

CHAPTER

12

Financial Plan

This chapter discusses the financial plan for the 2035 LRTP. Federal legislation requires that the LRTP be “financially constrained”; in other words, the cost of implementing and maintaining transportation improvements should be within a funding amount that can reasonably be expected to be available during the life of the plan.

Federal regulations establish the requirements for the financial plan in Title 23, Section 450.322(f)(10), of the Code of Federal Regulations. To summarize, the regulations state that the financial plan should include the following:

- Estimates of costs and revenue sources needed to operate and maintain federal-aid highways and public transportation
- Estimates of funds that will be available to support the LRTP implementation and that are agreed upon by the MPO, public transportation operator(s), and the state
- Recommendations on any additional financing strategies to fund projects and programs included in the LRTP
- Revenue and cost estimates that use an inflation rate to reflect “year of expenditure dollars” and that have been developed cooperatively by the MPO, state, and public transportation operator

Funding to implement the LRTP recommendations comes from federal, state, and local sources. This financial element of the LRTP includes estimates of costs that would be required to implement the LRTP as well as estimates of existing and contemplated sources of funds available to pay for these improvements.

Did you know? The 2035 LRTP will guide more than \$400 million in transportation project investments within the Billings Urban Area during the next 20 years.

Different sets of revenue assumptions apply for capital, for operations and maintenance (O&M), and for each mode—non-motorized (pedestrian, bicycle, and trail facilities); public transportation; and streets and highways. The costs to design, construct, operate, and maintain all elements of the committed and recommended projects in the LRTP through 2035 are more than \$400 million. Additional funding would be required to address the illustrative projects identified in Chapter 11 of the LRTP.

The following references and documents were used to develop this chapter.

- Montana Department of Transportation
- Billings Urban Area Transportation Improvement Program (TIP), FY 2012-2016
- City of Billings FY 2015-2019 Capital Improvement Program (CIP)
- City of Billings Proposed Budget FY 2015
- MET Transit Business Plan

Funding Sources

MDT administers a number of programs that are funded from State and Federal sources. Each year, in accordance with 60-2-127, Montana Code Annotated (MCA), the Montana Transportation Commission allocates a portion of available Federal-aid highway funds for construction purposes and for projects located on the various systems in the state as described in this chapter. Additional details of these funding mechanisms are included in the Appendix.

FEDERAL FUNDING SOURCES

In order to receive project funding under these programs, projects must be included in the State Transportation Improvement Program (STIP) and the MPO TIP, where relevant. Table 12.1 summarizes the available federal funding sources.

Did you know? The Billings Urban Area has received over \$50 million in federal earmarks since 2003, which has been a key funding source in development of the transportation infrastructure.

Table 12.1 Federal Funding Sources

Funding Source	Description	Funding programs
National Highway Performance Program (NHPP)	The NHPP provides funding for the National Highway System, including the Interstate System and National Highways system roads and bridges. NHPP funds are Federally-apportioned to Montana and allocated to Districts by the Montana Transportation Commission.	<ul style="list-style-type: none"> ■ National Highway (HN) ■ Interstate Maintenance (IM) ■ Bridge
Surface Transportation Program (STP)	STP funds are Federally-apportioned to Montana and allocated by the Montana Transportation Commission to various programs. Project types vary with each program, but can include roadway reconstruction and rehabilitation, to bridge construction and inspection, to highway and transit safety infrastructure, environmental mitigation, operational improvements, carpooling, and bicycle and pedestrian transportation facilities.	<ul style="list-style-type: none"> ■ Primary Highway System (STPP) ■ Secondary Highway System (STPS) ■ Urban Highway System (STPU) ■ Bridge Program (STP) ■ Surface Transportation Program for Other Routes - Off-system (STPX) ■ Urban Pavement Preservation Program (UPP)
Highway Safety Improvement Program (HSIP)	HSIP funds are apportioned to Montana for allocation to safety improvement projects approved by the Commission and are consistent with the strategic highway safety improvement plan. Projects described in the State strategic highway safety plan must correct or improve a hazardous road location or feature, or address a highway safety problem.	<ul style="list-style-type: none"> ■ No other programs are included with this source.
Congestion Mitigation and Air Quality Improvement Program (CMAQ)	Federal funds available under this program are used to finance transportation projects and programs to help improve air quality and meet the requirements of the Clean Air Act. The Commission allocates funds from the MACI Guaranteed Program directly to Billings and Great Falls to address carbon monoxide issues.	<ul style="list-style-type: none"> ■ CMAQ - Formula ■ Montana Air & Congestion Initiative (MACI)–Guaranteed Program (flexible)* ■ Montana Air & Congestion Initiative (MACI)–Discretionary Program (flexible)*
Transportation Alternatives Program (TA)	The TA program requires MDT to obligate 50% of the funds within the state based on population, using a competitive process, while the other 50% may be obligated in any area of the state. The Federal share for these projects is 86.58, with the non-Federal share funded by the project sponsor through the HSSR. Funds may be obligated for projects submitted by: Local governments, transit agencies, natural resource or public land agencies, school district, schools, local education authority, tribal governments, and other local government entities with responsibility for recreational trails for eligible use of these funds.	<ul style="list-style-type: none"> ■ No other programs are included with this source.
Federal Lands Access Program (FLAP)	The FLAP was created by the “Moving Ahead for Progress in the 21st Century Act” (MAP-21) to improve access to Federal lands. Western Federal Lands administers the funds, not MDT. However, MDT is an eligible applicant for the funds. The program is directed towards Public Highways, Roads, Bridges, Trails, and Transit systems that are under State, county, town, township, tribal, municipal, or local government jurisdiction or maintenance and provide access to Federal lands.	<ul style="list-style-type: none"> ■ No other programs are included with this source.
Congressionally Directed or Discretionary Funds	Congressionally Directed funds may be received through either highway program authorization or annual appropriations processes. These funds are generally described as “demonstration” or “earmark” funds.	<ul style="list-style-type: none"> ■ No other programs are included with this source.
Transit Capital & Operating Assistance Funding	The MDT Transit Section provides federal and state funding to eligible recipients through Federal and state programs. Federal funding is provided through the Section 5310 and Section 5311 transit programs and state funding is provided through the TransADE program. The new highway bill MAP-21 incorporated the JARC and New Freedoms Programs into the Section 5311 and 5310 programs, respectively. It also created a new bus and bus facilities discretionary formula program (Section 5339) for fixed route bus operators. All projects funded must be derived from a locally developed, coordinated public transit-human services transportation plan (a “coordinated plan”). The coordinated plan must be developed through a process that includes representatives of public, private, and nonprofit transportation and human service providers and participation from the public.	<ul style="list-style-type: none"> ■ Bus and Bus Facilities (Section 5339) ■ Enhanced Mobility of Seniors and Individuals with Disabilities (Section 5310) ■ Formula Grants for Rural Areas (Section 5311)

Source: Montana Department of Transportation

STATE FUNDING SOURCES

Table 12.2 summarizes the available state funding sources.

Table 12.2 State Funding Sources

Funding Source	Description
State Special Revenue/State Funded Construction	The State Funded Construction Program, which is funded entirely with state funds from the Highway State Special Revenue Account, provides funding for projects that are not eligible for Federal funds. This program funds projects to preserve the condition and extend the service life of highways.
State Fuel Tax	The State of Montana assesses a tax of \$0.2775 per gallon on gasoline and diesel fuel used for transportation purposes. According to State law, each incorporated city, town, and county within the State receives an allocation based upon population, street mileage, and land area. All fuel tax funds must be used for the construction, reconstruction, maintenance, and repair of rural roads or city streets and alleys. The funds may also be used for the share that the city or county might otherwise expend for proportionate matching of Federal funds allocated for the construction of roads or streets that are part of the primary, secondary, or urban system.
Rail/Loan Funds	The Montana Rail Freight Loan Program (MRFL) is a revolving loan fund administered by the Montana Department of Transportation to encourage projects for construction, reconstruction, or rehabilitation of railroads and related facilities in the State and implements MCA 60-11-113 to MCA 60-11-115. Loans are targeted to rehabilitation and improvement of railroads and their attendant facilities, including sidings, yards, buildings, and intermodal facilities. Rehabilitation and improvement assistance projects require a 30 percent loan-to value match. Facility construction assistance projects require a 50 percent match.
Community Transportation Enhancement Program (CTEP)	CTEP funds are designed to improve the transportation system by providing facilities for bicycles, pedestrians, and the beautification of portions of the transportation system. This program does not exist under the new transportation bill (MAP-21).

Source: Montana Department of Transportation

LOCAL FUNDING SOURCES

Local governments generate revenue from a variety of sources that contribute to the funding of transportation projects in the Billings Urban Area. Table 12.3 summarizes the available local funding sources.

Table 12.3 Local Funding Sources

Funding Source	Description
Arterial Street Fees Fund	The Arterial Street Fees Fund is for the construction and reconstruction of arterial street segments within the City.
Bike Paths and Trails Donations	This fund is used to account for the contributions and grants related to the construction of bike and pedestrian pathways.
Community Development Block Grant Program (CDBG)	This federally funding program is used by local governments to provide decent housing, a suitable living environment, and to expand economic opportunities for local income households and are issued through the US Dept. of Housing and Urban Development (HUD). These funds can be used for construction of public facilities, including transportation.
Developer Contributions	Developers contribute funds to a transportation project.
Gas Tax	This special revenue fund is managed by the Billings Public Works Department and implements the City Council's goals relating to maintaining quality streets and street maintenance. Funding for this activity is derived from the City's share of Gas Tax proceeds and a transfer from the Street Maintenance District Fund for maintenance.
Sidewalk Bonds	These bonds are issued to finance the repair and/or replacement of sidewalks throughout the community.
Special Improvement District (SID) Bonds	A SID is a group of properties that become a legal entity in order to construct public improvements. Some improvements that can be constructed through an SID include street paving, curb and gutter, water main, sewer main, and storm drain. Improvement costs are carried by property owners within the SID boundaries.
Street Maintenance Fees	The street maintenance special assessment districts provide funding to maintain quality streets and street maintenance for the safety of residents and visitors and to continue to improve the city's street network. Street Maintenance District #1 is comprised of the central downtown area and Street Maintenance District #2 is the remainder of the city. This program includes the City's Street-Traffic Division operations, PAVER Program, and Street Light Maintenance.
Tax Increment Financing (TIF)	Tax Increment Financing (TIF) is a mechanism that allows a local government or redevelopment authority to generate revenues for a group of blighted properties targeted for improvement, known as a TIF district. As improvements are made within the district, and as property values increase, the incremental increases in property tax revenue are captured in a fund that is used for public improvements within the district. The funds generated from a new TIF district could be used to finance projects such as street and parking improvements, tree planting, installation of new bike racks, trash containers and benches, and other streetscape beautification projects within the designated area. Billings currently has three active TIF districts: Downtown TIFD, East Billings TIFD, and South TIFD.

Source: City of Billings Improvement Program FY 15-FY19. Planning and Public Works City of Billings Proposed Budget FY 2015

Spending and Revenue Plan

MDT Statewide and Urban Planning Section provided a current allocation (2014) of available transportation funding for the Billing Urban Area. The current allocation (2014) was projected to year 2025 and 2035. Table 12.4 summarizes the current and projected funding (estimated) for the Billings Urban Area.

The projects in the LRTP are broken into committed, recommended, and illustrative types. Committed projects are those projects that are included in the STIP, MPO TIP, or City of Billings CIP. Recommended projects are projects that are expected to be fully funded by year 2035, but are not currently committed within the STIP, TIP, or CIP. Projects that are not expected to be funded by 2035, because of fiscal constraint, are considered illustrative, meaning that they could be included in the adopted LRTP if additional resources beyond those identified in the financial plan become available. Illustrative projects are shown in Chapter 11.

All project costs were converted to year of expenditure (YOE) dollars using a four-percent annual inflation (Source: FHWA). The committed and recommended projects for streets and highways; pedestrians, bicyclists, and multiuse trails; and public transit included in Chapter 11.

Table 12.4 Project Funding (Estimated) by Funding Source

Project ID	Current Annual Allocation	Projected Annual Allocation	Revenue Projection	Revenue Projection
	2014	Per Year	2025	2035
NHPP – NH, IM*	\$2,792,000	\$2,900,000	\$31,940,000	\$60,980,000
HSIP Safety*	\$500,000	\$520,000	\$5,720,000	\$10,920,000
STPU – Urban**	\$2,489,770	\$2,590,000	\$28,480,000	\$54,380,000
STPS – Secondary*	\$0	\$0	\$0	\$0
STP – Bridge*	\$0	\$1,900,000	\$40,000,000	\$40,000,000
UPP – Preservation*	\$1,300,000	\$1,350,000	\$14,870,000	\$28,390,000
TA	\$350,000	\$360,000	\$4,000,000	\$7,640,000
MACI - CMAQ	\$1,043,000	\$1,080,000	\$11,930,000	\$22,780,000
Operations & Maintenance (State) ¹	\$1,287,269	\$1,340,000	\$14,730,000	\$28,110,000
Operations & Maintenance (Local) ¹	\$0	\$0	\$0	\$0
State Fuel Tax (City)	\$1,733,603	\$1,800,000	\$19,830,000	\$37,860,000
State Fuel Tax (County)	\$292,334	\$300,000	\$3,340,000	\$6,380,000
SID's / RID's	\$0	\$0	\$0	\$0
FTA Sec. 5307 ²	\$1,991,100	\$2,070,000	\$22,780,000	\$43,490,000
FTA Sec. 5310 ³	\$300,000	\$310,000	\$3,430,000	\$6,550,000
FTA Sec. 5339	\$410,200	\$430,000	\$4,690,000	\$8,960,000
Other (Private, Bonds, TIF, CBDG, etc.) ⁴	\$568,803	\$590,000	\$6,510,000	\$12,420,000
Local Transit Mill Levy ⁴	\$1,881,197	\$1,960,000	\$21,520,000	\$41,090,000
TOTAL	\$16,939,276	\$19,500,000	\$233,770,000	\$409,950,000

Notes: Although MAP-21 only provides for Federal funding through FFY2015, 2025 and 2035 projections are based on continuance of current levels of funding unless otherwise noted. It is important to note that the projected funding estimates are based on the best information available at this time and that there is no guarantee that these funding sources will be available beyond MAP-21. Estimated Federal fund allocations do not include amounts of any required local matching funds. Federal revenues, local revenues and local and state matching funds are held constant and do not inflate over time due to uncertainty with federal transportation program reauthorization. Accordingly, future year allocation for year 2025 and 2035 are based on current carryover (if available) plus annual allocations, equal to current annual allocations. Reevaluation of revenue estimation may be necessary as part of the 2018 LRTP update if a trend of shorter authorizations continues.

¹Transportation system operations and maintenance are obligations necessary for routine enhancements and maintenance activities. Local annual obligations for these activities with the urban planning boundary include \$1,287,269 (MDT). This estimate is based on a 3-year average of operations and maintenance.

²5307 included transfer from 5311, possible future transfers not included in projections.

³5310 administered by MDT for qualified providers.

⁴Based on TIP estimates

*Estimates from MDT are based on historical obligation figures with input from district. Billings Urban area does not receive a set annual obligation of STP Bridge and Secondary funds; Billings will receive \$40 million in bridge funds for 1-90 Yellowstone River Bridges beginning approximately 2019.

**Project 4199_Billings Bypass is estimated at approximately \$89,500,000. The project will be funded with multiple sources including earmark funds and the Billings MPO has committed their CMAQ and Urban allocations for a total of \$71,742,000 or more as needed to complete funding package.

At this time, project priorities were not assigned to the list of projects within the LRTP. However, project prioritization is determined through the Transportation Improvement Program (TIP). Additionally, future LRTPs could take the project list and incorporate a prioritization process. Given the current level of funding committed to transportation infrastructure in the Billings Urban Area, most of the recommended projects are not anticipated to occur until after the next plan update. Therefore, it is reasonable that these projects and priorities be reviewed as part of the TIP process and during the next LRTP update. Table 12.5 summarizes the fiscal constraint of this plan.

As shown in Table 12.5, the estimated available revenue is greater than the estimated total costs to implement the committed and recommended projects for this LRTP. Therefore, this plan is fiscally responsible and meets the fiscally constrained requirement.

As identified in Chapter 11 and earlier chapters, the illustrative projects do not have a funding source within the 20-year timeframe of this plan. Therefore, these projects are not included in this summary of costs and the fiscal constraint of the LRTP.

Table 12.5 Comparison of LRTP Estimated Costs and Available Revenue (Year 2035)

Project Category	Estimated Total Costs	Estimated Available Revenue	Difference Between Costs and Revenues	Fiscal Constraint Met?
Streets, Highways, Pedestrian, Bicycle, and Multiuse Trail Projects				
Committed	\$239,375,596			
Recommended	\$36,451,812			
Total	\$275,827,408	\$281,750,000	\$5,922,592	YES
Transit Projects (Capital Only)				
Committed	\$798,051			
Recommended	\$9,022,804			
Total	\$9,820,855	\$15,510,000	\$5,689,145	YES
System Operations and Maintenance				
Local & State Combined (Year 2014)	\$1,287,269			
Local & State Combined (Projected 2015 to 2035)	\$26,822,731			
Total	\$28,110,000	\$28,110,000	\$0	YES