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Chapter 6: Financial Plan

6.1 Introduction

An important part of the metropolitan planning process is identifying the resources needed to implement the solutions identified through the planning process. Solutions that cannot be implemented for lack of funds are no solutions at all, so a comparison between needed resources to projected resources is critical. Determining funding shortfalls gives way to the creative process of determining innovative and non-traditional methods of securing revenue. The result is an achievable plan giving local elected officials and the Alabama Department of Transportation (ALDOT) a realistic, and therefore effective, foundation from which decisions related to or affected by transportation can be made.

There are several trends that will impact the long-term financial capacity of the 2035 Birmingham Regional Transportation Plan (RTP), most notably the worsening federal fiscal environment. In what has become an annual, and in some instances, a semiannual occurrence, the rescission of federal funding has demonstrated a clear weakness in the financial capacity of the metropolitan planning area to fully fund needed transportation plans and programs. In addition to the decline in future federal transportation funding for transit and roads, other observed trends include:

- Decreasing purchasing power of state motor fuel taxes;
- Fewer local resources to match federal funds or pursue projects independent of federal funds, and;
- Rapid inflation in construction costs.

Beginning in the fall of 2008, the Birmingham MPO staff began warning its stakeholders that there likely would be no funding available to support projects that already had not been included in the current RTP (Birmingham 2030 Long Range Transportation Plan). In April 2009, it was apparent that projects and programs must be cut from the 2030 LRTP in order for the 2035 Birmingham Regional Transportation Plan to meet all fiscal constraint requirements. Modifications to the program of projects required rescheduling, re-scoping, or dropping a number of previously approved projects from the RTP. This was done in cooperation the Alabama Department of Transportation, project sponsors, and other transportation planning partners and stakeholders. Never before has the Birmingham metropolitan transportation plan had to remove projects from an existing RTP because of fiscal constraint.

This process of financial constraint and resource identification was made a required part of the planning process through the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and included in federal planning regulations. 23 CFR Part 450.322 requires, “the plan shall include a financial plan that demonstrates the consistency of proposed transportation investments with already available and projected sources of revenue...All cost and revenue projections shall be based on the data reflecting the existing situation and historical trends.” A transportation plan is officially considered financially constrained when the federal government determines that it meets regulations found in federal law. In layman’s terms, these requirements hold that long and short range transportation plans cannot propose to spend more money than reasonably anticipated revenues can pay for, including considerations for constructing, operating and maintaining planned projects. Not only is this balancing mandated, it is also sound fiscal policy. Once the federal government makes the official determination that the 2035 Birmingham RTP meets all federal requirements, of which fiscal constraint is a component, projects can be funded and implemented as programmed in the plan.

6.1.1 Background

Federal funding for transportation is authorized through a transportation bill which sets upper limits on funding by categories for both highways and transit facilities. Revenues to support spending as contained in the transportation bill are primarily raised through federal taxes on fuel. Tax revenues are tracked through the use of a Highway Trust Fund. The Highway Trust Fund is comprised of two accounts – a highway account and a mass transit account. The highway account is the larger of the two accounts with a monetary value of roughly 90% of the total Highway Trust Fund value.

Historically, the Highway Trust Fund has carried a positive net balance due to Federal decisions to distribute or spend less than incoming tax revenues on an annual basis. However, today the balance of the Highway Trust Fund is declining rapidly, and is likely to decline to zero sometime between 2009 and 2011. If this should happen, at a maximum, only incoming tax revenues can be distributed to the states on an annual basis for federal transportation funding. Future federal transportation bills must take the status of the Highway Trust Fund into account when authorizing federal transportation spending.

On August 10, 2005, President George W. Bush signed into law Congress's reauthorization of the federal TEA-21 transportation funding bill or law. This transportation bill establishes the ceiling on the amount of federal transportation dollars to be spent across the nation for federal fiscal years 2005 to 2009. The new name for the law is Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU contains guaranteed funding for roads, interstates, safety, public transit, bicycle and pedestrian facilities, and other transportation projects. Totaling \$244.1 billion, SAFETEA-LU represents the largest surface transportation investment in our nation's history. For specific information on SAFETEA-LU funding categories and anticipated federal transportation funds coming to the State of Alabama, visit the Federal Highway Administration site at www.fhwa.dot.gov.

To help address the federal transportation funding crisis, SAFETEA-LU created a National Surface and Transportation Policy Study Commission. The Commission was chaired by then U.S. Department of Transportation Secretary Mary Peters and comprised of 12 members representing federal, state and local governments, MPOs, transportation related industries and public interest organizations. The Commission was tasked with examining the condition and future needs of the nation's surface transportation system, and proposing short and long-term alternatives to replace or supplement the fuel tax as the principal revenue source to support the Highway Trust Fund over the next 30 years. The Commission conducted field hearings across the United States to gather information.

The Commission presented their final report to Congress in early 2008. Key recommendations included:

- Not reauthorizing the current federal surface transportation program
- Developing a new program that is performance driven, outcome based, and mode neutral
- Consolidating the current 108 programs into 10 programs:
 1. Asset management
 2. Freight transportation
 3. Metropolitan mobility
 4. Safety
 5. Access for smaller cities and rural areas
 6. Intercity passenger rail
 7. Environmental stewardship
 8. Energy and security
 9. Federal lands
 10. Reorganization of USDOT into functional areas to reinforce the functional orientation of the 10 new programs, rather than the current modal orientation

- Establish an independent National Surface Transportation Commission
- Reform the project delivery process
- Address the current funding shortfall by increasing the gas tax by 25-40 cents/gallon over five years
- Charge container fees and ticket taxes

6.1.2 Chapter Purpose

This chapter documents the financial assumptions that go into the financially constrained element of the 2035 Birmingham Regional Transportation Plan, and identifies how much money is available to address critical transportation needs. This financially constrained element, composed of federal, state, and local revenues, is what the region expects over a 25-year planning period with currently available revenues. It is quite difficult to forecast transportation revenues over such a long period of time. Fortunately, the Regional Transportation Plan is revised and updated on a frequent basis. The revenue assumptions contained in this document will be reconsidered as part of that on-going process. The purpose of these fiscal constraint requirements is to ensure that long-range planning of transportation projects is meaningful, based on realistic assumptions regarding the funding of all capital, operating, and maintenance costs associated with the surface transportation system. If plans and programs are developed without regard to realistic funding, they are unreliable. Without fiscal constraint, public confidence in the planning process is also undermined, as is coordination with local governments and others.

This chapter of the RTP documents the methodology, consistent with federal requirements and good planning practice, used to determine projected revenue sources that can reasonably be expected to be available to the Birmingham metropolitan planning area. The Financial Plan identifies and forecasts public funding sources, and integrates capital, operating, and maintenance costs specific to modal needs. The Financial Plan also compares costs by category, and shows that projected funds will be adequate for future needs based on the stated assumptions. In doing so, financially feasible solutions to identified funding shortfalls can be developed. This would include the development of alternative funding sources and other financing tools to increase the Birmingham MPO's financial capacity. This information provides a basis for comparison among investment and service alternatives regarding financial performance and the needs and goals identified by each modal team.

6.1.3 Chapter Organization

This financial plan includes sections that discuss the topics described below.

- Section 6.2: The Birmingham MPO's Financial Structure Profile, describes the current revenue sources available to both the Birmingham MPO and the Alabama Department of Transportation. It also describes expenditures by project type.
- Section 6.3: The Transportation Funding Forecast presents the baseline forecast of Birmingham MPO revenue to 2035.
- Section 6.4: Fiscally Constrained Financial Plan discusses innovative financing techniques that depart from traditional pay-as-you-go financing and funding sources intended to supplement fuel taxes.

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6.2 Birmingham MPO Financial Structure Profile

There are several major revenue sources that are available to assist with the funding of a variety of transportation services, facilities, and physical projects. The information presented in this chapter, particularly the financial forecasts and expenditures table, represents an effort to balance programs and projects with available funds across the RTP's plan horizon. At the same time, the Financial Plan seeks to maintain fiscal constraint. However, in order to achieve fiscal constraint so that future transportation investment and operations can be adequately financed, the Financial Plan must first examine the adequacy of existing funding. This is followed by an analysis of the relative burden that the proposed RTP places on federal, state, and local funding sources.

The Alabama Department of Transportation's Bureau of Transportation Planning and Model Programs, in consultation with the Birmingham MPO staff and the Federal Highway Administration (FHWA) developed estimates for expected levels of federal and State funding. Funding varies greatly from year to year in an urbanized area, depending on which projects are authorized for construction. However, an analysis of the historic annual federal and State funding spent within the Birmingham metropolitan planning area was used to estimate future funding through 2035. The potential funding available over the next 25 years was extrapolated. Figure 6.1 presents the federal funding expected to be available over the life of the plan. Anticipated revenues are broken down by the expected availability of funding for both capacity projects and operations and maintenance type projects.

Following is a description of the primary funding programs used within the Birmingham metropolitan planning area. General rules for the funding ratio of projects by type of funding program are also provided (percent of Federal compared to percent of state or local funds). These funding ratios are intended to be used only as a general guideline, as there are situations where the ratios may vary depending on the particular details of the project.

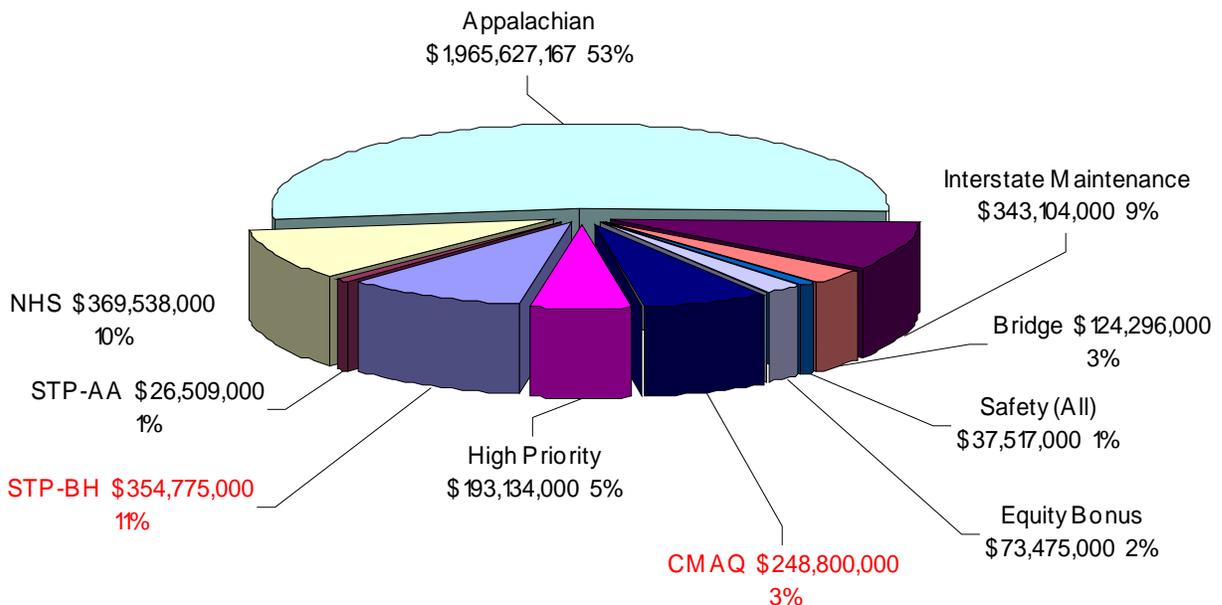


Figure 6.1 Federal Funding Distribution (through 2035)

6.2.1 Roadway Funding Sources

The Birmingham metropolitan region utilizes a variety of funding sources to assist with the financing of transportation services and facilities. These funding sources are primarily federal in origin. However, the State of Alabama also provides some funding from gas tax revenues to assist with transportation infrastructure investments. Likewise, local governments may also provide funding from their general budgets to assist with the development of transportation infrastructure. Following is a description of the primary programs utilized within the Birmingham region.

A. Federal Funding Sources

Surface Transportation Program - (STP)

Funding Ratio: 80% Federal/20% Local

Surface Transportation Program (STP) funds provide flexible funding that may be used for any type of highway or transit capital project. Each State's apportioned STP funds are sub allocated in the following manner:

- 10% is set-a-side for safety construction activities (i.e., hazard elimination and rail-highway crossings).
- 10% is set-a-side for transportation enhancements such as historic preservation, non-motorized transportation, and landscaping.
- 50% is divided between urbanized areas over 200,000 in population. Projects funded under Surface Transportation Program Birmingham Attributable (STPBH) utilize these funds. The portion that goes to urbanized areas over 200,000 population must be distributed on the basis of population unless the State and relevant MPOs request the use of other factors and the FHWA approves. This provision is not applicable to Alaska and Hawaii.
- 30% can be spent in any area of the State. In Alabama, these funds are classified as Surface Transportation Program Any Area (STP-AA). This provision is not applicable to Alaska and Hawaii. STP-AA funds are primarily used by the Alabama Department of Transportation to fund projects that are located on U.S. highways or state routes. This category of funding also covers routes that currently have or are anticipated to have congressional earmarks set aside for improvements in future years.

National Highway System Program - (NHS)

Funding Ratio: 80% Federal/20% Local

National Highway System (NHS) Funds may be expended on projects that provide an interconnected system of principal arterial routes that serve major population centers, international border crossings, ports, airports, public transportation facilities, and other intermodal transportation facilities and other major travel destinations. Funds can be expended on roadways that meet national defense requirements and serve interstate and interregional travel.

The NHS program funds major roadways, including the interstate system, a large portion of the region's urban and rural principal arterial roadways, the Strategic Defense Highway Network (STRANET), and the strategic highway connectors. The observed historic annual spending of NHS funds for projects and programs within the Birmingham region provides the basis for this funding program's fiscal constraint. Analysis of the previous six years of NHS spending shows that \$88.7 million was programmed for use in

the Birmingham metropolitan planning area, of which 91% was programmed to help expand roadway capacity. On average, the annual allocation of NHS funding to the Birmingham metropolitan planning area is approximately \$14 million. This average has been used to estimate future funding which is expected to total \$369.5 million over the 25 year planning period.

Appalachian Highway Development Program (APD)

Funding Ratio: 80% Federal/20% Local

Appalachian Highway Development Program (APD) funds can be expended on projects in the Appalachian Development Highway System (ADHS). The ADHS was created by the Appalachian Regional Development Act of 1965. Its purpose was to provide a system of development highways and access roads which would contribute to economic development opportunities in the Appalachian regions 13 States -- Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.

APD program funds have been used to pay for corridors that are deemed eligible for funding as approved by the Appalachian Regional Commission (ARC). In Alabama, this has included the remaining work on Corridor X (the future I-22) and Corridor X-1 (the Birmingham Northern Beltline). APD funding is formula driven, and is based upon the completion cost for each of the segments of the Appalachian Highway System.

Since 2003, the Birmingham metropolitan planning area has received nearly \$257.7 million, mostly for Corridor X. Based on historic allocations, it is anticipated that nearly \$1.9 billion in APD revenues will be provided for ADHS roadways in the Birmingham metropolitan planning area. The 2035 Birmingham RTP programs \$237.3 million for Corridor X. Future funding for Corridor X1, the proposed Northern Beltline, is anticipated to be available. However, expected funding is insufficient to cover the cost of the entire project. Funding for the completion of Corridor X is within the expected APD revenue stream for Alabama. The fiscally constrained RTP has been modified to include the segments of Corridor X1 between US 78 and I-59. The segments of Corridor X1 between I-459 and US 78 have been placed into the visionary plan. These segments are expected to be programmed into the fiscally constrained RTP when funds become available.

Interstate Maintenance (IM) Program

Funding Ratio: 80% Federal/20% Local

Interstate Maintenance (IM) Program funds are eligible to be used on project types such as resurfacing, restoration, rehabilitation, and reconstruction. Such projects can include the reconstruction of or new bridge construction, interchanges, and over crossings along existing Interstate routes, as well as right-of-way acquisition where necessary, for new interchanges. Construction of new travel lanes are not eligible unless they are high occupancy vehicle (HOV) lanes or auxiliary lanes.

It is expected that \$343.1 million in IM funding will be available for use in the Birmingham metropolitan planning area over the life of the 2035 Birmingham RTP. An average of \$13.7 million per year is expected to be made available for use in the metropolitan planning area as well.

Bridge Replacement and Rehabilitation (BR) Program

Funding Ratio: 80% Federal/20% Local

Bridge Replacement and Rehabilitation Funds can be used on deficient highway bridges eligible for replacement or rehabilitation over waterways, other topographical barriers, other highways, or railroads.

They must, however, as determined by the State and the Secretary of Transportation, be significantly important and unsafe because of structural deficiencies, physical deterioration, or functional obsolescence.

Congestion Mitigation and Air Quality

Funding Ratio: 80% Federal/20% Local - 100% for eligible projects with ALDOT concurrence

Congestion Mitigation and Air Quality Program (CMAQ) Funds may be used for transportation projects and programs that are likely to contribute to the attainment of national ambient air quality standards. The CMAQ was established by the Intermodal Surface Transportation Act of 1991 and has been continued by the TEA-21 and SAFETEA-LU.

Historically, Birmingham metropolitan planning area projects and programs funded with CMAQ monies have proven to be innovative in the types of solutions provided to common mobility problems. Additionally, this innovation has largely been driven by the Birmingham metropolitan planning area's desire to attain national ambient air quality standards mandated by the federal Clean Air Act. Eligible activities under CMAQ include transit system capital expansion and improvements that are projected to realize an increase in ridership travel demand management strategies and shared ride services and pedestrian and bicycle facilities and promotional activities that encourage bicycle commuting. Programs and projects are funded in air quality non-attainment and maintenance areas for ozone, carbon monoxide (CO), and small particulate matter (PM-10) that reduce transportation-related emissions. Birmingham is a non-attainment area for both ozone and PM-2.5.

Examples of the many project types that are eligible to use CMAQ funding are described below.

- **Public Transit Improvements to include:**

- Transit System Start-Up – These projects are new rail systems, bus service, or vanpools. Operating expenses for new systems can be reimbursed for up to three years.

- Transit-ways, Bus Lanes, and High-Occupancy Vehicle Lanes - CMAQ funds may be used to restrict certain roads or lanes, or to construct roads or lanes for the exclusive use of passenger buses or HOV.

- Transit Transfer Facilities – These projects increase the convenience of transferring on transit service.

- Transit Facility Improvements – These projects enhance the existing transit system through adding or improving facilities such as stations.

- **High-occupancy and Shared-Ride Services**

- CMAQ funds may be used to fund all categories of high-occupancy and shared-ride services. The Birmingham MPO previously funded the CommuteSmart Commuter Services program using CMAQ funds.

- **Commuter Parking Lots**

- New or expanded park-n-ride or park-n-ride facilities located in fringe areas and in primary transportation corridors. These park-n-ride lots should serve multiple-occupancy vehicle programs or transit service.

- **Traffic Flow Improvements Programs that Achieve Emission Reductions**

- The CMAQ program finances three types of traffic flow improvements:

- Bottleneck Elimination – These projects remove existing bottlenecks to traffic flow. Under current guidelines, a bottleneck is defined as a point along a roadway that restricts traffic flow. Road

segments, even if relatively short, are not eligible. Bottleneck eliminations may be reviewed for eligibility on a case-by-case basis since CMAQ funds cannot be used to fund "general purpose through lanes."

Intersection Improvements – These projects ease the flow of traffic through existing intersections without adding capacity. Such projects include addition of left turn bays or traffic signal installation.

Signal Interconnects – These projects reduce delays through a series of intersections by coordinating the signal phases, thereby reducing emissions.

- **Road Surface limitation Programs**

CMAQ funds may be used to limit portions of or certain sections of road surfaces within the metropolitan area to the use of non-motorized vehicles or pedestrian use, both as to time and place.

- **Bicycle and Bicycle Parking Projects**

The CMAQ program finances bicycle facilities that provide secure bicycle lanes for the convenience and protection of bicyclists, in both public and private areas and reduces travel by automobiles. Projects that create or increase the availability of secure parking bicycle storage facilities for bicycles and promote the use of bicycles are also eligible.

- **Pedestrian Facility Projects**

CMAQ finances the planning and construction of pedestrian facilities. These facilities are meant to provide additional individual travel choices, helping to reduce travel by automobile, and thereby eliminating automobile trips. Many recreational facilities do not make good CMAQ project candidates and have been provided with a separate funding source in SAFETEA-LU.

- **Other Projects**

These projects do not fit into the above categories, but result in emissions reductions that can be estimated and are otherwise eligible for CMAQ funds. Examples include: trip-reduction ordinances; employer-based transportation management plans; employer-sponsored programs to permit flexible work schedules; rideshare incentive programs; programs to limit or restrict vehicle use in downtown areas or other areas of emission concentration particularly during periods of peak use; programs to control extended idling of vehicles; low-emission engine and fuel technologies program implementation, including diesel retrofits; the Alabama Partners for Clean Air - Air Quality Alert public information program; advanced truck stop electrification, and; cold-start emissions reductions.

Transportation Enhancement Program - (TE)

Funding Ratio: 80% Federal/20% Local

The Transportation Enhancement Program projects are funded annually on a competitive basis Statewide. ALDOT requires MPO review of all project application and the ALDOT is responsible for eligibility determination and project selection. Current legislation sets aside 10% of the State's Surface Transportation Funds for enhancement projects. The Regional Transportation Plan has not programmed projects in this category and the Statewide Transportation Improvement Program is typically carried as a Level of Effort until specific projects are identified.

Highway Safety Improvement Program - (HSIP)

Funding Ratio: 80% Federal/20% Local

Highway Safety Improvement Program projects are funded annually after an objective review by ALDOT personnel. Current legislation set aside 10% of the State's Surface Transportation Funds for safety projects. The Regional Transportation Plan has not programmed projects in this category and the Statewide Transportation Improvement Program typically carries funding for these projects based on a Level of Effort estimate until specific projects are identified.

Safe Routes to School (SR2S)

Safe Routes to School 100% Federal

The Safe Routes to Schools (SR2S) Program is a federal-aid program of the U.S. Department of Transportation's Federal Highway Administration (FHWA). The program was created by Section 1404 of the 2005 *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users Act i.e.* (SAFETEA-LU). The SR2S program provides funds to improve the ability of primary and middle school students (k-8) to walk and bicycle to school safely.

Purposes of the program:

- To enable and encourage children, including those with disabilities, to walk and bicycle to school
- To make bicycling and walking to school a safer and more appealing transportation alternative, thereby encouraging a healthy and active lifestyle from an early age
- To facilitate the planning, development, and implementation of projects and activities that reduce traffic and improve safety, fuel consumption and air quality in the vicinity of primary and middle schools (kindergarten through the eighth grade)

In addition, the SR2S program educates school site administrators, parents and children about bicycle safety, pedestrian awareness and traffic concerns. The SR2S program promotes a comprehensive, proactive approach to securing safety along school routes and on school sites.

High Priority Funds

Funding Ratio: 80% Federal/20% Local May be 100% if Congress Decreases

This group of funds is dependent upon designated funding from federal transportation bills. At this point the projects in this category of funds are all associated with the proposed Northern Beltline. To date congressional support for this project has been very strong and the project is now eligible for Appalachian Highway Development funding which can realistically be utilized to complete the project.

Equity Bonus Program

Funding Ratio: the Federal share is determined under 23 USC 120 i.e. 80% Federal/20% Local

Equity Bonus Program funding that has been programmatically distributed to specific federal funding programs has the same federal share as those programs.

Equity Bonus Program funds are subject to the sliding scale adjustment. When the funds are used for Interstate projects to add high occupancy vehicle or auxiliary lanes, but not other lanes, the Federal share may be 90 percent. These too are subject to the sliding scale adjustment. Certain safety improvements listed in 23 USC 120(c) have a Federal share of 100 percent. However, these funds are not subject to the STP safety set-aside, the transportation enhancement set-aside or the sub allocations to sub-State areas.

The Equity Bonus provides funding to States based on equity considerations. These include a minimum rate of return on contributions to the Highway Account of the Highway Trust Fund, and a minimum increase relative to the average dollar amount of apportionments under TEA-21. Selected States are guaranteed a share of apportionments and High Priority Projects not less than the State's average annual share under TEA-21. This program replaces TEA-21's Minimum Guarantee program.

B. State Funding

State revenues are a very important component of the total revenue mix used to fund highway and road project expansion and improvements as well as roadway maintenance.

▪ Gasoline/Motor Fuel Tax

Most ALDOT revenue comes from a mix of gasoline excise taxes, motor fuel taxes and petroleum inspection fees and comprises the Department's budget for transportation projects statewide. The gasoline excise tax is the largest source of state funding for roadway projects. Alabama's gas tax is 18 cents per gallon.

▪ State Bridge Replacement Program

The State Bridge Replacement Program, funded by ALDOT, comprises nearly \$18 million in projects that have been programmed for the Birmingham area during the 25 year planning horizon. This is in line with the annual spending for projects and programs, and is also in line with historical spending levels for a ten year period prior to this plan's baseline. Historic average annual funding levels for the State Bridge Replacement Program for the Birmingham MPO area is about \$2.9 million. Projected out over the next 25 years, the Birmingham region can anticipate a total of close to \$74 million in potential funding to be spent on bridge replacement projects over the life of the plan.

C. Local Funding

Local funding for specific transportation projects is provided via local governments' annual budget and/or capital improvements budget. Jefferson County levies a one cent gas tax to be used on roadway projects. Local government projects are typically located within the affected jurisdiction and do not cross jurisdictional boundaries. At this time, the region does not have a dedicated funding source for transportation projects.

Local governments in the Birmingham MPO plan area utilize locally generated revenues such as sales taxes, franchise fees, business taxes, etc. to assist them in funding for local transportation improvements. These funds typically go directly into the local government general fund and transportation improvements are funded from this overall pot of money. Revenues generated are utilized mostly for local roadway resurfacing projects, and to a lesser degree to provide match to federal funds for intersection and signal improvements road widening, and routine maintenance.

6.2.2 Transit Grant Programs

Section 5307 Urbanized Area Formula Program

Funding Ratio: 80% Federal/20% Local

The Federal Transit Administration (FTA) provides funding for public transit capital and facilities through a variety of different funding sources. Some funding is provided by formula; other funding is discretionary and provided through Congressional appropriations. For urbanized area formula funds (FTA Section 5307), federal guidance indicates maintenance of purchasing power (i.e., growth with inflation) is the proper assumption.

Supporting this guidance is the linkage between federal highway program growth and FTA Section 5307 program growth as they are largely funded from the same revenue source. As federal fuel tax rates have increased, the increased revenue has supported both highway and transit programs in a roughly fixed proportion. Therefore, these programs are likely to grow in a similar manner.

Most FTA Section 5307 funds are used to finance capital equipment purchases and to finance preventive maintenance on existing capital equipment. Although rarely done, Section 5307 funds may also be used for highway projects as long as certain specific conditions are met. In areas having a population of more than 200,000, Section 5307 funds may not be used to fund operations. In areas less than 200,000, these funds may be used to finance transit operations.

Section 5307 funds are apportioned and flow directly to a locally selected designated recipient. At least one percent of the funding apportioned must be used for transit enhancement activities such as historic preservation, landscaping, public art, pedestrian access, bicycle access, and enhanced access for persons with disabilities.

Section 5309 Discretionary Funds

Most FTA Section 5309 funding is provided on a discretionary basis, and is only provided after application by an eligible transit provider. The funding program is split into three separate, but distinctive parts:

1. Section 5309 Bus and Bus Related Equipment and Facilities Program
2. Section 5309 Rail and Fixed Guideway Modernization
3. Section 5309 Major Capital Investments (i.e. New Starts and Small Starts)

Section 5309 Bus and Bus Related Equipment and Facilities - The Section 5309 Bus and Bus Related Equipment and Facilities program provides capital assistance for new and replacement buses, related equipment, and facilities. Most FTA Section 5309 funding is provided on a discretionary basis, and is only provided after application by an eligible transit provider.

Eligible capital projects include the purchasing of buses for fleet and service expansion, bus maintenance and administrative facilities, transfer facilities, bus malls, transportation centers, intermodal terminals, park-and-ride stations, acquisition of replacement vehicles, bus rebuilds, bus preventive maintenance, passenger amenities such as passenger shelters and bus stop signs, accessory and miscellaneous equipment such as mobile radio units, supervisory vehicles, fare boxes, computers and shop and garage equipment.

Section 5309 Rail and Fixed Guideway Modernization - At present, the Birmingham metropolitan planning area has no rail transit or other fixed guideway transit system. As such, this funding source is not discussed.

Section 5309 Major Capital Investments (New Starts/Small Starts) - The Section 5309 Major Capital Investments funding program (i.e. New Starts/Small Starts) provides funds for construction of new fixed guideway systems or extensions to existing fixed guideway systems.

Eligible purposes are light rail, rapid rail (heavy rail), commuter rail, monorail, automated fixed guideway system (such as a “people mover”), or a busway/high occupancy vehicle (HOV) facility, or an extension of any of these. Projects become candidates for funding under this program by successfully completing the appropriate steps in the major capital investment planning and project development process (Alternatives Analysis), and successfully competing against other projects that have completed this same process.

Major new fixed guideway projects, or extension to existing systems financed with New Starts funds, typically receive these funds through a full funding grant agreement that defines the scope of the project and specifies the total multi-year Federal commitment to the project. Funding allocation recommendations are made in an annual report to Congress: “Annual Report on New Starts.”

The statutory match for New Starts funding is 80 percent Federal, 20 percent local. However, FTA continues to encourage project sponsors to request a Federal New Starts funding share that is as low as possible. The Congressional Conference Report that accompanied the FY 2002 Department of Transportation Appropriations Act instructs “FTA not to sign any new full funding grant agreements after September 30, 2002 that have a maximum Federal share of higher than 60 percent.”

Section 5310 Transportation for Elderly Persons and Persons with Disabilities

Funding Ratio: 80% Federal/20% Local

Section 5310 program funds provide formula funding to States for the purpose of assisting private nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities when the transportation service provided is unavailable, insufficient, or inappropriate to meeting these needs. Funds are apportioned based on each State’s share of population for these groups of people.

The Birmingham metropolitan planning area has historically received no Section 5310 funding from the Alabama Department of Transportation despite having met the requirements of the program. In order to remedy this, the Birmingham MPO annually flexes funding from its STPBH allocation to the Section 5310 program for specific use in the Birmingham metropolitan planning area. These funds have been used to fund the transportation program operated by the Birmingham Paratransit Consortium aka ClasTran.

As of October 1, 2009, Section 5310 program funding for the Birmingham metropolitan planning area will be jointly administered by the Birmingham Jefferson County Transit Authority and the Regional Planning Commission of Greater Birmingham on behalf of the Birmingham MPO. These funds shall be obligated based on the annual program of projects included in the locally administered grant application. Both the Birmingham Jefferson County Transit Administration and the Birmingham MPO shall ensure that local applicants and project activities meet eligibility criteria and are in compliance with federal requirements. Additionally, the two agencies will ensure that private not-for-profit transportation providers have an opportunity to participate as feasible, and that the program provides for as much coordination of federally assisted transportation services, assisted by other federal sources.

FTA has agreed to approve Section 5310 applications submitted from the Birmingham metropolitan planning area, and make funds available for local administration of the grant program. These funds may be allocated to individual sub-recipients within the metropolitan planning area.

Section 5311 Rural and Small Urban Areas Formula Funding Program

Funding Ratio: 80% Federal/20% Local (Capital Purchases);

Funding Ratio: 50% Federal/50% Local (Operations)

Section 5311 funding is not usually considered as a funding source in the development of the 2035 Birmingham RTP. Section 5311 revenue finances public transportation projects outside urbanized areas and/or beyond MPO jurisdiction. It is used to fund public transit services in the rural portions of Jefferson and Shelby County, and is the primary funding source for public transit services in the four adjacent counties of the Heart of Alabama Rural Planning Organization, the neighboring Rural Planning Organization (RPO). The program does not have a significant impact on the metropolitan planning areas air quality.

The programs supported by this revenue source have been incorporated into the RTP. Funds may be used for capital, operating, and administrative assistance to local public bodies and nonprofit organizations, as well as operators of public transportation services.

Section 5316 Job Access and Reverse Commute (JARC) Formula Grant Program

Funding Ratio: 80% Federal/20% Local (Capital Purchases);

Funding Ratio: 50% Federal/50% Local (Operations)

The Job Access and Reverse Commute (JARC) program was established to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. Many new entry-level jobs are located in suburban areas, and low-income individuals have difficulty accessing these jobs from their inner city, urban, or rural neighborhoods. In addition, many entry level-jobs require working late at night or on weekends when conventional transit services are either reduced or non-existent. Finally, many employment related-trips are complex and involve multiple destinations including reaching childcare facilities or other services.

The Section 5316 program provides funding to States and public bodies, both of whom are eligible designated recipients, as well as private non-profit organizations, State or local governments, and operators of public transportation services including private operators of public transportation services. Funding may be used for Capital planning and operating expenses for projects that transport low income individuals to and from jobs and activities related to employment, and for reverse commute projects.

Section 5317 New Freedom Formula Grant Program

Funding Ratio: 80% Federal/20% Local (Capital Purchases);

Funding Ratio: 50% Federal/50% Local (Operations)

The Section 5317 New Freedom formula grant program aims to provide additional tools to overcome existing barriers facing Americans with disabilities seeking integration into the work force and full participation in society. Lack of adequate transportation is a primary barrier to work for individuals with disabilities. The New Freedom formula grant program seeks to reduce barriers to transportation services and expand the transportation mobility options available to people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) of 1990.

Eligible recipients to receive funding include States and public bodies, both of whom may be designated as direct recipients. Private non-profit organizations, State or local governments, and operators of public transportation services including private operators of public transportation services are eligible sub-recipients. Section 5317 monies may be used for capital and operating expenses for new public transportation services and new public transportation alternatives beyond those required by the American with Disabilities Act of 1990 (ADA), and that are designed to assist individuals with disabilities.

6.2.3 Historic Transportation Funding Trends

As previously described, there are numerous federal revenue sources that provide funding for transportation in the Birmingham metropolitan planning area. These revenue sources have provided, and are anticipated to continue to provide a reliable stream of funding for transportation infrastructure and services. Evaluation of the historic expenditure of these revenues reveals that, while a large portion of the previous plans' funding were programmed to complete capacity projects, funding has largely been used to pay for the maintenance and operations of the existing transportation system. Relatively few new capacity projects have been complete during the past 10 years in comparison to the number of operations and maintenance type projects. However, the dollar amount of these projects is large.

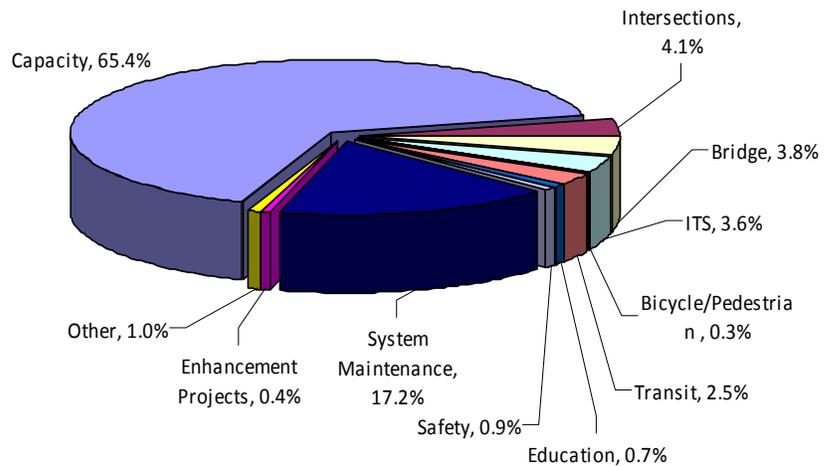


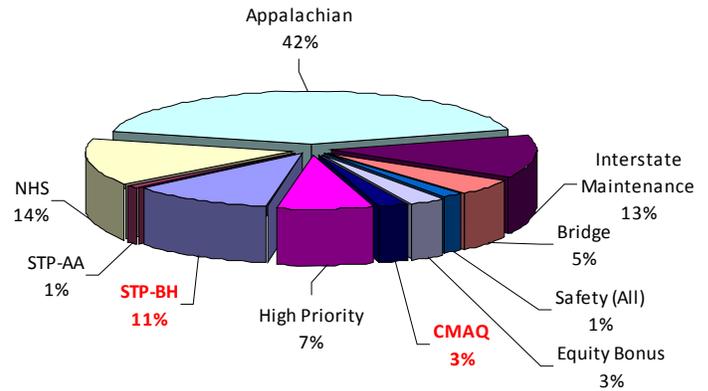
Figure 6.2 Historic Expenditures

An analysis of the historic funding obligations for these project types shows that 65.4% of the total monies programmed by the Birmingham MPO have been applied to capacity projects. Based on an evaluation of the historic authorizations of transportation funding, approximately 37.8% of the 65.4% spent on capacity projects was provided for construction of Corridor X through the Appalachian Highway Development Program. The remaining 27.2% is split between funding from the National Highway System (8.4%), the Interstate Maintenance Program (1.3%), the Any Area Surface Transportation Program (0.6%), Birmingham Attributable Surface Transportation Program (4.8%), Equity Bonus (1.8%), and Congressional appropriations (10.3%). 17% of the monies obligated in the past 10-years have been spent on maintenance and operating activities. Maintenance and operating costs generally include paving, signs and painting, right-of-way maintenance, traffic signal maintenance, surveillance and inspection, street lighting, and other various repairs and minor modifications to streets, bridges, sidewalks, and intersections in a maintenance capacity. 16.9% has been spent on “other” projects, to include public transit, enhancements, Safe Routes to School, safety projects, and other non-capacity projects. Less than 1% has been spent on bicycle and pedestrian projects. Figure 6.2 presents this information more clearly.

By far, the Alabama Department of Transportation is the largest developer of new roadway projects in the Birmingham metropolitan planning area. Between 2003 and 2008, 86% (\$537.9 million) of the more than \$623 million in federal funds that were authorized for use in the Birmingham metropolitan planning area were for ALDOT projects. Of the \$623 million that was authorized, 59% (\$368.4 million) was spent on projects that provided additional roadway capacity to the system. \$338.2 million (91.5%) of this was for ALDOT projects. \$257.7 million (41%) of the total authorized funding for the Birmingham metropolitan planning area were monies from the Appalachian Highway Development Program, most of which was for the continued development of Corridor X. This comprised nearly half (48%) of the ALDOT’s spending. Approximately 14% of the total authorized funding was directly attributable to the Birmingham metropolitan planning area. Table 6.1 presents this information.

Table 6.1 Historic Funding Authorizations

Funding Sources	Total Authorizations 2003 - 2008
STP-BH	\$ 68,988,000
STP-OA	\$ -
STP-AA	\$ 6,362,000
NHS	\$ 88,689,000
Appalachian	\$ 257,695,000
Interstate Maintenance	\$ 82,345,000
Bridge	\$ 29,831,000
Safety (All)	\$ 9,004,000
Equity Bonus	\$ 17,634,000
CMAQ	\$ 16,150,000
High Priority Projects	\$ 46,352,000
Total	\$ 623,050,000



Red = Funding that is attributable to the Birmingham metropolitan planning area

The Birmingham metropolitan planning area has also done reasonably well in efforts to secure funding for transportation projects through the Congressional appropriations process. As Table 6.1 shows, between 2003 and 2008, \$46.4 million has been appropriated to and authorized for expenditure of transportation projects located in the Birmingham metropolitan planning area. This is beyond the appropriations provided for the Appalachian Highway Development Program. Funding in this category would include monies to complete transit Alternatives Analysis, local sidewalk and roadway projects, and monies to complete the preliminary engineering and environmental process for Corridor X-1, the Birmingham Northern Beltline.

Despite the amount of monies authorized, the Birmingham MPO has never quite been able to spend all available funds. A 2005 report produced by the Federal Highway Administration’s Alabama Division noted that the Birmingham metropolitan planning area had one of the lowest rates for obligating authorized funding in the nation. The report assigned no responsibility for the low obligation rates to any one agency. However, it made observations about what it believed were contributing factors. As a result, the Birmingham MPO staff made several recommendations for improving the project development and implementation process.

The Birmingham metropolitan planning area has managed to accumulate nearly \$54 million in Birmingham attributable Surface Transportation Program funding and approximately \$40 million in Congestion Mitigation and Air Quality funds. The typical annual obligation rate for these funds is about 30%, meaning that 30% of the funds that are available to be spent are actually authorized and obligated to specific projects. Historically, STP-BH and CMAQ have been carried over from one fiscal year to the next. This is an outcome of the inability to spend the full amount of available funding as discussed previously. In recent years, the Birmingham metropolitan planning area has been impacted by statewide rescissions of federal funding. Between federal fiscal year 2006 and 2008, approximately \$25.9 million (\$25,915,155) was rescinded from the Congestion Mitigation and Air Quality funding program. \$8.1 million (\$8,099,986 million) in unobligated funding is set to be rescinded from Birmingham attributable Surface Transportation Program (STP-BH) funding at the end of federal fiscal year 2009 as a result of SAFETEA-LU’s expiration. This rescission is in addition to \$12.2 million (\$12,170,113) that was rescinded from the Birmingham area’s CMAQ funding during the 4th quarter of federal fiscal year 2009. In all, the Birmingham metropolitan planning area has had \$46.2 million (\$46,185,254) in federal funds rescinded since federal fiscal year 2006, of which 82.5% has come from the CMAQ program. The State of Alabama’s anticipated total rescission for federal fiscal year 2009 is anticipated to be \$162,422,705.

6.3 Transportation Funding Forecast

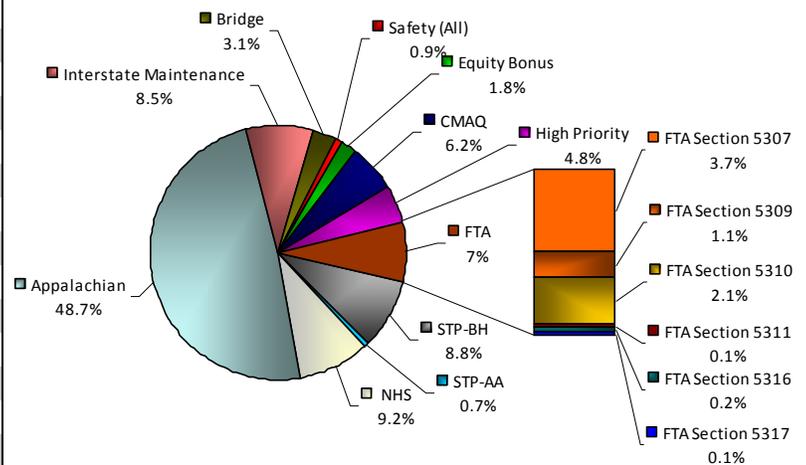
6.3.1 Revenue and Expenditures Forecasting Methodology

Historic revenue trends provide a foundation for making realistic forecasts of potential future funding. The Alabama Department of Transportation, in consultation with the Federal Highway Administration and the Birmingham MPO, developed forecasts of the federal funds likely to be available to the Birmingham metropolitan planning area over the next 25-years. In addition, planning regulations released by USDOT in February 2007 (Federal register, Vol. 72, No. 30) require revenue and cost estimates contained in an RTP to use an inflation rate to reflect year of expenditure (YOE) dollars. This requirement must be met by December 11, 2007.

Revenue forecasts are based on historic funding apportionments and other information related to the expected availability of new funding. Assumptions about available revenues as well as anticipated increases in revenues, to include reasonably expected availability of new funding sources, were also developed. Finally, the Birmingham MPO consulted with both the ALDOT and the Birmingham-Jefferson County Transit Authority regarding the anticipated availability of transit funding for projects located within the urbanized area boundary and those qualifying projects occurring in rural locations of the metropolitan planning area, as well as expected transit operations and maintenance expenditures. Likewise, both agencies were consulted about potential adjustments to projected revenues. Table 6.2 presents the funding forecast of federal funds for the Birmingham metropolitan planning area to the RTP horizon of 2035. Forecasts are presented in current (federal fiscal year 2009) dollars.

Table 6.2 RTP Forecast Federal Revenue

Funding Sources	25-Year Forecast Total (FY2009 dollars)
STP-BH	\$ 354,775,000
STP-OA	\$ -
STP-AA	\$ 26,509,000
NHS	\$ 369,538,000
Appalachian	\$ 1,965,627,167
Interstate Maintenance	\$ 343,104,000
Bridge	\$ 124,296,000
Safety (All)	\$ 37,517,000
Equity Bonus	\$ 73,475,000
CMAQ	\$ 248,800,000
High Priority	\$ 193,134,000
FTA Section 5307	\$ 149,713,000
FTA Section 5309	\$ 45,875,000
FTA Section 5310	\$ 83,550,000
FTA Section 5311	\$ 5,275,000
FTA Section 5316	\$ 9,775,000
FTA Section 5317	\$ 5,638,000
Total	\$ 4,036,601,167



Red = Funding that is attributable to the Birmingham metropolitan planning area

Forecasts were further broken down to assess the expected availability of funding for both capacity adding projects such as new roadways and roadway widening, and operations, maintenance, and system management activities. These forecasts are based on evaluation of the historic use of the identified federal funding sources for transportation system capacity expansion, transportation system operations,

maintenance, and management activities. Forecast transit funding availability considered historic funding levels and extended those to the planning horizon as well. Ideally, transit formula funds to include the Urbanized Area formula funds (Section 5307), the Jobs Access and Reverse Commute program (Section 5316) and New Freedom program (Section 5317) would have been based on population forecasts as portions of these program's formula are based on population (total and type). However, the trend based forecast is thought to be more conservative as it assumes no significant changes to revenue miles of service, revenue hours of service, or significant change in population. Table 6.3 presents these, and other forecasts of federal transportation funding programs.

The forecast availability of federal transportation funding for system development, operations, and maintenance activities has changed considerably from previous RTP revenue forecasts, not in the total amount of funding that is available, but in the funding available to do certain types of projects.

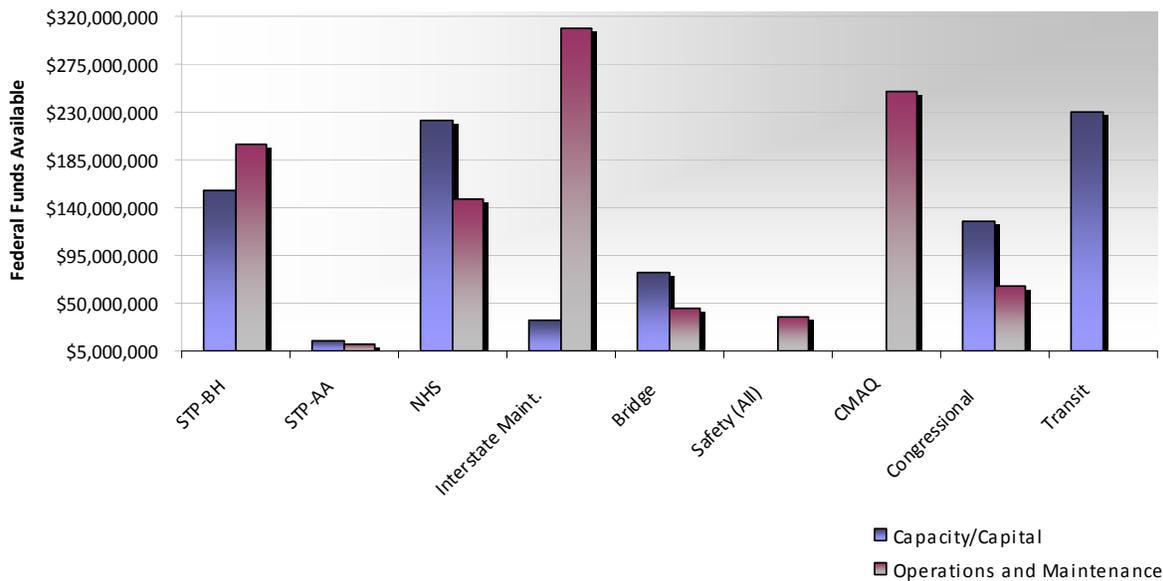
Table 6.3 Federal Revenue Forecast				
Funding Sources	25-Year Forecast Federal Total	Average Annual Total	Forecast 25 Year Federal Total	
			Capacity/Capital Projects	O&M Projects
STP-BH	\$ 354,775,000	\$ 14,191,000	\$ 155,362,000	\$ 199,413,000
STP-OA	\$ -	\$ -	\$ -	\$ -
STP-AA	\$ 26,509,000	\$ 1,060,000	\$ 14,580,000	\$ 11,929,000
NHS	\$ 369,538,000	\$ 14,782,000	\$ 221,723,000	\$ 147,815,000
Appalachian	\$ 1,965,627,167	\$ 78,625,087	\$ 1,593,348,000	\$ 372,279,167
Interstate Maintenance	\$ 343,104,000	\$ 13,724,000	\$ 34,310,000	\$ 308,794,000
Bridge	\$ 124,296,000	\$ 4,972,000	\$ 78,617,000	\$ 45,679,000
Safety (All)	\$ 37,517,000	\$ 1,501,000	\$ -	\$ 37,517,000
Equity Bonus	\$ 73,475,000	\$ 2,939,000	\$ 44,085,000	\$ 29,390,000
CMAQ	\$ 248,800,000	\$ 9,951,966	\$ -	\$ 248,800,000
Congressional	\$ 193,134,000	\$ 7,725,000	\$ 126,817,000	\$ 66,317,000
Sub_Total	\$ 3,736,775,167	\$ 160,271,053	\$ 2,268,842,000	\$ 1,467,933,167
FTA Sub-Total (Transit)	\$ 299,826,000	\$ 11,993,786	\$ 229,678,250	\$ 70,147,750
FTA Sect. 5307	\$ 149,713,000	\$ 5,988,786	\$ 149,713,000	\$ -
FTA Sect. 5309	\$ 45,875,000	\$ 1,835,000	\$ 45,875,000	\$ -
FTA Sect. 5310	\$ 83,550,000	\$ 3,342,000	\$ 25,065,000	\$ 58,485,000
FTA Sect. 5311	\$ 5,275,000	\$ 211,000	\$ 1,318,750	\$ 3,956,250
FTA Sect. 5316	\$ 9,775,000	\$ 391,000	\$ 4,887,500	\$ 4,887,500
FTA Sect. 5317	\$ 5,638,000	\$ 226,000	\$ 2,819,000	\$ 2,819,000
Total	\$ 4,036,601,167	\$ 172,264,839	\$ 2,498,520,250	\$ 1,538,080,917

Revenues Forecasts are in 2009 dollars

Historically, forecast federal funding was applied almost exclusively to capacity and/or capital projects.

Little to no funding was applied for operations and maintenance activities. For example, if \$300 million was forecast to be available in the attributable Surface Transportation Program, then \$240 million (80%) of it was applied specifically to roadway capacity projects while the remaining \$60 million (20%) was applied to operations and maintenance activities or other programmatic activities.

Table 6.3 shows that federal funding is split more evenly across the traditional funding programs used to pay for roadway capacity expansions. In particular, the attributable Surface Transportation Program forecast shows that the expected funding availability for capacity projects is only 44% of the total forecast STP-BH program. Operations and maintenance activities are provided 56% of the STP-BH program's funding. According to the Alabama Department of Transportation, this is a more accurate representation of how monies have historically been spent. With the exception of National Highway System funding and Congressional funding (i.e. High Priority funding), the gap between funding for capacity projects and operations and maintenance activities is quite narrow. As discussed in Chapter 5, Transportation Investment Strategy, it is expected that as the transportation system ages, operation and maintenance costs



of roadway infrastructure, bridges, and transit assets will increase substantially. This cost can reasonably be expected to increase even more as new transportation infrastructure is added to the system. Figure 6.3 illustrates the funding split among transportation programs.

Figure 6.3 Funding Split

6.3.2 Transit Funding Forecast

Forecasts of future transit revenue were also developed. Formula funding forecasts looked at key formula elements such as the projected increase in total urbanized area population, and the anticipated change in the urbanized area's population with special needs in order to develop assumptions about the Section 5307 - urbanized area formula program, Section 5316 - Job Access and Reverse Commute program, and Section 5317 - New Freedom funding. Additionally, historic allocations of Section 5310 Elderly and Disabled, Section 5311 - Rural Public Transit, and Section

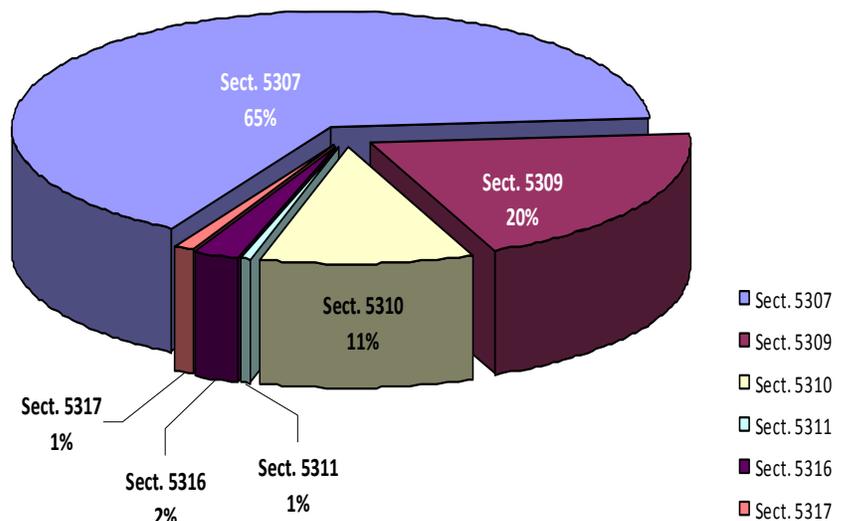


Figure 6.4 Transit Funding

5309 - Bus and Bus Capital related funding, were analyzed in order to determine expected future revenues for these sources. Table 6.5 illustrates the expected change in transit funding. Figure 6.4 presents the anticipated funding distribution of transit monies. Forecasts of rural area funding are included in the Birmingham metropolitan planning area discussion as the planning area, which is comprised of the entirety of both Jefferson and Shelby Counties, also contains rural areas as defined by the U.S. Bureau of the Census. Revenue forecasts do not include Section 5309 – Fixed Guideway Modernization, monies that the Birmingham metropolitan planning area would be eligible to receive when the bus rapid transit (BRT) system envisioned by the In-town Transit Partnership (ITP) project is implemented.

Because the Birmingham metropolitan planning area has no history of receiving these funds, they were not included in the revenue forecasts.

6.3.3 State and Local Funding Forecasts

The State of Alabama is highly dependent on statewide gas taxes to provide for transportation infrastructure funding. Additionally, the State of Alabama's Constitution specifically restricts the use of gas tax revenues to roadway and bridge infrastructure. Resources to other transportation modes such as public transit, freight facilities, and non-motorized transportation facilities not on a roadway or bridge (i.e. trails) are typically funded exclusively through federal sources with the match being provided either through the State's general fund or through the revenue streams of another State agency. It is at the State's discretion to spend collected gas tax revenues in locations other than the Birmingham metropolitan planning area. As such, it was believed to be infeasible to attempt to develop forecasts for State-only transportation funding sources.

Likewise, local funding of transportation infrastructure is highly dependent upon the availability of monies from individual communities' general fund budget, the progression of projects in the development stages, and the political climate as there is no dedicated local funding source for transportation infrastructure and services. It is rare that local monies might be identified as having a specific link to a transportation project. When funding was specifically available for the Birmingham metropolitan transportation planning area (typical only for federal transit funding), these numbers were used rather than other forecasts. For the most part, the Birmingham MPO staff determined that to attempt to develop forecasts of local revenues would prove to be highly problematic and unreliable. As such, no forecasts of local revenues were attempted.

6.3.4 Financial Balancing

With the forecast of anticipated funding complete, the updated costs for the projects carried forward to the Birmingham 2035 RTP from the previous long range transportation plan document, the Birmingham 2030 Long Range Transportation Plan (LRTP), were compared against the 2035 revenue forecast. Revenue forecasts were provided in both constant 2009 dollars (un-inflated dollars) and year of expenditure (YOE) dollars. YOE costs for identified projects were determined by applying a methodology developed by the Alabama Department of Transportation which uses a 4% compound annual growth rate. Federal planning regulations (see Federal register, Vol. 72, No. 30) require revenue and cost estimates contained in the RTP to reflect year of expenditure (YOE) dollars.

Federal revenue forecasts are based on an extension of historic trends. As such, the expected growth in federal revenues is relatively flat over the plan horizon. When revenue forecasts for the RTP were compared against the projects carried forward from the 2030 LRTP, an overall funding shortfall of \$49.7 million was identified. This shortfall was more pronounced when non-attributable funding was separated from the total. The total of all of the non-attributable funding sources was \$243 million more than the amount of funding forecast to be available over the 25 year planning period. When considering the total of all funding sources attributable to the Birmingham MPO, a surplus of \$294 thousand was realized during the same period.

On its face, this funding analysis might not appear to be severe, and the overall shortfall of \$49.7 million might be remedied by moving or eliminating a small number of large dollar projects. The funding analysis might also lead one to believe that the Birmingham area's attributable funding had some capacity, albeit small, to absorb some minor cost increases within the RTP. Unfortunately this is not the case.

Funding in the RTP is set aside for two major uses: (1) roadway capacity expansions and (2) operations and maintenance e.g. everything else. Closer evaluation of the programmed funding for roadway capacity expansion projects, when compared against the anticipated funding for these project types, revealed that a critical funding shortfall existed. In total, a \$1.2 billion shortfall in funding for programmed capacity projects exists. Of this, projects' whose primary federal funding source is attributable to the Birmingham MPO is \$161 million. This in itself exceeds the forecast funding availability for the Birmingham metropolitan planning area. As one can imagine, addressing these shortfalls was the overriding issue throughout the development of the 2035 Birmingham Regional Transportation Plan.

Despite the overall fiscal shortfall of the RTP and shortfall of funding for capacity projects, surpluses were realized for both non-capacity projects and public transit. Projects brought forward from the previous transportation plan showed that the plan is under programmed in non-capacity projects, to include operations and maintenance activities, by a total of \$980 million. Transit projects were underfunded by \$193 million. This is reflective of the Birmingham metropolitan transportation planning area's historic emphasis on developing and expanding the roadway infrastructure to the detriment of other travel modes. In addition, the shortfall in transit funding is not an indication of the lack of desirable transit projects, but a lack of adequate funding to match those transit dollars that the metropolitan planning area is eligible to receive. The anticipated availability of these monies and the lack of a sufficient number of projects to absorb this surplus funding actually present an opportunity for the metropolitan planning area to craft a transportation system that is more modally balanced as well as more responsive to growing maintenance and rehabilitation needs and other issues of sustainability.

In order to balance the plan and achieve fiscal constraint, the Birmingham MPO staff consulted the Alabama Department of Transportation and project sponsors regarding their individual roadway capacity projects. This consultation process was undertaken in order to ascertain which of these projects might be

moved out of the fiscally constrained plan, either into the RTP’s Visionary Plan or off of the plan altogether. MPO staff used the revised project prioritization criteria to reassess each project in light of the overall need and ability to achieve stated RTP goals. The prioritization methodology is described in more detail in Chapter 5, Appendix 5D, Project Prioritization, Methodology and Results.

The results of the prioritization exercise assisted MPO staff in making their initial recommendations about which projects should be moved and/or removed. However, it was not the only factor in deciding which of the roadway capacity projects should be moved, and in fact both the ALDOT and individual project sponsors were asked to inject “a dose of reality” into the discussion. Both the ALDOT and individual project sponsors provided information about the status of those projects which were advancing through the project development process, provided invaluable guidance to staff about the politically sensitivity of some projects, and offered up potential modifications to project scopes. In addition, MPO staff working in close consultation with the Alabama Department of Transportation’s Transportation Planning Bureau and the 3rd Division Preconstruction Engineer, identified projects that might be better served by different federal funding sources, and offered up recommendations for moving eligible projects to underutilized funding pots. The results of this consultation process led to the development of a fiscally constrained RTP. Tables 6.4 and 6.5 show that overall, the 2035 RTP is fiscally constrained for both roadway capacity projects and operations and maintenance projects. It also shows the expected funding gap between federal revenue forecasts and anticipated future expenditures as expressed by year of expenditure project costs.

Table 6.4 Fiscally Constrained RTP Summary (2010 dollars): Roadway Capacity Expansion

	Federal Funding Forecast	Programmed RTP Projects	Balance	YOE RTP Project Total Costs
Attributable Funding ^[1]	\$ 155,362,000	\$ 149,458,723	\$ 5,903,277	\$ 361,941,260
Non-Attributable Funding	\$ 2,113,480,000	\$ 1,910,825,066	\$ 202,654,934	\$ 3,021,042,069
Transit Projects	\$ 229,678,250	\$ 133,094,632	\$ 96,583,618	\$ 265,043,703
Totals	\$ 2,498,520,250	\$ 2,193,378,421	\$ 305,141,829	\$ 3,648,027,032

[1] Includes only Surface Transportation Program - Birmingham (STP-BH)

Table 6.5 Fiscally Constrained RTP Summary (2010 dollars): Operations and Maintenance

	Federal Funding Forecast	Programmed RTP Projects	Balance	YOE RTP Project Costs
Attributable Funding ^[2]	\$ 448,213,000	\$ 307,823,423	\$ 140,389,577	\$ 552,708,292
Non-Attributable Funding	\$ 1,019,720,167	\$ 256,484,808	\$ 763,235,359	\$ 318,986,608
Transit Projects	\$ 70,147,750	\$ 0	\$ 70,147,750	\$ 0
Totals	\$ 1,538,080,917	\$ 564,308,231	\$ 973,772,686	\$ 871,694,900

[2] Includes both Surface Transportation Program – Birmingham (STP-BH) and Congestion Mitigation and Air Quality (CMAQ) funding

As with the initial assessment of the regional transportation plan’s finances, closer evaluation of the forecast funding for capacity projects against a modified RTP capacity project listing shows that the plan achieves fiscal constraint. The steps that were described previously (moving projects to the RTP’s Visionary Plan, reassigning funding sources, and dropping projects out of the plan) resulted in the accomplishment of fiscal constraint for the overall RTP as well as by specific funding source. Tables 6.6 and 6.7 present summaries of the fiscally constrained RTP, both by funding source and by use (capacity and operations and maintenance). The detailed balance sheets that show the individual projects sorted into their respective funding programs can be found in Appendix 5C, beginning on page 5C-56.

Table 6.6. Fiscally Constrained RTP Roadway Capacity Projects by Funding Sources

Funding Sources	Federal Funding Forecast (\$ 2010)	Programmed RTP Projects Federal Total (\$ 2010)	Balance
STP-BH	\$ 155,362,000	\$ 149,458,723	\$ 5,903,277
STP-OA	\$ -	\$ -	\$ -
STP-AA	\$ 14,580,000	\$ 11,083,169	\$ 3,496,831
NHS	\$ 221,723,000	\$ 211,485,125	\$ 10,237,875
Appalachian	\$ 1,593,348,000	\$ 1,490,526,690	\$ 102,821,310
Interstate Maintenance	\$ 34,310,000	\$ 26,282,880	\$ 8,027,120
Bridge	\$ 78,617,000	\$ 13,504,695	\$ 65,112,305
Safety (All)	\$ -	\$ -	\$ -
Equity Bonus	\$ 44,085,000	\$ 41,606,433	\$ 2,478,567
CMAQ	\$ -	\$ -	\$ -
Congressional	\$ 126,817,000	\$ 116,336,075	\$ 10,480,925
Sub-Total	\$ 2,268,842,000	\$ 2,060,283,789	\$ 208,558,211
FTA Sub-Total (Transit)	\$ 229,678,250	\$ 133,094,632	\$ 96,583,618
Total	\$ 2,498,520,250	\$ 2,193,378,421	\$ 305,141,828

Table 6.7. Fiscally Constrained RTP Operations and Maintenance Projects by Funding Sources

Funding Sources	Federal Funding Forecast (\$ 2010)	Programmed RTP Projects Federal Total (\$ 2010)	Balance
STP-BH	\$ 199,413,000	\$ 129,881,651	\$ 69,531,349
STP-OA	\$ -	\$ -	\$ -
STP-AA	\$ 11,929,000	\$ 11,752,762	\$ 176,238
NHS	\$ 147,815,000	\$ 4,239,291	\$ 143,575,709
Appalachian	\$ 372,279,167	\$ 17,639,867	\$ 354,639,300
Interstate Maintenance	\$ 308,794,000	\$ 121,767,497	\$ 187,026,503
Bridge	\$ 45,679,000	\$ 39,511,587	\$ 6,167,413
Safety (All)	\$ 37,517,000	\$ 3,028,791	\$ 34,488,209
Equity Bonus	\$ 29,390,000	\$ 19,562,759	\$ 9,827,241
CMAQ	\$ 248,800,000	\$ 177,941,772	\$ 70,858,228
Congressional	\$ 66,317,000	\$ 38,982,254	\$ 27,334,746
Sub-Total	\$ 1,467,933,167	\$ 564,308,231	\$ 903,624,936
FTA Sub-Total (Transit)	\$ 70,147,750	\$ -	\$ 70,147,750
Total	\$ 1,538,080,917	\$ 564,308,231	\$ 973,772,686

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6.4 Fiscally Constrained Financial Plan

As described in Section 6.3, Transportation Funding Forecast, the revenue forecast for the Birmingham metropolitan transportation planning area has been divided into two distinct components:

1. Roadway Capacity
2. Operations and Maintenance (i.e. everything else)

Transit revenue forecasts are also separated by both capital expenditures and operations and maintenance expenditures.

The fiscally constrained financial plan developed for the RTP has made every attempt to program all available dollars in-line with forecast revenues for funding. As described in Section 6.3, Transportation Funding Forecast, a concerted effort was made to achieve a financial balance within the RTP. This was especially true for roadway capacity projects where there were more projects programmed than there was expected funding. As such, over 30 projects were either moved into the RTP's Visionary Transportation Plan or removed from the RTP all together.

Section 6.3, Transportation Funding Forecast, highlighted that the previous plan was far under spent on non-capacity projects. Funding for non-capacity projects is identified as operations and maintenance in the revenue forecast. Instead of attempting to identify a host of individual projects to which the operations and maintenance dollars might be assigned, the Birmingham MPO staff has determined, in consultation with the RTP Technical Advisory Work Group, that it was more appropriate that forecast funding be set aside for a number of given purposes. As such, this RTP's financial plan employs **"line items"**.

Line items provide increased flexibility to the planning and programming process. After funding for specific transportation projects in the TIP and RTP is accounted for, the remaining funds were calculated and set aside into line item funding categories. These funding categories are reserved for future use toward certain types of projects. These categories and the levels of investment are consistent with the RTP's investment strategies and ensure that funding is set aside for a given purpose. The strategy itself does not hinder programming efforts by overly confining the process. Taking bridge maintenance investments as an example, it is easy to see the difficulty in identifying and prioritizing individual bridge rehabilitation needs 25 years into the future. Rather than attempting to list every bridge that will need capital maintenance over the planning horizon, the RTP's financial plan presents a line item that sets aside funding for bridge maintenance purposes. Individual bridge needs can then be more appropriately addressed and prioritized as part of the short-range Transportation Improvement Program.

Table 6.8 addresses those funding sources that are attributable to the Birmingham metropolitan transportation planning area, primarily the Surface Transportation Program (STP-BH) and the Congestion Mitigation and Air Quality Program (CMAQ). Figure 6.5 illustrates the funding distribution by the proposed major program headings. The plan does not address non-attributable funding as this is outside of the control of the Birmingham MPO. However, it is hoped that the Alabama Department of Transportation will use this financial plan as well as the detailed description of the metropolitan planning area's needs and description of the desired transportation system in order to develop its investment strategy for attributable funds.

Table 6.8 Proposed STPBH and CMAQ Line Item Programs

Programs & Program Components	Proposed Line Item Programming Amount	STP-BH Funding Program (current 2010 dollars)		CMAQ Funding Program (current 2010 dollars)	
		Capacity/Capital	O&M	Capacity/Capital	O&M
Forecast Available Funding		\$155,362,000	\$ 199,413,000	\$ 248,800,000	
Highways, Streets and Roads Program	Total Available to Program	\$ 155,362,000			
➤ Capacity Expansion	\$155,362,000	\$155,362,000			
Active Transportation Program	Total Available to Program	\$ 74,164,780			
➤ Bicycle	\$18,916,260		\$3,988,260	\$	\$14,928,000
➤ Sidewalks	\$45,296,520		\$7,976,520		\$37,320,000
➤ Trails	\$ 9,952,000				\$9,952,000
Public Transportation Program	Total Available to Program	\$ 108,796,470			
◆ CommuteSmart	\$23,673,300		\$ 19,941,300		\$3,732,000
◆ Regional Express Commuter Bus	\$49,760,000				\$49,760,000
◆ Public Transit Support	\$ 35,363,170		\$17,947,170		\$17,416,000
Systems Management & Operations	Total Available to Program	\$ 265,251,750			
➤ Roadway Maintenance	\$72,785,745				
◆ Roadway Resurfacing	\$72,785,745		\$72,785,745		
➤ Roadway Bottleneck Relief Program	\$ 77,202,600				
◆ Intersection Improvements	\$52,322,600		\$39,882,600		\$ 12,440,000
◆ Signalization	\$24,880,000				\$ 24,880,000
➤ Corridor Management	\$ 94,599,950				
◆ Intelligent Transportation System	\$29,390,105		\$16,950,105		\$12,440,000
◆ Access Management	\$ 42,314,650		\$9,970,650		\$32,344,000
◆ Freight Management	\$14,946,650		\$9,970,650		\$4,976,000
◆ Incident Management	\$ 14,928,000				\$14,928,000
➤ Management Processes/Education	\$3,732,000				
◆ Congestion Management Process	\$ 1,244,000				\$1,244,000
◆ Safety Education	\$2,488,000				\$2,488,000
➤ Environmental Management and Mitigation	\$9,952,000				
◆ Air Quality Program	\$7,464,000				\$7,464,000
◆ Environmental Streamlining	\$2,488,000				\$2,488,000
Totals	\$ 603,575,000	\$ 155,362,000	\$199,413,000	\$ -	\$248,800,000

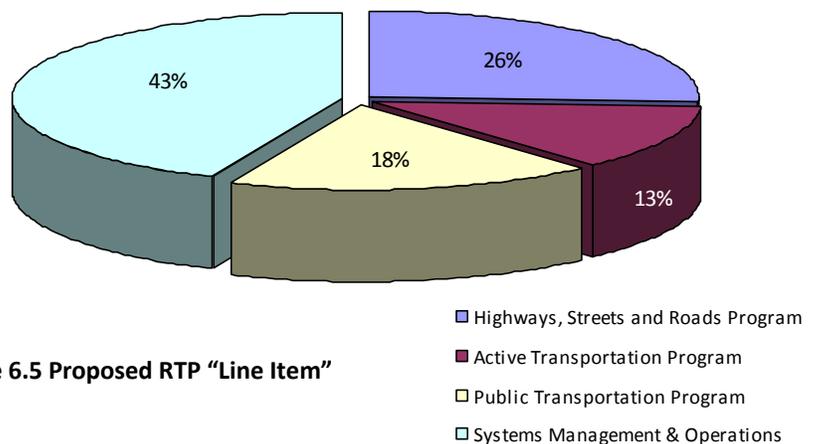


Figure 6.5 Proposed RTP "Line Item"

6.5 Funding Strategies and Financing Mechanisms

From a project perspective, the transportation needs of the Birmingham metropolitan transportation planning area are identified by the Regional Transportation Plan (RTP), the Transportation Improvement Program (TIP), and the State TIP. However, a strategic assessment of needs must go beyond projects to address transportation programs, institutional barriers, and resource availability. The intent of this section of the RTP financial plan is to provide guidance to the Birmingham MPO for the construction of a business plan with an implementation component that addresses the strategic planning, institutional, and financial issues affecting revenue generation.

6.5.1 Issues Impacting Revenue Generation

A. Planning Issues

There are many needs associated with the transportation planning process that impact revenue generation. These include:

- **Insufficient Comprehensive Planning** - Comprehensive planning at the local level suffers because of a lack of an overall regional vision for growth and development, as well as limited regional cooperation. Implicit in this observation is the lack of a systems-oriented approach to transportation planning, where state and local facilities are planned and developed in support of an overarching regional vision for the development of the transportation system.

The Birmingham metropolitan transportation planning area is not the only region to suffer from insufficient comprehensive planning. Indeed, the Birmingham MPO is doing its part to encourage and/or support better comprehensive planning with its Building Communities Grant Program. However, the metropolitan planning area's heavy reliance on the automobile for travel can foster a vicious cycle that effectively crowds out investments that could improve the mode choices of travelers. The metropolitan planning area's lack of a strong transit investment can be interpreted as a symptom of a car culture that has become ambivalent to its travel choices because the infrastructure has not been put into place to demonstrate the possibilities.

- **The Transportation/Land Use Connection (or Lack Thereof)** - The integration of transportation and land use can prove to be especially difficult because of the disconnect between local land use decisions and regional planning efforts. Land use, in particular, is mostly under the control of local governments who develop, implement, and monitor subdivision regulations and zoning. Transportation plans and most of the funding needed to implement them, on the other hand, are developed and implemented by regional and/or state agencies.
- **Overemphasis on Radial Routes** - There is a strong emphasis on the development and implementation of radial transportation routes for both roadways and transit. This makes suburb-to-suburb travel more difficult. It also can inadvertently promote development patterns that further stress the ability of the existing transportation system to balance demand and supply.
- **Insufficient Non-motorized Transportation Facilities** - The development of non-motorized transportation infrastructure has long been neglected because of the focus on

road building. The lack of comprehensive planning has neither emphasized the benefits of a balanced transportation system, nor has it promoted growth patterns and development characteristics that support the use of non-motorized travel modes.

B. Institutional Issues

From the perspective of transportation funding, institutional relationships across multiple levels of government impact how transportation investment decisions are made. Some of these institutional issues include:

- **The Alabama Department of Transportation** – In the past, the Department has emphasized roadway building and maintenance, sometimes to the apparent exclusion of other modes. With passage of SAFETEA-LU and steady encouragement from FHWA / FTA, ALDOT has begun a steady transition toward adapting to all-mode travel preferences and design features, soliciting public opinion and comment on projects and working toward transportation / land use integration in all project planning.
- **Current Planning Focus** - Staffing at both the state and local levels have lent themselves to a focus on current planning as staffing levels are often insufficient to concentrate on long-term planning. Providing objective, technical information to decision-makers necessary to acting (or not acting) in the best interest of their constituents. Staffing issues at various institutions within the different levels of government involved in the planning and delivery of transportation facilities and services are not uncommon. However, they will prove to be particularly problematic as the metropolitan planning area continues to grow and develop.
- **Public Education** - One of the issues that make raising revenues for transportation projects difficult is the lack of a signature project. That is, there is no one large project that the entire metropolitan planning area can get behind to claim as its own. Transportation system improvements tend to be perceived as highly parochial, largely because very few of them cross jurisdictional boundaries. As a result, people in different parts of the metropolitan planning area do not see or understand the benefits of a system improvement. Part of this lack of understanding is an issue of public education on transportation issues and the lack of a concerted public outcry to prompt a change in the political climate which would allow existing funding sources to be increased and new funding sources explored.
- **Funding Competition** - Opportunities to raise additional revenues for transportation infrastructure and services might only come if there were a regional crisis or some sort of catalyst event to elicit a public outcry for additional funding. Indeed, such a crisis is brewing with increasing transportation demands in both Shelby and Jefferson Counties as well as within many municipalities. Indeed, localized outcries are occurring in specific corridors such as the US 280 and I-65 corridors. They are also occurring for specific travel modes such as public transportation and bicycle and pedestrian facilities. However, these calls for action have largely overlooked the big picture; apart they are all in competition with one another for funding, but together, they collectively make a strong case for funding that will help the metropolitan planning area achieve modal balance. Again, public education is the key to changing both the parochial nature of transportation planning in the metropolitan area and the overall political climate that has placed limitations on that ability to raise additional revenues.

C. Funding Issues

Historically, the Birmingham metropolitan transportation planning area has enjoyed success in securing federal funding for transportation projects. Despite this success, the transportation system is still underfunded, and the metropolitan planning area faces challenges in securing matching funds for existing federal dollars. This has always been a challenge, and unless there is a major change in the way transportation projects are funded, it will continue to be a challenge.

Transportation funding in the metropolitan planning area suffers from several problems. These include:

- **There are No Dedicated Local/Regional Funding Sources** - Transportation needs compete with education, public safety, and other public services from the county governments' and local municipalities' general funds.
- **Inadequate Funding Availability** - When local funding is available for transportation, the amounts allocated do not always keep pace with the need. Many of the metropolitan planning areas currently use, or consider the use of development impact fees to fund infrastructure. While this is a good start, the funding generated from these fees does not often keep pace with the transportation needs.
- **Few Local Projects** - Local funds are often spent to match federal and state funding, leaving very little money for projects that are entirely locally funded.
- **Dwindling State Assistance** - Because of dwindling state gas tax resources and increasing project costs, it has become more challenging for the state to assist local communities with the required local match for projects.
- **Aversion to Tax Increases** - There is strong general opposition to any increase to state gas taxes, increasing the amount of local gas taxes that may be collected, and establishing new taxes. The Alabama legislature has been reluctant to even empower communities to pursue referendums that would allow them to tax themselves.
- **Deferred Maintenance Increases Long Term Costs** - Not only are funds for new projects insufficient, but in many cases system maintenance is now being deferred.

6.5.2 Funding Gap

Figure 6.6 shows that approximately \$150.3 million in local funding will need to be raised over the next 25 years in order to match federal funding provided by both the STP-BH and CMAQ programs. An additional \$163.9 million will need to be raised in order to match anticipated Congressional funding and expected federal transit funding programs. This does not include any additional matching funds that the ALDOT might request/require of local governments to cover their (the local government's) share of a project's match. It also does not include funding for projects in the Visionary Plan, whether the money is provided as match monies for federal funding appropriated by Congress, or to cover the entire cost of a project (i.e. 100% locally funded).

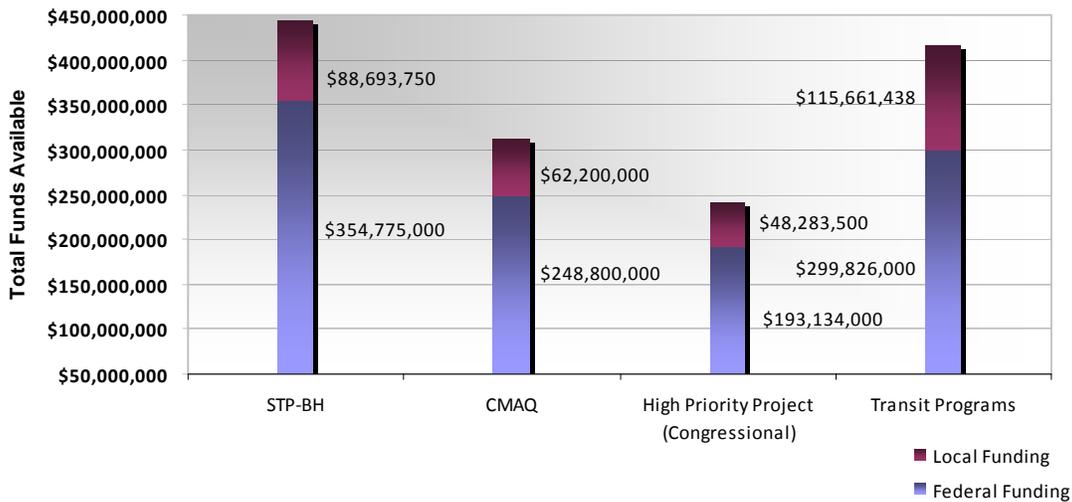


Figure 6.6 Federal/Local Funding

The amount of local monies that will need to be raised to cover the required match for federal funds for projects funded from the Surface Transportation Program attributable and Congestion Mitigation and Air Quality Program is estimated to be around \$314.8 million. This is about 30% of the total non-federal funds needed to provide the required local match. Table 6.9 illustrates the financial capacity of those local jurisdictions that currently have projects programmed within the fiscally constrained RTP. The determination of financial capacity was determined by evaluating each project sponsor's historic expenditures on transportation projects. This included funding that was provided for match of either federal or state funding as well as projects that were funded at 100% by the project sponsors. It also included an evaluation of historic local expenditures in support of public transit services.

Table 6.9 Local Project Sponsor Financial Capacity

Local Project Sponsor	Historic Local Funding (FY 2000 - FY 2008)	Average Annual Funding	Forecast Local Funding Availability
Birmingham	\$ 34,170,788	\$ 3,796,754	\$ 94,918,850
Homewood	\$ 5,952,733	\$ 661,415	\$ 16,535,375
Hoover	\$ 27,493,282	\$ 3,054,809	\$ 76,370,225
Jefferson County	Not Yet Provided	\$ 0	\$ 0
Shelby County	\$ 127,728,514	\$ 14,192,057	\$ 354,801,425
Total	\$ 195,345,317	\$ 21,705,035	\$ 542,625,875

The remaining 70% (\$735 million) in non-federal funds that are needed to provide matching funds to federal dollars are attributable to the Alabama Department of Transportation. It is assumed that the state will provide approximately \$29.4 million/annually on average as either matching funds for federal dollars or 100% funding. This assumption is based on the observed expenditures of the Alabama Department of Transportation for transportation projects in the Birmingham metropolitan planning area between fiscal years 2000 and 2008.

When considering the projects in the Visionary Plan, an estimated \$3.5 billion in additional funding is needed if all of the Visionary Plan's projects are to be implemented. This assumes that \$1.5 billion will be provided by local sources and another \$2 billion will be provided by the state (\$1.3 billion for the Northern Beltline and \$710 million for US 280). At present these projects do not have identified federal funding sources, and this estimate assumes that no additional federal monies will be provided. In short, it is assumed that the projects in the Visionary Plan will be 100% state or locally supported.

Adding together the total of all local monies that will need to be raised in order to implement both the Fiscally Constrained RTP and the Visionary Plan, a total of \$1.8 billion will need to be generated over the 25 year planning period. This is an annual average of \$72.6 million.

The implications of this are very straightforward; in order to implement the RTP in its entirety (Fiscally Constrained Plan and Visionary Plan) additional funding is needed. Funding may come from federal, state, or local sources, or a combination of all of these. However, the bottom line is that there needs to be additional financial resources devoted to developing the metropolitan planning area's transportation infrastructure and services.

6.5.3 Potential Funding Strategies

Recent efforts have focused on securing funding for public transportation and roadways separately. These efforts presupposed that the two bear no relationship to one another and therefore are not connected. However, this could not be further from the truth. Decision-makers have not been adequately educated about the linkage between the different modes. At the same time, the engineering community has failed to acknowledge public transit or other non-motorized travel modes within the designs for roadway facilities, often focusing on accommodations for motorized to the detriment of non-motorized travel. This has had a host of unintended consequences ranging from negative impacts on the built environment to the physical health of the residents within the communities that these roadways serve. To be fair, planners and engineers alike acknowledge that a more balanced transportation system could be developed if adequate funding were available. However, the insufficiency of funding has forced communities to choose between travel modes. The seemingly logical choice is to address the mode that moves the most people, but at what cost?

By now, there should be no question that a need exists to identify and provide funding for transportation infrastructure and services. This chapter has established the funding parameters, determined and established fiscal constraint, and presented a plan for spending funding that is in line with both the financial restrictions and the RTP's vision for the development of the metropolitan planning area's transportation system. The larger question, however, is how to pay for the improvements that are needed to address identified needs and move Birmingham closer to achieving its vision.

23 CFR 450.322(f) (10) (iii) states that "The financial plan shall include recommendations on any additional financing strategies to fund projects and programs included in the metropolitan transportation plan. In the case of new funding sources, strategies for ensuring their availability shall be identified.

The RTP presents a synopsis of the potential funding sources that might be considered to assist the Birmingham metropolitan transportation planning area secure funding to match federal funding as well as provide 100% funding to projects of regional importance. Funding might also be made available to the metropolitan planning area's governments to assist in the development of local transportation infrastructure. To be clear, the funding sources that will be discussed within this section **are not** being relied upon to demonstrate fiscal constraint. Rather, this section is meant to jump start a discussion of potential funding sources. It is hoped that this discussion will eventually lead the Birmingham metropolitan planning area to take action on identifying and securing additional non-federal funding for transportation.

An unscientific survey of area metropolitan transportation area residents was conducted as part of the RTP's development. Survey respondents were asked about their willingness to financially support transportation system improvements, the appropriateness of specific funding sources, and the types of projects that they would be willing to provide financial support. 80% of the survey's respondents said that they would be willing to provide financial support for transportation system improvements. 80% of respondents said that they would support a combination of regional and local funding solutions. Just 7% said they would support only a regional funding source and 4% said that funding should be local. The projects that they were most willing to support included:

- Roadway maintenance and widening
- New roadway construction
- Improvements to existing public transportation services
- Adding new public transportation services, and
- Strategies to encourage/support strategic development in key areas and transportation corridors.

A. Regional Option Fuel Tax (Gas Tax)

- **Description** - A local option gas tax would allow the metropolitan planning area to charge an additional tax on top of the current 18.4 cents per gallon federal tax on 18.0 cents per gallon state tax on gasoline.
- **Advantages** - This would allow jurisdictions, to include both municipalities and counties, to tap into a source that already generates the most of the transportation infrastructure revenue to ALDOT. Jurisdictions would not have to negotiate with ALDOT for a larger share of the revenues; rather, they would be able to generate their own funds through the gas tax. State law allows counties to levy up to five cents per gallon with approval of the legislature and incorporated municipalities to adopt gasoline taxes up to three cents per gallon.
- **Disadvantages** - Increasing taxes, any taxes, during the current economy is considered to politically infeasible. Drivers in the metropolitan planning area already have a perception that their gas taxes are high and there is the possibility that drivers that live near the borders of neighboring counties that do not levy any additional gas taxes would simply go to those counties to buy gas.

Another disadvantage of levying an increased gas tax is the improving fuel economy of vehicles. Conceivably, as vehicles become more efficient with fuel, they use less fuel over time, meaning that drivers do not purchase gas as often. While fuel economy factors are expected to remain relatively the same over the next ten years, federal fuel efficiency standards has called for an increase to take effect within the plan horizon.

B. Vehicle License/Registration Fee

- **Description** - In Alabama, drivers pay an vehicle ad valorem tax to the county and, in some cases also to the municipality, at the time the vehicle is registered. This ad valorem tax is collected annually. On the other hand a flat wheel fee might also be levied. A flat fee is not considered a tax as it is not based on value.
- **Advantages** - Because these taxes are already in place, they would not be as difficult to secure as new taxes.
- **Disadvantages** - It is difficult to explain to drivers how much an increase in the vehicle ad valorem tax will cost since the tax is levied on the annual depreciated value of the vehicle. A vote of the Alabama Legislature is also needed to increase the ad valorem amount.
- **Potential Revenues** - Revenue generation for the wheel tax are based on several assumptions:
 1. The ratio of vehicles to persons will remain constant, and therefore the number of vehicles will grow in direct proportion to the number of persons.
 2. All registered vehicles will pay the vehicle ad valorem tax and/or wheel fee.

C. Development Fees and Benefit Assessment Districts

- **Description** - Development fees are levied on developers as a condition of real estate construction. Such fees (also called impact fees) may be levied on commercial, industrial, or residential development; they may be assessed on a per-unit or per-square foot basis. While taxes can be used for general purposes without any link between the taxpayer and the outcome, fees must be shown to have a link with the purposes on which they are being spent. Impact fees must therefore only be used to mitigate the impacts of particular developments (for example, if a commercial development will cause more traffic at a particular intersection, the impact fees can be used to improve the intersection).

Development fees could be levied on the construction of new parking, whether in the form of entirely new facilities or expansion of existing parking lots or garages. This could serve an important secondary effect of steering development to infill areas, if parking construction in outlying areas carried heavy development fees.

Development fees could be combined with benefit assessment districts to create a more stable revenue source. Benefits assessment districts are special districts whose residents or businesses pay an assessment in exchange for a particular service or benefit. For example, residents of a particular neighborhood might be charged an annual fee to maintain the public landscaping. Like development fees, the fees charged within a benefit assessment district must have a direct relationship to services or benefits received.

- **Advantages** - Because impact fees are paid only indirectly by the public, through increased costs of development, they are less controversial than general fees or taxes. Benefit assessment districts charge the people benefiting from a particular service and/or set of services in a more direct manner than general taxes. Also, unlike impact fees, benefits are generally assessed on an annual basis.
- **Disadvantages** - Because of the restrictions on the use of development fee and benefit assessment district revenues, they can only fund certain related projects. In addition, impact fees constitute a one-time revenue source, not a continuing one. They tend to be unpopular among developers. Finally, impact fees are currently in use in some jurisdictions, but not in others. If not levied on a consistent basis throughout the metropolitan planning area, such fees might raise development costs prohibitively high in some areas, and slow development in others that have not previously had such fees.

The types of districts within which special assessments can be charged are generally instituted only with the concurrence of affected property owners. These districts are therefore harder to implement than impact fees. It would also be difficult to implement a benefit assessment district on a regional basis, since state law assumes that the district would be located within a single jurisdiction. The law also prescribes narrow criteria for where benefit areas.

- **Special Assessments** - Special assessments can be levied in conjunction with a variety of types of special districts. Special assessments are charged to property owners in the affected area for the costs of specific improvements. Some uses of special assessments are as follows:
 1. **Road Improvement Districts** serve as mechanisms by which revenues can be raised to fund road construction and maintenance. Creation of the district must be initiated by petition by at least 25 percent of landowners affected. Assessments are to be levied in proportion to the benefit received.
 2. **Business Improvement Districts** are used to finance projects that contribute to the renewal of downtown areas. Creation of the district must be approved by a majority of landowners who own at least two-thirds of all property within the designated area.
- **Adequate Public Facilities Taxes** - Adequate public facilities taxes can be levied on new development, but as taxes they do not have to demonstrate a nexus between the source of the funds and the project, as do impact fees.

D. Transportation User Fee/Transportation Infrastructure Maintenance Fee

- **Description** - A Transportation User Fee is a fee paid by all properties that benefit from the use of transportation infrastructure in an amount equivalent to the amount of transportation impact of the property, typically the number of trips attributable to the property. Although similar in nature to a Development Impact Fee, the Transportation User Fee is dissimilar in that it is charged directly to individual residences rather than the developer. Additionally, the fee is primarily geared towards transportation system operations and maintenance versus developing new capital projects. Finally, unlike the Development Impact Fee, the Transportation User Fee is perpetual.
- **Advantages** - The Transportation User Fee treats transportation infrastructure in a similar fashion as any other utility. That is, users are charged based on their use of the infrastructure. The fee also has the advantage of being perpetual, and provides a stable funding source for transportation infrastructure and service maintenance beyond the one-time fee assessed by impact.
- **Disadvantages** - A Transportation User Fee might be perceived as a new tax, or a fee on infrastructure and services that have already been paid. In addition, the collection of the fee as well as enforcement of the fee could be problematic. Ideally, because transportation is being treated as an utility, the Transportation User Fee might be collected as part of a utility bill. However, utilities are not collected in a uniform manner, and with the exception of private, quasi-regulated utilities such as electric, gas, and telephone services, there are no consistent, regionwide utility operations through which a fee might be collected. Enforcement is also an issue. Unlike traditional utilities where a user is denied access to the service for failure to pay, an individual cannot be denied access to the transportation system. Finally, the methodology used to assess the fee might be called into question as there is currently no technically feasible way to specifically measure an individual properties' usage of the transportation system.

E. Special Purpose Local Option Sales Tax (SPLOST)

- **Description** - Special Purpose Local Option Sales Tax (SPLOST) dedicate all or a portion of revenues to fund transportation. Typically SPLOST revenues are linked to specific projects and/or a set of projects as identified in adopted plan documents. In short, it does not give decision-makers a blank check to develop pet projects.

SPLOST programs in neighboring states normally have a sunset date, typically five years or the completion of all the projects for which the taxes were approved, whichever comes first. SPLOST programs are subject to voter approval and may be renewed by a vote of the people. Because they run for a limited time frame, SPLOST revenues are not considered a dedicated guaranteed source of transportation funding. Similarly, local general fund expenditures for transportation must go through an annual budgeting process and compete against other uses. This makes general funds also a potentially unstable source of transportation funding. However, if combined with local general fund revenue, SPLOST funding could potentially assist communities in the metropolitan planning area to account for the majority of all local transportation funding.

At present, counties and cities have the authority to impose sales taxes up to a specified limit. In addition, the State of Alabama Legislature could grant a regional authority the ability to levy a regional sales tax that would be imposed at a uniform rate for the exclusive use in developing transportation infrastructure and services.

- **Advantages** - As a sales tax is already in place, raising it would probably not incur the same reaction as imposing a new tax. In addition, the sales tax is reasonably inexpensive to administer.
- **Disadvantages** - Sales taxes are the crux of municipal revenue sources and are already considered to be high, particularly in the City of Birmingham which increased the local portion of the sales tax from nine to ten percent. In the current economy, many municipalities have seen their general fund revenues decrease significantly because of drops in sales tax revenues. In addition to the traditional arguments about this particular form of taxation being regressive, this revenue source has proved itself to be unstable as it is highly dependent upon both the local and national economies.

The state legislature could either allow local municipalities and counties to raise the total sales tax cap in order that they would not have to tap into the existing revenues that supply their general funds, or the legislature could pass legislation that would institute a new “regional sales tax” with different limits, separating this tax from state, county, and local sales tax caps.

An alternative option might be to allow counties and/or municipalities to contribute into a regional fund an amount that is equivalent to what it might potentially raise through the sales tax from other sources. Counties and/or municipalities might also choose to accept a reduced share of regional transportation services.

F. Other Funding Considerations

In addition to the funding sources/ideas described earlier in this section, respondents to the RTP's informal survey also indicated that they felt that the Birmingham metropolitan transportation planning area's corporate community should contribute a larger share to the development and maintenance of transportation infrastructure and services. Although there was no definitive indication of what exactly this might entail, respondents did specify that they thought that some sort of corporate tax would be appropriate. Survey respondents also indicated that tolling transportation facilities was also an appropriate means of raising revenue for transportation facilities and services. Least favorite among the potential funding options suggested in the survey were increases in property taxes. This aversion to increasing property taxes is reflective of an attitude within the State of Alabama regarding property taxes as a source of revenue.

- **Public Private Partnerships (P³)** - A final funding consideration that has seemed to gain some traction is the pursuit of Public-Private Partnerships (P³). The use of private monies to fund public improvements is not uncommon, and in fact has been suggested as a potential source for obtaining new revenues to develop new transportation facilities and services, as well as for improving and/or upgrading existing facilities. Until recently, P³ was suggested as a financing mechanism by the Alabama Office of the Governor and the ALDOT for the state's desired improvements to the U.S. 280 corridor.

Plain and simple, P³ is a financial investment by the private sector in public infrastructure. While the individual agreements that allow the private sector to capitalize on their investment may vary, the fundamental idea remains the same, the private sector provides an infusion of much needed cash, and in return the public sector agrees to repay the private investment with interest. Investment decisions are subject to the same scrutiny as any typical Wall Street investment fund; investments are evaluated based on their worth and potential to generate a good return. Like most of the national economy, private funds have been impacted by the global economic climate and private investment in public transportation infrastructure has slowed considerably. While the use of P³ as a potential source for funding major transportation improvements has merit and is certainly applicable in the metropolitan planning area, it should be viewed cautiously and not relied upon as a primary funding source.

- **Administration** - The last and potentially most critical consideration in developing and collecting new funding sources for transportation relates to the administration of collected funding. While many of the funding sources identified in this section might be collected on a county-wide or local level, to do so would further the parochial nature of transportation system development that currently exists and not adequately address regional transportation facilities and services. There are few entities that consider the "big picture" and look at the system as a whole in order to determine how all of the system's components might work together. At the same time, there is a lot of local need which needs to be addressed, and an infusion of new money would certainly help to address these needs.