

3.2 Financial Planning

With the current uncertainties of the Highway Trust Fund and general economic uncertainty at the local, State, and National levels, financial planning for a long range transportation plan is extremely difficult. The current federal transportation funding authorization legislation, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETA-LU), expired in 2009 and has been operating on a series of short term extensions ever since. There are currently a series of federal funding proposals that range from significant increases in transportation funding to significant funding cuts. At the state level, the Governor's Transportation Funding Advisory Commission has developed a series of funding recommendations that would phase in a gradual increase in state transportation funding over a 5 year period that would ultimately result in a statewide increase in transportation funding of \$2.5 billion per year. With all of this potential variability in mind, the 2040 LRTP is being developed under the regulations and financial assumptions of SAFETA-LU and projections consistent with long range plan guidance provided by PennDOT.

SAFETA-LU requires long range transportation plans to account for Year of Expenditure (YOE) project costs and to be fiscally constrained. The YOE cost of a project is the current cost plus the anticipated rate of inflation added annually to the projected start date of the project. Fiscal constraint requires that the 2040 LRTP only include projects that can reasonably be delivered with the projected revenues. In this way, the plan can realistically account for anticipated escalations in construction cost and the anticipated level of funding. Based on historic levels of escalation in construction costs, YOE costs were assumed to escalate at 3% per year over the life of the plan.

Due to the current fiscal environment and focus on Smart Transportation, a "Fix It First" approach is assumed for project programming. This approach focuses on maintaining the current transportation system first and foremost, with system expansion and improvement taking a secondary role. With this in mind, it is assumed that 90% of all highway and bridge funding that is not expressly dedicated to the HSIP, CMAQ, Rail/Highway Safety, or TE is dedicated to system preservation and maintenance. The projected transportation funding for each Federal and State program has been estimated (*Exhibit 3.2.1*) in order to determine the fiscal constraints for the life of the plan.

This level of funding is significantly reduced when compared to previous plans (*Exhibit 3.2.2*).

Federal and State transportation funding largely rely on dedicated funding categories.

Federal Funds -

Interstate Maintenance – Set aside to preserve the bridges and pavement along the Interstate System. This fund is now managed on a statewide basis, which is a difference between the 2011 Erie LRTP and its predecessor, the 2007 Erie LRTP.

National Highway System (NHS) – Set aside for rural and urban roadways on the designated NHS.

Surface Transportation Plan (STP) – Provides flexible funding for use on any Federal-Aid highway, bridge projects on public roads, and transit capital projects.

Bridge – Set aside for any bridge on a public road.

Highway Safety Improvement Program (HSIP) – Used to implement the State Strategic Highway Safety Plan.

Congestion Mitigation and Air Quality (CMAQ) – Used to improve air quality and reduce congestion by projects such as bottleneck elimination and traffic signal improvements.

Rail/Highway Safety – Used to improve the safety of at-grade railroad crossings.

Transportation Enhancements (TE) – Used for non-traditional transportation projects such as pedestrian facilities, scenic byways, bicycle paths, etc.

State Funds -

Bridge – Used on any bridge project on a public road.

Highway – Used on any state or interstate roadway.

Act 44 – Used for preservation and restoration of roadways and bridges, operations, and maintenance.

Bridge Bond – Used for bridge needs on public roadways.

Exhibit 3.2.1 - 2040 Erie MPO LRTP Estimated Funding (\$000's)

Funding Category	Current TIP	Twelve Yr Plan		Horizon	Total Plan
	2011-2012	2013-2018		2025-2040	2011-2040
		2013 TIP +2 Yrs	2019-2024		
NHS	\$4,508	\$25,884	\$38,316	\$123,920	\$192,627
STP	\$11,874	\$24,978	\$36,975	\$119,583	\$193,409
State Highway	\$4,739	\$8,472	\$12,541	\$40,560	\$66,312
Federal Bridge	\$8,808	\$27,592	\$40,843	\$132,096	\$209,339
State Bridge	\$5,690	\$6,786	\$9,815	\$31,744	\$54,036
Safety	\$2,076	\$7,863	\$11,640	\$37,645	\$59,224
CMAQ	\$5,705	\$19,365	\$28,665	\$92,709	\$146,444
Rail	\$699	\$2,918	\$4,320	\$13,970	\$21,907
Enhancements	\$1,005	\$3,601	\$5,331	\$17,241	\$27,178
Act 44	\$4,964	\$14,334	\$14,334	\$38,224	\$71,856
Bridge Bond	\$2,835	\$0	\$0	\$0	\$2,835
Total	\$52,903	\$141,792	\$202,779	\$647,692	\$1,045,167

Exhibit 3.2.2 - Comparison Between Total 2040 Erie LRTP & Total 2030 Erie LRTP Projected Funding (\$000's)

Funding Category	2011-2040 Erie LRTP	2007-2030 Erie LRTP	Difference
Interstate Maintenance	\$0	\$390,826	(\$390,826)
Maintenance/Betterment	\$0	\$175,872	(\$175,872)
NHS	\$192,627	\$136,106	\$56,521
STP	\$193,409	\$138,659	\$54,750
State Highway	\$66,312	\$99,923	(\$33,611)
Federal Bridge	\$209,339	\$167,315	\$42,024
State Bridge	\$54,036	\$60,840	(\$6,804)
Safety	\$59,224	\$40,708	\$18,516
CMAQ	\$146,444	\$101,020	\$45,424
Rail	\$21,907	\$14,213	\$7,694
Enhancements	\$27,178	\$21,881	\$5,297
Act 44	\$71,856	\$188,064	(\$116,208)
Bridge Bond	\$2,835	\$0	\$2,835
Total	\$1,045,167	\$1,535,427	(\$490,260)
Average Spending Per Year	\$36,040	\$66,758	(\$30,717)

Although some of the difference relates to moving the approximately \$10 million per year in Interstate Maintenance Funding expected in the prior plan to management by PennDOT, the average expenditure per year during the life of the plan is expected to be over \$31 million less than the prior plan.

Once the total forecasted revenue was projected for the life of the plan, it was adjusted to today's dollars using an inflation factor of 3% per year (*Exhibit 3.2.3*). This will provide a gauge of total funding in 2011 dollars that can be compared to the estimated costs of candidate projects. This estimate of the present value of transportation revenue, minus the assumed 90% total funding dedicated to roadway and bridge maintenance, was used to develop fiscally constrained scenarios.

Exhibit 3.2.3 - Net Present Value of 2040 Erie LRTP Funding (\$000's)

Funding Category	Total Plan	Assumed Maintenance	Available Discretionary
NHS	\$120,435	\$108,392	\$12,044
STP	\$123,757	\$95,293	\$28,464
State Highway	\$42,638	\$32,831	\$9,807
Federal Bridge	\$132,353	\$132,353	\$0
State Bridge	\$35,430	\$35,430	\$0
Safety	\$37,296	\$0	\$37,296
CMAQ	\$92,435	\$0	\$92,435
Rail	\$13,770	\$0	\$13,770
Enhancements	\$17,134	\$0	\$17,134
Act 44	\$48,414	\$48,414	\$0
Bridge Bond	\$2,793	\$2,793	\$0
Total	\$666,455	\$455,505	\$210,950

As *Exhibit 3.2.3* indicates, the total amount of funding available for non-maintenance transportation improvements is \$210,949,768.



