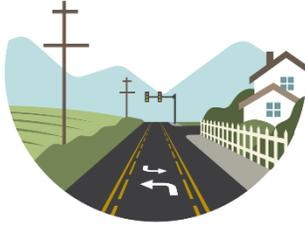


APPENDIX 5:

FUNDING MECHANISMS

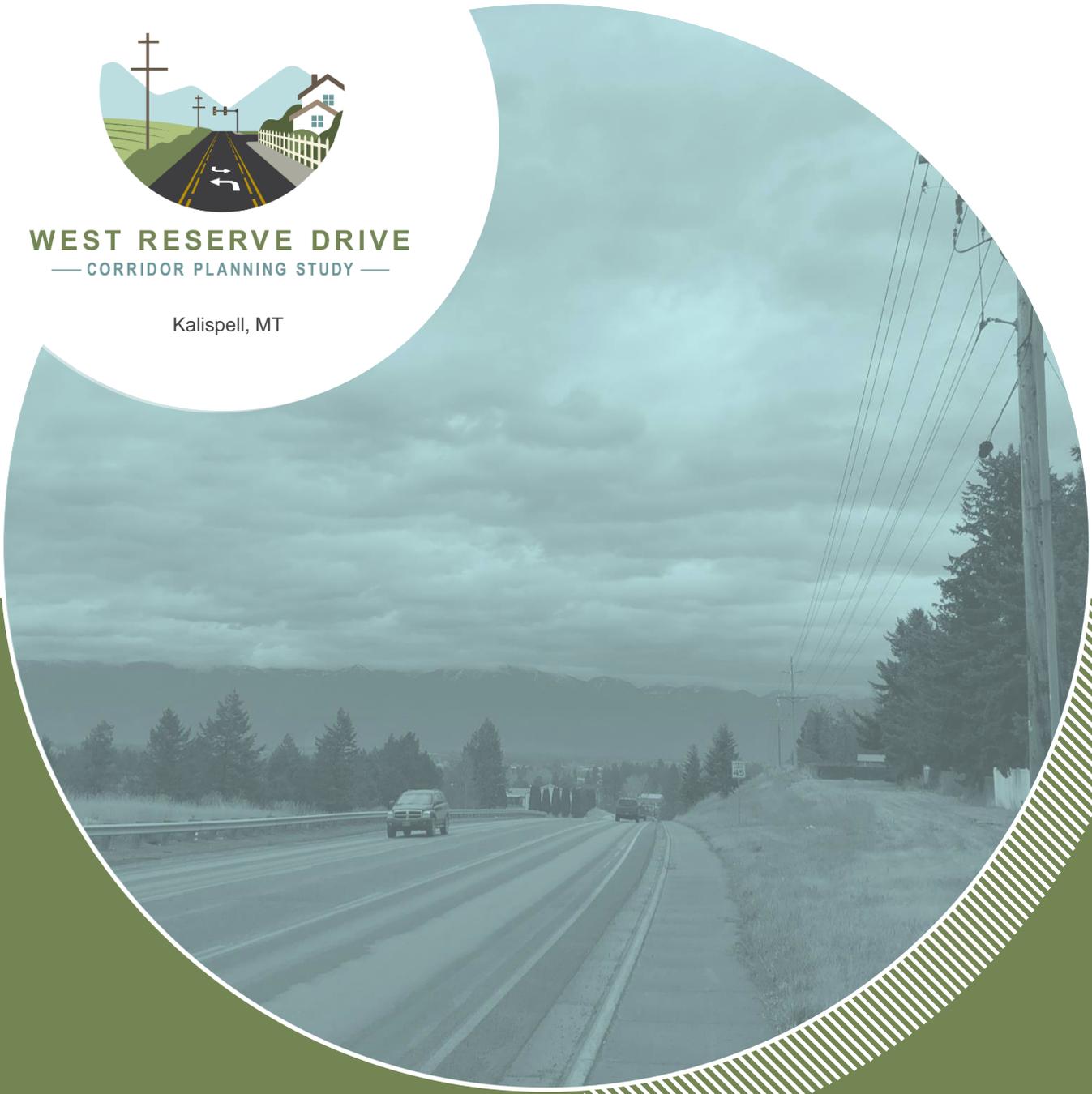


WEST RESERVE DRIVE
— CORRIDOR PLANNING STUDY —



WEST RESERVE DRIVE
— CORRIDOR PLANNING STUDY —

Kalispell, MT



SEPTEMBER 2021

FUNDING MECHANISMS

Prepared for:



VISION ZERO
zero deaths - zero serious injuries

MONTANA DEPARTMENT
OF TRANSPORTATION

Prepared by:





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1.0 POTENTIAL FUNDING SOURCES

MDT administers multiple programs funded from state and federal sources. Each year, in accordance with MCA 60-2-127, the Montana Transportation Commission allocates a portion of available federal-aid highway funds to projects located on state roadway systems as described in this chapter.

Highway system designation is established based on the functional classification of the route; the system designation is important as it affects the roadway's ability to receive different types of funding. W. Reserve Dr. is designated as a primary system route. Whitefish Stage Rd. is designated as an urban system route within the study limits, while US 93 and US 2 are designated as national highway system (NHS) non-interstate routes.

1.1 Federal Funding Sources

The following is a summary of major federal transportation funding categories received by the state, including state developed implementation/sub-programs that may be potential funding sources for projects forwarded from this study. To receive project funding under the following programs, projects must be included in the Statewide Transportation Improvement Program (STIP).

1.1.1 National Highway Performance Program

The National Highway Performance Program (NHPP) provides funding for the National Highway System (NHS), including the Interstate and designated bridges. The purpose of this program is to provide an interconnected system of principal arterial routes serving major population centers, international border crossings, ports, airports, public transportation facilities, and other major travel destinations; meet national defense requirements; and service interstate and interregional travel. The NHS includes all interstate routes, a large percentage of urban and rural principal arterials, the defense strategic highway network, and strategic highway connectors. The NHPP is divided into three categories based on system type: Interstate Maintenance (IM), National Highway System [Non-Interstate] (NH), and National Highway System Bridge Program (NHPB). W. Reserve Dr. is not part of the Interstate system and is therefore not eligible for IM or NHPB funds. NH funds may be a potential source of funding for improvements to the intersections at US 2 and US 93.

- The NH Program finances highway and bridge projects to rehabilitate, restore, resurface, and reconstruct Non-Interstate NHS routes

Funding

NHPP funds are federally apportioned to Montana and allocated based on system performance by the Montana Transportation Commission. The federal share for Non-Interstate NHS projects is 86.58% and the state of Montana is responsible for the remaining 13.42%. The state share is funded through the Highway State Special Revenue Account (HSSRA).

Program Eligibilities

Activities eligible for NHPP funding include construction, reconstruction, resurfacing, restoration, and rehabilitation of segments of the NHS roadway; construction, replacement, rehabilitation, preservation, and protection of NHS bridges; and projects as part of a program supporting national goals for improving infrastructure condition, safety, mobility, or freight movements on the NHS. Operational improvements, as well as highway safety improvements are also eligible. Other miscellaneous activities that may qualify for NHPP funding include bikeways and



pedestrian walkways, environmental mitigation, restoration and pollution control, infrastructure-based intelligent transportation system, traffic/traveler monitoring and control, and construction of intra- or intercity bus terminals serving the NHS.

Project Selection

The Montana Transportation Commission approves NHPP apportionment to the statewide program. NHPP funds are distributed throughout the financial districts based solely on need and not by a financial district law. However, consideration is given to balancing needs against existing and future construction manpower then distributing the funds using the MDT Performance Programming Process.

1.1.2 Surface Transportation Block Grant Program

The Surface Transportation Block Grant Program (STP) is a funding category that may be used to preserve or improve conditions and performance on any Federal-aid highway. The STP is divided into six categories based on system type: Surface Transportation Program Primary (STPP), Surface Transportation Program Secondary (STPS), Surface Transportation Program Urban (STPU), Surface Transportation Program Bridge (STPB), Surface Transportation Program for Other Routes (Off-System) (STPX), and Urban Pavement Preservation Program (UPP). W. Reserve Dr. is eligible for the following STP funds:

Funding

Surface Transportation Block Grant Program funds are federally apportioned to Montana and allocated by the Montana Transportation Commission to the various STP programs. The federal share for STP projects is 86.58% with the state responsible for the remaining 13.42%, typically funded through a HSSRA. The Montana Transportation Commission establishes priorities for the use of STP funds and projects are awarded through a competitive bidding process.

1.1.2.1 Surface Transportation Program Primary (STPP)

The federal and state funds available under this program are used to finance transportation projects on the state-designated Primary Highway System. The Primary Highway System includes highways that have been functionally classified by MDT and FHWA as either principal or minor arterials and that have been selected by the Montana Transportation Commission to be placed on the Primary Highway System (MCA 60-2-126(b)).

Program Eligibilities

STPP funds are eligible for resurfacing, rehabilitating, or reconstructing roads and bridges on the Primary System.

Project Selection

Primary funds are distributed statewide (MCA 60-3-205) to each of five financial districts. The Commission distributes STPP funding based on system performance.

1.1.2.2 Surface Transportation Program Urban (STPU)

The federal and state funds available under this program are used to finance transportation projects on Montana's Urban Highway System (MCA 60-3-211). STPU allocations are based on a per capita distribution and are recalculated each decade following the census. Whitefish Stage Rd. would be eligible for STPU funds if the Kalispell Planning Commission establishes it as a priority.



Program Eligibilities

STPU funds are eligible for rehabilitation, resurfacing, reconstruction of existing facilities, operational improvements, vehicle-to-infrastructure communication equipment, bicycle facilities, pedestrian walkways, carpool projects, and traffic operation projects on the 430 miles of the State-designated Urban Highway System. Priorities for the use of STPU funds are established at the local level through local planning processes with final approval by the Montana Transportation Commission.

Program Selection

State law guides the allocation of STPU funds to Montana's urban areas (population of 5,000 or greater) through a statutory formula based on each area's population compared to the total population in all urban areas.

1.1.2.3 Surface Transportation Program Bridge (STPB)

The federal and state funds available under this program are used to finance bridge projects for on-system and off-system routes in Montana. The FAST Act requires that a minimum amount (equal to 15 percent of Montana's 2009 Federal Bridge Program apportionment) be set aside for off-system bridge projects. The remainder of the Bridge Program funding is established at the discretion of the state.

Program Eligibilities

STPB funds are primarily used for bridge rehabilitation or reconstruction activities on Primary, Secondary, Urban, or off-system routes.

Program Selection

Projects are identified based on bridge condition and performance metrics.

1.1.3 Transportation Alternatives Program

The Fixing America's Surface Transportation Act (FAST Act) provides funding to the Transportation Alternatives (TA) program via a set-aside from the STP. The TA program aids local governments, tribal entities, transit providers, resource agencies, and/or school districts for community improvements deemed eligible to receive TA funding. MDT solicits proposals (from eligible entities) for construction projects, ranks each proposal, and then advances the highest priorities without exceeding available TA funding.

Funding

Projects are awarded through a competitive process with the federal share at 86.58% and the state/local match at 13.42%. MDT follows its standard match policies for programs it administers, which is to provide for all on-system projects through the HSSRA. Off-system projects outside of reservation lands are required to provide a local match of 13.42%.

Program Eligibilities

Eligible activities include smaller-scale transportation projects such as pedestrian and bicycle facilities, recreational trails, safe routes to school projects, community improvements such as historic preservation and vegetation management, and environmental mitigation related to stormwater and habitat connectivity.



Project Selection

Per the FAST Act, TA funds must be obligated through a competitive process. Funding will be allocated to improvements in areas consistent with the FAST Act: 25%-areas with population over 5,000; 25%-areas with population under 5,000; and 50%-available for use in any area of the state.

1.1.4 Highway Safety Improvement Program

The Highway Safety Improvement Program (HSIP) is a funding category that helps states implement a data-driven and strategic approach to improving highway safety on all public roads. In Montana, the primary focus of the HSIP program involves identifying locations with crash trends where feasible countermeasures exist and prioritizing work according to benefit/cost ratios. However, MDT also advances systemic improvements such as striping projects, curve signing and wrong-way warnings to address safety issues at the network level.

Funding

The federal funding share for this program is 90% with the state contributing 10% matching funds.

Program Eligibilities

Any highway safety improvement projects on any public road or publicly owned bicycle or pedestrian pathway or trail is eligible for HSIP funding. The proposed improvement must not be a maintenance function. Examples of projects addressed with these funds include signing, striping, delineation, slope flattening, intersection improvements, and roadway realignment.

Project Selection

After MDT receives the applications from local agencies, the Safety Engineering Section develops an annual list of priorities according to a benefit/cost ratio analysis. MDT then develops a program for improvements subject to availability of funds and benefit/cost ratio greater than 1.0. The Montana Transportation Commission approves the list of safety improvement projects.

1.1.5 Montana Air and Congestion Initiative

The Congestion Mitigation and Air Quality Improvement Program (CMAQ) provides a flexible funding source to state and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act. MDT has taken advantage of this flexibility by developing the Montana Air and Congestion Initiative (MACI) Program.

Funding

The federal share for this program is 86.58% and 13.42% is non-federal. Non-federal match is provided by the state for projects on state highways and by local governments for local projects.

Program Eligibilities

Funding is available to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (nonattainment areas) as well as former nonattainment areas that are now in compliance (maintenance areas). A requirement for the use of these funds is to estimate the reduction in pollutants resulting from implementing the program/project.



Project Selection

The MACI Program provides funding for projects and programs that reduce transportation-related emissions in air quality non-attainment areas and areas identified as high risk for nonattainment designation. Projects eligible for MACI funding include projects that improve traffic flow, including efforts to provide signal systemization, construct HOV lanes, streamline intersections, add turning lanes, improve transportation systems management and operations that mitigate congestion and improve air quality, and implement ITS and other CMAQ-eligible projects, including efforts to improve incident and emergency response or improve mobility, such as through real time traffic, transit and multimodal traveler information. Projects or programs that shift travel demand to nonpeak hours or other transportation modes, increase vehicle occupancy rates, or otherwise reduce demand through initiatives, such as teleworking, ridesharing, pricing, and others are also eligible.

1.2 State Funding Sources

1.2.1 State Fuel Tax

The state of Montana assesses a tax of \$0.325 per gallon on gasoline and \$0.2955 on special fuel including biodiesel used for transportation purposes (MCA 15-70-403). According to state law (MCA 15-70-101), each incorporated city and town within the state receives an allocation of the total funds based on the following:

- The ratio of the population within each city and town to the total population in all cities and towns in the state
- The ratio of the street mileage within each city and town to the total street mileage in all incorporated cities and towns in the state (the street mileage is exclusive of the NHS and Primary Systems)

State law also establishes that each county be allocated a percentage of the total tax funds based on the following:

- The ratio of the rural road mileage in each county to the total rural road mileage in the state (the street mileage is exclusive of the NHS and Primary Systems)
- The ratio of the rural population in each county outside incorporated cities and towns to the total rural population in the state outside incorporated cities and towns
- The ratio of the land area in each county to the total land area of the state

For State Fiscal Year (SFY) 2021, Flathead County received \$491,328 in state fuel tax funds while Kalispell received \$394,873. These amounts vary annually.

All fuel tax funds allocated to the city and county governments must be used for the construction, reconstruction, maintenance, and repair of rural roads or city streets and alleys. The funds may also be used for the share that the city or county might otherwise expend for proportionate matching of federal funds allocated for the construction of roads or streets that are part of the primary, secondary, or urban systems. Priorities for the use of these funds are established by each recipient jurisdiction.

Bridge and Road Safety and Accountability Act

Effective July 1, 2017, House Bill 473, the Bridge and Road Safety and Accountability Act (BaRSAA) increased Montana's fuel tax rate incrementally to \$0.33 per gallon for gasoline and \$0.2975 per gallon for special fuel through July 1, 2023.



The increased fuel taxes are deposited into a BaRSAA Restricted Account. After reductions for initial distributions that include refunds, distributor payments, and non-highway fuel uses, MDT received 35% of the taxes while the remaining 65% is allocated to local governments. For Federal Fiscal Year (FFY) 2021, Flathead County received \$557,458 in BaRSAA funds while Kalispell received \$453,349. These amounts vary annually.

1.2.2 State Special Revenue/State Funded Construction

The State Funded Construction Program, which is funded entirely with state funds from HSSRA, provides funding for projects that are not eligible for federal funds. This program is totally state funded, requiring no match. This program funds projects to preserve the condition and extend the service life of highways. Eligibility requirements are that the highways be maintained by the state. MDT staff nominates the projects based on pavement preservation needs. The districts establish priorities, and the Montana Transportation Commission approves the program.

1.3 County Funding Sources

Local governments generate revenue through a variety of funding mechanisms. Typically, several local programs related to transportation exist for budgeting purposes and to disperse revenues. These programs are tailored to fulfill specific transportation functions or provide specific services. The Flathead County Commissioners determine how funds apportioned to the County are allocated and spent. The following sections summarize programs that could be used to finance transportation improvements by the county.

1.3.1 Road Fund

The County Road Fund provides for the construction, maintenance, and repair of all county roads outside the corporate limits of cities and towns in Flathead County. Revenue for this fund comes from intergovernmental transfers (i.e., state gas tax apportionment and motor vehicle taxes) and a mill levy assessed against county residents living outside cities and towns.

County Road Fund monies are used primarily for maintenance, with little allocated for new road construction. Projects eligible for financing through this fund will be competing for available revenues on a countywide basis.

1.3.2 Bridge Fund

The Bridge Fund provides financing for engineering services, capital outlays, and necessary maintenance for bridges on all off-system and secondary routes within the county. These monies are generated through intergovernmental fund transfers (i.e., vehicle licenses and fees), and a countywide mill levy.

1.3.3 Special Revenue Funds

Special revenue funds may be used by the county to budget and distribute revenues legally restricted to a specific purpose. Several such funds that benefit the transportation system are briefly discussed below.

Capital Improvement Fund

This fund is used to finance major capital improvements to county infrastructure. Revenues are generated by loans from other county funds and must be repaid within ten years. Major road construction projects are eligible for this type of financing.



Rural Special Improvement District

This fund is used to administer and distribute monies for specified Rural Special Improvement District (RSID) projects. Revenue for this fund is generated primarily through a mill levy and motor vehicle taxes and fees. A mill levy is assessed only when delinquent bond payments dictate such an action.

Special Bond Funds

The county may establish a fund of this type on an as-needed basis for a particularly expensive project. The voters must approve authorization for a special bond fund.

Specialized Transportation Fund

This type of fund may be established to supplement the cost of transit service to disabled or low-income county residents.

1.4 City Funding Sources

Local governments generate revenue through a variety of funding mechanisms. Typically, several local programs related to transportation exist for budgeting purposes and to disperse revenues. These programs are tailored to fulfill specific transportation functions or provide specific services. The following sections summarize programs that could be used to finance transportation improvements by the city.

1.4.1 Special Improvement District Revolving Fund

A special improvement district (SID) fund provides financing to satisfy bond payments for SIDs in need of additional funds. The City of Kalispell can establish street SIDs with bond repayment to be made by the adjoining landowners receiving the benefit of improvement. The City of Kalispell has provided labor and equipment for past projects through the General Fund, with an SID paying the materials.

1.4.2 Street Maintenance Assessment

Every parcel within city limits is assessed for street maintenance, with a square footage cap based on the type of property (residential versus commercial). Revenues generated from the assessment fund maintenance activities on public roadways. Street maintenance includes, but is not limited to, the following: sprinkling, graveling, oiling, chip sealing, seal coating, overlaying, treating, general cleaning, sweeping, flushing, snow and ice removal, and leaf and debris removal.

1.4.3 Tax Increment Financing (TIF)

Increment financing has been used by many municipalities to generate revenue for public improvement projects. As improvements are made within the district, and as property values increase, the incremental increases in property tax revenue are earmarked for this fund. The fund is then used for improvements within the district. Expenditures of revenue generated by this method are subject to certain spending restrictions and must be spent within the district. Tax increments could be established to accomplish transportation improvements in other areas of the community where property values may be expected to increase.

The City of Kalispell's TIF districts are the Westside / Core Area TIF, the South Kalispell / Airport TIF, and the Old School Station Technology and Industrial TIF.



1.5 Private Funding Sources

Private financing of roadway improvements in the form of right-of-way donations and cash contributions has been successful for many years. In recent years, the private sector has recognized that better access and improved facilities can be profitable due to increased land values and commercial development possibilities. Several forms of private financing for transportation improvements used in other parts of the United States are described in this section.

Cost Sharing

The private sector pays some of the operating and capital costs for constructing transportation facilities required by development actions.

Transportation Corporations

These private entities are non-profit, tax-exempt organizations under the control of state or local governments. They are created to stimulate private financing of highway improvements.

Road Districts

These are areas created by a petition of affected landowners, and they enable issuance of bonds for financing local transportation projects.

Private Donations

This private donation of money, property, or services to mitigate identified development impacts is the most common type of private transportation funding. Private donations are effective in areas where financial conditions do not permit a local government to implement a transportation improvement itself.

General Obligation Bonds

The sale of general obligation (GO) bonds could be used to finance a specific set of major highway improvements. A GO bond sale, subject to voter approval, would provide the financing initially required for major improvements to the transportation system. This funding method is advantageous because when the bond is retired, the obligation of the taxpaying public is also retired. State statutes limiting the level of bonded indebtedness for cities and counties restrict the use of GO bonds. The present property tax situation in Montana, and recent adverse citizen responses to proposed tax increases by local governments would suggest that the public may not be receptive to the use of this funding alternative.

Local Improvement District

This funding option is applicable to counties and cities wishing to establish a local improvement district for road improvements. While similar to an SID, this funding option has the benefit of allowing counties and cities to initiate a local improvement district through a more streamlined process than that associated with the development of an SID.

Development Exactions/Impact Fees

Exaction of fees or other considerations from developers in return for allowing development to occur can be an excellent mechanism for improving the transportation infrastructure. Developer exactions and fees allow growth to pay for itself. The developers of new properties must provide at least a portion of the added transportation system capacity necessitated by their development, or to make some cash contribution to the agency responsible for implementing the needed system improvements.



Establishment of an equitable fee structure would be required to assess developers based on the level of impact to the transportation system expected from each project. Such a fee structure could be based on the number of additional vehicle trips generated, or on a fundamental measure such as square footage of floor space. Once the mechanism is in place, all new development would be reviewed by the local government, and fees could be assessed accordingly.