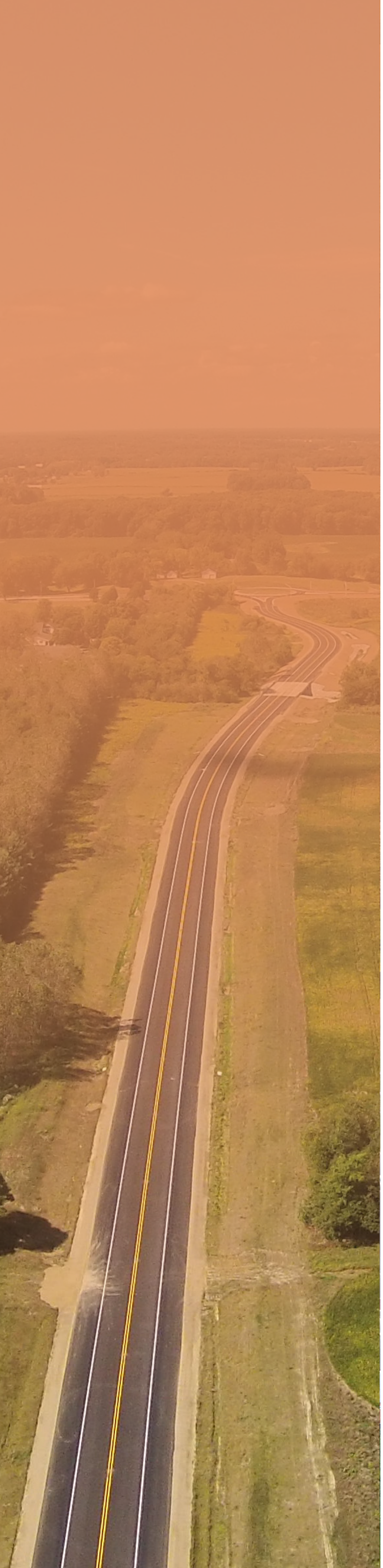

07

Financial Plan

07

Under federal regulations, the 2050 Transportation Plan must include a financial plan that demonstrates how the adopted plan can be implemented. The financial plan shall compare the estimates of funds that are reasonably expected to be available for transportation uses, including transit, and the cost of constructing, maintaining and operating the total (existing, plus planned) transportation system over the period of the plan. As such, the development of reasonable funding estimates and costs is essential to the development of a transportation plan that is consistent with the federal requirements for fiscal constraint.

Federal Funding Programs

The Federal Highway Administration (FHWA) allocates federal funds through Congressional legislation. The Infrastructure and Investment and Jobs Act (IIJA) was signed into law November 15, 2021. The allocation of federal funds in MPO areas may only be spent if it is included as part of the transportation planning process and only if they are included in an approved TIP. These funds may be used on functionally classified system of federal, state, and local roadways throughout the United States.

The core IIJA funding programs are divided into the following categories:

- National Highway Performance Program (NHPP)
- Surface Transportation Block Grant Program (STBG)
- Congestion Mitigation & Air Quality Improvement Program (CMAQ)
- Highway Safety Improvement Program (HSIP)
- Transportation Alternatives (TA, Set-Aside from STBG)
- Carbon Reduction Program (CRP)
- PROTECT Formula Funding

Indiana Department of Transportation (INDOT) is responsible for projects on its State and Federal facilities. All federal aid eligible roads are functionally classified by agreement between the State, MPOs, and LPAs (Local Public Agencies) based on Federal Highway Administration (FHWA) guidelines for functional classification. All roads classified at major collector or higher may receive Federal Surface Transportation Program (STBG) funds. The selection of projects to be developed using STBG funds in the South Bend and Elkhart/Goshen Urbanized Areas under the requirements of IIJA are to be made by the MPO in consultation with the State.

The Highway Safety Improvement Program is continued (HSIP) to achieve a significant reduction in traffic fatalities and serious injuries on all public roads. The CMAQ program is continued to provide a flexible funding source to States, MPOs and LPAs for transportation projects and programs to help meet the requirements of the Clean Air Act. Active Transportation projects are able to utilize STBG, as well as a Transportation Alternatives set-aside from STBG.

Two new funding programs established in IIJA include the Carbon Reduction Program (CRP) and Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation Program (PROTECT). CRP is designed to fund projects that reduce transportation emissions, while PROTECT is established to help make surface transportation projects more resilient to natural hazards.

The current federal legislation funds include several formula based calculations defined by Congress, which are distributed to urban areas based on population and by a funding agreement between the MPO and INDOT. Currently, funding is available in rural areas on a competitive basis at INDOT's discretion.

Local Funding Programs

The following accounts serve as the local source of revenue for highway project implementation; each of these sources can be used as the local match for Federal funds:

- Local Road and Street Account (LR&S)
- Motor Vehicle Highway Account (MVHA)
- Bonding Capabilities
- Tax Increment Financing (TIF)
- Cumulative Bridge Funds
- Major Bridge Funds
- Capital Improvement Cumulative Funds
- Wheel Tax
- Economic Development Tax (EDIT)

Local Road and Street Account (LR&S)

LR&S funds provide an important source of revenue for both city and county highway departments. The funds are dedicated for engineering, construction, or reconstruction of roads or streets, as well as for the payment of bond and interest to finance a project of this type.

Motor Vehicle Highway Account (MVHA)

MVHA revenue is an account of the General Fund of the State of Indiana, which, by statute, is credited with the collection of the first six cents of the motor fuel and fuel use taxes, plus the statutory fees for motor vehicle registration and operation. These highway user taxes are collected by the State and then a portion is distributed back to the cities and counties for administration. The MVHA is the principal source of revenue for the overall operation of street and highway departments. MVHAs uses include the purchase of materials, labor costs, and/or equipment purchases required in the maintenance and construction of streets and roads.

Bonding Capabilities

The two major categories of debt financing are:

- Revenue bonds
- General obligation bonds

Revenue bonds in Indiana are used for proprietary function such as sewage treatment and refuse disposal equipment by all levels and types of local governments. Governments are not limited in the amount of revenue bond debt they may incur. Revenue bonds hold no pertinent place in a discussion of finances for our purposes, and will no longer be referred to in this report.

General obligation bonds are used for debt financing of non-proprietary functional expenditures such as roads and schools. The amount of general obligation debt, which local governments and special districts may incur, is limited to two percent (2%) of net locally assessed property value. (This limit is set and may be altered by the Indiana State Legislature)

Tax Incremental Financing (TIF)

TIF funds are used to pay off bonds, or are used to pay directly for infrastructure projects in a particular area of a city or county. These funds are collected from a particular area and are spent in a particular area to increase the tax base and encourage future development. TIF funds may also be used as local match for federal and state projects.

Cumulative Bridge Funds (CBF)

Cumulative Bridge Funds are a supplementary source of revenue for the construction and repair of highway bridges and grade separations. Indiana statutes authorize the county commissioners of the individual county units to establish a county-wide tax levy not to exceed ten cents ($0.10) on each one hundred dollars ($100) assessed valuation of all taxable personal and real property within the county and municipalities for the purpose of accumulating funds for the construction and repair of highway bridges.

Major Bridge Funds

Major Bridge Funds are local county revenues available to counties for longer span bridges. Counties with populations between 100,000 and 700,000 are eligible to establish this fund. Those county's are eligible as long as there is are major obstructions (physical barrier such as rivers that inhibits to the passage of motor vehicle traffic) between commercial or population centers are eligible. The county may levy a tax in compliance with Indiana statutes not to exceed three and thirty-three hundredths cents ($0.0333) on each one hundred dollars ($100) assessed valuation of all taxable personal and real property within the county to provide for the major bridge fund. Funds may be used for major bridges, defined as 200 feet or more in length with special exceptions for bridges within cities.

Capital Improvement Cumulative Funds

All cities and towns in Indiana may establish Capital Improvement Cumulative Funds to provide monies for any or all ten purposes expressed in Chapter 226, Section 1, Acts 1965. This fund then receives the allotment of the state-collected cigarette tax. The ten purposes include the acquisition of land or right-of-way to be used for streets, roads, alleys, sidewalks, or thoroughfares, and the maintenance of these facilities. Capital Improvement Cumulative Funds may also be used toward the retirement of general obligation bonds. Traditionally, limited amounts of this money have been used in transportation areas.

Wheel Tax (Local Option Highway User Tax)

The Local Option Highway User Tax is available to all counties. It requires that the County Council and County Commissioners approve the tax. St. Joseph and Elkhart Counties approved the tax in 2003. Kosciusko County approved a Wheel Tax in June 2014. Distributions are made to the cities and towns as well as the counties.

Economic Development Income Tax (EDIT)

The Economic Development Income Tax is an optional tax available to all counties in Indiana. It must be passed by the County Council and approved by the County Commissioners. This tax is also known as CEDIT, County Economic Development Tax. It can be adopted by the County Council if the county has the County Adjusted Gross Income Tax (CAGIT), or by the County Commissioners if the county has County Option Income Tax (COIT), or either body if the county has neither CAGIT nor COIT. Most counties that use CEDIT also have either CAGIT or COIT. CEDIT generally can be adopted at rates up to 0.5%, but the combined CAGIT and CEDIT rates in counties with both taxes cannot exceed 1.25%, and the combined COIT and CEDIT rates cannot exceed 1%. Revenue is divided among the county, cities and towns, and must be used for economic development or public capital projects. CEDIT revenue is collected by the state Department of Revenue and distributed back to the adopting counties. St. Joseph and Kosciusko County have adopted COIT and CEDIT. Elkhart County has adopted CAGIT and CEDIT. Marshall County has adopted CAGIT.

Transit Funding Programs

The Federal Transit Administration (FTA) apportions grant funds, which can be used in urbanized areas of 50,000 or more persons as defined by the decennial census. In order to use these funds, the Governor must have previously authorized a designated recipient to receive said funds and comply with all FTA operating, planning, and capital equipment requirements. In the South Bend and Elkhart-Goshen urbanized areas, there are three designated recipients, MACOG, the South Bend PTC and NICTD. MACOG has dual designation as a designated recipient in South Bend as well as in Elkhart-Goshen. The City of Niles is the designated recipient for Niles Dial-A-Ride System.

Urban Funds

Section 5307 funds are formula funds used for transit planning, operating, and capital equipment purchases. Section 5307 recipients include TRANSPO, the City of Niles (South Bend portion of the TMA), NICTD, and MACOG, which operates the Interurban Trolley and the Interurban Trolley Access Service. Section 5337 and 5339 are also formula based funding programs. Section 5337 is FTA's first stand-alone initiative written into law that is dedicated to repairing and upgrading the nation's rail transit systems. NICTD uses these funds to maintain its fixed guideway in a state of good. Section 5339 provides capital funding to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities. Section 5310 provides formula funding to large urbanized areas over 200,000 (South Bend Urban Area) to increase the mobility of seniors and persons with disabilities.

Rural Funds

Section 5311 provides financial assistance in rural and small urban areas (areas of 5,000 to 50,000 persons) through a formula grant program administered by INDOT. These funds do not require a designated recipient and may be used by local public agencies, non-profit organizations, and operators of public transit for operating and capital equipment purchases. A Section 5311 program recipient in the MACOG region is the Marshall County Council on Aging and Kosciusko Area Bus System (KABS). Prior to 2008, MACOG was the recipient of the funds. Section 5310 is also available for all areas under 200,000 in population from a discretionary program funded by FTA through the INDOT and is a capital equipment program available to non-profit agencies.

Financial Plan

Transportation

Under federal regulations, the 2050 Transportation Plan must include a financial plan to demonstrate how the adopted transportation plan can be implemented. The following tables demonstrate the financial feasibility of the Plan and how projects could be funded.

Local Revenue Estimates total $56.63 million per year in the urbanized area based on a 5-yr average of receipts reported to the Department of Local Government Finance. These funds are available for all aspects of operating, maintaining, and constructing the transportation network. It is assumed that available revenues for projects listed in the plan represent only a portion of total local revenue, to account for expenditures of operations and maintenance. While the amount of funds spent on transportation changes year to year, it is expected that local governments spend at least $5.5 million a year for construction and reconstruction projects. This leaves the majority of funds, $51.13 million, annually for maintenance and operations. In order to match the Federal Funds provided to the urban area the local governments would need to provide the 20% match which is $94.9 million or 16% of the 20-year Local Revenue Estimates for the urbanized area. It is fiscally reasonable then to assume that the local governments are able to provide the local match for these projects.

Table 7-1: Estimated Annual Local Public Agency Revenue (in Millions)

LPA	MVHA	LRSA	LOHUT	CBF	MBF	Total	Projected Revenue to 2045
Elkhart County	$15.15	$3.97	$0.43	$1.28	$3.33	$24.16	$241.62
St. Joseph County	$20.32	$7.13	$2.04	$0.91	$2.08	$32.47	$324.72
Urban Area Total	**$35.47**	**$11.10**	**$2.47**	**$2.19**	**$5.41**	**$56.63**	**$566.34**

MACOG is responsible for prioritizing and distributing federal funds in the urbanized area. Under the current transportation legislation, MACOG receives approximately $16.3 million for both the Elkhart and South Bend Urbanized area (Table 7-2). This demonstration assumes that federal funds are applied only to construction costs that reflect the year of expenditure. The assumed federal/local split for transportation projects is 80% federal and 20% local, unless the project is known to be completely funded locally. It is also assumed that the growth rate for Federal Funds in the urbanized areas will remain flat-line (0%) at FY 26 amounts for St. Joseph and Elkhart Counties, as the current federal authorization will expire in 2027. Both Marshall and Kosciusko Counties are considered rural and do not directly receive a federal allocation for transportation projects. Therefore, they are not included in the financial plan. We have included the projects in this plan if reasonable additional resources (ie. Group III or Group IV funds from the State, competitive or discretionary grants, etc) were available.

Tables 7-3 through 7-5, demonstrates the financial reasonableness of the Michiana on the Move: 2050 Transportation Plan. For each funding period, the urban area federal funding allocations remain above the needed federal funding for projects in this plan.

Table 7-2: Estimated Federal Funds Allocation (in Millions)

County	Total	2024-2030	2031-2040	2041-2050
Elkhart Co	$164.30	$42.60	$60.85	$60.85
St. Joseph	$277.05	$71.83	$102.61	$102.61
Urban Area Total	**$441.35**	**$114.42**	**$163.46**	**$163.46**

Table 7-3: Estimated Total Project Costs (in Millions)

County	Total	2024-2030	2031-2040	2041-2050
Elkhart Co	$252.65	$83.58	$73.08	$95.99
St. Joseph	$221.85	$36.72	$96.88	$88.25
Urban Area Total	**$474.51**	**$120.30**	**$169.96**	**$184.24**

Table 7-4: Estimated Federal Funds Needed (in Millions)

County	Total	2024-2030	2031-2040	2041-2050
Elkhart Co	$202.12	$66.87	$58.46	$76.80
St. Joseph	$177.48	$29.38	$77.51	$70.60
Urban Area Total	**$379.61**	**$96.24**	**$135.97**	**$147.40**

Table 7-5: Estimated Matching Funds Needed (in Millions)

County	Total	2024-2030	2031-2040	2041-2050
Elkhart Co	$50.53	$16.72	$14.62	$19.20
St. Joseph	$44.37	$7.34	$19.38	$17.65
Urban Area Total	**$94.90**	**$24.06**	**$33.99**	**$36.85**

Public Transportation

It is anticipated that Transpo, NICTD and Niles Dial-a-Ride will continue to receive Section 5307 Urbanized Area Formula funds in the South Bend Urbanized Area. Additionally, Transpo receives Section 5339 Bus and Bus Facilities funds and NICTD receives 5337 Status of Good Repair funds to assist with capital costs in providing transit services in the area. Section 5310 provides formula funding to large urbanized areas over 200,000 (South Bend Urbanized Area) and is a statewide competitive grant process for urbanized areas between 50,000 to 200,000 (Elkhart-Goshen Urbanized Area). The goal of the 5310 program is to increase the mobility of seniors and persons with disabilities. In the Elkhart-Goshen Urbanized Area it is anticipated that Interurban Trolley will continue to receive Section 5307 Urbanized Area Formula funds.

Local match for Transit comes from state funding, Public Mass Transit Fund (PMTF) which is distributed by INDOT, passenger revenues, and local government.

Based on the FY2022 annual allocation for these programs and assuming that the allocation is flat, the South Bend Urbanized is anticipated to receive $287.7 million in Federal Transit Administration funds for 2024 through 2050. During the same time period, the Elkhart-Goshen Urbanized Area would receive $53.1 million in Federal Transit Administration funds. These funds would be used for capital projects or operating expenses.

Table 7-6: Estimated Federal Transit Funds

County	Category	Annual Allocation	Federal Funds (2024-2050)
Elkhart Co	5307	$2,750,000	$ 74,250,000
	5310	$ -	$ -
	5337	$ -	$ -
	5339	$ -	$ -
	Total Funds	**$2,044,263**	**$ 53,150,838**
St. Joseph	5307	$5,556,143	$150,015,861
	5310	$398,713	$10,765,251
	5337	$4,392,348	$118,593,396
	5339	$308,373	$8,326,071
	Total	**$10,655,577**	**$287,700,579**