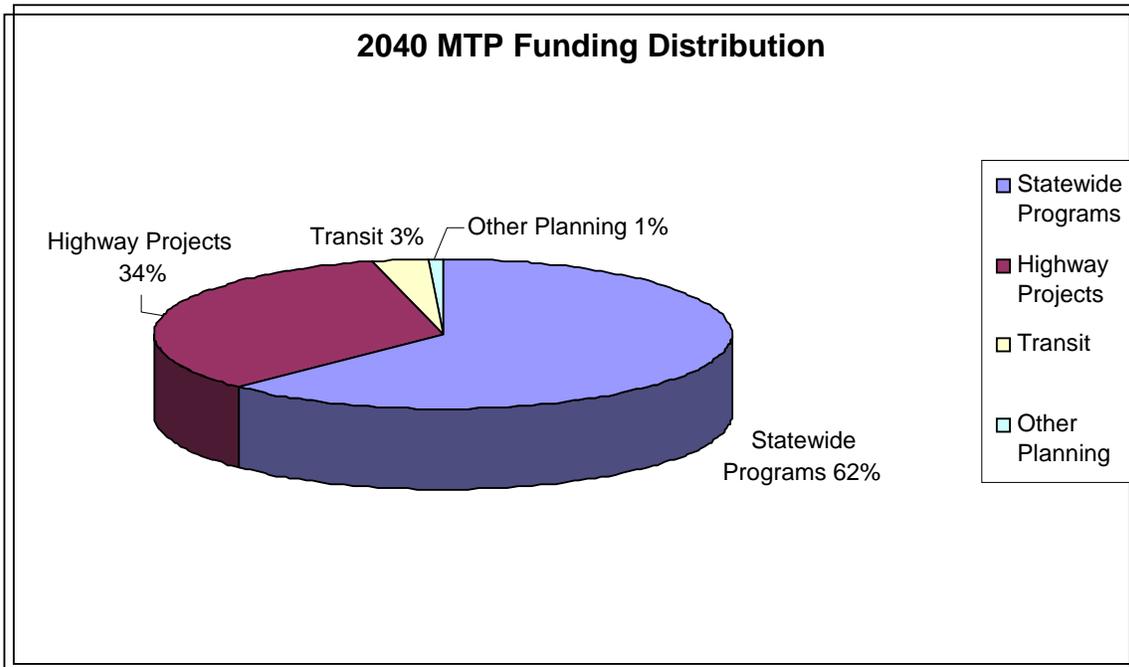
Projects included in this MTP are phased according to the level of funding expected to be available in ten-year intervals. The initial phase begins upon the plan's completion and goes through 2020, the second phase begins in 2020 and goes through 2030, and the third phase begins in 2030 and goes through 2040. In addition to these three phases, there are a number of projects for which funding may not be available until after 2040. These projects may have scored lower than those included in earlier phases due to cost and/or their relevance to the MTP's goals and objectives. Those projects are included on an "aspirations list" to be addressed if additional funding is made available before 2030. They also form the basis for future updates of the MTP.

6.3 Funding Cost Comparison

Based on all of the preceding, the MPO estimates that a total of \$1.5 billion will be available for transportation and transit uses in Kent County over the term of the MTP. This is based on the DEFAC projections to 2040, which indicate that approximately \$9.7 billion will be available in capital spending projects statewide during that time period.

The estimated funding available for Kent County projects, as represented in **Exhibit 6.4**, is distributed as follows:

- \$930 million for Statewide programs
- \$510 million for Highway projects funding



- \$45 million for Transit funds
- \$15 million for Other Planning

Exhibit 6.4: MTP Period Distribution of Projected Funds

The highway projects are most influenced by DelDOT, the MPO Council, Committees, participating communities, and interested residents. The estimate of the amount of available for Kent County highway project funds for the Plan period is \$510 million. Through development of the Plan, the combined estimated amount to complete the “aspirations” list of highway projects included in Appendix E exceeds \$980 million. The difference between the estimated available funding and the “aspirations” project list is over \$470 million.