

Transportation Infrastructure Funding Assessment and Economic Impact Analysis for the Commonwealth of Kentucky – Brief Overview

It is estimated that Kentucky needs an additional \$554 million, or more, in annual transportation funding in order to continue providing a safe and efficient transportation system. These needs are real and necessary to accommodate the system's commuters, manufacturers, distributors, retailers and other users.

Funding the additional \$554 million may require a combination of tax code changes to the Motor Fuels Tax and the Motor Vehicle Usage Tax, and the identification of other potential revenue sources. The tax revenue base of Kentucky's Road Fund has been and will continue to be insufficient to fund the transportation needs throughout the state.

Additional Transportation Funding Needs (see back for visual representation)

Funding made available for state highway projects in the current fiscal year, FY 2018, is down 67% from FY 2012, and is \$227 million less than its average over the past decade. **At this current rate of decline, only a minimal, if any, amount of funding will be available from the Road Fund for state highway project construction after the next biennium, unless additional Road Fund resources are made available.**

- The recent trend of declining Available Funding for state highway projects, as well as the current, FY 2018, shortfall is the result of a combination of factors, including (but not limited to):
 - ✓ Recent declines in the AWP affecting the level of the Motor Fuels Tax.
 - ✓ Recent legislation affecting the level of the Motor Vehicle Usage Tax.
 - ✓ Reduced capacity for additional debt as previous bond authorizations issued.
 - ✓ Competing demands for Road Fund resources, including (but not limited to):
 - Increased highway maintenance costs.
 - Increased highway resurfacing costs.
 - Increased employer pension and post-retirement benefit cost.

Cabinet officials have estimated that an additional \$205 million in annual funding is required in order to repair or replace aging bridges and roads across the Commonwealth and to maintain them at acceptable condition levels.

Over the past decade the cabinet has used an average of \$122 million in toll credits each year to match FHWA grants. However, these accumulated toll credits will be exhausted in FY 2020, leaving the Commonwealth with major additional funding needs in order to maintain the current level of federal participation on FHWA transportation related projects each year.

Several hundred million of additional project needs have also been identified for aviation, riverport, and rail systems in Kentucky over the next several years.

Quantified Economic Impacts and Benefits of Infrastructure Spending

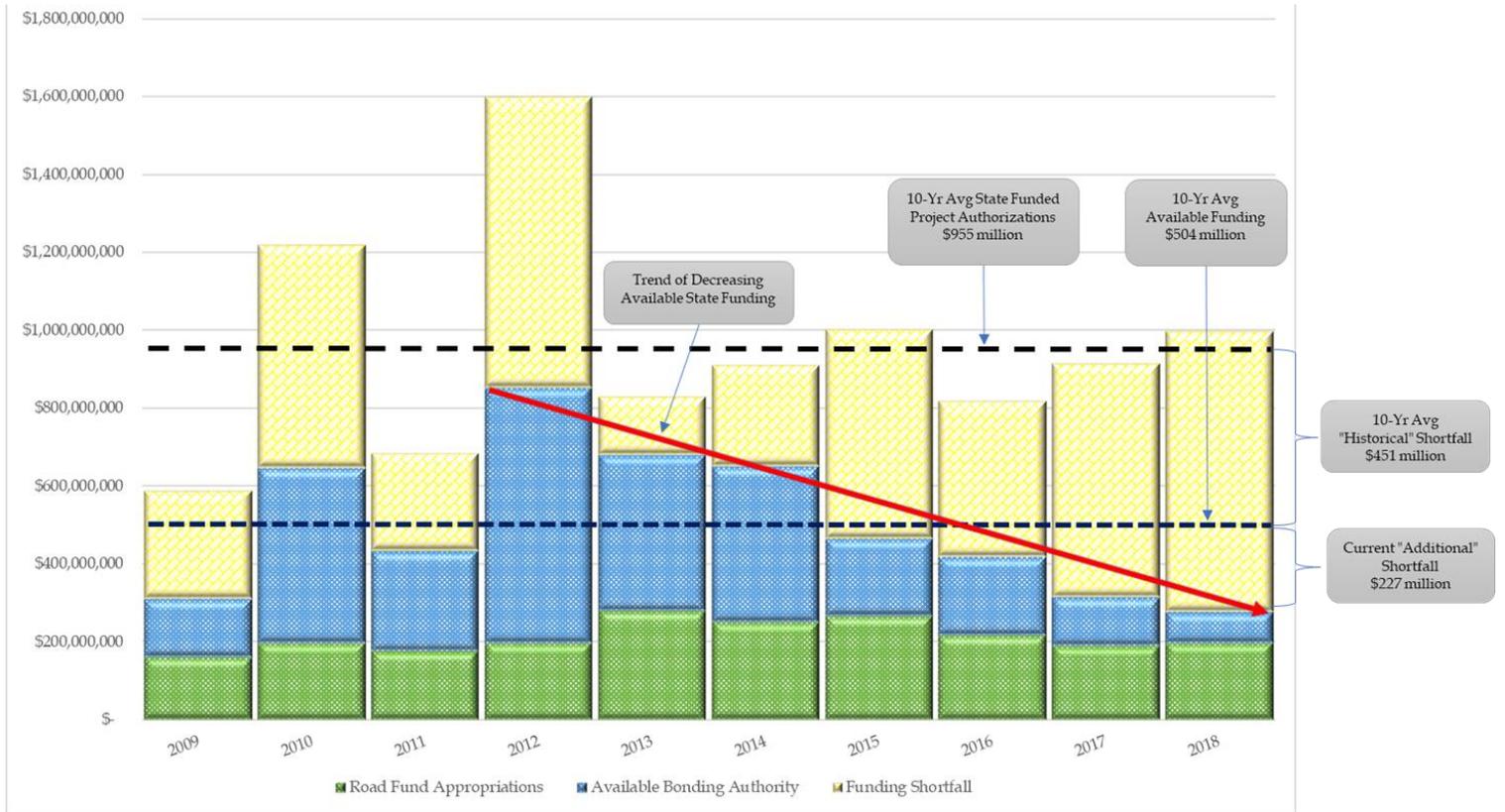
Using IMPLAN software, it is estimated that construction impacts to Kentucky's economy resulting from a **\$554 million increase in transportation infrastructure spending would support employment for 6,239 people and generate \$296 million in total wages** throughout the Commonwealth, with a total economic output of \$927 million (or a benefit-cost ratio of 1.68 to 1), for each year this injection is made into the economy.

In order to estimate the ongoing benefits of the improved transportation system, a meta-analysis is utilized to examine 17 different studies tasked with quantifying the benefits of transportation infrastructure investment. When taking the averages from the results found by the most comparable highway specific studies, the meta-analysis estimates that **Kentucky's economy could realize an operational benefit to cost ratio of 3.33 to 1 for every dollar invested each year.** This equates to \$1.847 billion in operational benefits realized from an additional \$554 million invested in transportation improvements.

When combining the construction impacts with the ongoing operational benefits, we estimate a realized benefit-cost ratio of 5.01 to 1. **This equates to a realized benefit to the Commonwealth of \$2.774 billion from each additional \$554 million investment in transportation infrastructure.**

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State Highway Project Funding - FY 2009-2018



Additional Transportation Funding Needs

