

## Financial Plan

The 2035 RTP Update Financial Plan is a comprehensive analysis of the region's transportation funding capacity, and is based upon the information provided by the region's entities that make transportation investments. The cities, counties, transit operators, toll road authorities, and other transportation entities in the region make investments by building, operating, maintaining and preserving transportation facilities, as well as by implementing demand management and air quality improvement programs. The purpose of the financial plan is to ensure that the program of projects anticipated by these entities and contained in the RTP can be implemented using resources that are reasonably expected to be available. When expected revenues equal or exceed anticipated costs, the financial plan is considered to be fiscally constrained.

A financial plan makes estimations of future transportation investment dollars by looking at past levels of investment and making assumptions on future growth. Predicting the financial future is speculative in tranquil times; it is even more challenging when the economy is in turmoil and historic transportation trends are in flux.

In 2006 H-GAC completed an extensive financial review of the local and state entities with significant expenditures on the transportation system. However, since then the economy has gone into a recession, and steady yearly increases in vehicle miles traveled and gallons of gasoline sold have discontinued. In addition, the current federal transportation funding legislation that expired in 2009 has been given only interim extensions through continuing legislation, and on two occasions Congress rescinded transportation funding authority.

Based on some of these changes, as well as the expectation that future motor fuels tax revenues will decrease significantly due to the increase in fuel efficiency rates, the Texas Department of Transportation (TxDOT) recently revised sharply downward its outlook on transportation spending as expressed in its 2010-2020 Unified Transportation Program (UTP) and its long-range expenditure projections developed by the Texas Transportation Commission. Originally, the financial plan anticipated TxDOT funding to be \$26.8 Billion for the years 2011-2035, whereas the new estimate is now \$6.5 Billion, or a reduction by 76%. Consequently, the impetus for issuing this 2035 RTP Update is a response to TxDOT's revised financial outlook.

Unchanged in this financial plan are the expectations for all other transportation investment entities as well as the assumptions on growth and inflation. H-GAC is currently developing a wholly new comprehensive financial review of the region's transportation entities in preparation

for the next regional transportation plan, with the hope, if not expectation, that federal funding issues may be clarified before this work is completed.

### **Assumptions**

Since 2005, federal law requires that revenues and future project costs estimates must use an inflation rate to reflect “year of expenditure dollars” and to include total project costs. This plan fulfills both of these requirements. “Year of expenditure dollars” also known as nominal dollars, as opposed to current year, real, or today’s dollars, are adjusted upwards to account for the effects of inflation by a given rate for each year the expenditure is made farther into the future. For example, a project that costs \$100 in today’s dollars will cost \$122 in ten years at 2% inflation. Thus, expressing all expenditures in nominal dollars tries to account for the weakening effects that inflation has on the dollar’s actual purchasing power.

Total project cost is comprised of adding together the capital (construction) and financing costs that have been historically reported along with related cost such as purchasing right-of-way, relocating utilities, and engineering. Although some of these related costs are not funded locally (for example, right-of-way is purchased from a statewide account), they are now included to give a more complete understanding of a project’s total financial costs.

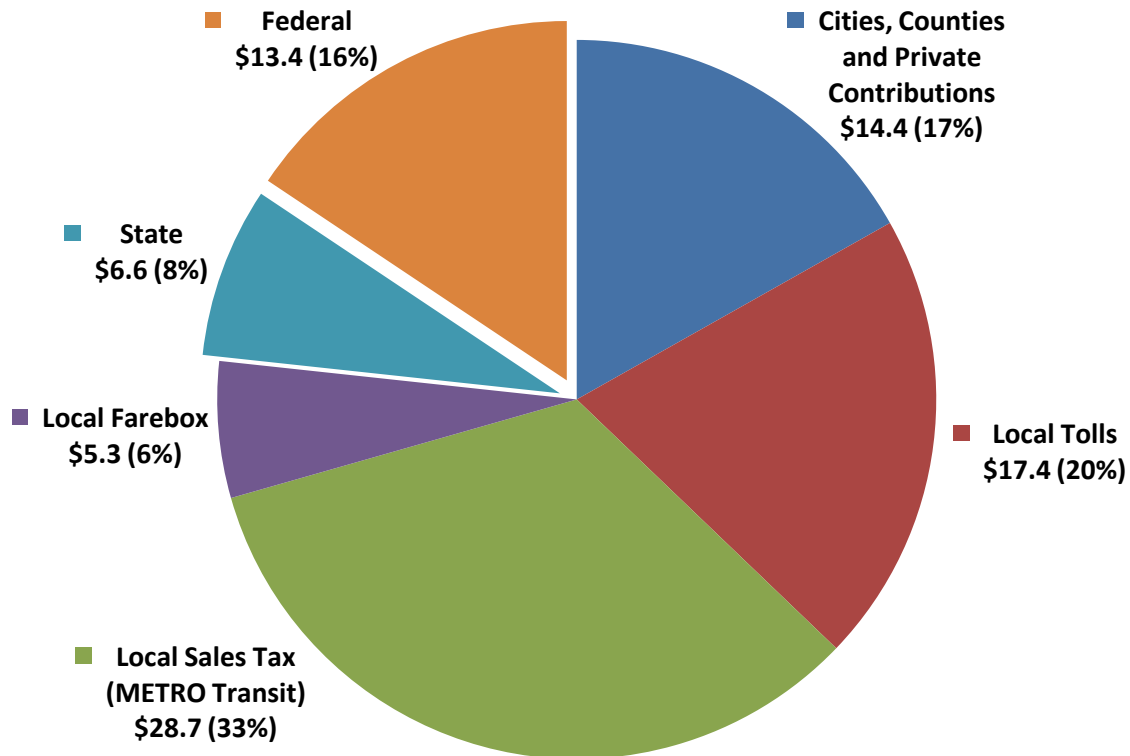
Historically, the region is experiencing, on average, a robust, 1.7% increase in population each year. This rate serves as the proxy for growth in the financial model. Inflationary growth is assessed at 2.54%, based on a 10-year average of the Consumer Price Index from 1996-2006. Toll revenues are developed from expectations expressed by the toll road authorities and have been revised to reflect delay or abandonment of selected projects based on the anticipated loss of state dollars invested on collateral projects. Although all other financial information remains unchanged in this plan when compared to its predecessor, the numbers still cannot be directly compared to each other due to the shortened frame of time. The original plan covered the years 2006-2035; this updated financial plan covers the years 2011-2035.

### **Revenues**

The estimated total revenue available for the 2035 RTP Update is \$85.7 Billion (see Figure 22). The revenue comes from federal, state, and local sources. Among the federal sources are the federal gas tax, programmed funds from the Federal Highway Administration and the Federal Transit Administration, congressional earmarks, as well as other funds that are allocated to the individual states. State sources include the motor fuel tax, vehicle registration fees, pass-through financing agreements (as reimbursed from federal sources), Proposition 12 and 14 bond funds,

and other state allocations. Local sources include property and sales taxes collected by the cities and counties, toll revenues, farebox collections from transit agencies, and private (developer) contributions.

**Figure 22 REVENUES BY SOURCE**  
**\$85.7 BILLION TOTAL (NOMINAL DOLLARS)**



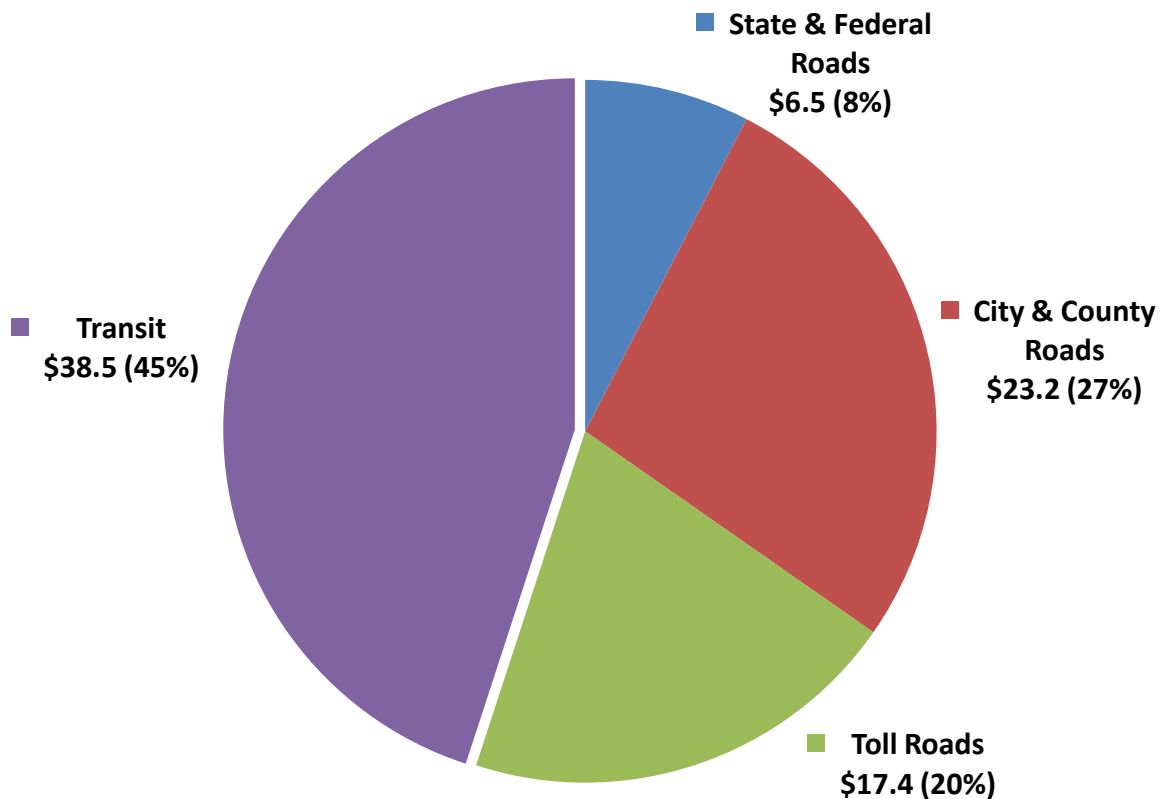
Source: H-GAC Financial Model 2006/2010

The various local sources comprise 76% of all revenues, while Federal and State sources make up the remaining 24%. It is particularly important to note that the region's dependence on toll receipts to fund the RTP is growing. Although the Harris, Fort Bend, Brazoria and Montgomery County Toll Road Authorities are not obligated to spend toll receipts on transportation projects, in the past they have reinvested toll-generated revenues into the toll and connecting roadway networks.

## Expenditures

Total estimated expenditures in the 2035 RTP Update are \$85.6 Billion (see Figure 23). When examined by mode of travel (roadway or transit), 55% of all expenditures are for roadway projects that support the automobile. In a region known for its dispersed suburbanized housing, this percentage is not unusual. However, over the last several years transit investments have increased, and this trend is expected to continue, thereby improving choices among transportation modes.

**FIGURE 23 EXPENDITURES BY MODE**  
**\$85.6 BILLION (NOMINAL DOLLARS)**

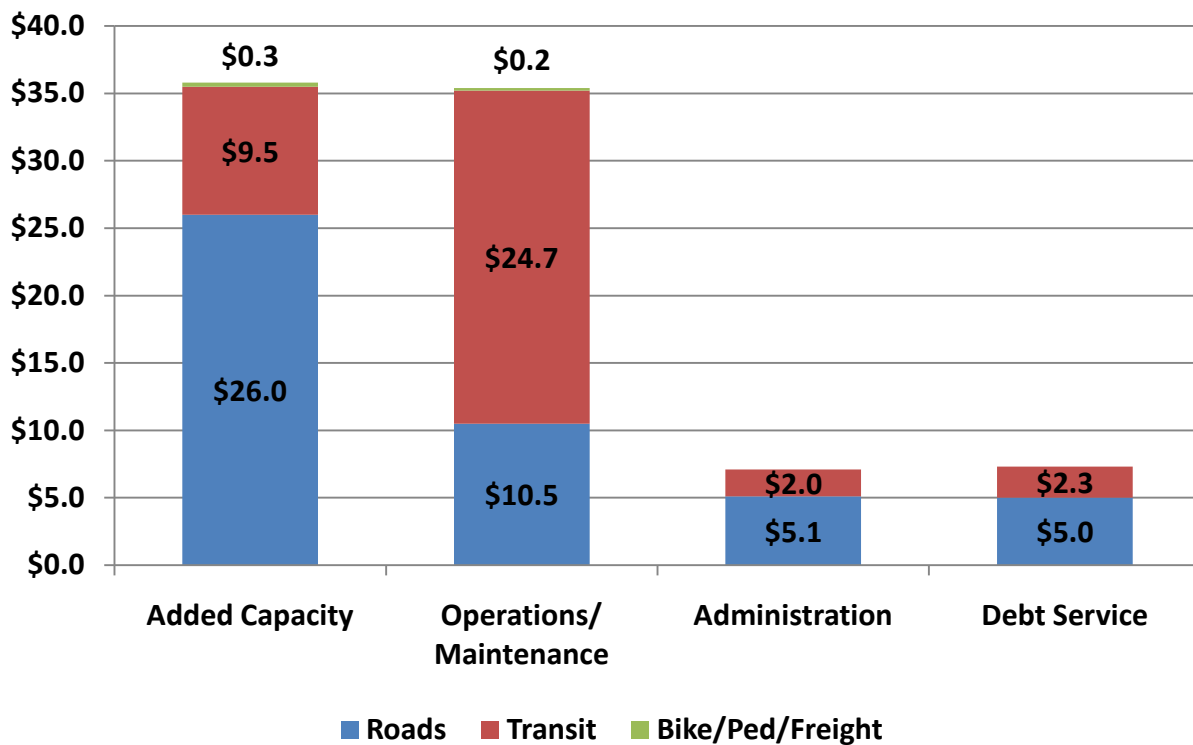


Source: H-GAC Financial Model 2006/2010

Not only will there be a larger network to maintain in the future, but also system preservation efforts are currently under-funded. In the future, more revenues will be needed for system preservation to prevent further deterioration of roadway surfaces.

Expenditures on the transportation network can also be listed by function (see Figure 24), including building new and improving existing roadways and transit lines (added capacity), operating and maintaining the network including the reconstruction of existing facilities when they reach the end of their useful life (operations/maintenance), wages and salaries for roadway and transit agency staff (administration), and financing costs associated with debt incurred for transportation projects (debt service).

**FIGURE 24 EXPENDITURES BY FUNCTION**  
**\$85.6 BILLION (NOMINAL DOLLARS)**



Source: H-GAC Financial Model 2006/2010