# Chapter 6. Financial Plan

## Introduction

This section examines the sources of funding that will be available for transportation investments within the region in the coming years and the general areas of expenditure for those revenues. This section presents the revenues that can reasonably be expected to be available and investment spending that will occur under what is known as the "Current Revenue Scenario".

As identified in past Street/Highway Plans, an inadequate level of transportation funding continues to be a major issue facing the region. Under the Current Revenue Scenario, expectations are that highway system pavement and bridge conditions will continue to decline, and that highway congestion will continue to grow.

This chapter summarizes the revenue forecasting methodology and results, and demonstrates how available revenues align with the investments identified in this plan.

It should be noted that funds were identified for 2023 to 2045 only. Projects identified as existing and committed are constrained based on funds identified for those projects in the 2019-2022 Transportation Improvement Program (TIP).

## Fiscal Constraint & Revenue Forecasting Requirements

Since the passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, the long-range transportation planning process in metropolitan areas was transformed away from "needs" based analyses, with little-to-no consideration given to the transportation funding amounts, to a financially-constrained project / program planning approach. Fiscally-constrained means that anticipated investments are equal to or less than forecast revenues.

The fiscal evaluation element of the MPO planning process has continued to evolve. Subsequent congressional re-authorizations of TEA-21 in 1998, SAFETEA-LU in 2005, and MAP-21 in 2012 have required an increased level of financial analysis, so that MPOs clearly demonstrate that projects and program activities included in their transportation plan were reasonably fundable for both the near- and long-term.

This remains even truer today. The Fixing America's Surface Transportation Act (FAST Act) passed in 2015 places an even stronger emphasis on-performance-based planning, preserving the National Highway System (NHS), and documenting that sufficient funding is available to address "state of good repair" (preservation projects) before expansion or discretionary projects are programmed. State and local policy also emphasize that street and highway preservation needs are critical and should be considered a primary investment.

## Revenue Forecast Methodology

The methodology for developing future funding estimates was developed by the Grand Forks-East Grand Forks MPO in cooperation with state DOTs and local counties and cities. Federal and state policy allow for development of region-specific methodology, which is summarized below. All state and local partners accepted the resulting revenue forecasts.

### Step 1: Establish Historical Transportation Improvement Funding Programs and Amounts

The GF/EGF MPO worked with the state DOTs and local agencies to review past Transportation Improvement Program (TIP) funding and future revenue forecasts, when available, to establish a "reasonable" baseline for forecasting future revenue streams. The TIP assessment considered past obligated dollars for expansion and preservation projects that occurred on the federal aid system (e.g., functionally classified roadways) dating back to 2013. The assessment also considered projects programmed in the 2019-2022 Transportation Improvement

Program (TIP) for the Minnesota and North Dakota sides of the GF/EGF MPO, and projects planned in the MnDOT 10-Year Capital Highway Investment Plan 2019-2028.

The revenue data was further screened to evaluate if past funding sources could reasonably be expected to continue into this Plan's time horizon. Many sources are expected to continue including:

- Federal assistance to each State DOT
- Various federal funding pass through programs to local governments, e.g., Urban Roads program (North Dakota), Highway Safety Improvement Program, and the Area Transportation Partnership programs (Minnesota)
- State funding sources, e.g., gas tax and license tab fees
- Local revenue streams, e.g., property tax and sales tax.

Special revenue streams were not included, such as bonds, special assessments, or grants (e.g., Safe Routes to School, Local Road Improvement Board Grant), because they are not considered reasonably consistent future revenue streams.

The baseline revenue for federal, state, and local programs is presented in Table 6-1 for North Dakota and Minnesota.

Table 6-1: Annual Anticipated GF/EGF MPO Revenues from Historic Sources – Annual (2018 Dollars except where noted)

| Funding Program | North Dakota | Minnesota |
|---|---|---|
| **Highway Safety Improvement Program** | $530,500 | $25,500 |
| **Interstate Program** | $320,000 | None |
| **Urban Regional Program** | $2,800,000 | Not applicable |
| **Urban Local Program** | $2,458,000 | Not applicable |
| **Statewide Performance Program (SPP)** | Not applicable | Varies by project<br>$3.2 million to $13.6 million (year of expenditure dollars) |
| **MN District Risk Management Program** | Not applicable | Varies by project<br>$720,000 to $3.2 million (year of expenditure dollars) |
| **East Grand Forks City Sub-Target of Federal Funding** | Not applicable | $860,000 every fourth year starting in 2018 |
| **State Match** | $390,000 | Varies by project<br>$180,000 to $3 million (year of expenditure dollars) |
| **Federal Allocation to Grand Forks County** | $80,000 | Not applicable |
| **Grand Forks County Match** | $25,000 | Not applicable |
| **City of Grand Forks Existing Revenues** | $2,550,000 | Not applicable |
| **East Grand Forks State Aid** | Not applicable | $315,000 |
| **Polk County, MN State Aid** | Not applicable | $100,000 |

## Step 2: Establish New Transportation Improvement Funding Programs and Amounts

The 2045 Street/Highway plan includes two new revenue sources identified by MPO partners, the federally-funded Main Street program and a new City of Grand Forks sales tax. These sources are summarized in Table 6-2.

The Main Street program is a new competitive grant program administered by the North Dakota DOT and funded by Federal Highway Administration, with the intent of spurring investment in already developed areas. In coordination with NDDOT, the GF/EGF MPO estimated the MPO area will receive a portion of the annual program funding available in North Dakota, equal to its share of the North Dakota urban population. For the purposes of this plan, NDDOT directed the GF/EGF MPO to include Watford in the state's total urban population. Grand Forks made up 13 percent of the 2016 American Community Survey 5-year Estimated North Dakota urban population, and the GF/EGF MPO estimated it will receive the equivalent of $600,000 annually, which is 13 percent of the annual $4,600,000 program funding.

The City of Grand Forks also passed a new sales tax in November 2017 to fund public works projects, including Streets and Highways. The new sales tax supplements the existing City of Grand Forks streets/highway revenues and is set to sunset in the year 2037. For the purposes of this plan, the GF/EGF assumed the equivalent of $2,350,000 annually (2018 dollars).

Table 6-2: Annual Anticipated GF/EGF MPO Revenues from New Sources – Annual (2018 Dollars)

| Funding Program | North Dakota | Minnesota |
|---|---|---|
| **Main Street Program** | $600,000 | Not applicable |
| **City of Grand Forks Sales Tax** | $2,350,000 | Not applicable |

### Step 3: Establish Revenue Growth Rates

The GF/EGF MPO worked with the state DOTs and the local agencies to establish inflation rates for each revenue source. These are summarized in Table 6-3.

Table 6-3: GF/EGF MPO Revenue Inflation Assumptions – Annual

| Inflation Rate by Funding Program | North Dakota | Minnesota |
|---|---|---|
| **Federal Funding (includes State Match)** | 2.0% | 2.2% |
| **State Funding (non-federal match)** | 2.0% | 1.9% |
| **Local Funding** | 2.0% | 1.9% |

### Step 4: Identify Future Available Revenues

The GF/EGF MPO inflated each revenue stream annually through the program sunset year or 2045-planning horizon, whichever year came first. This information provided year-by-year revenue forecasts for each side of the GF/EGF MPO that are presented in Appendix E. Funds forecast at the federal, state, and local levels assume reauthorization or otherwise continued collection and disbursement of the source revenue (gas tax, property tax, sales tax, etc.).

The Street and Highway Plan incorporates the following revenue assumptions and State policies:

- The Minnesota Department of Transportation prepares their own revenue forecasts and disbursements by MPO area
    - Area Transportation Partnership (Minnesota) generally provides funds to East Grand Forks project every four years. The Minnesota revenue forecasts account for this allocation starting in 2018, and includes a state match corresponding to 20 percent.

## Revenue Estimates

Based on these revenue assumptions, the GF/EGF MPO can reasonably anticipate approximately $417 million dollars of revenue over the 23-year planning horizon. Table 6-4 shows the forecast funds by timeband--short-range (2023 – 2027), mid-range (2028-2037), and long-range (2038-2045)—which form the base for the fiscal constraint analysis in Chapter 7.These revenues are in addition to those forecast in the Grand Forks-East Grand Forks 2019-2022 Transportation Improvement Program.

Table 6-4: Funding Estimates by Timeband in Year of Expenditure Dollars

| Timeband | North Dakota | Minnesota | TOTAL |
|---|---|---|---|
| **Short-Range (2023-2027)** | $69,969,000* | $13,425,000 | $83,394,000 |
| **Mid-Range (2028-2037)** | $162,543,000 | $17,110,000 | $179,652,000 |
| **Long-Range (2038-2045)** | $125,340,000 | $28,757,000 | $154,097,000 |
| **TOTAL** | $357,851,000 | $59,292,000 | $417,143,000 |

*An additional $1.3 million in federal funding is available through the NDDOT Urban Main Street program in years 2021-2022