

ADDRESSING INFLATION

Overview of Year-of-Expenditure Requirement

With the adoption of SAFETEA-LU a new regulation was introduced that requires the consideration of inflation in the development of the metropolitan transportation plan:

Specifically SAFETEA-LU states:

Revenue and cost estimates that support the metropolitan transportation plan must use an inflation rate(s) to reflect “year of expenditure dollars,” based on reasonable financial principles and information, developed cooperatively by the MPO, State(s), and public transportation operator(s).

§450.3220, 23 CFR Ch. 1 (4-1-07 Edition)

Addressing Inflation in the Plan

Through the development of Transportation Outlook 2030 Update MARC worked cooperatively with the transportation partners (States and public transportation operators) to cooperatively develop the financial capacity analysis.

This process first produced two financial scenarios based on historic trends in revenue and inflation to help lend insight into a range of possible futures. The low end estimate included 0% annual revenue growth and 3% annual inflation, and the high end scenario included 5% annual revenue growth and 2% annual inflation.

Ultimately a middle-of-the-road approach was used to identify a single set of financial assumptions which would be carried forward throughout the analysis. This set of final assumptions included an annual revenue growth rate of 4% and an inflation rate of 3% annually.

	Annual Revenue Growth	Annual Inflation
Low-End Estimate	0%	3%
High-End Estimate	5%	2%
Final Estimate	4%	3%

The modified summary table and detailed financial capacity analysis below incorporates these final estimates of an annual revenue growth rate of 4% and an annual inflation rate of 3% and identifies long term financial constraint based on these financial assumptions.

TRANSPORTATION OUTLOOK 2030 UPDATE - ADMINISTRATIVE MODIFICATION
January 7th, 2008

FUTURE HIGHWAY REVENUES VS EXPENDITURES IN MILLIONS						
KANSAS:		2006-2010	2011-2020	2021-2030	Total	
Total Revenues	Policy %	\$1,019.92	\$2,779.02	\$4,113.62	\$7,912.56	Resulting %
Expenditures:						
New Capacity (Project Estimates)	31.30%	\$878.07	\$1,724.57	\$1,339.57	\$3,942.21	49.8%
Deferred Maintenance	4.10%	\$8.47	\$63.00	\$165.73	\$237.20	3.0%
Ongoing Maintenance	42.90%	\$88.60	\$658.60	\$1,732.67	\$2,479.87	31.3%
Transportation Management	20.50%	\$42.38	\$315.05	\$828.84	\$1,186.27	15.0%
Planning	0.50%	\$0.96	\$7.12	\$18.73	\$26.80	0.3%
Enhancements	0.70%	\$1.44	\$10.68	\$28.09	\$40.20	0.5%
Total Expenditures		\$1,019.92	\$2,779.02	\$4,113.62	\$7,912.56	
Difference		\$0.00	\$0.00	\$0.00	\$0.00	
MISSOURI:		2006-2010	2011-2020	2021-2030	Total	
Total Revenues	Policy %	\$1,536.81	\$4,187.40	\$6,198.38	\$11,922.59	Resulting %
Expenditures:						
New Capacity (Project Estimates)	41.50%	\$1,062.76	\$1,696.89	\$2,008.39	\$4,768.05	40.0%
Deferred Maintenance	4.50%	\$36.53	\$191.94	\$322.92	\$551.40	4.6%
Ongoing Maintenance	35.00%	\$283.79	\$1,490.94	\$2,508.34	\$4,283.06	35.9%
Transportation Management	17.90%	\$145.23	\$762.99	\$1,283.65	\$2,191.87	18.4%
Planning	0.40%	\$3.19	\$16.75	\$28.19	\$48.13	0.4%
Enhancements	0.70%	\$5.31	\$27.88	\$46.90	\$80.08	0.7%
Total Expenditures		\$1,536.81	\$4,187.40	\$6,198.38	\$11,922.59	100.0%
Difference		\$0.00	\$0.00	\$0.00	\$0.00	

Transportation Improvement Program

The Transportation Improvement Program (TIP) currently identifies projects that have been formally programmed between 2008 and 2012 using year of expenditure cost estimates. Please see the TIP on-line for specific information for projects currently programmed during these years. <http://www.marc.org/transportation/tip/TIP08-12.htm>

Next Steps

This administrative modification was incorporated as a way to provide additional clarity around how the financial capacity analysis currently addresses this new requirement.

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Beginning in 2008 MARC will initiate a full update to the Long Range Transportation Plan. This update will include the development of a new financial capacity analysis based on updated financial assumptions for revenues and expenses which are planned to also be articulate in future year dollars.