
Section 3: Funding the Transportation Improvement Program

Federal regulations require the programming of state & local transportation programs & projects into a transportation improvement program (TIP). This section will provide explanations of the various types of funding options, list specific sources of federal, state, & local transportation funds, and update current funding & revenue levels in the EUTS Study Area.

Fund Types

There is a variety of funding options available for programming these improvements into the TIP. The majority of transportation projects programmed in the TIP involve a combination of federal, state, and local funding sources.

Federal Funds

Federal transportation funding is authorized through the federal transportation funding bill (TEA-21), as described in Section 1. Descriptions of the various federal surface transportation funds available to the Evansville-Henderson Urbanized Area:

1. National Highway System (NHS) funds are dedicated for roadway facilities of national importance, due to direct access to interstates, transportation centers, and defense facilities.

This includes the interstate system and all federal and state highway facilities classified as principal arterial. In order for a project to qualify to receive NHS funding, it must be initiated by the state DOT. Therefore, priority for NHS projects is also set by the state. Interstate construction and maintenance projects are eligible to receive 90% federal obligation, while other NHS project types are eligible for 80%.

2. Surface Transportation Program (STP) funds may be used to finance any surface transportation project on any Federal-Aid road. Federal-Aid roads consist of all surface transportation facilities, with the exception of urban local facilities or rural minor collectors. Projects initiated by state, county, or city agencies can qualify to receive STP funding.

Each state receives a limited amount of STP funds. Of the funds received, 20% is obligated to Transportation Enhancement and Safety activities. Transportation Enhancement activities consist of projects which enhance the transportation system. These may include bicycle/pedestrian facilities, historic preservation, or landscape activities. Safety activities include hazard elimination and railroad crossing improvement projects. Both categories are distributed on a discretionary basis through INDOT and KYTC.

The remaining 80% of STP funds are distributed based upon population levels. This allocation is based upon the latest decennial census. Group I urbanized areas (with population of +200,000) receive 62.5% of the funds, while the other urbanized (with less than 200,000) and rural areas receive the remaining 37.5% of the funds. The Evansville-Henderson Urbanized Area is classified as a Group I Area (greater than 200,000 population) based upon the 2000 Census and shares in the 62.5% remaining funds. Funding priority within the urbanized area is determined by the MPO (EUTS), while projects in rural areas must compete for statewide STP funds. STP funds can qualify to be used for

interstate construction & maintenance. These projects receive 90% federal obligation, while all other STP funds receive 80% obligation.

3. Congestion Mitigation and Air Quality (CMAQ) funds are allocated to both states and localities that have not attained national ambient air quality standards, or NAAQS, mandated under the Clean Air Act Amendments of 1990. Projects or programs which demonstrate air quality benefits, such as reductions in ozone or carbon monoxide levels, are eligible to receive these CMAQ funds. These projects may include traffic flow improvements, transit strategies, and other demand management techniques. However, projects which result in expanded capacity for single-occupant vehicles (such as added travel lanes) are ineligible for CMAQ funds. The federal obligation for CMAQ projects and programs is 80%.
4. Hazard Elimination Safety (HES) funds are available for safety improvement projects to reduce the number and severity of crashes at hazardous highway locations, sections, and elements on any public road which may constitute a danger to motorists, pedestrians, and bicyclists. The federal participation for HES projects is 90-100%.
5. Bridge Replacement and Rehabilitation funds are available to be used to reconstruct, replace, or rehabilitate deficient bridge structures. Any bridge on a public road is eligible to receive funding, but funding discretion is the responsibility of the state. The federal share of Bridge Replacement and Rehabilitation funds is 80%.
5. Minimum Guarantee (MG) funds ensure that each state receives a guaranteed return on its contributions to the Highway Account of the Federal Highway Trust Fund.
6. Interstate Maintenance (IM) funds are available for the maintaining the interstate system. The state is responsible for programming of maintenance funds.
7. Transportation Enhancement (TE) funds are intended to enhance the transportation system through the use of non-traditional projects, such as bicycle & pedestrian facilities, landscaping, and historical facilities. TE funding is based upon a 10% set aside of Surface Transportation funds.

State Funds

State funds can be used as the sole funding instrument for a project or as matching funds to the federal assistance for state-initiated highway projects or programs.

Local Funds

There are a variety of transportation funding mechanisms available to local Indiana governments. Although many options are available, not all revenue sources may be used to fund or serve as a match to federal funds for improvement projects. Portions of some revenue sources are allocated to fund routine maintenance of transportation facilities, pay employee wages, and maintain equipment. Tables 1 & 2 provide local financial resource amounts for 2004-2005.

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1. Local Road & Street funds provide revenue to both city and county highway departments in Indiana. These funds may be used for various improvements to the local transportation systems, including right of way acquisition, preliminary engineering, construction, or reconstruction activities. They may also be used for bond repayment.
 2. The Motor Vehicle Highway Account is the principal source of revenue for operation of the county highway departments. This fund is used for the purchase of materials, equipment, and labor for the maintenance and construction of county transportation facilities.
 3. The Cumulative Bridge Fund may be used to finance the construction or repair of county bridges and grade separations.
 4. The State of Indiana also provides for a local option auto excise & wheel tax. Both Vanderburgh and Warrick Counties exercise this taxing option. Revenue must be distributed evenly between the county and the municipalities based upon the ratio of city miles to total county miles.
 5. Local governments may also use general obligation bonds and cumulative capital improvement funds to fund transportation improvements.
 6. Local governments in Kentucky may receive State-Municipal Road Aid, State-County Road Aid, and Local Economic Assistance funds.

Transit Funds

1. Section 5303-Metropolitan Planning funds are available to both state and LPAs to fund transit related planning activities.
2. Section 5307-Block Grants are formula-based grants for urbanized areas over 50,000. Determining block grants apportionments is based upon a formula which takes into account population, population density, and operating characteristics. Federal obligation is 80% for capital projects and up to 50% for operating deficit.
3. Section 5309-Discretionary Grants and Loans are available on a competitive basis to fund capital improvements. These funds are administered through the state agency.
4. Section 5310-Grants and Loans for Special Needs of Elderly Individuals and Individuals with Disabilities provide capital assistance to public and non-profit entities that furnish transportation services to elderly or disabled individuals who are unable to utilize the traditional transit system. Federal obligation for Section 10 grants is 80%. These funds are administered through the state agency.
5. State Transit Funding-The State of Indiana Public Mass Transportation Fund (PMTF) is used to match federal assistance provided under Sections 5307 & 5309 of the Federal Transit Act. This fund

receives 0.65% of the state sales and use tax. Funds are allocated through a performance-based formula.

The Commonwealth of Kentucky matches capital funds at 10% of the total cost of projects under Section 5307 and 5309. Toll Credits, or excess toll revenues, may be used as a credit toward the non-Federal matching share of federally assisted transit projects. Toll Credits do not provide cash to the project to which they are applied, but their use effectively raises the federal share up to 100 percent on projects receiving Toll Credits. Kentucky does not provide funding for planning and operating costs.

Table 1: Local Financial Resource Update (Indiana)

Revenue Type	Year	Evansville	Vanderburgh	Chandler	Newburgh	Warrick	Total
Local Road & Street	2004	2,302,411	1,617,489	31,571	31,247	1,312,531	5,295,249
	2005	2,195,155	1,329,706	32,000	29,800	1,200,000	4,786,661
Motor Vehicle Highway	2004	3,915,550	3,251,094	134,419	132,982	3,248,628	10,682,673
	2005	3,924,762	3,238,880	135,000	161,172	2,700,000	10,159,814
Cumulative Bridge	2004	n/a	2,512,065	n/a	n/a	460,451	2,972,516
	2005	n/a	2,441,682	n/a	n/a	400,000	2,841,682
Total (2004)							18,950,438
Projected Total (2005)							17,788,157

Table 2: Local Financial Resource Update (Kentucky)

Revenue Type	Year	Henderson, Kentucky	Total
State-Municipal Road Aid Account	2004	399,341	399,341
	2005	400,000	400,000
State-County Road Aid Account	2004	844,456	844,456
	2005	918,294	918,294
Local Economic Assistance Account	2004	542,099	542,099
	2005	577,000	577,000
Total (2004)			1,785,896
Projected Total (2005)			1,895,294