

MISSISSIPPI'S UNIFIED LONG-RANGE TRANSPORTATION INFRASTRUCTURE PLAN



FINAL REPORT

APPENDIX C: BASELINE REVENUE FORECASTS

MAY 2011

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1. INTRODUCTION

This report establishes the financial baseline for forecasting future transportation revenues for the state of Mississippi. Fiscal Year (FY) 2010 Federal and State revenues are examined by mode along with historic transportation funding trends (FY 1998 to FY 2010) in Mississippi. A conservative and an aggressive revenue projection to year 2035 are also provided. This report presents current dollars and constant 2008 dollars. Constant dollars enable the comparison of buying power. The constant 2008 dollars correspond with the Needs Analysis, which uses 2008 data. All revenues shown in this report are based on state or Federal fiscal years. Local transportation revenues that are collected, allocated and spent solely at the local levels of government are not included in this report.

2. HIGHWAY REVENUES

2.1 Federal Highway Revenues

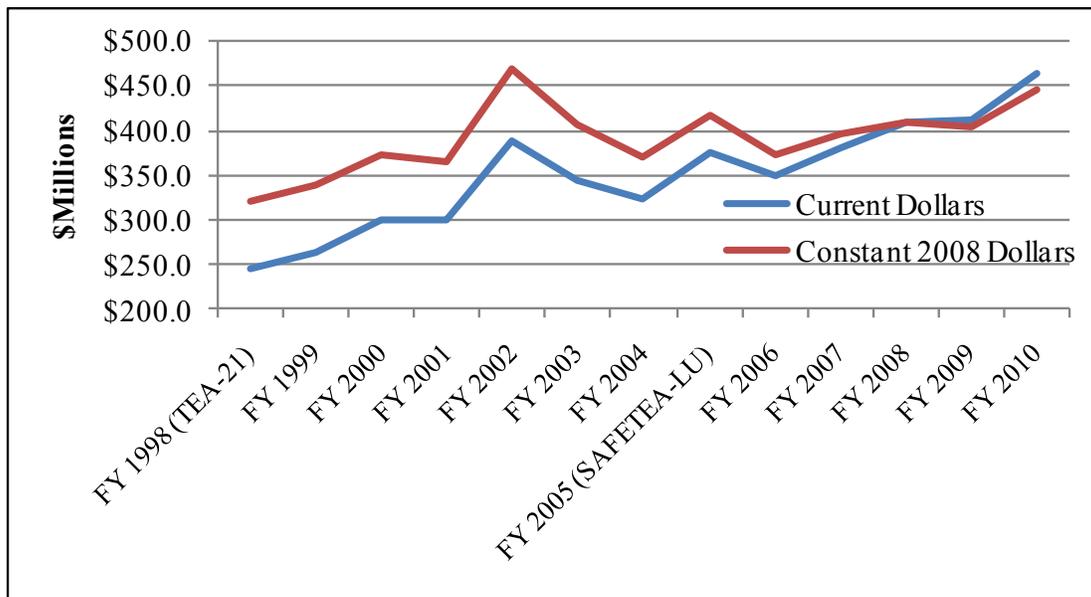
Federal highway revenues from FY 1998 to FY 2010 were examined for this revenue baseline. This includes funding under the Transportation Equity Act for the 21st Century (TEA-21) for FY 1998 to FY 2004 and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) for FY 2005 to FY 2009 and continuing resolutions for SAFETEA-LU in FY2010.

For the purpose of this revenue baseline, Federal *obligation limitation* and *equity bonus* represent total Federal highway revenues. *Obligation limitation* is a restriction, or “ceiling” on the amount of Federal assistance that may be promised (obligated) during a specified time period (normally the federal fiscal year). The *equity bonus* in SAFETEA-LU (this replaced Minimum Guarantee in TEA-21) ensures that each state receives a certain amount of revenue based on equity considerations, such as a guaranteed minimum rate of return on each state’s share of contributions to the Highway Trust Fund. Together, the total obligation limitation and equity bonus represent the Federal dollars that Mississippi is able to spend each year. Earmarks, Emergency Relief Funds, and funds from the American Recovery and Reinvestment Act of 2009 (ARRA) are not included in this revenue baseline forecast since they are non-recurring revenue for transportation.

The Mississippi Department of Transportation (MDOT) had an obligation limitation of \$395.9 million in FY 2009 and an equity bonus of \$16.7 million through SAFETEA-LU, for a total of \$412.6 million of Federal highway revenues available for expenditure. Because SAFETEA-LU expired on September 30, 2009, Congress is currently enacting continuing resolutions to fund transportation programs until new surface transportation legislation is passed. Continuing resolutions provided Federal highway revenues in FY 2010. With \$446.8 million in obligation limitation and \$17.1 million in equity bonus, MDOT received a total of \$463.9 million in FY 2010.

Figure 2-1 illustrates total Federal highway revenues (total of obligation limitation and equity bonus) to MDOT since 1998.

**Figure 2-1: Total Federal Highway Revenues to MDOT, FY 1998-2010
(Current Dollars and Constant 2008 Dollars)**



Source: MDOT Fiscal Management Information System Reports

As shown in **Table 2-1**, in terms of current dollars, total Federal highway revenues to MDOT have grown at an average annual rate of 5.5 percent since 1998. In the last five years Federal revenues to MDOT grew at an average annual rate of 4.3 percent.

Table 2-1: Historic Compound Annual Growth Rate for Federal Highway Revenues

Fiscal Years	Growth Rate (Based on Current Dollars)
1998-2010	5.5%
2005-2010	4.3%

Table 2-2 displays total Federal highway revenues (total of obligation limitation and equity bonus) during SAFETEA-LU (FY 2005 to FY 2009) and FY 2010. Deductions (money spent on non-highway and non-MDOT maintained facilities) and resulting Federal Highway funds under MDOT control are also shown.

**Table 2-2: Total Federal Highway Revenues, FY 2005-2010
(Current Dollars and Constant 2008 Dollars)**

Federal Highway Revenues	SAFETEA-LU by Fiscal Year (FY)					Total FY05 - FY09	Total FY 2010
	2005	2006	2007	2008	2009		
Federal Highway Revenues (Obligation Limitation & Equity Bonus)	\$375.4	\$348.8	\$381.0	\$409.1	\$412.6	\$1,926.9	\$464.0
Deductions							
STP Dedicated for Urban Areas	\$10.6	\$10.3	\$11.6	\$11.4	\$12.0	\$55.9	\$13.3
STP Allocated to Non-Urbanized Areas	\$8.2	\$7.9	\$9.8	\$9.9	\$10.6	\$46.4	\$10.0
Trans Enhancement (TE) Apportionment	\$8.9	\$8.9	\$8.9	\$7.8	\$9.0	\$43.5	\$11.0
Safe Routes to Schools (SRTS) to MPOs	-	-	\$1.5	\$1.5	\$1.5	\$4.5	\$1.5
BR Funds to State Aid	\$10.9	\$13.1	\$15.3	\$15.5	\$14.0	\$68.8	\$15.5
STP Funds to State Aid	\$5.9	\$5.8	\$7.2	\$7.2	\$7.0	\$33.1	\$7.5
High Risk Rural Roads	\$0.0	\$1.2	\$1.5	\$1.5	\$1.7	\$5.9	\$1.7
Railway-highway at-grade crossings	\$3.1	\$2.9	\$3.1	\$3.4	\$3.4	\$15.9	\$3.8
Recreational Trails Program	\$1.2	\$1.1	\$1.2	\$1.3	\$1.3	\$6.1	\$1.5
Metropolitan Planning	\$1.4	\$1.3	\$1.4	\$1.5	\$1.5	\$7.1	\$1.7
Statewide Planning and Research	\$7.4	\$6.9	\$7.5	\$8.1	\$8.2	\$38.1	\$9.2
Federal Funds Under MDOT Control	\$317.8	\$289.4	\$312.0	\$340.0	\$342.4	\$1,601.6	\$387.3
In Constant 2008 Dollars	\$352.3	\$310.1	\$324.9	\$340.0	\$335.7	\$1,663.1	\$372.2

Source: MDOT Fiscal Management Information System Reports

Note: Historic revenues were converted to constant 2008 dollars using consumer price indices for the given year.

The trend of a six-year Federal transportation funding program is expected to continue in the future because it provides longer and more stable planning periods for states and Metropolitan Planning Organizations (MPOs). However, authorization of Federal transportation programs remains uncertain at this time and it could be possible that the six-year funding trend would not continue. The consequences of past underinvestment in transportation infrastructure have resulted in increased costs of transportation for all segments of the economy and a deteriorating infrastructure that will have higher repair and reconstruction costs in the future. The growing Federal Deficit, the War on Terrorism, the Recession and Economic Recovery Programs, Universal Health Care and Education will all affect the ability of Congress to give the Federal transportation program the immediate attention for authorization that is needed for stable long term funding to the states. The outcome of the 2010 congressional elections raised the reduction of the federal deficit to a national priority for Congress and the Administration. The impact of the effort to reduce the federal deficit on the federal transportation budget is unclear at this point. Meanwhile the Federal Highway Trust Fund continues to teeter on the brink of insolvency while states' purchasing power for infrastructure construction has been consistently eroding due to inflation since the last change in the Federal motor fuel tax in 1993.

While all of this uncertainty leads to a “new normal” for transportation funding yet to be defined, the Federal government has historically dealt with transportation in a way that has kept the Trust

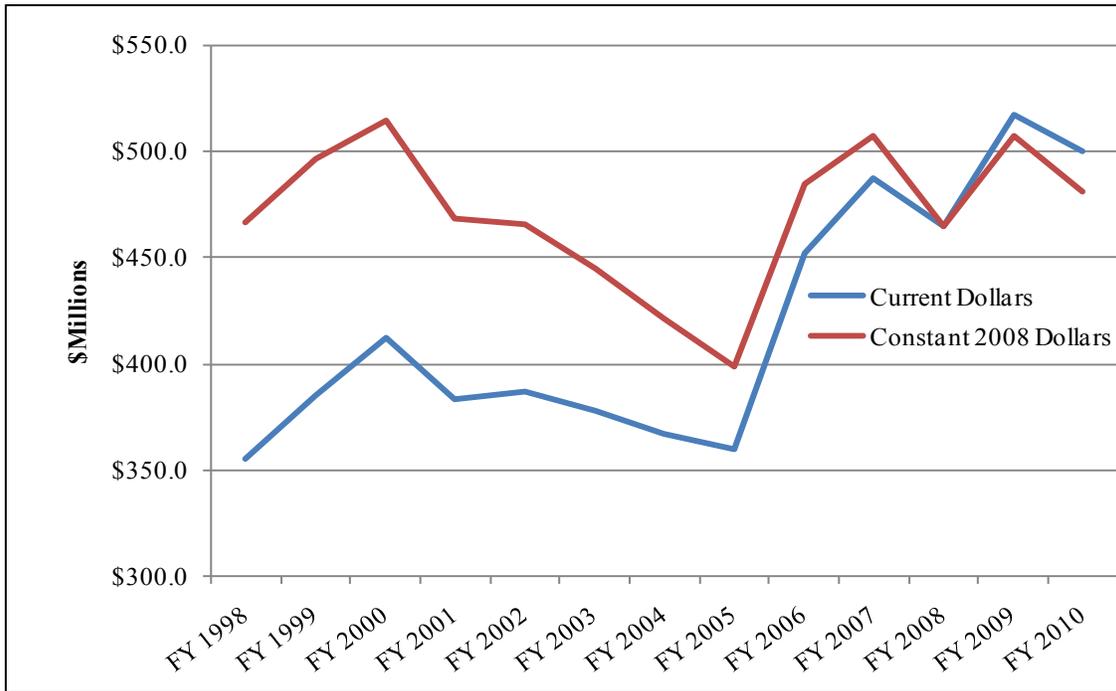
Funds for transportation solvent. Therefore, the projections presented in this report assume that historic trends will continue through 2035.

2.2 State Highway Revenues

The Mississippi Legislature provides funding to MDOT through motor fuel taxes and other fees. Mississippi has a fuel tax of 18.4 cents per gallon (0.4 cents per gallon are dedicated to the Groundwater Protection Trust Fund). The state tax rate on fuel has not been increased since 1989. MDOT currently receives approximately 73 percent of total fuel taxes. MDOT is also funded through other dedicated state taxes such as truck and bus fees, a contractor’s tax, vehicle tag registration fee, lubricating oil tax, and interest income.

Figure 2-2 shows the total state revenues to MDOT since 1998

**Figure 2-2: State Revenues to MDOT, FY 1998-2010
(Current Dollars and Constant 2008 Dollars)**



Source: MDOT Annual Reports

Table 2-3 presents the composition of the total state revenues to MDOT since 1998. It is important to note that the “interlocal proceeds” (shown in Table 2-3) are generated from bonds that MDOT must repay.

Table 2-3: Composition of State Revenues to MDOT, FY 1998–2010

Revenue Source	Percent of Total by Financial Year						
	1998	1999	2000	2001	2002	2003	2004
Fuel Tax	76%	72%	71%	72%	73%	69%	72%
Trucks & Bus Fees/Permits	13%	14%	14%	15%	13%	14%	15%
Interlocal Proceeds	0%	0%	0%	0%	0%	0%	0%
Tag Fees	3%	3%	3%	3%	3%	3%	4%
Commercial Vehicle Fees	0%	0%	0%	0%	0%	0%	0%
Contractors Tax	2%	1%	1%	1%	1%	1%	2%
Interest and Premium on Bonds	3%	5%	5%	3%	2%	1%	1%
Lubricating Oil Tax	0%	0%	0%	0%	0%	0%	0%
Other Fees, Receipts & Transfers	3%	5%	6%	5%	8%	11%	7%
Total State Revenues in Current Dollars (\$millions)	\$355.2	\$385.4	\$412.6	\$383.7	\$386.8	\$378.0	\$367.1

Revenue Source	Percent of Total					
	2005	2006	2007	2008	2009	2010
Fuel Tax	71%	68%	63%	65%	56%	55%
Trucks & Bus Fees/Permits	15%	13%	13%	14%	12%	12%
Interlocal Proceeds	0%	8%	8%	6%	19%	21%
Tag Fees	4%	3%	3%	3%	3%	3%
Commercial Vehicle Fees	1%	1%	0%	0%	1%	0%
Contractors Tax	1%	1%	1%	0%	0%	0%
Interest and Premium on Bonds	0%	1%	1%	2%	1%	1%
Lubricating Oil Tax	0%	0%	0%	0%	0%	0%
Other Fees, Receipts & Transfers	7%	5%	10%	9%	8%	7%
Total State Revenues in Current Dollars (\$millions)	\$360.0	\$451.8	\$487.1	\$464.4	\$517.7	\$500.5

Source: MDOT Annual Reports

As shown in **Table 2-4**, in terms of current dollars, state revenues to MDOT have grown at an average annual rate of 2.9 percent since 1998. In the last five years state revenues to MDOT grew at an average annual rate of 6.8 percent.

Table 2-4: Historic Compound Annual Growth Rates for State Revenues to MDOT

Fiscal Years	Growth Rate (Based on Current Dollars)
1998–2010	2.9%
2005–2010	6.8%

Table 2-5 displays state funds to MDOT by source from FY 2005 to FY 2010 in current and constant 2008 dollars.

Table 2-5: State Revenues to MDOT, FY 2005-2010

State Revenue Sources	State Revenues in Current Dollars except where noted (\$millions)						Total FY05 - FY10
	2005	2006	2007	2008	2009	2010	
Fuel Tax	\$255.6	\$305.2	\$307.0	\$304.0	\$290.6	\$276.0	\$1,738.4
Trucks & Bus Fees/Permits	\$54.0	\$59.9	\$65.3	\$65.5	\$62.2	\$60.5	\$367.5
Interlocal Proceeds	\$1.1	\$38.2	\$37.5	\$26.9	\$97.6	\$106.1	\$307.4
Tag Fees	\$14.5	\$15.3	\$15.0	\$14.8	\$15.0	\$15.2	\$89.9
Commercial Vehicle Fees	\$4.4	\$4.7	\$0.4	\$1.8	\$2.8	\$1.4	\$15.5
Contractors Tax	\$4.3	\$3.3	\$3.6	\$1.9	\$1.8	\$0.8	\$15.7
Interest and Premium on Bonds	\$0.1	\$3.0	\$7.2	\$8.7	\$5.5	\$4.8	\$29.1
Lubricating Oil Tax	\$1.1	\$1.3	\$1.0	\$1.0	\$1.0	\$0.9	\$6.3
Other Fees, Receipts & Transfers	\$25.0	\$20.9	\$50.2	\$39.7	\$41.2	\$34.8	\$211.7
Total Revenue	\$360.0	\$451.8	\$487.1	\$464.4	\$517.7	\$500.5	\$2,781.5
In Constant 2008 Dollars	\$399.0	\$484.3	\$507.3	\$464.4	\$507.5	\$481.0	\$2,843.5

Source: MDOT Annual Reports

2.2.1 MultiModal Capital Improvement Fund

The Mississippi Legislature passed a law in 2000 creating the MultiModal Capital Improvement Fund (MCIF). The Legislature may provide (by appropriation) funds for MDOT for multi-modal capital improvements projects at ports, airports, publicly owned railways and public transit providers. MDOT is to distribute MCIF among modes as follows:

- 38 percent for ports
- 34 percent for airports
- 16 percent for railroads
- 12 percent for public transit

MCIF revenues are included in the state revenues presented in the previous tables. Further discussion for each of the recipient modes are presented in other sections later in this report.

3. TRANSIT REVENUES

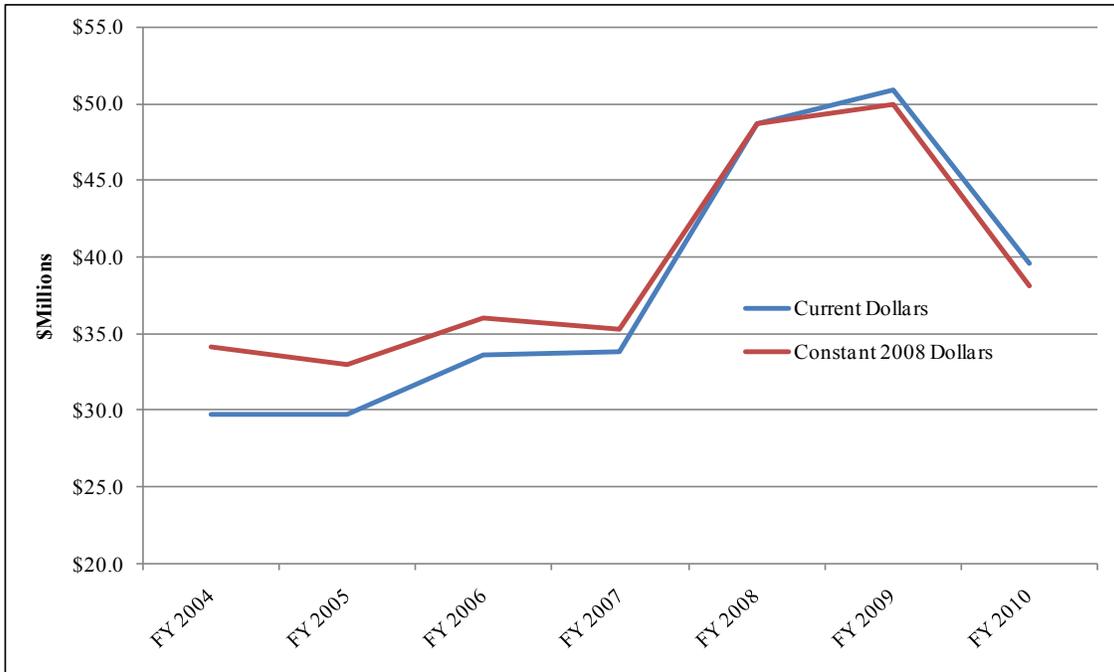
3.1 Federal Transit Revenues

Federal transit revenues from FY 2004 to FY 2010 were examined for this revenue baseline (1998 to 2003 data were not available). In FY 2009, \$50.9 million in Federal transit apportionments were made to Mississippi through SAFETEA-LU. In FY 2010, \$39.6 million in Federal transit apportionments were made to Mississippi through continuing resolutions.

Apportionments are distributions of Federal funds to various programs using a formula dictated by law.

Total Federal transit apportionments to Mississippi since FY 2004 are shown in **Figure 3-1** in current dollars and constant 2008 dollars. As shown, there was a dramatic increase in Federal Transit Administration grant funds to Mississippi from FY 2007 to FY 2008. This jump reflects additional funding provided in the wake of Hurricane Katrina (2005) as well as other discretionary capital funds for bus and facility projects.

Figure 3-1: Federal Transit Apportionments to MDOT, FY 1998-2010



Source: www.fta.dot.gov

As shown in **Table 3-1**, the growth rate for Federal Transit apportionments to MDOT since 1994 is 4.9 percent. Since 2005, apportionments have grown faster, at an average annual rate of 5.9 percent.

Table 3-1: Compound Annual Growth Rates for Federal Transit Apportionments to MDOT

Fiscal Years	Growth Rate (Based on Current Dollars)
1994-2010	4.9%
2005-2010	5.9%

3.2 State Transit Revenues

Public transit providers receive 12 percent of the MultiModal Capital Improvement Fund, previously discussed. This is the only source of state transit funding in Mississippi. These funds are included in the state revenues, presented previously.

3.3 Federal Passenger Rail Revenues

Federal funding for national passenger rail service is provided directly to Amtrak. Currently Amtrak provides a north south route that runs through Greenwood, Yazoo, Jackson, Brookhaven, and McComb in Mississippi. This route connects New Orleans and Chicago. An east-west route, which connects Los Angeles, New Orleans, and Washington, DC, runs through Meridian and Hattiesburg in Mississippi.

In April 2009, President Obama announced a new vision for developing high-speed passenger rail, calling for a collaborative effort by the Federal Government, States, railroads, and other key stakeholders to help transform America's transportation system through the creation of a national network of high-speed rail corridors. To achieve this vision, the Federal Railroad Administration (FRA) launched the High-Speed Intercity Passenger Rail (HSIPR) Program in June 2009.

Funding for the High-Speed Intercity Passenger Rail Program (HSIPR) comes from different federal sources, including the American Recovery and Reinvestment Act (ARRA), which supplied an \$8 billion down payment to start the program, and general appropriations. Mississippi has not received any HSIPR funding to date. With the results of the national 2010 Mid-Term Elections, the change in the majority of U.S House of Representatives and the focus on reducing discretionary spending to reduce the national debt, a federal emphasis on HSIPR is uncertain.

4. RAIL REVENUES

4.1 Federal Rail Revenues

Since the FRA Local Rail Freight Assistance Program has not been federally funded since 1994, no funding has been distributed to states. Congress is not expected to provide funding for this program in the foreseeable future. Therefore, Federal rail revenues are not included in the baseline revenue report.

4.2 Federal Rail Freight Revenues

Very limited Federal funding exists for rail freight. In recent years, this funding has been focused on highway-railroad at-grade crossings to address safety issues and inherent roadway delays. Federal programs to assist states in meeting rail capital needs have been unfunded since 1994. Earmarks in SAFETEA-LU directed \$3.4 million to Mississippi in FY 2009 for the elimination of hazards relating to railway-highway at-grade crossings. This funding for the rail-highway

safety program is part of the highway funding Mississippi receives under SAFETEA-LU, previously presented.

4.3 State Rail Revenues

Publicly owned railroads receive 16 percent of the MultiModal Capital Improvement Fund (MCIF), previously discussed. The eligible recipients of these funds are:

- Port Bienville Railroad
- Mississippian Railway
- Great River Railroad
- MS-AL Railroad Authority
- Coahoma County Railroad
- Marion County Railroad Authority

MDOT made available annual MCIF amounts of \$600,000 in FY 2005 and FY 2006 and \$1.2 million from FY 2007 to FY 2010, for a total of \$6.0 million since 2005. These funds are included in the state revenues previously presented.

MDOT makes revenues from the locomotive fuel tax available to railroads as a loan to rehabilitate rail lines and facilities. This fund is typically only utilized by Mississippi's Class III railroads. Since 1999, MDOT has made available \$2.2 million (through March 2010), at an annual average of approximately \$186,000 (based on FY 1999 – FY 2009). These revenues were not included in the revenue baseline because this is a loan program.

While currently suspended, MDOT has made \$3,000,000 in National Highway Safety (NHS) funds (part of Federal Highway Revenue total) available to ports, airports, and rail facilities with an eligible NHS connector through the Intermodal Connector Improvement Program (ICIP) since 1999.

5. AVIATION REVENUES

5.1 Federal Aviation Revenues

The FAA, through the Airport Improvement Program (AIP), distributes Federal funds to the nation's public airport system from the Aviation Trust Fund. The fund is supplied by money collected only from the users of the nation's airport system and is used to fund airport improvements.

VISION-100, the most recent Federal aviation reauthorization act, was signed into law in December 2003 and reauthorized the AIP program through 2007. Subsequent extensions have provided for continued funding through 2010. While the AIP program is past due for reauthorization, it is uncertain when Congress will enact new Federal aviation funding.

The Federal Aviation Administration (FAA) has provided \$533.2 million in project funding directly to Mississippi airports since FY 1998, an average of \$44.4 million per year. In FY 2010, Mississippi airports received \$55.5 million in FAA funds.

MDOT received FAA funds for various aeronautics projects and studies in 2002, 2005, 2006, and 2007, totaling \$306,180. Because these revenues have not historically been consistent and are not predictable, they are not included in the revenue forecast.

The compound average annual growth rate for Federal aviation revenues (directly to airports) from 1998 to 2010 is 13.1 percent and from 2005 to 2010 is 5.2 percent, as shown in **Table 5-1**.

Table 5-1: Compound Annual Growth Rates for Federal Aviation Revenues

Fiscal Years	Growth Rate (Based on Current Dollars)
1998-2010	13.1%
2005-2010	5.2%

5.2 State Aviation Revenues

Mississippi receives state aviation funding from fuel taxes on aviation fuel and gasoline used in aircraft, as well as a sales tax on automobile parking garages and parking lots at airports.

Mississippi uses its state funding to match FAA grants.

In addition to these aviation funds, the MultiModal Capital Improvement Fund (MCIF), previously mentioned, has provided airports with another opportunity for project grant funding, many of which have not been eligible for Federal funding. Airports receive 34 percent of the MCIF. These funds are included in the state revenues previously presented.

Collections from aviation fuel, parking taxes and contributions from the Multimodal Capital Improvement Fund have provided approximately \$45 million in state revenues for aviation in Mississippi since 1998. In FY 2010, state revenues for aviation totaled approximately \$5.7 million.

While currently suspended, MDOT has made \$3,000,000 in National Highway Safety (NHS) funds (part of Federal Highway Revenue total) available to ports, airports, and rail facilities with an eligible NHS connector through the Intermodal Connector Improvement Program (ICIP) since 1999.

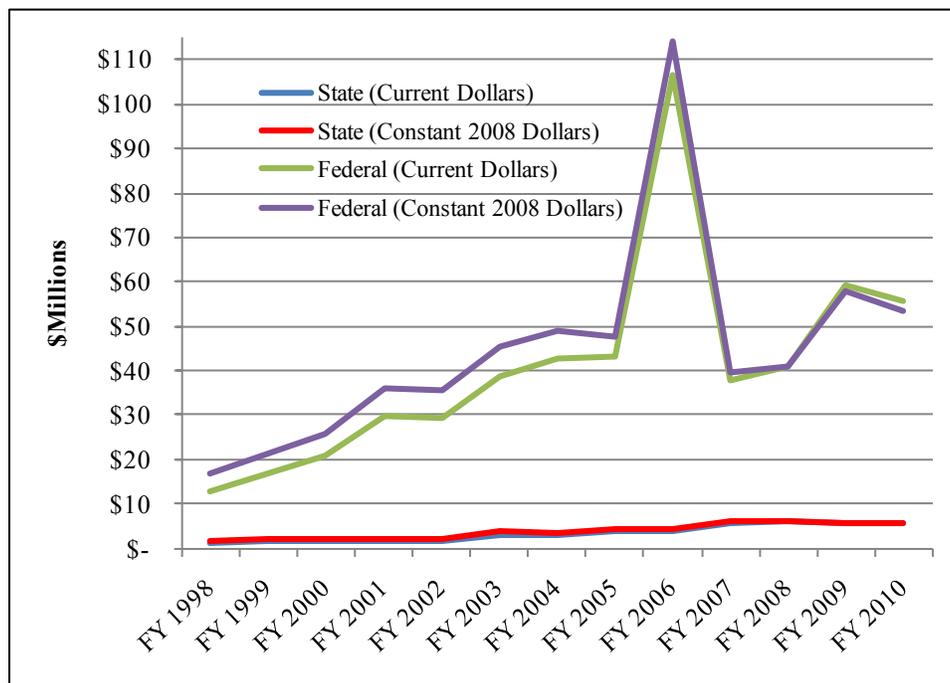
The compound average annual growth rate for state aviation revenues from 1998 to 2010 is 12.9 percent and from 2005 to 2010 is 7.7 percent, as shown in **Table 5-2**.

Table 5-2: Historic Compound Annual Growth Rates for State Aviation Revenues

Fiscal Years	Growth Rate (Based on Current Dollars)
1998-2010	12.9%
2005-2010	7.7%

Total Federal Aviation Administration revenues (provided directly to airports) and State aviation revenues since 1998 are shown in **Figure 5-1** in current and constant 2008 dollars. As shown, there was a dramatic increase in Federal aviation revenues to Mississippi from FY 2005 to FY 2006. This jump reflects additional funding provided to Mississippi in the wake of Hurricane Katrina (2005).

**Figure 5-1: Federal and State Aviation Revenues, FY 1998-2010
(Current Dollars and Constant 2008 Dollars)**



Source: MDOT Aviation

6. PORT REVENUES

6.1 Federal Port Revenues

Federal port funding is limited and is not apportioned by a federal formula but, rather, comes through the Federal appropriation process. Federal port funding is not included in the revenue baseline.

6.2 State Port Revenues

Ports receive 38 percent of the MultiModal Capital Improvement Fund (MCIF). Mississippi Ports received annual amounts of \$1.9 million in 2005 and 2006 and \$3.8 million from 2007 to 2010, for a total of 19.0 million since 2005. These funds are included in the state revenues previously presented.

While currently suspended, MDOT has made \$3,000,000 in National Highway Safety (NHS) funds (part of Federal Highway Revenue total) available to ports, airports, and rail facilities with an eligible NHS connector through the Intermodal Connector Improvement Program (ICIP) since 1999.

7. TRAIL REVENUES

7.1 Federal Trail Revenues - Recreational Trail Program (RTP) Funds

The Federal Recreational Trails Program (RTP) provides funding to states for development and maintenance of trails and trail facilities for non-motorized and motorized recreational uses. RTP funds are part of the Federal highway funds Mississippi received under SAFETEA-LU, previously discussed. These funds represent a portion of the motor fuel excise tax collected from non-highway recreational fuel uses. Half of all RTP funds are distributed equally among all states, and half are distributed in proportion to the estimated amount of non-highway recreational fuel use in each state. Between 1993 and 2009, Mississippi received \$13.3 million in RTP apportionment. Mississippi was awarded \$1.3 million in RTP funds in FY 2010.

7.2 State Trail Revenues

Mississippi does not have a state funding program for trails.

8. HISTORIC REVENUE SUMMARY

Table 8-1 summarizes state and Federal revenues in current dollars between FY 1998 and FY 2010, which will be used for forecasting future transportation revenues by mode. These revenues are presented in constant 2008 dollars in **Table 8-2**. Constant dollars enable the comparison of buying power.

Table 8-1: Total State and Federal Revenues, FY 1998-2010 (Current Dollars)

Federal Highway Revenue (Obligation Limitation and Equity Bonus)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	\$245.2	\$262.5	\$299.4	\$300.3	\$389.3	\$345.0	\$323.4	\$375.4	\$348.8	\$381.0	\$409.1	\$412.6	\$464.0
Deductions:													
STP Dedicated for Urban Areas	NA	\$10.6	\$10.3	\$11.6	\$11.4	\$12.0	\$13.3						
STP Allocated to Non-Urbanized Areas	NA	\$8.2	\$7.9	\$9.8	\$9.9	\$10.6	\$10.0						
TE Apportionment	NA	\$8.9	\$8.9	\$8.9	\$7.8	\$9.0	\$11.0						
SRTS to MPOs	NA	-	-	\$1.5	\$1.5	\$1.5	\$1.5						
BR Funds to State Aid	NA	\$10.9	\$13.1	\$15.3	\$15.5	\$14.0	\$15.5						
STP Funds to State Aid	NA	\$5.9	\$5.8	\$7.2	\$7.2	\$7.0	\$7.5						
High Risk Rural Roads	NA	-	\$1.2	\$1.5	\$1.5	\$1.7	\$1.7						
Railway-highway at-grade crossings	NA	\$3.1	\$2.9	\$3.1	\$3.4	\$3.4	\$3.8						
Recreational Trails Program	NA	\$1.2	\$1.1	\$1.2	\$1.3	\$1.3	\$1.5						
Metropolitan Planning	NA	\$1.4	\$1.3	\$1.4	\$1.5	\$1.5	\$1.7						
Statewide Planning and Research	NA	\$7.4	\$6.9	\$7.5	\$8.1	\$8.2	\$9.2						
Federal Highway Revenue Under MDOT Control	NA	\$317.8	\$289.4	\$312.0	\$340.0	\$342.4	\$387.3						
Total State Revenue	\$355.2	\$385.4	\$412.6	\$383.7	\$386.8	\$378.0	\$367.1	\$360.0	\$451.8	\$487.1	\$464.4	\$517.7	\$500.5
State Revenue Sources:													
Fuel Tax	\$271.2	\$275.9	\$292.4	\$275.8	\$280.7	\$261.8	\$265.0	\$255.6	\$305.2	\$307.0	\$304.0	\$290.6	\$276.0
Trucks & Bus Fees/Permits	\$44.9	\$53.2	\$56.8	\$57.2	\$49.9	\$52.2	\$53.6	\$54.0	\$59.9	\$65.3	\$65.5	\$62.2	\$60.5
Interlocal Proceeds	-	-	-	-	-	-	-	\$1.1	\$38.2	\$37.5	\$26.9	\$97.6	\$106.1
Tag Fees	\$11.9	\$12.1	\$12.3	\$12.6	\$12.7	\$13.0	\$13.4	\$14.5	\$15.3	\$15.0	\$14.8	\$15.0	\$15.2
Commercial Vehicle Fees	-	-	-	-	-	-	-	\$4.4	\$4.7	\$0.4	\$1.8	\$2.8	\$1.4
Contractors Tax	\$5.5	\$5.5	\$4.8	\$4.6	\$3.7	\$4.6	\$6.4	\$4.3	\$3.3	\$3.6	\$1.9	\$1.8	\$0.8
Interest and Premium on Bonds	\$9.0	\$19.0	\$19.4	\$13.2	\$9.1	\$5.0	\$2.2	\$0.1	\$3.0	\$7.2	\$8.7	\$5.5	\$4.8
Lubricating Oil Tax	\$1.1	\$1.2	\$1.3	\$1.2	\$1.1	\$1.1	\$1.1	\$1.1	\$1.3	\$1.0	\$1.0	\$1.0	\$0.9
Other Fees, Receipts and Transfers	\$11.4	\$18.5	\$25.6	\$19.1	\$29.6	\$40.3	\$25.2	\$25.0	\$20.9	\$50.2	\$39.7	\$41.2	\$34.8
Federal Transit Revenue	NA	NA	NA	NA	NA	NA	\$29.7	\$29.8	\$33.6	\$33.9	\$48.7	\$50.9	\$39.6
Federal Aviation Revenue for projects/studies	-	-	-	-	\$0.08	-	-	\$0.09	\$0.05	\$0.09	-	-	-
Federal Aviation Revenue (Directly to Airports)	\$12.7	\$16.6	\$20.6	\$29.7	\$29.4	\$38.6	\$42.5	\$43.0	\$106.7	\$37.9	\$40.8	\$59.3	\$55.5
State Aviation Revenue	\$1.3	\$1.4	\$1.7	\$1.8	\$1.6	\$3.1	\$3.1	\$3.9	\$3.9	\$5.7	\$5.9	\$5.8	\$5.7

Table 8-2: Total State and Federal Revenues, FY 1998-2010 (Constant 2008 Dollars)

Federal Highway Revenue \$Millions (Obligation Limitation and Equity Bonus)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	\$322.0	\$338.1	\$373.7	\$366.2	\$468.8	\$406.1	\$371.2	\$416.1	\$373.8	\$396.8	\$409.1	\$404.5	\$445.9
Deductions:													
STP Dedicated for Urban Areas	NA	\$11.7	\$11.0	\$12.1	\$11.4	\$11.8	\$12.8						
STP Allocated to Non-Urbanized Areas	NA	\$9.1	\$8.5	\$10.2	\$9.9	\$10.4	\$9.6						
TE Apportionment	NA	\$9.9	\$9.5	\$9.3	\$7.8	\$8.8	\$10.6						
SRTS to MPOs	NA	\$0.0	\$0.0	\$1.6	\$1.5	\$1.5	\$1.4						
BR Funds to State Aid	NA	\$12.1	\$14.0	\$15.9	\$15.5	\$13.7	\$14.9						
STP Funds to State Aid	NA	\$6.5	\$6.2	\$7.5	\$7.2	\$6.9	\$7.2						
High Risk Rural Roads	NA	\$0.0	\$1.3	\$1.6	\$1.5	\$1.7	\$1.6						
Railway-highway at-grade crossings	NA	\$3.4	\$3.1	\$3.2	\$3.4	\$3.3	\$3.7						
Recreational Trails Program	NA	\$1.3	\$1.2	\$1.2	\$1.3	\$1.3	\$1.4						
Metropolitan Planning	NA	\$1.6	\$1.4	\$1.5	\$1.5	\$1.5	\$1.6						
Statewide Planning and Research	NA	\$8.2	\$7.4	\$7.8	\$8.1	\$8.0	\$8.8						
Federal Highway Revenue Under MDOT Control	NA	\$366.8	\$323.2	\$338.7	\$354.3	\$335.7	\$372.2						
Total State Revenue \$Millions	\$466.4	\$496.5	\$515.0	\$468.0	\$465.8	\$444.9	\$421.4	\$399.0	\$484.3	\$507.3	\$464.4	\$507.5	\$481.0
State Revenue Sources:													
Fuel Tax	\$356.2	\$355.4	\$364.9	\$336.4	\$338.0	\$308.1	\$304.1	\$283.3	\$327.1	\$319.7	\$304.0	\$284.9	\$265.3
Trucks & Bus Fees/Permits	\$59.0	\$68.6	\$70.9	\$69.8	\$60.1	\$61.4	\$61.6	\$59.8	\$64.3	\$68.0	\$65.5	\$61.0	\$58.1
Interlocal Proceeds	-	-	-	-	-	-	-	\$1.2	\$41.0	\$39.1	\$26.9	\$95.7	\$101.9
Tag Fees	\$15.6	\$15.6	\$15.4	\$15.4	\$15.3	\$15.3	\$15.4	\$16.1	\$16.4	\$15.6	\$14.8	\$14.7	\$14.6
Commercial Vehicle Fees	-	-	-	-	-	-	-	\$4.9	\$5.0	\$0.4	\$1.8	\$2.7	\$1.4
Contractors Tax	\$7.3	\$7.1	\$6.0	\$5.6	\$4.5	\$5.4	\$7.4	\$4.7	\$3.6	\$3.7	\$1.9	\$1.7	\$0.8
Interest and Premium on Bonds	\$11.8	\$24.5	\$24.2	\$16.1	\$11.0	\$5.9	\$2.6	\$0.1	\$3.2	\$7.5	\$8.7	\$5.4	\$4.6
Lubricating Oil Tax	\$1.5	\$1.6	\$1.6	\$1.5	\$1.3	\$1.3	\$1.3	\$1.2	\$1.3	\$1.1	\$1.0	\$1.0	\$0.9
Other Fees, Receipts and Transfers	\$15.0	\$23.8	\$32.0	\$23.3	\$35.6	\$47.5	\$29.0	\$27.7	\$22.4	\$52.3	\$39.7	\$40.4	\$33.4
Federal Transit Revenue	NA	NA	NA	NA	NA	NA	\$34.1	\$33.0	\$36.0	\$35.3	\$48.7	\$49.9	\$38.1
Federal Aviation Revenue for projects/studies	-	-	-	-	\$0.09	-	-	\$0.10	\$0.05	\$0.09	-	-	-
Federal Aviation Revenue (Directly to Airports)	\$16.7	\$21.4	\$25.8	\$36.2	\$35.3	\$45.4	\$48.8	\$47.6	\$114.3	\$39.5	\$40.8	\$58.1	\$53.3
State Aviation Revenue	\$1.7	\$1.9	\$2.1	\$2.2	\$2.0	\$3.7	\$3.6	\$4.4	\$4.2	\$5.9	\$5.9	\$5.7	\$5.5

9. BASELINE REVENUE PROJECTIONS

9.1 Revenue Growth Rates

Historic revenues for each transportation revenue category were examined to determine appropriate growth rates to use for the baseline revenue projection. **Table 9-1** identifies compound annual growth rates for each revenue source derived from the annual revenue data between FY 1998 and FY 2010, shown in **Table 8-1**. A compound annual growth rate for the last five years is also calculated for each revenue category. Last, the growth rates by category that were selected for the 25-year conservative and aggressive revenue forecast are identified in the last two columns of **Table 9-1**.

Table 9-1: Growth Rates by Revenue Source and Rates Selected for Baseline Forecast

Revenue Source	Growth FY2005 – FY2010	Growth FY1998 – FY2010	Conservative Growth Rate Selected for Forecast	Aggressive Growth Rate Selected for Forecast
Federal Highway Revenue	4.3%	5.5%	1.0%	4.0%
Total State Revenue	6.8%	2.9%	1.0%	1.0%
Federal Transit Revenue	5.9%	4.9%	1.0%	4.0%
Federal Aviation Revenue (Directly to Airports)	5.2%	13.1%	1.0%	4.0%
State Aviation Revenue	7.7%	12.9%	1.0%	1.0%

Source: Rates calculated from revenues presented in Table 9A.

Upon examining historic growth rates and recognizing the economic uncertainties at the national level regarding the Federal policies for domestic spending, a conservative growth rate of 1 percent was selected to forecast Federal and state revenues.

A growth rate of 4 percent for Federal revenues was selected for the aggressive scenario showing significant growth in the federal programs. For this scenario, state revenues are assumed to remain at 1 percent annual growth.

9.2 Future Revenue Projections

Future revenues (FY 2011 – FY 2035) were forecast from the average of FY 2006 to FY 2010 because FY 2010 was not a typical fiscal year and averaging makes for a more conservative baseline. Constant 2008 dollars, which enable the comparison of buying power, were derived for forecasted revenues using a 2.0 percent inflation rate.

Table 9-2 and **Table 9-3** display, in current and constant 2008 dollars respectively, the conservative baseline projection of all state and Federal transportation revenues. The conservative baseline projection was developed by applying the conservative 1 percent growth rate to the average of FY 2006 to FY 2010 revenues.

Table 9-2: Conservative Revenue Projection in Current Dollars

Revenue Source	Total Revenue (\$millions) FY 2011 - FY 2035
Federal Highway Revenue Under MDOT Control	\$9,533.5
Total State Revenue	\$13,814.8
Federal Transit Revenue	\$1,179.5
Federal Aviation Revenue (Directly to Airports)	\$1,712.3
State Aviation Revenue	\$153.8
Total Revenue	\$26,393.9
Total Revenue available to MDOT	\$23,348.3

Table 9-3: Conservative Revenue Projection in Constant 2008 Dollars

Revenue Source	Total Revenue (\$millions) FY 2011 - FY 2035
Federal Highway Revenue Under MDOT Control	\$7,083.2
Total State Revenue	\$10,264.1
Federal Transit Revenue	\$876.4
Federal Aviation Revenue (Directly to Airports)	\$1,272.2
State Aviation Revenue	\$114.3
Total Revenue	\$19,610.1
Total Revenue available to MDOT	\$17,347.2

Table 9-4 and Table 9-5 display the same information for the aggressive scenario. The aggressive 4 percent growth rate was applied to the average of FY 2006 to FY 2010 Federal revenues to obtain this projection.

Table 9-4: Aggressive Revenue Projection in Current Dollars

Revenue Source	Total Revenue (\$millions) FY 2011 - FY 2035
Federal Highway Revenue Under MDOT Control	\$14,475.1
Total State Revenue	\$13,814.8
Federal Transit Revenue	\$1,790.9
Federal Aviation Revenue (Directly to Airports)	\$2,599.9
State Aviation Revenue	\$153.8
Total Revenue	\$32,834.5
Total Revenue available to MDOT	\$28,289.9

Table 9-5: Aggressive Revenue Projection in Constant 2008 Dollars

Revenue Source	Total Revenue (\$millions) FY 2011 - FY 2035
Federal Highway Revenue Under MDOT Control	\$10,438.5
Total State Revenue	\$10,264.1
Federal Transit Revenue	\$1,291.5
Federal Aviation Revenue (Directly to Airports)	\$1,874.9
State Aviation Revenue	\$114.3
Total Revenue	\$23,983.2
Total Revenue available to MDOT	\$20,702.5

From **Table 9-2** and **Table 9-3**, for the conservative baseline forecast, the total transportation revenues for FY 2011 to FY 2035 in current dollars are estimated to be \$26.4 billion, compared to \$19.6 billion in constant 2008 dollars. The difference is the loss in buying power from FY 2011 to FY 2035, which is \$6.8 billion or a reduction of approximately 26 percent.

Of the total revenue, \$23.3 billion in current dollars would be available to MDOT for expenditure. The remainder is dedicated to transit and aviation, as shown in **Table 9-2**. The buying power of the \$23.3 billion is approximately \$17.3 billion, as shown in **Table 9-3**.

From **Table 9-4** and **Table 9-5**, for the aggressive baseline scenario, the total transportation revenues for FY 2011 to FY 2035 in current dollars are estimated to be \$32.8 billion, compared to \$24.0 billion in constant 2008 dollars. The difference or the loss in buying power from FY 2011 to FY 2035 is \$8.9 billion or a reduction of approximately 27 percent from FY 2011 to FY 2035.

Of the total revenue, \$28.3 billion in current dollars would be available to MDOT for expenditure. The remainder is dedicated to transit and aviation, as shown. The buying power of the \$28.3 billion is approximately \$20.7 billion, as shown in **Table 9-5**.

9.2.1 Revenues Available for Construction

Since 2005, MDOT’s construction program has accounted for approximately 75 percent of all expenditures. **Table 9-6** displays expenditures by program from FY 2005 to FY 2010.

Table 9-6: MDOT Expenditures by Program, FY 2005 – FY 2010

Expenditures	MDOT Expenditures in Current Dollars (\$Millions)						Average Percent of Total
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	
Construction Program	\$594.1	\$958.2	\$1,139.7	\$880.3	\$753.3	\$837.2	75.3%
Maintenance Program	\$151.6	\$168.7	\$120.3	\$171.3	\$209.2	\$182.1	14.6%
Admin, Equip, and Bldg	\$50.5	\$50.3	\$49.0	\$53.3	\$48.9	\$52.6	4.4%
Enforcement Program	\$11.4	\$12.3	\$12.8	\$13.5	\$14.6	\$13.8	1.1%
Aero, Rails, Transit and Ports	\$14.8	\$15.5	\$19.3	\$21.8	\$25.6	\$24.4	1.8%
Debt Service Program	\$27.8	\$28.0	\$29.6	\$29.8	\$27.6	\$42.7	2.7%
Total Expenditures	\$850.1	\$1,232.9	\$1,370.5	\$1,170.1	\$1,079.2	\$1,152.7	100.0%

For the purpose of the revenue baseline, expenditures on all programs, except construction, were assumed to grow at a rate of 2.0 percent from the FY 2010 expenditure total. The remainder of total projected Federal highway and State revenues (i.e., the total revenue available to MDOT for expenditure presented in **Tables 9-2** through **9-5** after these program expenditures are deducted) is the total amount projected to be available for the construction program in the future. **Table 9-7** and **Table 9-8** illustrate this for the conservative revenue projection in current and constant 2008 dollars, respectively. **Table 9-9** and **Table 9-10** illustrate projected construction revenues for the aggressive revenue projection, in current and constant 2008 dollars, respectively.

Table 9-7: Conservative Construction Program Projection in Current Dollars

Expenditure Program	Program Totals (\$millions) FY 2011 - FY 2035
Total Revenue	\$23,348.3
Maintenance Program	(\$5,948.1)
Administration, Equipment, and Building	(\$1,718.3)
Enforcement Program	(\$451.9)
Aero, Rails, Transit and Ports	(\$796.0)
Debt Service Program	(\$1,750.0)
Construction Program	\$12,684.0

Table 9-8: Conservative Construction Program Projection in Constant 2008 Dollars

Expenditure Program	Program Totals (\$millions) FY 2011 - FY 2035
Total Revenue	\$17,347.2
Maintenance Program	(\$4,374.8)
Administration, Equipment, and Building	(\$1,263.8)
Enforcement Program	(\$332.4)
Aero, Rails, Transit and Ports	(\$585.4)
Debt Service Program	(\$1,313.6)
Construction Program	\$9,477.3

Table 9-9: Aggressive Construction Program Projection in Current Dollars

Expenditure Program	Program Totals (\$millions) FY 2011 - FY 2035
Total Revenue	\$28,289.9
Maintenance Program	(\$5,948.1)
Administration, Equipment, and Building	(\$1,718.3)
Enforcement Program	(\$451.9)
Aero, Rails, Transit and Ports	(\$796.0)
Debt Service Program	(\$1,750.0)
Construction Program	\$17,625.6

Table 9-10: Aggressive Construction Program Projection in Constant 2008 Dollars

Expenditure Program	Program Totals (\$millions) FY 2011 - FY 2035
Total Revenue	\$20,702.5
Maintenance Program	(\$4,374.8)
Administration, Equipment, and Building	(\$1,263.8)
Enforcement Program	(\$332.4)
Aero, Rails, Transit and Ports	(\$585.4)
Debt Service Program	(\$1,313.6)
Construction Program	\$12,832.6

From **Table 9-7** and **Table 9-8**, for the conservative baseline forecast, the total revenue estimated to be available for MDOT's construction program from FY 2011 to FY 2035 is \$12.7 billion in current dollars or \$9.5 billion in constant 2008 dollars.

From **Table 9-9** and **Table 9-10**, for the aggressive baseline scenario, total revenue available for MDOT's construction program is expected to be \$17.6 billion in current dollars or \$12.8 billion in constant 2008 dollars.

As shown, MDOT will not be able to maintain the FY 2005 to FY 2010 allocation of 75% of its available revenues for the construction program. Under the conservative scenario, 54 percent of total available revenue would be available for the construction program. Under the aggressive scenario, 62 percent of available revenue would be available for MDOT's construction program. This is based on the assumption, as previously mentioned, that expenditures on all programs, except construction, would grow at a rate of 2.0 percent from the FY 2010 expenditure total. The remainder of total projected Federal highway and State revenues (i.e., the total revenue available to MDOT for expenditure, as presented in **Tables 9-2 through 9-5**) after these program expenditures are deducted is the total amount projected to be available for the construction program in the future. It is recognized that MDOT places a high value on pavement preservation as part of their annual construction program. However, the available construction funding for pavement preservation may not be adequate to meet future maintenance needs as identified in Appendix D: Highway and Bridge Needs Assessment.

9.2.2 Impact of Increased CAFE Standards on Mississippi Revenues

On April 1, 2010 the National Highway Traffic Safety Administration (NHTSA) and the Environmental Protection Agency (EPA) released a joint rulemaking finalizing standards for corporate average fuel economy (CAFE) and greenhouse gas emissions for new passenger cars and light trucks (model years 2012 to 2016). The new CAFE standards are anticipated to reduce CO₂ emissions by significantly reducing fuel use. The decline in fuel use will intensify the decline of fuel taxes as the principal highway and transit funding source.

Based on NHTSA and EPA estimates, over their lifetimes, the vehicles produced from 2012 to 2016 will use about 61 billion fewer gallons of gasoline and diesel fuel than under previous CAFE standards. This translates into \$11.1 billion in reduced Highway Trust Fund (HTF) revenues during that time period (based on current Federal fuel tax rates).

The potential impact of the increase in CAFE standards on Mississippi revenues was calculated as part of this revenue baseline. It is estimated that Mississippi would lose \$1.97 Billion in current dollars (\$1.45 in constant 2008 dollars) in Highway Trust Fund Revenues and State revenues between 2012 and 2035 due to the increase in CAFE standards.

After considering the impact of the increased CAFÉ Standards, the total revenue available for the MDOT Construction Program in the conservative scenario would be reduced to \$10.71 billion from FY 2011 to FY 2035 and the Aggressive program would be reduced to \$15.66 billion, both in current dollars. In constant 2008 dollars, the total available for the MDOT Construction Program, considering increased CAFÉ Standards, would be \$8.03 billion in the conservative scenario and \$11.39 billion in the aggressive scenario from FY 2011 to FY 2035.

10. ADDITIONAL INFORMATION

For additional information regarding transportation revenues for the Mississippi Department of Transportation, please visit the following websites:

Federal Highway Revenue (SAFETEA-LU)

<http://www.fhwa.dot.gov/safetealu/fundtables.htm>

Federal Highway Revenue (TEA-21)

<http://www.fhwa.dot.gov/tea21/funding.htm>

MDOT Annual Reports

<http://www.gomdot.com/Home/Reports/FiscalYear/Home.aspx>

Federal Transit Revenue

http://www.fta.dot.gov/funding/apportionments/grants_financing_174.html

