

13.0 FINANCIAL PLAN

The primary sources of revenues used to support the surface transportation system for Oahu have been, and will continue to be, the Federal, State, and local governments. Federal funds are provided through the FHWA and the FTA. The FYs 2008-2011 TIP is financially-constrained – that is, there is a reasonable expectation that projects can be implemented using committed, available, or reasonably available federal and local funding.

Inflation rates of 2%-5% per year were used in the financial assumptions to reflect “year of expenditure” dollars for most projects. The rate varied depending upon such factors as project location, project scope, and the type and amount of construction materials needed. A 0% inflation rate was used to estimate bus and Handi-Van costs. Past purchases indicate that unit costs for transit vehicles have remained relatively stable and may decrease for hybrid-electric and alternative fuel buses. Additionally, no inflation was assumed for Transit Security Projects, because the Federal funding level is assumed to be flat.

13.1 FUNDING SOURCES

13.1.1 FHWA Program

The FHWA funds are appropriated annually by Congress. The SAFETEA-LU authorizes funding levels through the end of FY 2009. For financial constraint purposes, funding levels as estimated by FHWA for FYs 2008 and 2009 (<http://www.fhwa.dot.gov/reauthorization/appportionmentsbyyear.htm>) were used. About \$125-\$130 million in obligation authority is estimated to be available for the entire *State of Hawaii* each fiscal year. Detailed information on the revenues estimated to be available for the State of Hawaii is available in the HDOT’s FYs 2008-2011 STIP. The TIP focuses on transportation programs and projects for the *island of Oahu* only.

In developing the FYs 2008-2011 TIP, the OahuMPO, HDOT, and DTS cooperatively formulated estimates of FHWA funds that were reasonably expected to be available for projects on the island of Oahu. These estimates were based on historic data. As presented to the OahuMPO Technical Advisory Committee in October 2006, Oahu has historically received about 52% of the Statewide total obligation authority each year. Forty-four percent (about \$67 million) has been historically programmed for projects sponsored by the State of Hawaii, and 8% (about \$12 million) has been programmed for projects sponsored by the City and County of Honolulu, for a total of about \$79 million for the island of Oahu. Although more than \$79 million in federal funds is programmed in each year of the TIP, the HDOT agreed to find savings elsewhere in the STIP, thereby increasing the amount of FHWA funds available for Oahu.

Under SAFETEA-LU, the HDOT may transfer apportionments from one program to another (with associated repercussions). For example, HDOT may transfer up to 50% of its National Highway System apportionment to the Statewide Transportation Program apportionment. Therefore, the total amount of FHWA funds programmed is key. However, although this provides more immediate flexibility, transferring from one fund type to another reduces the ability to follow through with the intent of the fund and temporarily eliminates the possibility of applying for certain discretionary funds.

FHWA funding sources include:

- Congestion Mitigation Air Quality Improvement Program;
- Discretionary funds;
- High Priority Projects Program;
- Highway Bridge Program;
- Highway Safety Improvement Program;

- Interstate Maintenance Program;
- National Highway System funds;
- STP Flexible funds; and
- Transportation Enhancement Program.

Each of the funding sources is described below.

Congestion Mitigation and Air Quality Improvement Program

The Congestion Mitigation and Air Quality (CMAQ) Improvement Program provides funding for transportation projects or programs that will contribute to attainment or maintenance of the national ambient air quality standards for ozone, carbon monoxide, and particulate matter. Because Oahu is an air quality attainment area, CMAQ funds provide a flexible funding source for transportation projects.

Discretionary Funds

Discretionary funds are additional funds (not formula funds) that the federal government may decide to award to the region. Examples include Transportation, Community, and System Preservation funding, Public Lands Highways funding, and congressional allocations.

High Priority Projects Program

The High Priority Projects Program provides designated funding for specific projects identified in SAFETEA-LU.

Highway Bridge Program

The Highway Bridge Program provides funding to improve the condition of highway bridges through replacement, rehabilitation, and systematic preventive maintenance. Bridge On-System funds are

those for use on the Federal-aid highway system. Bridge Off-System funds are those for use not on the Federal-aid highway system.

Highway Safety Improvement Program

The purpose of the Highway Safety Improvement Program (HSIP) is to reduce traffic fatalities and serious injuries on all public roads. By October 1, 2007, each State must have a strategic highway safety plan that identifies and analyzes safety problems and opportunities in order to use HSIP funds for new eligible activities under 23 USC 148. HDOT is currently developing this plan.

Interstate Maintenance Program

The Interstate Maintenance Program provides funding for resurfacing, restoring, rehabilitating, and reconstructing routes on the Interstate System. The Dwight D. Eisenhower National System of Interstate and Defense Highways retains a separate identity within the National Highway System.

National Highway System

The National Highway System (NHS) provides funding for improvements to rural and urban roads that are part of the NHS, including the Interstate System and designated connections to major intermodal terminals. The NHS includes the Interstate Highway System as well as other roads important to the nation's economy, defense, and mobility.

Surface Transportation Program (STP) Flexible

The Surface Transportation Program provides flexible funding that may be used for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and public bus terminals and facilities.

Transportation Enhancement Program

The Transportation Enhancement Program funds activities or projects that add community or environmental value to any active or completed transportation project, and are over and above what is required for normal environmental mitigation for transportation improvements. The maintenance of these projects is not eligible for those funds. Ten percent of federal funds distributed to the STP are dedicated to transportation enhancement activities.

13.1.2 FTA Program

For financial constraint purposes, formula apportionments, as estimated by FTA for FYs 2008 and 2009 (http://www.fta.dot.gov/index_4696.html#Transit_Funding_Information), were used. For FYs 2010 to 2011, the nationwide funding level is assumed to grow at an annual rate of 2.1%, consistent with the Congressional Budget Office forecast of the Highway Trust Fund revenues through 2016. The share of Honolulu and Kailua apportionments are assumed at the SAFETEA-LU level of 0.693%.

FTA funds include:

- §5307 Urbanized Area Formula funds;
- §5309 Bus Capital funds;
- §5309 Fixed Guideway Modernization funds;
- §5309 New Starts (Ferry Allocation) funds;
- §5309 New Starts (pre-2005) funds; and
- §5316 Job Access and Reverse Commute Program and §5317 New Freedom Program

The following sections describe the various funding sources for FTA programs.

Urbanized Area Formula Program, 49 U.S.C. §5307 (Section 5307) and Growing States and High-Density States Formula Program, 49 U.S.C. §5340 (Section 5340)

Section 5307 may be used for Federal capital, operating, and planning assistance for transit in Urbanized Areas (UZAs), although operating assistance is generally not an eligible expense for UZAs with populations of 200,000 or more. A UZA is an area with a population of 50,000 or more that has been defined and designated as such in the most recent decennial census by the U.S. Census Bureau.

The City and County of Honolulu (City) is the designated recipient of funds apportioned to the Kailua-Kaneohe and Honolulu UZAs. The funds are apportioned based on legislative formulas, with different formulas applying to UZAs with populations less than 200,000 and UZAs with populations of 200,000 or more. The Kailua-Kaneohe UZA apportionment formula is based on population and population density statistics from the most recent decennial census. The Honolulu UZA apportionment formula is based on a combination of population and population density statistics, and validated mileage and transit service data in FTA's National Transit Database (NTD). FTA will use data from NTD report year (RY) 2006 to apportion FY 2008 funds, RY 2007 for FY 2009 funds, and so on.

One percent of funds appropriated for Section 5307 is set aside for Small Transit Intensive Cities (STIC). FTA apportions these funds to UZAs under 200,000 in population that operate at a level of service equal to or above the industry average level of service for all UZAs with a population of at least 200,000, but not more than 999,999, in one or more of six performance categories. FTA also apportions funds to urbanized areas under Section 5340 Growing States and High-Density States formula factors based on State population forecasts for 15 years beyond the most recent Census. Based on language in the SAFETEA-LU conference report, FTA consolidates the Section 5307, STIC, and Section 5340 amounts and identifies a single apportionment amount for each UZA. Section

5307 funds are available during the year of apportionment plus an additional three years, for a total of four years.

Section 5307 funds are programmed for transit vehicles and facilities, preventive maintenance, and a transfer to FHWA for use in the State of Hawaii's vanpool program. FTA allows all maintenance costs as reported to the NTD to be eligible for capital assistance under "preventive maintenance". The amounts programmed for transfer to FHWA represent the estimated incremental increase of Section 5307 funds apportioned to the City attributable to vanpool operating data from the NTD.

FTA Capital Investment Program, 49 U.S.C. §5309 – Fixed Guideway Modernization

Fixed Guideway Modernization (FGM) funds are apportioned by a statutory tiered formula to fixed guideway systems at least seven years old. In the City's case, the term "fixed guideway system" refers to facilities on which bus service operates on exclusive or controlled rights-of-way (e.g., Hotel Street), and high-occupancy vehicle lanes. Like the Section 5307 funds, NTD data is used to apportion FGM funds; the funds are available during the year of apportionment plus an additional three years, for a total of four years. Transit vehicles are the only programmed use for these funds.

FTA Capital Investment Program, 49 U.S.C. §5309 – New Starts

New Starts funds are discretionary and are usually allocated by Congress. The New Starts program 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, Bus Rapid Transit that is fixed guideway, or an extension of any of these. Annual allocations of New Start funding are also made available to Alaska and Hawaii for ferryboats and to the Denali Commission in Anchorage.

The financial plan identifies three types of New Starts funds:

- Pre-FY 2005 allocation that was extended until expended by the Conference Report on H.R. 418, Consolidated Appropriations Act, 2005 (House Rpt. 108-792). These funds can be used for replacement, rehabilitation, and purchase of buses and related equipment and construction of bus-related facilities. The programmed use of these funds is to purchase transit vehicles.
- Post-FY 2005 allocation for new fixed guideway systems or extensions to existing fixed guideway systems. These funds are programmed for the Honolulu High-Capacity Transit Corridor Project.
- Ferry allocation for Hawaii. These funds are programmed for the Intra-Island Ferry Project.

The Post-FY 2005 and the ferry allocations are available during the year of allocation plus two additional years, for a total of three years.

FTA Capital Investment Program, 49 U.S.C. §5309 – Bus & Bus-Related Facilities

Funds for Bus and Bus-Related Facilities (Bus Capital) funds are discretionary and are allocated for specific uses. Eight million dollars (\$8 million) is assumed as the annual allocation. This amount represents the average allocation during FYs 2002 to 2007. Bus Capital funds are available during the year of allocation plus an additional two years, for a total of three years. Transit vehicles and facilities are programmed with these funds.

FTA Job Access and Reverse Commute Program, 49 U.S.C. §5316 (JARC) and FTA New Freedom Program, 49 U.S.C. §5317

The JARC program provides formula funding to states and designated recipients to support the development and maintenance of job access projects designed to transport welfare recipients and eligible low-income individuals to and from jobs and activities related to their employment, and for reverse commute projects

designed to transport residents of UZAs and other than urbanized to suburban employment opportunities.

The New Freedom program provides new public transportation services and public transportation alternatives beyond those currently required by the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) that assist individuals with disabilities with transportation, including transportation to and from jobs and employment support services.

Governor Lingle recently named the City as the designated recipient for JARC and New Freedom funds apportioned to the Honolulu UZA, and the State of Hawaii Department of Transportation as the designated recipient for funds apportioned to the Kailua-Kaneohe UZA and non-urbanized areas.

No City or State projects are currently programmed in the TIP with JARC and New Freedom funds because the statutorily required coordinated public transit-human services transportation plan must be completed first. The TIP will be revised in the future to identify specific types of projects.

13.1.3 “Flexible” Funds

The Federal Highway and Transit Laws authorize certain funds to be “flexible.” For example, FHWA Surface Transportation Program funds can be transferred from FHWA to FTA for use in transit projects, while FTA Urbanized Area Formula funds may be available for highway projects. The financial plan assumes that FTA Urbanized Area Formula funds will be “flexed” to FHWA for the State of Hawaii’s Vanpool Program to the extent that the OahuMPO is able to certify that:

- The funds are not needed for investments required by the Americans with Disabilities Act of 1990, as amended;

- A notice and opportunity for comment and appeal have been provided to affected transit providers during the public outreach period for the FYs 2008-2011 TIP; and
- Local funds proposed for the non-Federal match are eligible to provide assistance for either highway or transit projects.

The amounts programmed for transfer to FHWA represent the estimated incremental increase of Section 5307 funds apportioned to the City attributable to vanpool operating data from FTA’s National Transit Database.

13.1.4 Advance Construction

Some of the projects in the TIP are currently programmed using this innovative financing technique. Advance construction is a technique which allows a State to initiate a project using non-federal funds while preserving eligibility for future Federal-aid funds. Eligibility means that FHWA has determined that the project technically qualifies for Federal-aid. After an advance construction project is authorized, the State may convert the project to regular Federal-aid funding, provided Federal funds are made available for the project.

13.1.5 Local Funds

State of Hawaii Funds

The State of Hawaii imposes taxes, fees, and charges relating to the operation and use of motor vehicles on the public highways of the State. These funds are deposited into the State Highway Fund, established under Section 248-8 Hawaii Revised Statutes. Moneys deposited in the State Highway Fund are used for acquisition, planning, design, construction, repair, and maintenance of the State Highway System.

The current taxes, fees, and charges deposited into the State Highway Fund consist of:

- Highway fuel taxes;
- Vehicle registration and licensing fees;
- Vehicle weight tax;
- Motor vehicle rental and tour vehicle surcharge taxes.

Other miscellaneous sources of revenue include interest earnings on moneys previously credited to the State Highway Fund, vehicle weight tax penalties, certain rental income from State Highway System properties, passenger motor vehicle inspection charges, overweight permits, sales of surplus lands, commercial license fees, and other miscellaneous revenues.

Every other year, the Governor submits to the State Legislature the Administration's biennium budget. The Legislature reviews the biennium budget in detail and authorizes all or a portion of the biennium budget and the individual capital improvement projects.

Authorization of the operating and capital improvement budgets by the Legislature, as part of the biennium budget, includes the appropriation of moneys from designated sources. These appropriations authorize the funding for the local match for the State's federal-aid projects in the TIP.

City and County of Honolulu Funds

Where local funding is identified in the FYs 2008-2011 TIP for City projects, City funds from existing revenue sources are programmed. The City exercises independent authority under the Hawaii State Constitution to assess, levy, and collect real property taxes. The Hawaii Revised Statutes authorizes the City to fix the fees and charges for all public services not otherwise provided for by the State and to issue general obligation bonds to finance its public improvement projects.

Under its Revised Charter, the City enacts balanced operating and capital budgets annually. The City operates on a 12-month fiscal year that begins on July 1st and ends on June 30th of the succeeding year. Appropriations authorized in the executive capital budget ordinance or any supplementary appropriation is valid for the fiscal year for which appropriation is made and twelve months thereafter; e.g., funds appropriated by the FY 2008 capital budget ordinance are valid from July 1, 2007 until June 30, 2009 (Federal Fiscal Year 2009, quarter 2).

The City's bus preventive maintenance (PM) costs are funded by the City's annual operating budget. The Federal share of PM costs are programmed on a reimbursable basis; i.e., funds appropriated for the City's FY 2007 operating budget pay for PM costs, and the Federal reimbursement is programmed in FY 2008.

While it is anticipated that local funding will be available at the levels programmed in this document, enactment of the City's annual budget ordinances are still required.

13.2 FINANCIAL CONSTRAINT TABLES

The tables below demonstrate the financial constraint of each of the funding sources for each fiscal year.

13.2.1 FHWA Financial Constraint

The FHWA program is financially constrained, as demonstrated in the following tables. As discussed earlier, the amount of FHWA funds estimated to be available for projects on Oahu is determined through a cooperative agreement between the OahuMPO, HDOT, and DTS. Information on the revenues estimated to be available for the entire State of Hawaii is available in the HDOT's FYs 2008-2011 STIP.

FHWA Financial Constraint – FY 2008

FY 2008	Estimated Federal Funds Available for Oahu (x1000)	Local Funds (x1000)	Total Sources (x1000)	Total Uses (x1000)	Federal Funds Balance (x1000)
Bridge Off-System	640	160	800	800	0
Bridge On-System	10,696	2,674	13,370	13,370	0
CMAQ	800	0	800	800	0
Discretionary Funds	450	50	500	500	0
Earmark High Priority	1,000	250	1,250	1,250	0
Earmark Section 115	4,000	1,000	5,000	5,000	0
Highway Safety Improvement Program	4,000	1,000	5,000	5,000	0
Interstate Maintenance	3,200	800	4,000	4,000	0
National Highway System	41,640	-20,840	20,800	20,800	0
STP Enhancement	640	160	800	800	0
STP Flexible	24,576	71,844	96,420	96,420	0
Transfer from FTA to FHWA	1,200	0	1,200	1,200	0
FHWA Total	92,842	57,098	149,940	149,940	0

FHWA Financial Constraint – FY 2009

FY 2009	Estimated Federal Funds Available for Oahu (x1000)	Local Funds (x1000)	Total Sources (x1000)	Total Uses (x1000)	Federal Funds Balance (x1000)
Bridge Off-System	290	130	420	420	0
Bridge On-System	26,416	6,604	33,020	33,020	0
CMAQ	800	0	800	800	0
Discretionary Funds	0	0	0	0	0
Earmark High Priority	0	0	0	0	0
Earmark Section 115	0	0	0	0	0
Highway Safety Improvement Program	1,935	465	2,400	2,400	0
Interstate Maintenance	16,370	2,430	18,800	18,800	0
National Highway System	30,570	6,755	37,325	37,325	0
STP Enhancement	0	0	0	0	0
STP Flexible	16,365	26,660	43,025	43,025	0
Transfer from FTA to FHWA	1,200	0	1,200	1,200	0
FHWA Total	93,946	43,044	136,990	136,990	0

FHWA Financial Constraint – FY 2010

FY 2010	Estimated Federal Funds Available for Oahu (x1000)	Local Funds (x1000)	Total Sources (x1000)	Total Uses (x1000)	Federal Funds Balance (x1000)
Bridge Off-System	1,560	390	1,950	1,950	0
Bridge On-System	22,425	5,605	28,030	28,030	0
CMAQ	800	0	800	800	0
Discretionary Funds	0	0	0	0	0
Earmark High Priority	775	195	970	970	0
Earmark Section 115	0	0	0	0	0
Highway Safety Improvement Program	0	0	0	0	0
Interstate Maintenance	7,060	1,765	8,825	8,825	0
National Highway System	23,120	5,780	28,900	28,900	0
STP Enhancement	5,200	1,300	6,500	6,500	0
STP Flexible	41,074	34,700	75,774	75,774	0
Transfer from FTA to FHWA	1,200	0	1,200	1,200	0
FHWA Total	103,214	49,735	152,949	152,949	0

FHWA Financial Constraint – FY 2011

FY 2011	Estimated Federal Funds Available for Oahu (x1000)	Local Funds (x1000)	Total Sources (x1000)	Total Uses (x1000)	Federal Funds Balance (x1000)
Bridge Off-System	360	90	450	450	0
Bridge On-System	34,274	8,571	42,845	42,845	0
CMAQ	800	0	800	800	0
Discretionary Funds	0	0	0	0	0
Earmark High Priority	0	0	0	0	0
Earmark Section 115	0	0	0	0	0
Highway Safety Improvement Program	4,900	1,100	6,000	6,000	0
Interstate Maintenance	13,160	1,665	14,825	14,825	0
National Highway System	14,250	3,250	17,500	17,500	0
STP Enhancement	0	0	0	0	0
STP Flexible	19,656	19,619	39,275	39,275	0
Transfer from FTA to FHWA	1,200	0	1,200	1,200	0
FHWA Total	88,600	34,295	122,895	122,895	0

13.2.2 FTA Financial Constraint

The FTA program is financially constrained, as demonstrated in the following tables.

FTA Financial Constraint – FY 2008

FY 2008	Estimated Federal Funds Available for Oahu (x\$1000)	Local Funds (x\$1000)	Federal Funds Prior Year's Carryover (x\$1000)	Total Sources (x\$1000)	Total Uses (x\$1000)	Federal Funds Balance (x\$1000)
§5307 Urbanized Area Formula*	29,649	28,703	8,446	66,798	63,814	2,984
§5309 Bus Capital	8,000	8,750	5,437	22,187	17,500	4,687
§5309 Fixed Guideway Modernization	1,679	1,314	773	3,766	2,628	1,138
§5309 New Starts (Ferry allocation)	800	2,600	2,000	5,400	5,400	0
§5309 New Starts (pre-2005)	0	1,452	1,548	3,000	3,000	0
§5309 New Starts (post-2005)	14,000	71,000	0	85,000	85,000	0
FTA Total	54,128	113,819	18,204	186,151	177,342	8,809

*Includes §5340 Growing States and High Density States Formula Program apportionment

FTA Financial Constraint – FY 2009

FY 2009	Estimated Federal Funds Available for Oahu (x\$1000)	Local Funds (x\$1000)	Federal Funds Prior Year's Carryover (x\$1000)	Total Sources (x\$1000)	Total Uses (x\$1000)	Federal Funds Balance (x\$1000)
§5307 Urbanized Area Formula*	31,539	19,299	2,984	53,822	48,828	4,994
§5309 Bus Capital	8,000	2,774	4,687	15,461	13,870	1,591
§5309 Fixed Guideway Modernization	1,856	0	1,138	2,994	0	2,994
§5309 New Starts (Ferry allocation)	2,000	1,500	0	3,500	3,500	0
§5309 New Starts (pre-2005)	0	0	0	0	0	0
§5309 New Starts (post-2005)	14,000	251,000	0	265,000	265,000	0
FTA Total	57,395	274,573	8,809	340,777	331,198	9,579

*Includes §5340 Growing States and High Density States Formula Program apportionment

FTA Financial Constraint – FY 2010

FY 2010	Estimated Federal Funds Available for Oahu (x\$1000)	Local Funds (x\$1000)	Federal Funds Prior Year's Carryover (x\$1000)	Total Sources (x\$1000)	Total Uses (x\$1000)	Federal Funds Balance (x\$1000)
§5307 Urbanized Area Formula*	32,202	22,142	4,995	59,339	57,306	2,033
§5309 Bus Capital	8,000	11,524	1,591	21,115	21,000	115
§5309 Fixed Guideway Modernization	1,895	1,168	2,994	6,057	5,840	217
§5309 New Starts (Ferry allocation)	0	0	0	0	0	0
§5309 New Starts (pre-2005)	0	0	0	0	0	0
§5309 New Starts (post-2005)	4,000	251,000	0	255,000	255,000	0
FTA Total	46,097	285,834	9,580	341,511	339,146	2,365

*Includes §5340 Growing States and High Density States Formula Program apportionment

FTA Financial Constraint – FY 2011

FY 2011	Estimated Federal Funds Available for Oahu (x\$1000)	Local Funds (x\$1000)	Federal Funds Prior Year's Carryover (x\$1000)	Total Sources (x\$1000)	Total Uses (x\$1000)	Federal Funds Balance (x\$1000)
§5307 Urbanized Area Formula*	32,878	22,889	2,032	57,799	55,090	2,709
§5309 Bus Capital	8,000	1,898	115	10,013	9,490	523
§5309 Fixed Guideway Modernization	1,935	438	217	2,590	2,190	400
§5309 New Starts (Ferry allocation)	0	0	0	0	0	0
§5309 New Starts (pre-2005)	0	0	0	0	0	0
§5309 New Starts (post-2005)	54,000	251,000	0	305,000	305,000	0
FTA Total	96,813	276,225	2,364	375,402	371,770	3,632

*Includes §5340 Growing States and High Density States Formula Program apportionment

Locally-Funded Projects/Phases (No Federal-Aid Assistance)

	FY 2008 (x\$1000)	FY 2009 (x\$1000)	FY 2010 (x\$1000)	FY 2011 (x\$1000)	Total FYs 2008-2011 (x\$1000)
State of Hawaii-Sponsored Projects					
Total Sources	12,500	20,000	0	1,740	34,240
Total Uses	12,500	20,000	0	1,740	34,240
City and County of Honolulu – Sponsored Projects					
Total Sources	3,678	36,178	60	59	39,975
Total Uses	3,678	36,178	60	59	39,975
Total Locally-Funded Projects/Phases					
Total Sources	16,178	56,178	60	1,799	74,215
Total Uses	16,178	56,178	60	1,799	74,215

