



Transportation Funding & Budget Structure

House Appropriations S/C on Articles VI, VII & VIII

Monday, July 18, 2016, 10:00 A.M.

Capitol Extension E1.030

INTRODUCTION

It is the Texas Department of Transportation's (TxDOT) mission, through collaboration and leadership, to deliver a safe, reliable and integrated transportation system that enables the movement of people and goods. The employees and leaders of TxDOT take our roles as public servants seriously. We know that the public and the Texas Legislature have entrusted TxDOT with the state's resources, and we must use those resources in a responsible and efficient manner to meet the following goals:

- Deliver the Right Projects – Implement effective planning and forecasting processes that deliver the right projects on-time and on-budget;
- Focus on the Customer – People are at the center of everything we do;
- Foster Stewardship – Ensure efficient use of state resources;
- Optimize System Performance – Develop and operate an integrated transportation system that provides reliable and accessible mobility, and enables economic growth;
- Preserve our Assets – Deliver preventative maintenance for TxDOT's system and capital assets to protect our investments;
- Promote Safety – Champion a culture of safety; and
- Value our Employees – Respect and care for the well-being and development of our employees.

INTERIM CHARGE #18, HOUSE APPROPRIATIONS S/C ON ARTICLES VI, VII & VIII:

Study the various methods of funding the state's transportation network including recent legislative enactments such as Proposition 1 (83(3)) and Proposition 7 (84R). Review the current budget structure for the Texas Department of Transportation as it relates to transportation funding categories and make recommendations for future allocations to accurately address the transportation needs in the state.

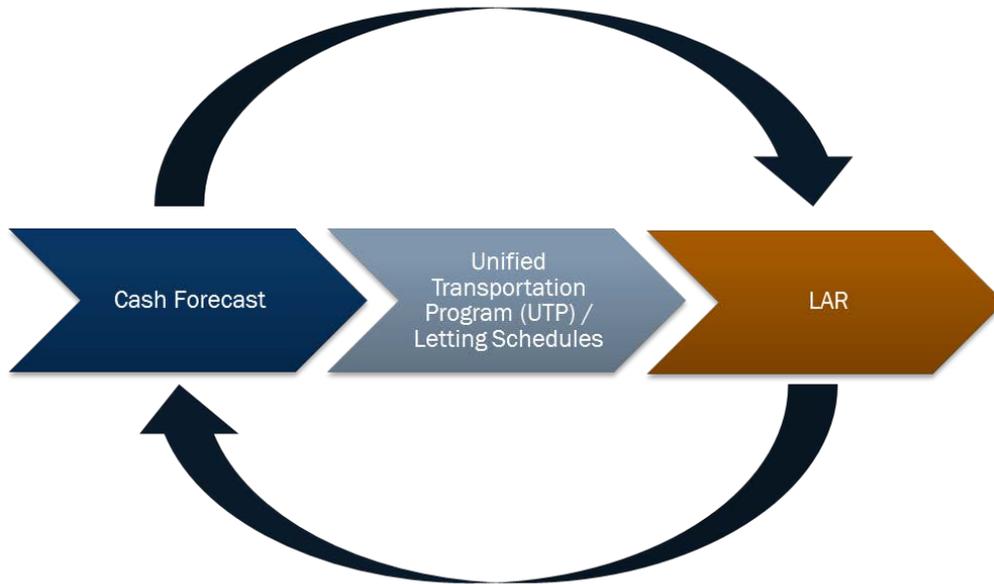
Many factors contribute to the complexity of funding and planning the state's transportation network. These intricacies require TxDOT to be highly organized in its cash forecasting and planning while staying flexible to adjust to numerous changing factors. The question of how the General Appropriations Act (GAA) and transportation funding relates to project planning in the Unified Transportation Program (UTP) is one of the most asked questions TxDOT receives from people interested in transportation funding and project selection.

CASH FORECAST

One of the most important endeavors TxDOT undertakes is the forecasting of available funding. The cash forecast is TxDOT's internal assessment of available revenues, expenditures and

resulting fund balances. Accurate cash forecasting provides the framework for highway project planning and is the starting point of TxDOT's Legislative Appropriations Request (LAR) and ultimately, TxDOT's bill pattern in the GAA.

FIGURE A

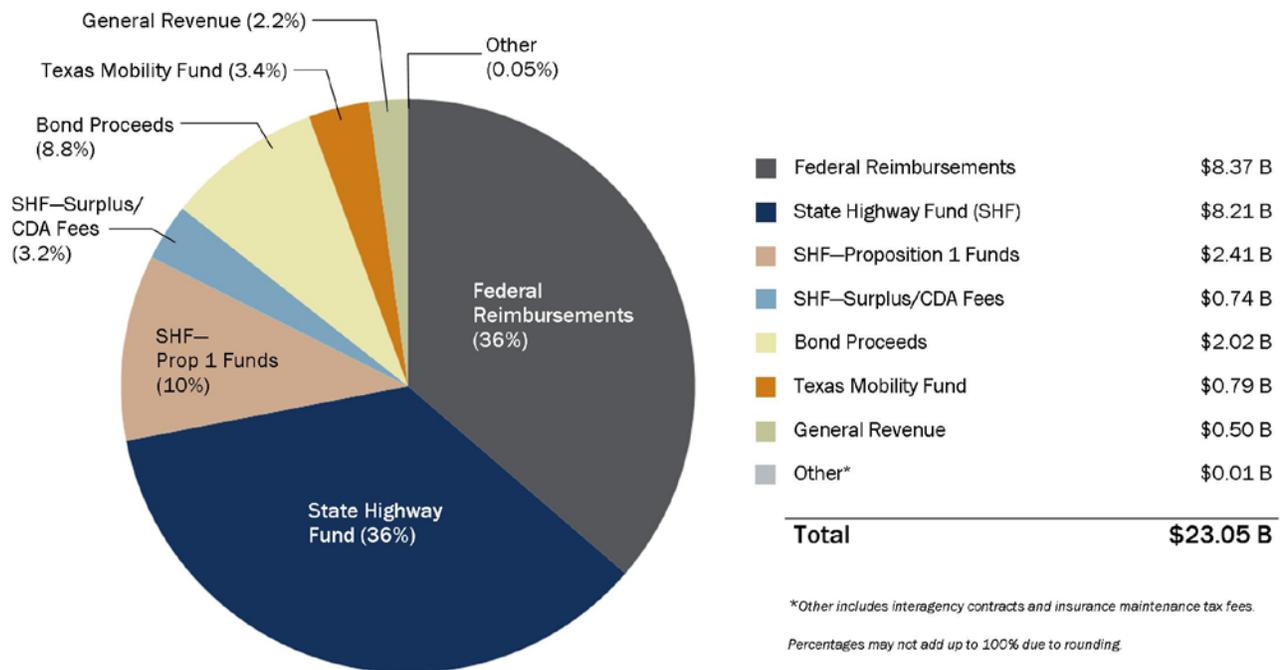


TxDOT's budget is highly complex and variable for many reasons. TxDOT receives different revenues from multiple sources that are deposited into various funds or subaccounts. These revenues have varying restrictions on their use. The cash forecast spans multiple funding sources, including State Highway Fund (SHF) revenues, Texas Mobility Fund (TMF) revenues, Proposition 14 bond proceeds, Proposition 12 bond proceeds, SH 121 toll project revenue, SH 130 concession funds, SH 161 funds, Proposition 1 oil and gas severance tax revenue, Proposition 7 sales and use tax, American Recovery and Reinvestment Act (ARRA) funds, State Infrastructure Bank (SIB) funds and state general revenue (GR). The cash forecast must consider all restrictions on each revenue source, timing issues related to cash flow from revenue and expenditures, federal and state regulations, economic uncertainty and many other variables.

Future revenues are projected based on financial analysis that includes historical trends, current statutes, the Texas Comptroller of Public Accounts' Biennial Revenue Estimate (BRE) and current events. TxDOT's federal highway reimbursement projections take into account the current federal surface transportation authorization bill (FAST Act), continuing resolutions, rescissions of obligation authority, apportionment and other federal requirements imposed on the use of those funds. Figure B on the following page provides a summary of FY 2016-2017 revenues in the GAA.

FIGURE B

TxDOT Method of Finance for FY 2016-2017



Future expenditures are projected based on budgets established within the framework of the GAA, contract letting amounts in TxDOT’s 10-year UTP, remaining obligations on previously let projects and other relevant data. To account for the effects of inflation, additional transportation programs, legislative changes, and other uncertainties, the cash forecast adds a percentage of total expenditures less contractor payments to a growth expenditure line item.

Many of TxDOT’s revenues are deposited on a monthly basis, primarily to the SHF, and progress payments on projects are paid as invoices become due. Therefore, it is important to ensure that the correct funds are available as projects progress and payments are made. In order to control for the constant movement of funds in and out of the system, TxDOT uses the cash forecast to monitor fund levels and to guarantee that the correct funds are available at the appropriate time to make progress payments on project expenses.

Payments toward the planning and construction of any given highway transportation project usually last beyond the appropriation authority of the biennial GAA. Payments on projects (also known as “progress payments”) are made on a cash basis, which means that as cash is deposited payments on invoices are made throughout the year as work progresses on projects. This methodology allows for the greatest flexibility to efficiently construct and maintain the best possible highway system by optimizing the resources available. The time span of the cash forecast is 10 years, like the UTP, and the estimated funding levels of the UTP are derived from

the cash forecast. Both the cash forecast and the UTP are updated frequently throughout the year to account for new revenues, project additions, project delays and other variables.

UNIFIED TRANSPORTATION PROGRAM (UTP)

Texas Transportation Commission (Commission) and TxDOT use the UTP as TxDOT's 10-year plan to guide transportation project development. The UTP is developed annually in accordance with the Texas Administrative Code (43 TAC §16.105) and is approved by the Commission before August 31st of each year. The UTP authorizes projects for construction, development and planning activities and includes projects involving highways, aviation, public transportation and state and coastal waterways. However, non-highway projects may also appear as allocations in the UTP and not as part of specific projects or category funding. Remaining funding levels and certain lists of projects for public transportation, the Aviation Capital Improvement Program, state waterways and coastal waters, and rail are authorized by separate minute orders.

The UTP is part of a comprehensive planning and programming process flowing from TxDOT's mission to project-level implementation. The UTP is an intermediate programming document linking the planning activities of the Statewide Long-Range Transportation Plan (SLRTP), Metropolitan Transportation Plans and Rural Transportation Plans to the detailed programming activities under the Statewide Transportation Improvement Program (STIP) and TxDOT's 24 month Letting Schedule.

Despite its importance to TxDOT as a planning and programming tool, the UTP is neither a budget nor a guarantee that projects will or can be built. However, it is a critical tool in guiding transportation project development within the long-term planning context. In addition, the UTP serves as a communication tool for stakeholders and the public in understanding project development commitments. Appendix A of this document explains each of the UTP's program categories, the project scope within each category and category funding allocation formulas.

TXDOT'S TWO-YEAR LETTING SCHEDULE

Letting is the process of providing notice, issuing proposals, receiving bids and awarding contracts for highway improvement projects. At this stage of project development, TxDOT staff must have a realistic view of how much cash will be available in the future to make progress payments on contracts. TxDOT staff evaluates historical programming levels and makes projections beyond what is appropriated for the current biennium. TxDOT must ensure that there is sufficient revenue to support the appropriation and guarantee that revenue will be available beyond the biennium since each project may continue to pay out over several years.

Changing conditions may result in projects being removed or added to the letting schedule. These changes could include financial issues such as receiving more or less revenue than forecasted, adjustments to fit within obligation limits, the execution of funding agreements, bids on projects being higher or lower than project estimates and increasing or decreasing cost on existing contracts through change orders or quantity overruns. Some projects and financial obligations may move into or out of the letting schedule due to project development issues

associated with receiving environmental clearance or required right of way (ROW), changes in project priorities at the local or statewide level or conflicts with other construction or maintenance work.

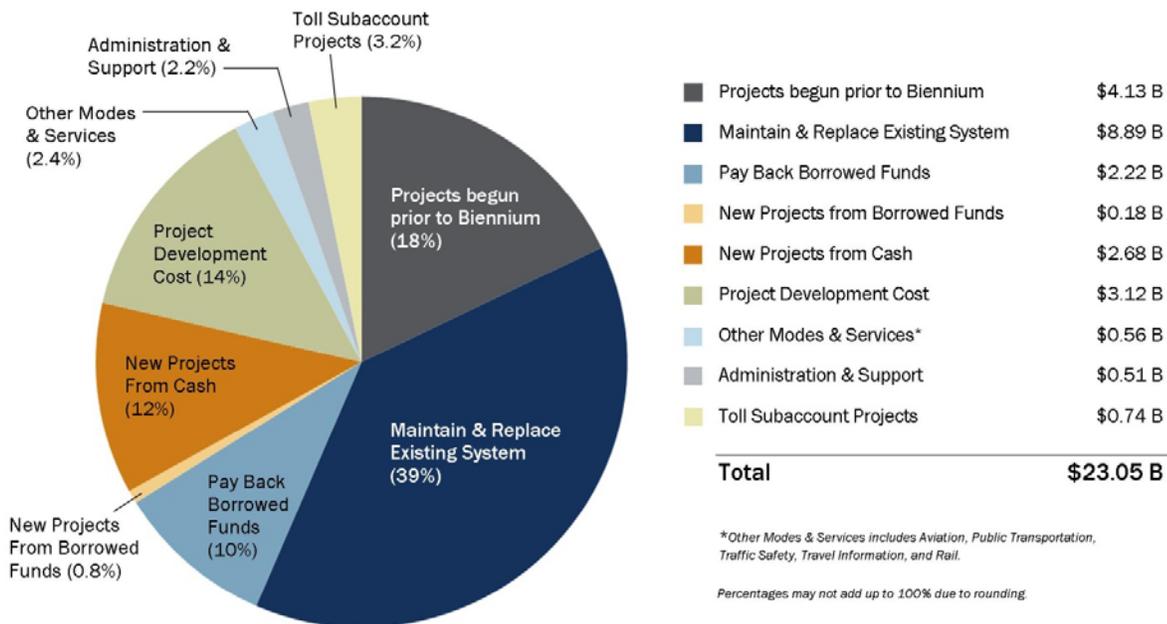
HIGHWAY TRANSPORTATION PROJECT FUNDING IN THE LAR AND GAA

State agencies in Texas are appropriated funds by the Legislature on a biennial basis in the GAA. Agencies submit requests for biennial funding in the LAR. TxDOT's LAR uses the cash forecast to detail anticipated revenue streams and expenditures for the upcoming biennium. The Legislature uses the LAR to guide final appropriation decisions that eventually appear in the GAA.

Figure C illustrates TxDOT's Fiscal Year (FY) 2016-2017 appropriations by expenditure type. As illustrated, the bulk of the funds are used for system preservation (maintain & replace existing system) and projects that have already been awarded in earlier biennia (projects begun prior to biennium). The remaining funds are available to develop future projects and make payments on projects that begin in the current biennium.

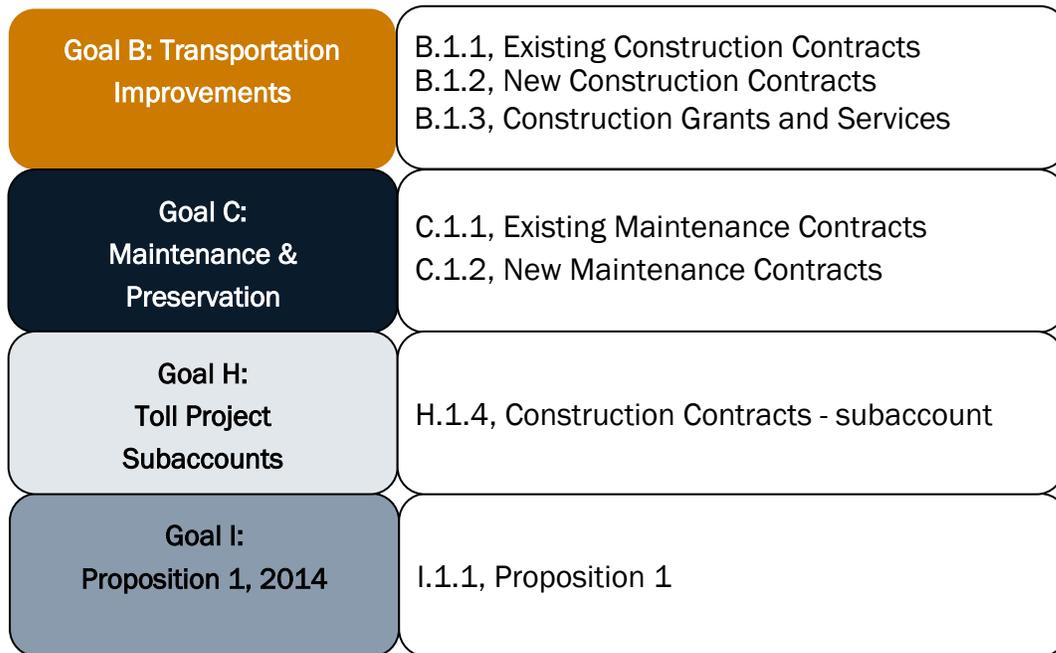
FIGURE C

TxDOT Budget for FY 2016-2017



TxDOT's UTP category-related GAA strategies are examined in Figure D.

FIGURE D



Non-highway projects appearing in discrete GAA strategies such as public transportation, aviation, gulf waterways and rail are generally approved by the Commission in separate minute orders and do not necessarily appear in the UTP. There are some exceptions to this rule. For example, rail safety and improvement projects that receive a large percentage of federal funding may appear in Categories 6, 8 and 10 of the UTP.

PROPOSITION 1 (PROP 1)

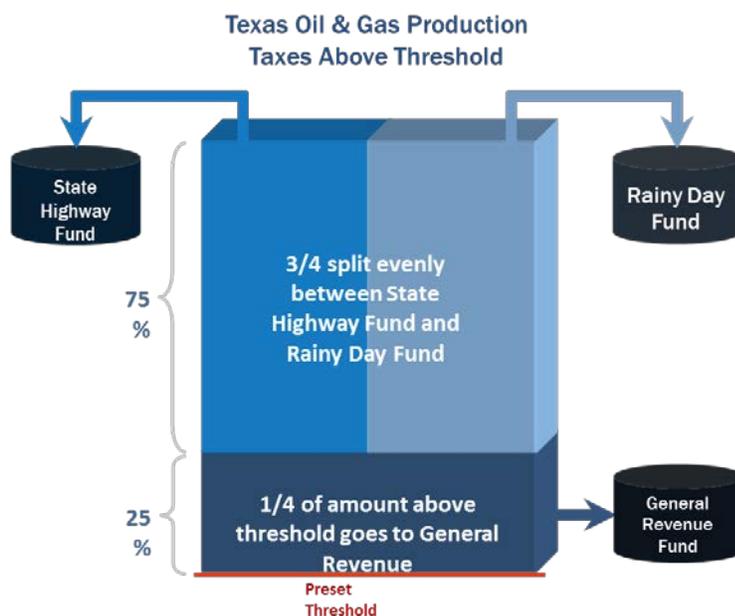
Prop 1 funding was approved by Texas voters in November 2014 and directs a portion of oil and gas severance tax revenue be deposited to the SHF under certain circumstances. Prop 1 funds may be used for the construction, maintenance, rehabilitation and acquisition of right-of-way for non-tolled public roadways. Prop 1 funds are deposited into a subaccount within the SHF. The figure below presents a visual explanation of the Prop 1 funding process. In short, the Joint Select Committee to Study the Balance of the Economic Stabilization Fund determines and adopts a sufficient balance of the Economic Stabilization Fund (ESF or “Rainy Day Fund”) the month before the start of each legislative session. The first twenty-five percent of oil and gas severance tax deposits above the ESF sufficient balance are deposited in the state’s GR fund. The following seventy-five percent of the severance tax is distributed evenly between the ESF and SHF.

To date, the SHF has received two Prop 1 deposits. The first round of Prop 1 funds deposited to the SHF was in the amount of \$1.74 billion at the end of Fiscal Year (FY) 2015. The second

deposit of \$1.13 billion was made at the beginning of FY 2016. The Comptroller’s BRE projects a deposit of \$594 million at the beginning of FY 2017.

Based on recent testimony provided by the Texas Comptroller of Public Accounts, the FY 2018 Prop 1 deposit is projected to be \$740 million. This estimate is based on the presumption that the ESF sufficient balance remains at \$7 billion. While the exact amount of future Prop 1 funds deposited to the SHF is unknown, TxDOT continues to plan for projects in order to efficiently deliver the most projects possible. The uncertainty of future deposits of Prop 1 to the SHF due to the volatility of oil and gas production creates difficulty in planning future revenues. For long-term planning purposes, TxDOT will be projecting an estimate of \$875 million per fiscal year, which is the 10-year historical average of surplus oil and gas taxes that would have been deposited to the SHF if Prop 1 had been in effect over the last 10 years.

FIGURE E



Note: Actual amounts deposited in the State Highway Fund may vary based on the minimum balance of the Rainy Day Fund set by the Legislature’s Joint Select Committee to Study the Balance of the Economic Stabilization Fund.

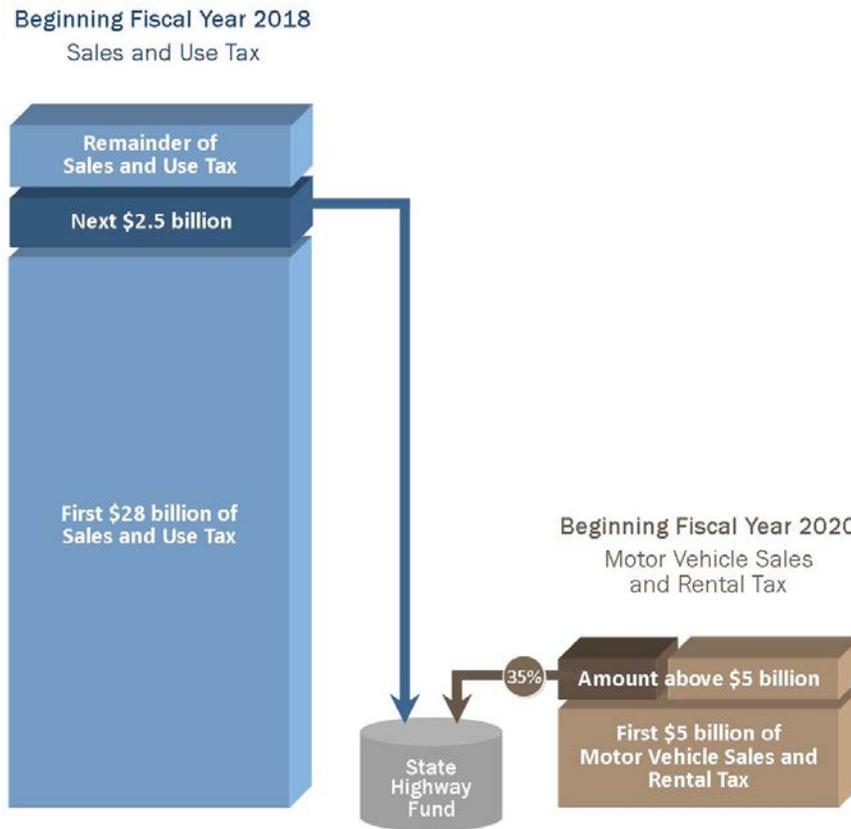
PROPOSITION 7 (PROP 7)

On November 3, 2015, Texas voters, again, overwhelmingly approved a constitutional amendment to increase funding for the state’s highway system. Prop 7 funding for state highway improvement projects is expected to become available in second half of FY 2018. TxDOT will not immediately receive these funds at the beginning of FY 2018 because sales and use taxes provide funding to other important state budget items.

Assuming the state’s sales and use tax reach the Comptroller’s estimated levels, TxDOT expects an additional \$2.5 billion additional dollars in FY 2018 and another \$2.5 billion in FY 2019 to be deposited to the SHF for highway improvement projects. In future biennia, the annual Prop 7

deposit is estimated to increase beyond \$3 billion. Prop 7 estimates to fund highway improvement projects are based on several assumptions: (1) state sales and use taxes will rise above \$28 billion by FY 2018; (2) the Legislature will not reduce Prop 7 appropriations due to GR scarcity; and (3) highway improvement funds will not be appropriated to pay bond debt service. Figure F below provides an illustration of Prop 7’s funding process.

FIGURE F



Source: Texas Department of Transportation

PORT AND RAIL PROJECTS

As stated previously in this testimony, most projects that are exclusively rail or port-specific appear in separate minute orders approved by the Commission. Methods of finance for port and rail projects include SHF funds that are not constitutionally dedicated to highway improvement projects and funds from toll revenue subaccounts. While TxDOT has no future plans to invest TMF funds in passenger rail projects, TMF bond proceeds and revenues are constitutionally allowed to fund such projects. Figure G provides a summary of TxDOT’s various methods of finance and which types of projects are constitutionally and statutorily available to receive these funding sources.

FIGURE G

Funding Source	Project Type						
	Non-Tolled Highways	Tolled Highways	Rail — Passenger	Rail — Freight	Transit	Aviation	Ports
State Highway Fund — Dedicated ¹	✓	✓					
State Highway Fund — Non-Dedicated	✓	✓	✓	✓	✓	✓	✓
Texas Mobility Fund — Bond Proceeds ²	✓	✓	✓		✓		
Texas Mobility Fund — Revenue	✓		✓		✓		
Prop 14 Bonds	✓	✓					
Prop 12 Bonds ³	✓	✓					
Prop 1 Funds	✓						
Prop 7 Funds	✓						
Toll Subaccounts ⁴	✓	✓	✓	✓	✓	✓	✓

¹ State Highway Fund-Dedicated includes federal reimbursements.

² The Texas Constitution allows TMF bonds to be used to develop and construct state highways, “to provide participation by the state in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects.” “Other public transportation projects” is undefined and therefore may be available for more types of transportation projects than what is listed here.

³ Proposition 12 bond proceeds may be used to provide funding for highway improvement projects with no distinction between tolled and nontolled highways. During the 2010-11 biennium, Prop 12 proceeds were restricted to non-tolled projects per Rider 60.

⁴ Toll Subaccount funds may only be used for transportation, highway, and air quality projects as defined by Section 228.001 of the Transportation Code in the region where the project from which those funds were derived is located. The revenues are deposited to the State Highway Fund but are not dedicated by the Texas Constitution. To date, regions with toll subaccount funds have neither required nor requested port funding.

The GAA of the 84th Legislative Session included Rider 48, authorizing the use of up to \$20 from the TMF for the 2016-2017 biennium to provide funding for port capital improvement projects selected by the Port Authority Advisory Committee (PAAC) and approved by the Commission.

Governor Greg Abbott included a signing statement for Rider 48 recognizing the value of ports to the Texas economy but cited concerns regarding the constitutionality of using TMF funds for port capital projects. TxDOT’s Maritime Division has worked to ensure that all projects are access projects that adhere to the constitutional requirements of TMF.

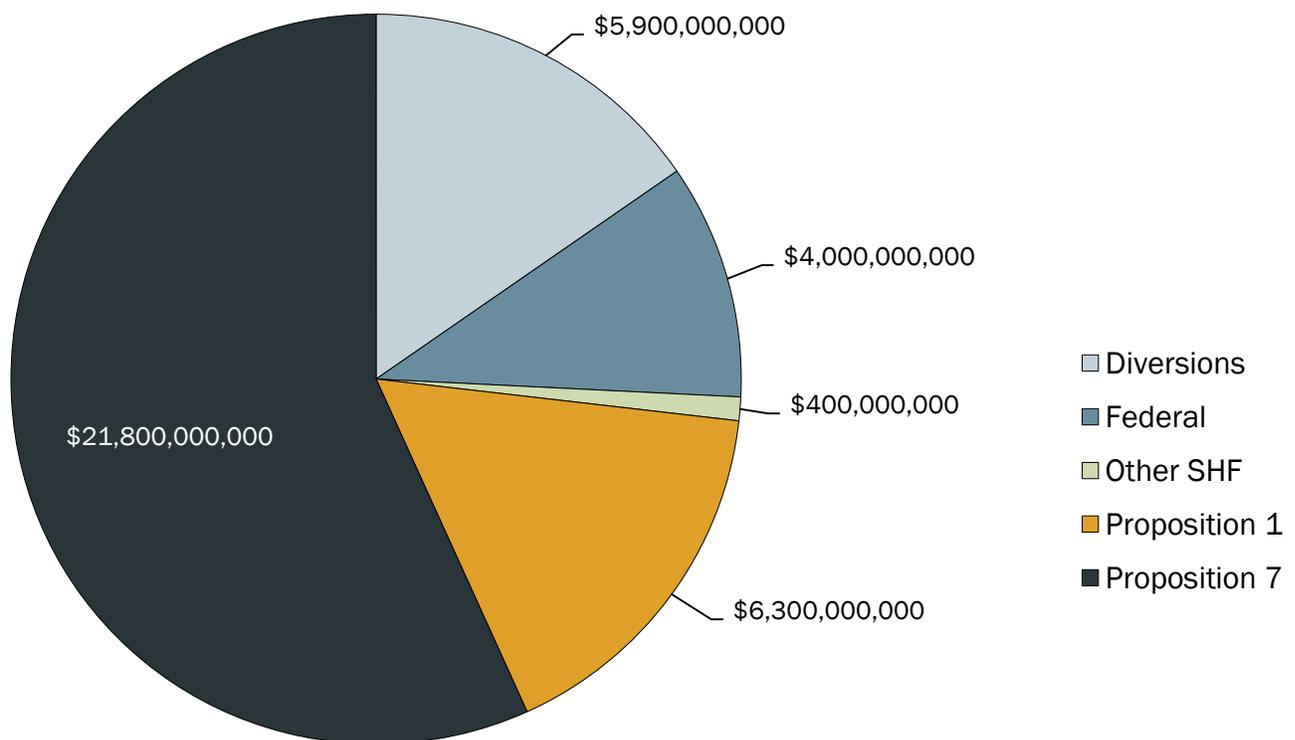
Appendix B of this document lists projects selected by PAAC and approved by the Commission.

CONCLUSION

The Texas Legislature has worked diligently over the last two legislative sessions to fund the growing demands on the Texas transportation system. The people of Texas have also shown their support by voting overwhelmingly for Prop 1 and Prop 7 funding. In response, TxDOT has been working to fulfill its duty to the Legislature and the people of Texas to properly plan for the additional funding and execute on project selection and delivery of transportation projects across the state.

In the last year TxDOT has updated its mission, vision, values and goals to become more transparent and accountable to Texans. TxDOT has also introduced additional performance-based planning and programming processes into the UTP. TxDOT is currently working with the Commission, transportation stakeholders and the public to program over \$66 billion of existing and new funding (\$38.3 billion of new funding – see Figure H) into the 2017 UTP to address key priorities including: (1) addressing safety; (2) preserving existing transportation assets; (3) targeting congestion and urban mobility needs; (4) enhancing regional connectivity corridors; and (5) focusing on strategic initiatives. The inclusion of the new transportation dollars in the 2017 UTP make cash forecasting, project selection, project planning, project implementation and communication with all stakeholders more important than ever.

FIGURE H



APPENDIX A

UTP Planning Categories

APPENDIX A: 2016 UTP FUNDING CATEGORY PROGRAMMING AND FORMULA INFORMATION

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p style="font-size: 2em; font-weight: bold; margin: 0;">1</p> <p>Preventive Maintenance and Rehabilitation Projects</p>	<ul style="list-style-type: none"> Texas Transportation Commission allocation program distributed to districts by preventive maintenance and rehabilitation formulas. Entire allocation may be used on preventive maintenance or rehabilitation projects or combination. Projects selected and managed by district based on a prioritized list. Energy-sector distribution and projects selected for energy-sector initiatives managed by Maintenance Division. Projects in this category must have MPO concurrence if located in its area of jurisdiction. 	<p>Each district shall receive an allocation based on the following funding formula:</p> <p><u>Preventive Maintenance</u> 3 basic criteria are weighted by percent. A total allocation percent is calculated by district with 98% directed toward roadway maintenance and 2% directed toward bridge maintenance.</p> <ul style="list-style-type: none"> 65% - On-system lane miles 33% - Pavement distress score factor 2% - Square footage of on-system bridge deck area <p><u>Rehabilitation</u></p> <ul style="list-style-type: none"> 32.5% - 3-year average lane miles of pavement distress scores < 70 20% - Vehicle miles traveled per lane mile (on-system) 32.5% - Equivalent single-axle load miles (on- and off-system and interstate). 15% - Pavement distress score pace factor <p><u>Energy Sector Factors</u></p> <ul style="list-style-type: none"> 40% 3-year average pavement condition score 25% - Oil and gas production taxes (\$) 25% - Well completions (#) Volume oil and gas waste injected (Vol. BBLs) <p>See NOTE at end of Appendix.</p>	<p>Federal 90% / State 10%; or</p> <p>Federal 80% / State 20%; or</p> <p>State 100% (Requires CFO approval)</p> <p>This category provides for preventive maintenance and pavement rehabilitation on the existing state highway system, including installation and rehabilitation of traffic control devices, rehabilitation and maintenance of operational traffic management systems, and preservation and rehabilitation of pavements.</p> <p><u>Preventive Maintenance</u> – Work to preserve, rather than improve, structural integrity of pavement and/or structures. Examples of preventive maintenance activities include asphalt concrete pavement (ACP); overlays (2-inch thick maximum); seal coats; cleaning and sealing joints and cracks; patching concrete pavement; shoulder repair; scour countermeasures; cleaning and painting steel members to include application of other coatings; restoring drainage systems; cleaning and sealing bridge joints; micro-surfacing, bridge deck protection; milling or bituminous level-up; clean, lubricate, and reset bearings; and clean rebar/strand and patch structural concrete and seal cracks.</p> <p><u>Rehabilitation</u> – Funds can be expended on any highway on the state highway system, and are intended for the rehabilitation (including approved preventive maintenance measures) of existing main lanes, structures, and frontage roads. Rehabilitation of an existing two-lane highway to a Super-2 highway may be funded within this category.</p> <p>The installation, replacement, and/or rehabilitation of signs and their appurtenances, pavement markings, thermoplastic striping, traffic signals, and illumination systems, including minor roadway modifications to improve operations, are also allowed under this category. Funds can be used to install new traffic signals as well as modernize existing signals.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>2</p> <p>Metropolitan and Urban Corridor Projects</p>	<ul style="list-style-type: none"> • Texas Transportation Commission distributes funds to MPOs by Category 2 Metro and Urban formulas. • The UTP does not distribute additional funds in this category. Total project cost allocation, which includes preliminary and construction engineering (TxDOT and consultant), right of way, and construction costs must have the concurrence and support of the MPO having jurisdiction in the particular area. Projects may be reprioritized during the development of the UTP. • Projects are selected and ranked by MPOs in consultation with TxDOT. 	<p>Each MPO shall receive an allocation based on the funding target formula:</p> <p>2M: MPOs operating in areas with a population greater than 200K (TMA). TMA = 87% of Category 2 Funding Allocation</p> <p><u>TMA Distribution Formula</u></p> <ul style="list-style-type: none"> • 30% - Total vehicle miles traveled (on- and off-system) • 17% - Population • 10% - Lane miles (on-system) • 14% - Vehicle miles traveled (trucks only on-system) • 7% - Percentage of census population below federal poverty level • 15% - Based on congestion • 7% - Fatal and incapacitating crashes (#) <p>2U: MPOs operating in areas that are non-TMA = 13% of Category 2 Funding Allocation</p> <p><u>MPO Distribution Formula</u></p> <ul style="list-style-type: none"> • 20% - Total vehicle miles traveled (on- and off-system) • 25% - Population • 8% - Lane miles (on-system) • 15% - Vehicle miles traveled (trucks only on-system) • 4% - Percentage of census population below federal poverty level • 8% - Centerline miles (on-system) • 10% - Congestion • 10% - Fatal and incapacitating crashes (#) 	<p>Federal 80% / Local 20%; or</p> <p>Federal 80% / State 20%; or</p> <p>State 100% (Requires CFO approval)</p> <p>This category provides for mobility and added capacity projects along a corridor that improves transportation facilities in order to decrease travel time and level or duration of traffic congestion and safety, maintenance, or rehabilitation projects that increase the safe and efficient movement of people and freight in metropolitan and urbanized areas.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>3</p> <p>Non-Traditionally Funded Transportation Projects</p>	<ul style="list-style-type: none"> • Project selection and/or allocation based on legislation, Texas Transportation Commission approved Minute Orders and/or anticipated local commitments. • Projects in this category must have concurrence and support of MPO having jurisdiction in the particular area. • UTP does not authorize new projects in the Pass-Through Finance Program. • Districts rank projects. 	<p>Determined by legislation, Texas Transportation Commission approved Minute Order, and local government commitments.</p>	<p>State 100% (Requires CFO approval); <i>or</i></p> <p>Local 100%</p> <p>Varies by agreement and rules</p> <p>This category provides for transportation-related projects that qualify for funding from sources not traditionally part of the SHF including state bond financing under programs such as Proposition 12 (General Obligation Bonds), Proposition 14, TMF, regional revenue and concession funds, and local participation funding.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>4</p> <p>Statewide Connectivity Corridor Projects</p>	<ul style="list-style-type: none"> • Project-specific selection by Texas Transportation Commission. • Total project cost allocation, which includes preliminary and construction engineering (TxDOT and consultant), right of way, and construction costs. • Projects in this category must have concurrence and support of MPO having jurisdiction in area. • Districts rank projects. 	<p>Selections based on engineering analysis of projects on three corridor types:</p> <ul style="list-style-type: none"> • Mobility corridors—based on congestion • Connectivity corridors—2-lane roadways requiring upgrade to 4-lane divided • Strategic corridors—Corridors on state highway network that provide statewide connectivity. Example: Ports-to-Plains Corridor 	<p>Federal 80% / State 20%; <i>or</i> State 100% (Requires CFO approval)</p> <p>This category provides mobility and added capacity projects on major state highway system corridors, which provide statewide connectivity between urban areas and corridors. Composed of a highway connectivity network that includes:</p> <ul style="list-style-type: none"> • The Texas Trunk System • National Highway System (NHS) • Connections from Texas Trunk System or NHS to major ports on international borders or Texas water ports
<p>5</p> <p>Congestion Mitigation and Air Quality Improvement Projects</p>	<ul style="list-style-type: none"> • Commission allocation program. • Projects selected and ranked by MPOs in consultation with TxDOT and Texas Commission on Environmental Quality. Projects must have final approval by EPA and FHWA before letting. • Total project cost allocation, which includes preliminary and construction engineering (TxDOT and consultant), right of way, and construction costs. 	<p>Distributed by population weighted by air quality severity in non-attainment areas. Non-attainment areas designated by EPA .</p>	<p>Federal 80% / Local 20%; <i>or</i> Federal 80% / State 20%; <i>or</i> Federal 90% / State 10% (Interstate)</p> <p>This category addresses attainment of National Ambient Air Quality Standard in non-attainment areas (currently Dallas-Fort Worth, Houston, and El Paso). Each project is evaluated to quantify its air quality improvement benefits. Funds cannot be used to add capacity for single-occupancy vehicles.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>6</p> <p>Structure Replacement and Rehabilitation Program</p> <p>Highway Bridge Program</p> <p>Federal Railroad Grade Separation Program (RGS)</p> <p>Bridge Maintenance and Improvement Program (BMIP)</p>	<ul style="list-style-type: none"> Statewide allocation program set by Texas Transportation Commission. Projects selected and managed by TxDOT Bridge Division (BRG) based on prioritized listing. BRG authorizes letting and monitors districts' ability to reach letting targets. Projects in Category 6 must have MPO concurrence if located in its area of jurisdiction. RGS projects selected and managed by BRG based on cost-benefit index for at-grade railroad crossing elimination projects and prioritization ranking for railroad underpass replacement or rehabilitation projects. District coordinates development of project list with BRG. BRG ranks projects. 	<p><u>Highway Bridge Program</u> Bridge projects selected statewide based on eligibility and prioritized based on sufficiency ratings. Eligible bridges must have a deficiency status of Structurally Deficient or Functionally Obsolete, and have sufficiency rating below a score of 80.</p> <p><u>Railroad Grade Separation</u> Projects selected based on cost-benefit index rating that encompasses vehicle and train traffic, accident rates, casualty costs, and personnel and equipment delay costs for selecting at-grade railroad crossing elimination projects; or with prioritization rankings that use vertical clearance and roadway characteristics for selecting replacement or rehabilitation of railroad underpass projects.</p> <p><u>BMIP</u> Projects are selected statewide based on identified bridge maintenance/improvement needs to aid in ensuring the management and safety of the state's bridge assets. For projects that are selected, all bridge elements will meet a predetermined condition threshold after rehabilitation.</p>	<p><u>Highway Bridge Program</u> Federal 90% / State 10%; or Federal 80% / State 20%; or Federal 80% / State 10% / Local 10%; or State 100% (Requires CFO approval)</p> <p>This program provides funding for the replacement or rehabilitation of eligible bridges on and off the state highway system that are considered functionally obsolete or structurally deficient. Bridges with a sufficiency rating below 50 are eligible for replacement. Bridges with a sufficiency rating of 80 or less are eligible for rehabilitation. A minimum of 15% of the funding must go toward replacement and rehabilitation of off-system bridges.</p> <p><u>Railroad Grade Separation</u> Federal 80% / State 20%</p> <p>This program provides funding for the elimination of at-grade highway-railroad crossings through the construction of highway overpasses or railroad underpasses, and rehabilitation or replacement of deficient railroad underpasses on the state highway system.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>7</p> <p>Metropolitan Mobility and Rehabilitation Projects</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • Allocation based on projected federal funding levels. • Total project cost allocation, which includes preliminary and construction engineering (TxDOT and consultant), right of way, and construction costs. • Projects selected and ranked by MPOs in consultation with TxDOT. 	<p>Federal funding distributed to MPOs with an urbanized area population of 200,000 or greater (TMAs).</p>	<p>Federal 80% / Local 20%; <i>or</i> Federal 80% / State 20%</p> <p>This category addresses transportation needs within metropolitan area boundaries of MPOs having urbanized area populations of 200,000 or greater. Projects selected by MPOs.</p> <p>Program authority can be used on any roadway with a functional classification greater than a local road or rural minor collector.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>8</p> <p>Safety Projects</p> <p>Highway Safety Improvement Program</p> <p>Safety Bond Program</p> <p>Systemic Widening Program</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • Projects selected and managed by the Traffic Operations Division (TRF) based on a prioritized list. TRF authorizes the letting of projects and monitors districts' ability to reach letting targets. • Districts coordinate development of project list with TRF. • TRF manages statewide allocation. • Districts score projects in consultation with TRF. 	<p><u>Highway Safety Improvement Program</u> Safety improvement index.</p> <p>Roadway safety features for preventable severe crash types.</p> <p><u>Safety Bond Program</u> Safety improvement index, roadway safety characteristics, and anticipated time required to complete the candidate project.</p> <p><u>Systemic Widening Program</u> Roadway safety features for preventable severe crash types. Total Risk Factor Weight.</p>	<p><u>Highway Safety Improvement Program</u> Federal 90% / State 10%</p> <p>Safety-related projects on and off the state highway system. Projects are evaluated using 3 years of crash data and ranked by safety improvement index.</p> <p>High Risk Rural Road projects previously authorized remain in Category 8. Future High Risk Rural Roads projects will be managed under HSIP if required by special rule.</p> <p>Safe Routes to School projects previously authorized remain in Category 8. Future Safe Routes to School projects will be managed under Transportation Alternative Program guidelines in Category 9.</p> <p><u>Safety Bond Program</u> State 100%</p> <p>Allocations for the Safety Bond Program are approved by Texas Transportation Commission. Program is managed as an allocation program on a statewide basis. Projects evaluated, ranked, prioritized, and selected by TRF.</p> <p><u>Systemic Widening Program</u> State 100%</p> <p>Roadway widening projects on state highway system. Projects are evaluated using Total Risk Factor Weights.</p> <p>Projects evaluated, ranked, prioritized, and selected by TRF.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>8</p> <p>Safety Projects</p> <p>Federal Railway-Highway Safety Program</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • Projects selected and managed by TRF based on prioritized list. TRF authorizes the letting and monitors districts' ability to reach letting targets. • Districts coordinate development of project lists with TRF. • TRF ranks projects in consultation with district. 	<p>Railroad crossing index.</p>	<p>Federal 90% / State 10%</p> <p>Funding set aside from HSIP for safety improvements in order to reduce number of fatalities, injuries, and crashes at public grade crossings.</p> <p>Installation of automatic railroad warning devices at railroad crossings on and off state highway system. Selected from statewide inventory list, which is prioritized by index using a crash prediction formula (number of trains per day, train and highway speed, average daily traffic, number of tracks and traffic lanes, type of existing warning device, train-involved crashes within prior 5 years, etc.). Provide incentive payments to local governments for closing crossings. Improve signal preemption and coordination of train control signals. Improve passive warning devices to comply with federal guidelines.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>9</p> <p>Transportation Alternatives Program</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • Federal program created by MAP-21. • Includes 50% distribution of funds based on population. • TMA MPOs receive direct TAP allocations. • TMA MPO TAP projects ranked and selected by the TMA MPOs in consultation with TxDOT. • In areas with populations less than 200,000, TAP program calls managed by PTN. • PTN ranks TAP projects from areas with populations less than 200,000. 	<p>Federal program with 50% available for statewide flexible use and 50% distributed by population. MPOs with an urbanized area population of 200,000 or greater (TMAs) receive direct TAP allocations.</p> <ul style="list-style-type: none"> • TMA MPOs select projects through a competitive process in consultation with TxDOT. • Funds allocated to small urban areas and non-urban areas (i.e., areas with populations below 200,000) administered by PTN through competitive process. • TAP project eligibility will be determined by TxDOT and FHWA. • TxDOT staff makes recommendations to Texas Transportation Commission for TAP allocation to areas with a population less than 200,000. • The Texas Transportation Commission, by written order, will select projects for funding under a TxDOT-administered TAP call for projects. • Statewide TAP Flex projects shall be selected by the Texas Transportation Commission. 	<p>Federal 80% / State 20%</p> <p>Federal 80% / Local 20%</p> <p>For a TxDOT-administered Call for Projects, the eligible TAP project activities defined in the Texas Administrative Code (TAC), Title 43, Subchapter F Rule §11.303.</p> <p>During a program call administered by the department, TAP funds may be awarded for any of the following activities:</p> <ul style="list-style-type: none"> • Construction of on- and off-road trail facilities for pedestrian and bicycle facilities, and other non-motorized forms of transportation, including sidewalks, bicycle infrastructure, pedestrian and bicycle signals, traffic-calming techniques, lighting and other safety-related infrastructure, and transportation projects to achieve compliance with the Americans with Disabilities Act of 1990. • Construction of infrastructure-related projects and systems that provide safe routes for non-drivers, including children, older adults, and individuals with disabilities to access daily needs. • Conversion and use of abandoned railroad corridors for trails for pedestrian, bicyclists, or other non-motorized transportation users. • Construction of infrastructure-related projects to improve the ability of students to walk and bicycle to school, including sidewalk improvements, traffic calming and speed reduction improvements, pedestrian and bicycle crossing improvements, on-street bicycle facilities, off-street bicycle and pedestrian facilities, secure bicycle parking facilities, and traffic diversion improvements in the vicinity of schools. • A project that will require the acquisition of real property through exercise of eminent domain or condemnation is not eligible for participation in the TAP. • Whether proposed as an independent project or as an element of a larger transportation project, the project must be limited to a logical unit of work and be constructible as an independent project. <p>MPO TAP funding must be in accordance with federal TAP guidance and TAC, Title 43, Subchapter F, Rule §11.303.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>10</p> <p>Supplemental Transportation Projects</p> <p>Texas Parks and Wildlife Department (TPWD)</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • District ranks projects. 	<p><u>TPWD</u> Locations selected and prioritized by TPWD.</p>	<p>State 100%</p> <p><u>TPWD</u> Construction and rehabilitation of roadways within or adjacent to state parks, fish hatcheries, etc. Subject to Memorandum of Agreement between TxDOT and TPWD.</p>
<p>10</p> <p>Supplemental Transportation Projects</p> <p>Green Ribbon Landscape Improvement Program</p> <p>Curb Ramp Program</p> <p>Miscellaneous Landscape Incentive Awards Program</p>	<ul style="list-style-type: none"> • Statewide allocation programs. • Projects selected and managed by the Design Division. • Projects in this category must have the concurrence and support of MPO having jurisdiction in particular area. • Design Division manages statewide allocations and ranks projects. 	<p><u>Green Ribbon</u> Allocations based on one-half percent of the estimated letting capacity for the TxDOT districts that contain air quality non-attainment or near non-attainment counties</p> <p><u>Curb Ramp</u> Projects are selected based on conditions of curb ramps or location of intersections without ramps.</p> <p><u>Landscape Incentive Awards</u> Funding is distributed to 10 locations based on results of Keep Texas Beautiful Awards Program.</p>	<p>State 100% (Requires CFO approval); or</p> <p>Federal 80% / State 20%</p> <p><u>Green Ribbon</u> Address new landscape development and establishment projects within districts that have air quality non-attainment or near non-attainment counties (projects to plant trees and shrubs to help mitigate the effects of air pollution).</p> <p><u>Curb Ramp</u> This program addresses construction or replacement of curb ramps at on-system intersections to make the intersections more accessible to pedestrians with disabilities.</p> <p><u>Landscape Incentive Awards</u> Program allows the department to negotiate and execute joint landscape development projects in nine locations based on population categories in association with the Keep Texas Beautiful Governor’s Community Achievement Awards Program. The awards recognize participating cities or communities efforts in litter control, quality of life issues, and beautification programs and projects.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>10</p> <p>Supplemental Transportation Projects</p> <p>Coordinated Border Infrastructure Program</p> <p>Supplemental Transportation Projects (Federal)</p> <p>Federal Lands Access Program</p>	<p><u>Coordinated Border Infrastructure</u></p> <ul style="list-style-type: none"> • Texas Transportation Commission allocation program by formula. • Not reauthorized under MAP-21. • Funding level is set based on projects identified by the districts and approved by FHWA. <ul style="list-style-type: none"> • Districts rank projects. • Projects in this category must have concurrence and support of the MPO having jurisdiction in the particular area. • Funds are allocated by FHWA. • New program under MAP-21. • Projects are submitted directly to FHWA. • Projects are selected by the Programming Decisions Committee. • TxDOT projects selected under the Federal Lands Access Program are managed by TPP. 	<p><u>Coordinated Border Infrastructure</u></p> <p>Allocation formula</p> <ul style="list-style-type: none"> • 20% - Incoming commercial trucks • 30% - Incoming personal motor vehicles and buses • 25% - Weight of incoming cargo by commercial trucks • 25% - Number of land border ports of entry <p><u>Supplemental Transportation Projects (Federal)</u></p> <p>Not applicable.</p> <p><u>Federal Lands Access Program</u></p> <p>Projects applications are scored and ranked by the Programming Decision Committee (PDC). Members of the PDC include a representative from FHWA, a representative from TxDOT, and a member from a political subdivision of the state.</p>	<p>Federal 100%; or</p> <p>Federal 80% / Local 20%; or</p> <p>Federal 80% / State 20%</p> <p><u>Coordinated Border Infrastructure</u></p> <p>Projects selected in program to improve the safe movement of motor vehicles at or across the land border between the United States and Mexico.</p> <p><u>Supplemental Transportation Projects (Federal)</u></p> <p>Federal discretionary and congressional high-priority projects.</p> <p><u>Federal Lands Access Program</u></p> <p>Federal 80% / State 20%</p> <p>Projects selected on Federal Lands Access Program transportation facilities that are located on or adjacent to or provide access to federal lands.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>10</p> <p>Supplemental Transportation Projects</p> <p>Railroad Rehabilitation and Improvement Projects</p> <p>Railroad Grade Crossing Replanking Program</p> <p>Railroad Signal Maintenance Program</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • Projects selected and managed by TRF based on a prioritized list. • Projects in this category must have the concurrence and support of the MPO having jurisdiction in the particular area. • District ranks projects in consultation with TRF. • District updates project completion data in TRF crossing inventory database. 	<p><u>Railroad Grade Crossing and Replanking Program</u> Condition of crossing's riding surface and benefit to cost per vehicle using crossing.</p> <p><u>Railroad Signal Maintenance Program</u> Number of crossings and type of automatic devices present at each.</p>	<p>State 100%</p> <p><u>Railroad Grade Crossing and Replanking Program</u> Replacement of rough railroad crossing surfaces on the state highway system (approximately 50 installations per year statewide). Project selection based on conditions of the riding surface (highway, railroad, and drainage) and benefit to cost per vehicle using the crossing.</p> <p><u>Railroad Signal Maintenance Program</u> Financial contributions to each railroad company based on number of state highway system crossings and type of automatic devices present at each crossing.</p>
<p>11</p> <p>District Discretionary Projects</p>	<ul style="list-style-type: none"> • Texas Transportation Commission allocation program. • Projects selected and managed by the district. • Projects must have concurrence and support of the MPO having jurisdiction in the particular area. • District ranks projects. 	<p>Minimum \$2.5 million allocation to each district per legislative mandate. If additional funds are distributed, the below formula is used:</p> <p>Allocation formula:</p> <ul style="list-style-type: none"> • 70% - On-system vehicle miles traveled • 20% - On-system lane miles • 10% - Annual truck vehicle miles traveled <p>The commission may supplement the funds allocated to individual districts on a case-by-case basis to cover project cost overruns.</p> <p>See NOTE at end of Appendix.</p>	<p>Federal 80% / State 20%; or</p> <p>Federal 80% / Local 20%; or</p> <p>State 100% (CFO approval)</p> <p>Projects selected at the district's discretion. Most projects should be on the state highway system. However, some projects may be selected for construction off the state highway system on roadways with a functional classification greater than a local road or rural minor collector. Funds from this program should not be used for right of way acquisition.</p>

Category	Programming	Ranking Index or Allocation Formula	Funding and Project Scope/Description
<p>12</p> <p>Strategic Priority Projects</p> <p>CMAQ and STP-MM Reconciliation</p>	<ul style="list-style-type: none"> Project-specific selection by Texas Transportation Commission for strategic priority. Allocation of funds for CAT 12 CMAQ and STP-MM reconciliation. District ranks projects in consultation with MPOs for allocation. Projects in this category must have the concurrence and support of the MPO having jurisdiction in the particular area. 	<p><u>Strategic Priority</u> Selected by Texas Transportation Commission.</p> <p><u>CAT 12 CMAQ and STP-MM Reconciliation</u> Allocations provided to MPOs. Projects selected and ranked by the MPO in consultation with TxDOT. All changes and selections to these projects are approved by Texas Transportation Commission.</p>	<p>Federal 80% / State 20%; or</p> <p>Federal 80% / Local 20%; or</p> <p>State 100% (CFO approval)</p> <p>Texas Transportation Commission selects projects to:</p> <ul style="list-style-type: none"> Promote economic opportunity; Increase efficiency on military deployment routes or to retain military assets in response to the Federal Military Base Realignment and Closure Report; and Maintain the ability to respond to both man-made and natural emergencies.

NOTE: The Texas Transportation Commission may supplement the funds allocated to individual districts in response to special initiatives, safety issues, or unforeseen environmental factors. Supplemental funding is not required to be allocated proportionately among the districts and is not required to be allocated according to the formulas specified above. In determining whether to allocate supplemental funds to a particular district, the commission may consider safety issues, traffic volumes, pavement widths, pavement conditions, oil and gas production, well completion, or any other relevant factors.

APPENDIX B

Rider 48, Port Capital Projects

RIDER 48 PROJECT LIST

Port/ Project Description	Rider 48 Request	Local Match/ Other Funding	Total Project Cost	Expected Let Date	CSJ	In Freight Plan?
Corpus Christi - Widen Joe Fulton International Trade Corridor near mile marker 5.	\$ 1,675,000	\$ 1,675,000	\$ 3,350,000	Dec 2016	0916-35-204	No
Galveston - Improvements and repairs to Old Port Industrial Rd, 33rd St, and 28th St/ Harborside Dr intersection to improve traffic flow.	\$ 1,088,471	\$ 272,118	\$ 1,360,589	Mar 2017	3595-01-019	Yes
Port Arthur - Widen Lakeshore Dr and make associated improvements to improve traffic flow into the port.	\$ 737,500	\$ 737,500	\$ 1,475,000	Dec 2016	0920-38-257	Yes
Victoria - Rehabilitate and widen McCoy Road, Canal Road, and Old Bloomington Road to accommodate heavy truck traffic.	\$ 2,856,668	\$ 952,223	\$ 3,808,890	June 2016	0913-27-073	Yes
Freeport - Construct railroad crossing on SH 36, just west of FM 1495 and SH 36 intersection.	\$ 864,625	\$ 830,000	\$ 1,694,625	Oct 2016	0111-08-121	No
Beaumont - Widen Old Highway 90 and upgrade intersections between I-10 and Port Access Road.	\$ 550,618	\$ 61,180	\$ 611,798	Feb 2017	0920-30-083	Yes
Palacios - Widen land bridge on SH 35 Business and improve drainage to eliminate flooding issues.	\$ 1,750,000	\$ -	\$ 1,750,000	July 2017	0179-14-008	Yes
Calhoun - Roadway and drainage improvements to south end of FM 1593.	\$ 76,962	\$ -	\$ 76,962	July 2016	1090-05-016	No
Port Isabel - New port access road to divert trucks away from Highway 100/residential area and onto SH 48.	\$ 500,000	\$ 500,000	\$ 1,000,000	Dec 2016	0921-06-296	Yes
Houston - expand Peninsula St to four lanes and Jacintoport Blvd to five lanes with associated curb and gutter/storm sewer improvements; installation of rail gate arms at key rail crossings.	\$ 10,191,050	\$ 2,547,762	\$ 12,738,812	Aug 2017	0912-72-374	Yes
TOTAL	\$ 20,290,894	\$ 7,575,782	\$ 27,866,676			