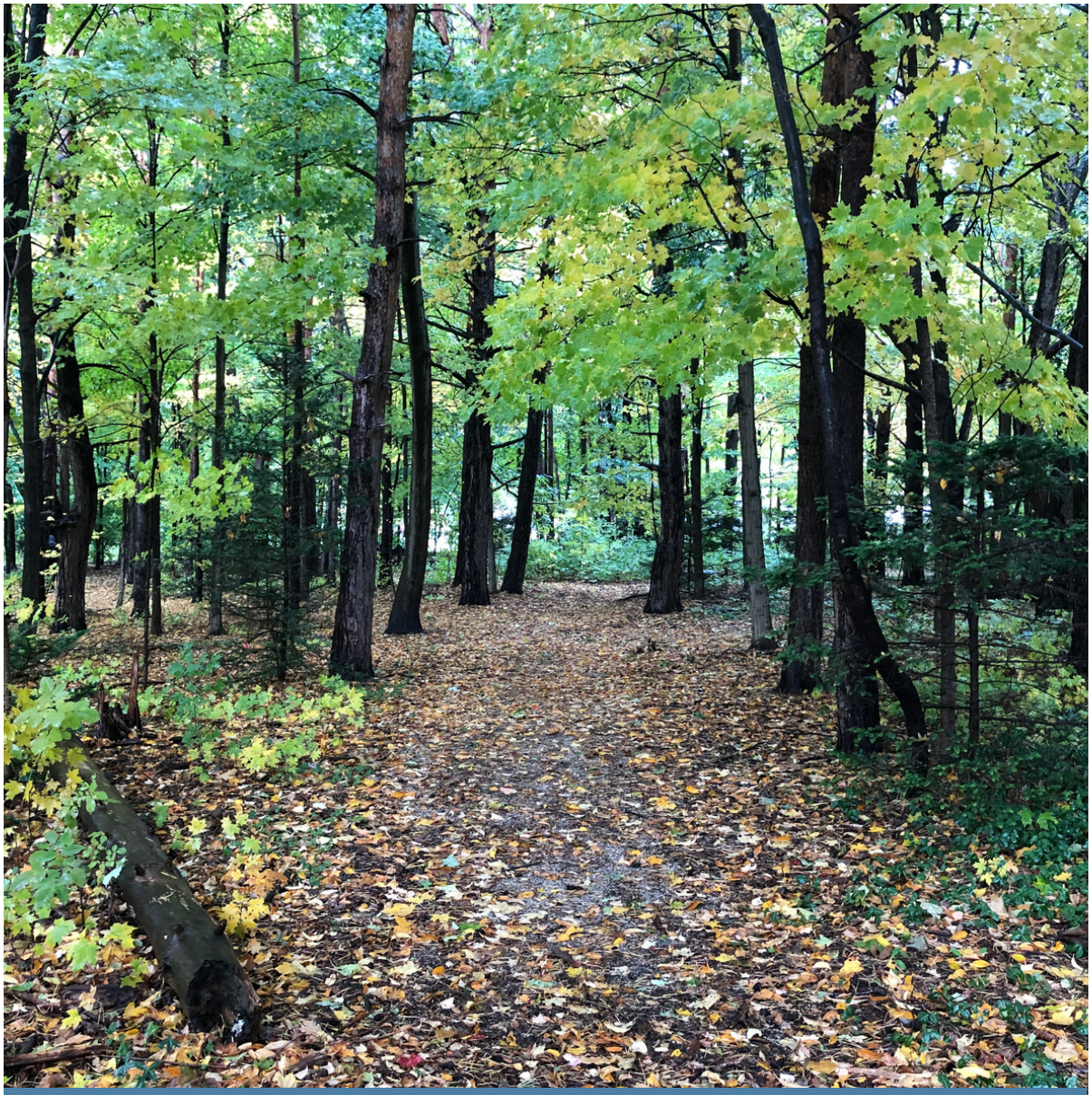


CHAPTER ELEVEN

Financial Introduction

FINANCIAL INTRODUCTION

The financial plan summarizes the process used to develop transportation revenue projections, identifies the costs of operating and maintaining the transportation system, and lists planned project and program commitments. This chapter demonstrates financial constraints in the urbanized area by showing that planned commitments do not exceed available annual revenue for both highway and transit funding in the Macatawa Area Coordinating Council (MACC) planning area.

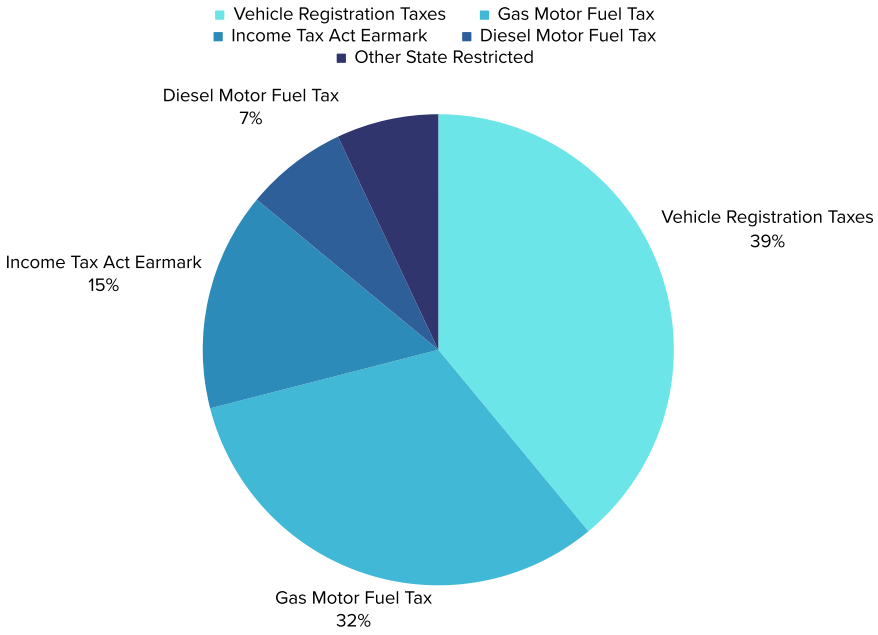
Federal requirements of the Infrastructure Investment and Jobs Act (IIJA); also called the Bipartisan Infrastructure Law (BIL) and the U.S. Code of Federal Regulations [23 CFR Part 450.324] require that the MACC 2050 LRTP be constrained by the amount of revenue available to transportation providers. The estimated cost of the projects and programs offered in this plan to meet the future transportation system needs have been constrained to revenue projections over the length of the plan. Revenue and cost estimates have also been developed to reflect “year of expenditure” dollars, accounting for inflation. This chapter is intended to provide the reader with an understanding of the sources and amounts of available revenue, planned expenditures, and how this LRTP meets the financial constraint requirement noted above.

SOURCES OF TRANSPORTATION FUNDING

The basic sources of transportation funding are motor fuel taxes and vehicle registration fees. Both the federal government and the State of Michigan tax motor fuel, the federal government at $0.184 per gallon on gasoline and $0.244 per gallon on diesel, and Michigan at $0.286 per gallon on gasoline and diesel. Michigan also charges sales tax on motor fuel, but this funding is not applied to transportation infrastructure. The motor fuel taxes are excise taxes, which means they are a fixed amount per gallon. The amount collected per gallon does not increase when the price of gasoline or diesel fuel increases.

Image courtesy of MDOT Photo and Video Services

The State of Michigan also collects annual vehicle registration fees when motorists purchase license plates or tabs. This is a very important source of transportation funding for the state. As of February 2023, the State's revenue is as follows:



COOPERATIVE REVENUE ESTIMATION PROCESS

Estimating the amount of funding available for the 2050 LRTP is a complex process that relies on several factors:

- Economic conditions
- Miles traveled by vehicles nationwide and in Michigan
- Federal and state transportation funding received in previous years

Revenue forecasting relies on a combination of data and experience and represents a "best guess" of future trends. The revenue forecasting process is a cooperative effort. The Michigan Transportation Planning Association (MTPA), a voluntary association of public organizations and agencies responsible for the administration of transportation planning activities throughout the state, formed the Financial Working Group (FWG) to develop a statewide standard forecasting process. The FWG is comprised of members from the Federal Highway Administration (FHWA), the Michigan Department of Transportation (MDOT), transit agencies, and metropolitan planning organizations (MPOs), including the MACC. It represents a cross-section of the public agencies responsible for transportation planning in our state. The revenue assumptions in this financial plan are largely based on the factors formulated by the FWG and approved by the MTPA.

FEDERAL FUNDING SOURCES: *HIGHWAYS*

Federal transportation funding comes from motor fuel taxes (mostly gasoline and diesel). Receipts from these taxes are deposited in the Highway Trust Fund (HTF). Funding is then apportioned to the states. Apportionment is the distribution of funds through formulas in law. The current law governing these apportionments is the Infrastructure Investment and Jobs Act (IIJA); it is also called the Bipartisan Infrastructure Law (BIL). Under this law, Michigan receives approximately $1.4 billion in federal transportation funding annually. This funding is apportioned through several programs designed to accomplish different objectives, such as road repair, bridge repair, safety, and congestion mitigation. A brief description of the major funding sources follows.

NATIONAL HIGHWAY PERFORMANCE PROGRAM (NHPP)

This funding is used to support conditions and performance on the National Highway System (NHS) and construct new facilities. The National Highway System is the nation's most important highway network, including the Interstate and US highway systems. In Michigan, most roads on the National Highway System are state trunk lines (i.e., "I-," "US-," and "M-"roads), but can also include principal arterials whether state or locally-owned. These funds are currently not available to local road agencies in the MACC area, only MDOT roads within the MACC, even though the Ottawa County Road Commission and the City of Holland have several routes (e.g. River Avenue, Douglas Avenue, Lakewood Boulevard, State Street) that are eligible for NHPP funds.

SURFACE TRANSPORTATION BLOCK GRANT (STBG)

This funding is used for construction, reconstruction, rehabilitation, resurfacing, restoration, preservation, or operational improvements to federal-aid highways and replacement, preservation, and other improvements to bridges on public roads. Michigan's STBG apportionment from the federal government is evenly split, half to areas of the state based on population and half that can be used in any area of the state. STBG funds can also be flexed (transferred) to transit projects.

CARBON REDUCTION PROGRAM (CRP)

New funding source established in IIJA. These funds encompass various eligible activities aimed at reducing transportation emissions defined as carbon dioxide (CO_2) emissions from on-road highway sources. Funds may also be used to promote sustainable transportation practices. Funds are split between the state and various urbanized areas based on population.

HIGHWAY SAFETY IMPROVEMENT PROGRAM (HSIP)

This funding is used to correct or improve a hazardous road location or feature or address other highway safety problems. Projects can include intersection improvements, shoulder widening, rumble strips, improving safety for pedestrians, bicyclists, or disabled persons, highway signs and markings, guardrails, and other activities. The State of Michigan retains all safety funding and uses a portion on the state trunkline system, distributing the remainder to local agencies through a competitive process.

CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT (CMAQ)

This funding is intended to reduce emissions from transportation-related sources. There is currently an emphasis on certain projects that reduce particulate matter (PM) and ozone, but funds can also be used for traffic signal retiming, actuation, and interconnects; installing dedicated turn lanes; roundabouts; travel demand management such as rideshare and vanpools; transit; and non-motorized projects that divert non-recreational travel from single-occupant vehicles.

TRANSPORTATION ALTERNATIVES PROGRAM (TAP)

This funding is used for a number of activities to improve the transportation system environment, including (but not limited to) non-motorized projects, preservation of historic transportation facilities, outdoor advertising control, vegetation management in rights-of-way, and the planning and construction of projects that improve the ability of students to walk or bike to school. Funds are split between the state and various larger urbanized areas based on population. Local agencies can also apply for funding from the statewide portion through a competitive process.

BASE AND ASSUMPTIONS USED IN FORECAST CALCULATIONS OF FEDERAL HIGHWAY FUNDS

Each year, the targets (the amount the MACC area is expected to receive) are calculated for each of these programs, based on federal apportionment documentation and state law. Targets can vary from year to year due to factors including how much funding was actually received by the Highway Trust Fund, the authorization (the annual transportation funding spending ceiling), and the appropriation (how much money is actually approved to be spent). Using FY23 as a base year, the FWG of the MTPA developed a 2.0 percent annual increase in federal-aid highway funds from FY23-26, then a 1.9 percent annual increase from FY27-FY31. From FY32 and beyond, it will be a 1.0 percent growth rate.

STATE FUNDING SOURCES: *HIGHWAYS*

There are two main sources of state highway funding: the state motor fuel tax and vehicle registration fees. The state law governing the collection and distribution of state highway revenue is Public Act 51 of 1951, commonly known simply as Act 51. All revenue from the motor fuel tax and vehicle registration fees is deposited into the Michigan Transportation Fund (MTF). Act 51 contains a number of complex formulas for the distribution of the funding, but essentially, once funding for certain grants and administrative costs are removed, approximately ten percent of the remainder is deposited in the Comprehensive Transportation Fund (CTF) for transit. The remaining funds are then split between MDOT, county road commissions, and municipalities (incorporated cities and villages) in a proportion of 39.1 percent, 39.1 percent, and 21.8 percent, respectively.

Several years ago, major changes to the State of Michigan's surface transportation revenue collection were enacted. These changes included:

- Increasing the motor fuel tax to 26.3¢/gallon from 19¢/gallon (gasoline) and 15¢/gallon (diesel), effective January 1, 2017;
- Raising vehicle registration fees by an average of 20%, effective January 1, 2017;
- Transferring $150 million from the state's General Fund to highways in fiscal year (FY) 2019;
- Transferring $325 million from the state's General Fund to highways in FY 2020;
- Transferring $600 million from the state's General Fund to highways in FY 2021 and subsequent years; and
- Adjusting the motor fuel tax for inflation by up to 5% each year, starting in January 2022.

MTF funds are critical to the operation of the road system in Michigan. Since federal funds cannot be used to operate or maintain the road system (items such as snow removal, mowing grass in the rights-of-way, paying the electric bill for streetlights and traffic signals, etc.), MTF funds are local community and county road agencies' main source for funding these items. Most federal transportation funding must be matched so that each project's cost is a maximum of approximately 80% federal-aid funding and a minimum of 20% non-federal matching funds. In Michigan, most match funding comes from the MTF. Finally, federal funding cannot be used on local public roads, such as subdivision streets, or other roads not designated as federal-aid eligible. Here again, MTF is the main source of revenue for maintenance and repair of these roads.

Funding from the MTF is distributed statewide to incorporated cities, incorporated villages, and county road commissions, collectively known as Act 51 agencies. The formula is based on population and public road mileage under each Act 51 agency's jurisdiction.

BASE AND ASSUMPTIONS USED IN FORECAST CALCULATIONS OF STATE HIGHWAY FUNDS

The base for the financial forecast of state MTF funds comes from MDOT's *Estimated Distribution Schedule for Michigan Transportation Funding.* This document shows the estimated revenues for the fiscal years FY 2024 and FY 2025 for cities, villages, and counties. Adding all of the distributions to cities and county road commissions in the MACC area provides an overall distribution total for the region.

LOCAL FUNDING SOURCES: *HIGHWAYS*

Local highway funding can come from a variety of sources, including transportation millages, general fund revenues, and special assessment districts. Locally funded transportation projects that are not of regional significance are not required to be included in the LRTP. This makes it difficult to determine how much local funding is being spent on roads in the MACC area.

BASE AND ASSUMPTIONS USED IN FORECAST CALCULATIONS OF STATE HIGHWAY FUNDS

To estimate local revenue over the duration of the 2050 plan, the average local match throughout the current TIP cycle of fiscal years 2023-2026 was found. For consistency, the average dollar amount was then grown at the federal rate of a 2.0 percent annual increase from FY23-26, then a 1.9 percent annual increase from FY27-FY31. From FY32 and beyond, it will be a 1.0 percent growth rate. Local units of government in the MACC area recognize the economic importance of preserving local transportation investments and have passed millages for use on primary and local roads.

INNOVATIVE FINANCE STRATEGIES: *HIGHWAYS*

A number of innovative financing strategies have been developed over the past two decades to help stretch limited transportation dollars. Some are purely public sector; others involve partnerships between the public and private sectors. Some of the more common strategies are discussed below.

TOLL CREDITS

This strategy allows states to count funding they earn through tolled facilities (after deducting facility expenses) to be used as a “soft match,” rather than using the usual cash match for federal transportation projects. States have to demonstrate “maintenance of effort” when using toll credits—in other words, they must show that the toll money is being used for transportation purposes and that they’re not reducing their efforts to maintain the existing system by using the toll credit program. Even though there are no tolled roads, toll credits have been an important source of funding for the State of Michigan in the past because of the Mackinac Bridge, Ambassador Bridge, Blue Water Bridge, Sault Ste. Marie International Bridge, Gross Ile Toll Bridge, and the soon-to-be Gordie Howe International Bridge.

There also is one tolled tunnel – the Detroit-Windsor Tunnel. Toll credits have also helped to partially mitigate the funding crisis in Michigan since insufficient non-federal funding is available to match all of the federal funding apportioned to the state.

STATE INFRASTRUCTURE BANK (SIB)

SIBs are established in a majority of states, including Michigan. Under the SIB program, states can place a portion of their federal highway funding into a revolving loan fund for transportation improvements such as highway, transit, rail, and intermodal projects. Loans are available at 3 percent interest and a 25-year loan period to public entities such as political subdivisions, regional planning commissions, state agencies, transit agencies, railroads, and economic development corporations. Private and nonprofit corporations developing publicly owned facilities may also apply.

TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA)

This nationwide program provides lines of credit and loan guarantees to state or local governments for development, construction, reconstruction, property acquisition, and carrying costs during construction. TIFIA enables states and local governments to use the borrowing power and creditworthiness of the United States to fund finance projects at far more favorable terms than they would otherwise be able to do on their own. Repayment of TIFIA funding to the federal government can be delayed for up to five years after project completion with a repayment period of up to 35 years. Interest rates are also low.

BONDING

Bonding is borrowing, where the borrower agrees to repay lenders the principal and interest. Interest may be fixed over the term of the bond or variable. The amount of interest a borrower will have to pay depends in large part upon its perceived credit risk; the greater the perceived chance of default, the higher the interest rate. In order to bond, a borrower must pledge a reliable revenue stream for repayment. For example, this can be the toll receipts from a new transportation project. In the case of general obligation bonds, future tax receipts are pledged.

States are allowed to borrow against their federal transportation funds, within certain limitations. While bonding provides money upfront for important transportation projects, it also means diminished resources in future years, as funding is diverted from projects to paying the bonds' principal and interest. Michigan transportation law requires money for the payment of bonds and other debts to be taken off the top before the distribution of funds for other purposes. Therefore, the advantages of completing a project more quickly need to be carefully weighed with the disadvantages of reduced resources in future years.

ADVANCE CONSTRUCT/ADVANCE CONSTRUCT CONVERSION

This strategy allows a community or agency to build a transportation project with its own funds (advance construct) and then be reimbursed with federal funds in a future year (advance construct conversion). Tapered match can also be programmed, where the agency is reimbursed over a period of two or more years. Advance construct allows for the construction of highway projects before federal funding is available; however, the agency must be able to build the project with its own resources and then be able to wait for federal reimbursement in a later year.

PUBLIC-PRIVATE PARTNERSHIPS (P3):

Funding available through traditional sources, such as motor fuel taxes, is not keeping pace with the growth in transportation system needs. Governments are increasingly turning to public-private partnerships (P3) to fund large transportation infrastructure projects. Design/Build/Finance/Operate (DBFO) is an example of a public-private partnership. In this arrangement, the government keeps ownership of the transportation asset but hires one or more private companies to design the facility, secure funding, construct the facility, and operate it, usually for a set period of time. The private-sector firm is repaid most commonly through toll revenue generated by the new facility.

FEDERAL FUNDING SOURCES: *TRANSIT*

Federal revenue for transit comes from federal motor fuel taxes, just as it does for highway projects. Some of the motor fuel tax collected nationwide is deposited in the Mass Transit Account of the Highway Trust Fund (HTF). Federal transit funding is similar to federal highway funding as there are several core programs where the money is distributed on a formula basis and other competitive programs. Here are brief descriptions of some of the most common federal transit programs.

SECTION 5307

This is the largest single source of transit funding that is apportioned to Michigan. Section 5307 funds can be used for capital projects, transit planning, and projects eligible under the former Job Access Reverse Commute (JARC) program (intended to link people without transportation to available jobs). Some of the funds can also be used for operating expenses, depending on the size of the transit agency. One percent of funds received are to be used by the agency to improve security at agency facilities.

Distribution is based on formulas including population, population density, and operating characteristics related to transit service. Urbanized areas of 200,000 population or larger receive their own apportionment. Areas between 50,000 and 199,999 population are awarded funds by the governor from the governor's apportionment.

SECTION 5310, ELDERLY AND PERSONS WITH DISABILITIES

Funding for projects to benefit seniors and disabled persons when service is unavailable or insufficient and transit access projects for disabled persons exceeding Americans with Disabilities Act (ADA) requirements. Section 5310 incorporates the former New Freedom program. The State of Michigan allocates its funding on a per-project basis.

SECTION 5339, BUS AND BUS FACILITIES:

Funds will be made available under this program to replace, rehabilitate, and purchase buses and related equipment, as well as construct bus-related facilities. Each state receives a fixed amount, with the remaining funding apportioned to transit agencies based on various population and service factors.

In addition to these funding sources, transit agencies can also apply for Surface Transportation Program and Congestion Mitigation and Air Quality Improvement (CMAQ) program funds.

BASE AND ASSUMPTIONS USED IN FORECAST CALCULATIONS OF STATE HIGHWAY FUNDS

Each year, funding targets (the estimated funding amount the MACC is anticipated to receive) are calculated for each of these programs, based on federal apportionment documentation and state law. Targets can vary from year to year due to factors including actual versus estimated receipts of the Mass Transit Account of the Highway Trust Fund, the authorization (the annual transportation funding spending ceiling), and the appropriation (how much money is approved to be spent). The MACC works with MDOT's Office of Passenger Transportation (OPT) to develop transit funding targets.

STATE FUNDING SOURCES: *TRANSIT*

The majority of state-level transit funding is derived from the same source as state highway funding – the state tax on motor fuels. Act 51 stipulates that 10 percent of receipts into the Michigan Transportation Fund (MTF), after certain deductions, are to be deposited in a sub-account of the MTF called the Comprehensive Transportation Fund (CTF). This is analogous to the Mass Transit Account of the Highway Trust Fund at the federal level. Additionally, a portion of the state-level auto-related sales tax is deposited in the CTF. Distributions from the CTF are used by public transit agencies for matching federal grants and also for operating expenses.

BASE AND ASSUMPTIONS USED IN FORECAST CALCULATIONS OF STATE HIGHWAY FUNDS

Calculations of state transit funds are based on historical data. MDOT OPT provides state operating targets for these funds. These funds, in addition to local funding, comprise nearly all of the operating funds such as wages and salaries, vehicle maintenance, and maintenance of facilities necessary to keep MAX Transit functioning.

LOCAL FUNDING SOURCES: *TRANSIT*

Major sources of local funding for transit agencies include farebox revenues, general fund transfers from city governments, and transportation millages. MAX Transit collects fares from riders and also receives funds from a dedicated transportation millage and local operating support.

BASE AND ASSUMPTIONS USED IN FORECAST CALCULATIONS OF STATE HIGHWAY FUNDS

MAX receives revenues from local sources (including passenger fares, transportation millage, local operating assistance, and interest from reserves.

TRANSIT CAPITAL AND OPERATIONS

Transit expenditures are divided into two basic categories of capital and operations. Capital refers to the physical assets of the agency, such as buses and other vehicles, stations and shelters at bus stops, office equipment and furnishings, and certain spare parts for vehicles. Operations refer to the activities necessary to keep the system operating, such as driver wages and maintenance costs. Most expenses of transit agencies are operations expenses. Data on FY2023-2026 capital and operating costs were provided by MAX staff. The MAX Annual Report from 2022 was also used to identify local revenue trends and track expenses.

MAX TRANSIT FINANCIALS (FY2023)

SOURCE	FY2023
Passenger Fares	$210,279
Tax Levy	$1,325,925
Local Operating	$196,498
State Operating	$1,971,087
State - Capital	$134,156
Federal Operating	$1,902,834
Federal - Capital	$836,911
Interest & Other Revenues	$918,979
TOTAL	$7,496,669

Source: MAX Transit

INNOVATIVE FINANCE STRATEGIES: *TRANSIT*

Sources of funding for transit are not limited to the federal, state, and local sources previously mentioned. As with highway funding, alternative funding sources can be utilized to operate transit services. Bonds can be issued (see discussion of bonds in the "Innovative Financing Strategies—Highway" section). The federal government also allows the use of toll credits to match federal funds. Regulations allow for the use of toll revenues (after facility operating expenses) to be used as a "soft match" for transit projects. A soft match means that actual money does not have to be provided —the toll revenues are used as a "credit" against the match. This allows the actual toll funds to be used on other parts of the transportation system, thus stretching the resources available to maintain the system.

COMMITMENTS AND PROJECTED AVAILABLE REVENUE

Estimating the amount of funding available for the LRTP planning period is a complex process. It relies on a number of factors, including economic conditions, miles traveled by vehicles nationwide and in the State of Michigan, and federal and state transportation funding received in previous years. Revenue forecasting relies on a combination of data and experience and represents a "best guess" of future trends.

The revenue forecasting process is a cooperative effort. The Michigan Transportation Planning Association (MTPA), a voluntary association of public organizations and agencies responsible for the administration of transportation planning activities throughout the state, formed the Financial Working Group (FWG) to develop a statewide standard forecasting process. FWG is comprised of members from the Federal Highway Administration (FHWA), the Michigan Department of Transportation (MDOT), transit agencies, and Metropolitan Planning Organizations, including MACC. It represents a cross-section of the public agencies responsible for transportation planning in our state. The revenue assumptions in this financial plan for federal and state dollars are based on the factors formulated by the FWG and approved by the MTPA.

Annual Growth	Federal	State	Local
2023 - 2026	2.0%	2.7%	2.0%
2027 - 2031	1.9%	2.7%	1.9%
2032 - 2050	1.0%	1.3%	1.0%

FEDERAL FUNDING REVENUES

To determine federal funding by program, the MACC took funding allocations for FY2023-2026 directly from the FY2023-2026 Transportation Improvement Program (TIP). For 2024 and beyond, the MACC took the average federal funding amounts for STP, CMAQ, and CRP over the current TIP years which utilizes the approved federal growth rate of 2% up until FY 2026 and then a 1.9 percent annual increase from FY27-FY31. From FY32 and beyond, it will be a 1.0 percent growth rate. Competitive programs, such as safety (HSIP funding), were not included in this analysis, as MDOT manages that program, and such grants are not guaranteed.

STATE FUNDING REVENUES

State revenues were determined through base estimates provided by MDOT, while utilizing growth rates of 2.7% for 2024 – 2031, and 1.3% for 2032 – 2050

LOCAL FUNDING REVENUES

The local program funds consist of local Act 51 revenue estimates which are often supplemented with other local funds, such as general funds, transportation millages, municipal bonds, and special assessments. Agencies that receive Act 51 funding, also sometimes referred to as MTF funds, include road agencies such as the Allegan and Ottawa County Road Commissions and the cities of Holland and Zeeland. To forecast the amount of local revenue over the life of the 2050 LRTP, the average local commitment throughout the current TIP was used and then grown at the same rate as federal revenues (2.0% until 2026, 2.3% from 2027-2031, and 1.0% from FY32 and beyond).

TRUNKLINE SYSTEM REVENUES

All highways with an “I”, “M”, “BL”, “BS”, and “US” designation, such as I-96 and US-31 in the MACC area are part of a network known as the State Trunkline System. While both federal and state funds go towards maintaining the trunkline system, the main agency responsible for the system is MDOT.

The amount of funding projected to be available for system preservation activities (such as road repaving, rehabilitation, or reconstruction) is shown in the following Trunkline Revenue Forecast table which represents funding totals that were provided by MDOT. Note that this table shows predicted funding for critical infrastructure needs and pavement preservation and that the funds listed are not to be used for capacity improvements, new roads, or trunkline modernization.

Years	Federal (80%)	State (20%)	Total Revenue	Total Cost
2023 - 2026	$29,010,609	$7,252,652	$36,263,261	$36,263,261
2027 - 2030	$36,263,261	$7,659,808	$38,299,042	$38,299,042
2031 - 2040	$85,139,774	$21,284,943	$106,424,717	$106,424,717
2041 - 2050	$112,604,903	$28,151,225	$140,756,129	$140,756,129
Total	**$257,394,520**	**$64,348,630**	**$321,743,15**	**$321,743,15**

OPERATIONS & MAINTENANCE REVENUES

Construction, reconstruction, repair, and rehabilitation of roads and bridges are only part of the total cost of the highway system, it must also be operated and maintained. Operations and Maintenance (O&M) are defined as those items necessary to keep the highway infrastructure functional for vehicle travel, other than the construction, reconstruction, repair, and rehabilitation of the infrastructure. O&M includes items such as snow and ice removal, pothole patching, rubbish removal, maintaining the right-of-way, maintaining traffic signs and signals, clearing highway storm drains, paying the electrical bills for street lights and traffic signals, and other similar activities, and the personnel and direct administrative costs necessary to implement these projects. These activities are as vital to the smooth functioning of the highway system as good pavement.

Federal transportation funds cannot be used for O&M of the highway system. Since the LRTP only includes federally-funded transportation projects (and non-federally-funded projects of regional significance), it does not include O&M projects. While in the aggregate, O&M activities are regionally significant, the individual projects do not rise to that level. However, federal regulations require an estimate of the amount of funding that will be spent operating and maintaining the federal-aid-eligible highway system throughout the 2050 LRTP. This section of the Financial Plan provides an estimate for the MACC area and details the method used to estimate these costs.

MDOT produced Operation and Maintenance revenue estimates going out to the year 2050 for each MPO throughout the state based on highway lane miles.

Local Act 51 road agencies (county road commissions, incorporated cities, and incorporated villages) are responsible for operating and maintaining the roads they own, including those roads they own that are designated as part of the federal-aid system. In the MACC area, that would be the Allegan County Road Commission, the Ottawa County Road Commission, the City of Holland, and the City of Zeeland. To estimate local funding contributions to O&M, the MACC used Act 51 allocation estimates for 2024 and 2025. A 2.7% inflation factor was applied from 2024-2031 and then 1.3% from 2032-2050. Once the funds were projected out to 2050, one-third of the annual revenue was used to predict O&M allocations, since, for many agencies, O&M costs are, on average, around one-third of their Act 51 funding total.

Years	Local	MDOT	Total Revenue	Total Cost
2024 - 2026	$20,152,866	$18,411,851	$38,564,718	$38,564,718
2027 - 2030	$29,470,076	$26,322,893	$55,792,970	$55,792,970
2031 - 2040	$82,344,590	$74,473,240	$156,817,831	$156,817,831
2041 - 2050	$93,697,829	$88,770,470	$182,468,299	$182,468,299
Total	**$225,665,363**	**$207,978,456**	**$433,643,819**	**$433,643,819**

FINANCIAL CONSTRAINT

The LRTP must be fiscally constrained; that is, the cost of projects programmed in the LRTP cannot exceed revenues "reasonably expected to be available" during the 26-year LRTP period. Funding for core transit programs such as Section 5307, Section 5339, and Section 5310 are expected to be available to the area based on historical trends of funding from similar programs in past federal surface transportation laws. Likewise, state funding from the state's Comprehensive Transportation Fund (CTF), and local sources of revenue such as farebox, general fund transfers, and millages, are also expected to be available during the 26-year LRTP period. Funds from other programs are generally awarded on a competitive basis and are therefore impossible to predict. Funds from federal competitive programs are not included in the revenue forecast. Funding for core programs such as CMAQ, STP, or CRP that may be used for highways is also expected to be available to the MACC area based on historical trends of funding from past federal surface transportation laws. Likewise, state funding from the Michigan Transportation Fund (MTF) is also expected to be available during the 26-year period.

All federally funded projects must be in the LRTP. Additionally, any non-federally-funded but regionally significant project must also be included. In these cases, project submitters demonstrate that funding is available and what sources of non-federal funding are to be utilized. Projects programmed in the LRTP are known as commitments. Commitments cannot exceed funds reasonably expected to be available. Projects must also be programmed in the year of expenditure dollars, meaning that they must be adjusted for inflation to reflect the expected purchasing power of a dollar in the year the project is expected to be built. The MTPA/Financial Work Group has decided on an annual inflation rate of 4% for projects over the plan period. This means that a project costing $1 million in FY 2024 is expected to cost $1.04 million in FY 2025, $1.082 million in FY 2026, and so on. Since the amount of growth in available funding, around 2%, is forecasted to be less than the growth rate of project costs, around 4%, this means that likely not enough funds will be available to keep up with the rising costs of projects over the 26 years of this plan. The list of projects can be found in Chapter 10.

The expenditures/programmed amounts In the fiscal constraint tables match the revenue, as the local agencies and MDOT will utilize all funds in the years they are made available. During future TIP developments, final projects will be selected for funding.

ESTIMATED REVENUE AND EXPENDITURES (FY2023 - FY2026)

	Total Revenue	Federal Commitment	Federal Revenue	State Commitment	Local Commitment	Total Commitment
Fiscal Year 2023 - 2026, Local MPO Based Constraints						
Carbon Reduction - Small MPO	$1,144,936	$899,183	$928,871	$88,750	$157,003	$1,144,936
STP - Small MPO	$13,716,976	$6,612,155	$6,889,322	$0	$7,104,821	$13,716,797
STP Flex - Small MPO	$367,530	$294,024	$345,389	$0	$73,506	$367,530
Fiscal Year 2023 - 2026, Local RTF Based Constraints						
STP - Rural/Flexible	$2,010,359	$1,116,333	$1,116,333	$0	$894,026	$2,010,359
TEDF Category D	$92,393	$0	$0	$92,393	$0	$92,393
Fiscal Year 2023 - 2026, Local Projects From Statewide Sources						
CMAQ	$1,839,043	$1,244,940	$1,244,940	$102,975	$491,128	$1,839,043
STP - Flexible (Bridge)	$4,034,229	$3,234,584	$3,234,584	$457,984	$350,661	$4,043,229
Fiscal Year 2023 - 2026, MDOT Project Templates						
Road - Capital Preventative Maintenance	$524,000	$428,894	$428,894	$95,106	$0	$524,000
Road - Rehabilitation and Reconstruction	$27,391,003	$22,419,535	$22,419,535	$4,914,233	$57,235	$27,391,003
Bridge Replacement and Preservation	$3,600,000	$3,240,000	$3,240,000	$360,000	$0	$3,600,000
Traffic & Safety	$2,032,378	$1,834,622	$1,834,622	$197,756	$0	$2,032,378
Other	$2,114,490	$1,756,457	$1,756,457	$358,033	$0	$2,114,490
Fiscal Year 2023 - 2026, Transit Project Categories						
5307	$24,459,195	$9,780,363	$9,780,363	$8,964,306	$5,714,526	$24,459,195
5310	$1,420,000	$794,000	$794,000	$56,000	$570,000	$1,420,000
5339	$1,578,281	$1,230,959	$1,230,959	$347,322	$0	$1,578,281
Fiscal Year 2023 - 2026 Grand Total	$86,333,813	$54,886,049	$55,244,269	$16,034,858	$15,412,906	$86,333,634

Source: Michigan Department of Transportation

Only Carbon Reduction, STP, STP Flex, and CMAQ funds are shown below after 2026 (the current TIP cycle) since other forms of funding, such as HSIP safety funds, are awarded in a grant process and are not guaranteed every year.

ESTIMATED REVENUE AND EXPENDITURES (FY2027 - FY2030)

FISCAL YEAR 2027-2030	TOTAL REVENUE	FEDERAL COMMITMENT	FEDERAL REVENUE	LOCAL COMMITMENT	TOTAL COMMITMENT
CARBON REDUCTION - SMALL MPO	$1,268,577	$1,014,862	$1,014,862	$253,715	$1,268,577
STP - SMALL MPO	$15,784,333	$8,261,480	$8,261,480	$7,522,853	$15,784,333
STP FLEX - SMALL MPO	$456,059	$364,847	$364,847	$91,212	$456,059
CMAQ	$1,207,895	$966,316	$966,316	$241,579	$1,207,895
FISCAL YEAR 2027-2030 GRAND TOTAL	$18,716,864	$10,607,505	$10,607,505	$8,109,359	$18,716,864

Source: Michigan Department of Transportation

ESTIMATED REVENUE AND EXPENDITURES (FY2041 - FY2050)

FISCAL YEAR 2041-2050	TOTAL REVENUE	FEDERAL COMMITMENT	FEDERAL REVENUE	LOCAL COMMITMENT	TOTAL COMMITMENT
CARBON REDUCTION - SMALL MPO	$3,840,905	$3,072,724	$3,072,724	$768,181	$3,840,905
STP - SMALL MPO	$48,012,479	$25,013,498	$25,013,498	$22,998,981	$48,012,479
STP FLEX - SMALL MPO	$1,380,821	$1,104,657	$1,104,657	$276,164	$1,380,821
CMAQ	$3,657,177	$2,925,741	$2,925,741	$731,435	$3,657,177
FISCAL YEAR 2041-2050 GRAND TOTAL	$56,891,382	$32,116,620	$32,116,620	$24,774,762	$56,891,382

Source: Michigan Department of Transportation

ESTIMATED REVENUE AND EXPENDITURES (FY2031 - FY2040)

FISCAL YEAR 2031-2040	TOTAL REVENUE	FEDERAL COMMITMENT	FEDERAL REVENUE	LOCAL COMMITMENT	TOTAL COMMITMENT
CARBON REDUCTION - SMALL MPO	$3,477,121	$2,781,697	$2,781,697	$695,424	$3,477,121
STP - SMALL MPO	$43,465,071	$22,644,393	$22,644,393	$20,820,678	$43,465,071
STP FLEX - SMALL MPO	$1,250,039	$1,000,032	$1,000,032	$250,008	$1,250,039
CMAQ	$3,310,794	$2,648,635	$2,648,635	$662,159	$3,310,794
FISCAL YEAR 2031-2040 GRAND TOTAL	$51,503,026	$29,074,757	$29,074,757	$22,428,269	$51,503,026

Source: Michigan Department of Transportation

For FY 2023 – 2050 the federal revenue growth rate was set to 2% for transit funds. For state match funds, the growth rate will be the same as the federal growth rates and for the state operating assistance, the annual growth rate for predicted funds has been set to 1.01%. On the following table, funds that are apportioned to the transit agency are listed (5307 and 5339), 5310 funding is not included, as the funds are apportioned to the state and then allocated based on annual applications. The information was provided by MDOT's Office of Passenger Transportation.

MACC ANNUAL GROWTH RATES FOR TRANSIT AND REVENUE PROJECTIONS

	FEDERAL (FORMULA) 5307	FEDERAL (FORMULA) 5339	STATE MATCH	STATE OPERATING	TOTAL REVENUE	TOTAL COST
GROWTH RATE	2.00%	2.00%	2.00%	1.01%	N/A	N/A
FY2023-2026	$7,849,322	$503,941	$922,828	$6,618,340	$15,894,431	$15,894,431
FY2027-2030	$8,496,359	$545,482	$998,899	$6,889,799	$16,930,538	$16,930,538
FY2031-2040	$24,432,612	$1,568,618	$2,872,490	$18,486,329	$47,360,049	$47,360,049
FY2041-2050	$29,783,218	$1,912,137	$3,501,549	$20,440,635	$55,637,539	$55,637,539
TOTAL	$70,561,511	$4,530,178	$8,295,766	$52,435,103	$135,822,557	$135,822,557

Source: Michigan Department of Transportation