

3

FINANCIAL PLAN

Federal planning rules under 23 USC 135 require that the STIP shall include a project, or an identified phase of a project, only if full funding is reasonably anticipated to be available for the project within the timeframe contemplated for completion of the project. The state rule under 43 TAC 16.103(c) also requires that projects be consistent with funding reasonably expected to be available during the relevant period. This chapter will describe the various funding sources and process to fund projects and maintain fiscal constraint.

Financial Plan Requirements

23 USC 135 requires a STIP to include a financial plan that:

- Demonstrates how the approved program can be implemented
- Indicates resources from public and private sources that are reasonably expected to be made available to deliver projects in the program
- Recommends any additional financing strategies for needed projects and programs

As required under 43 TAC 16.103(c), the financial plan:

- Demonstrates how the transportation improvements can be funded and reasonably implemented
- Is consistent with funding reasonably expected to be available during the relevant period as provided under the UTP
- Is financially constrained by year

Funding Forecast

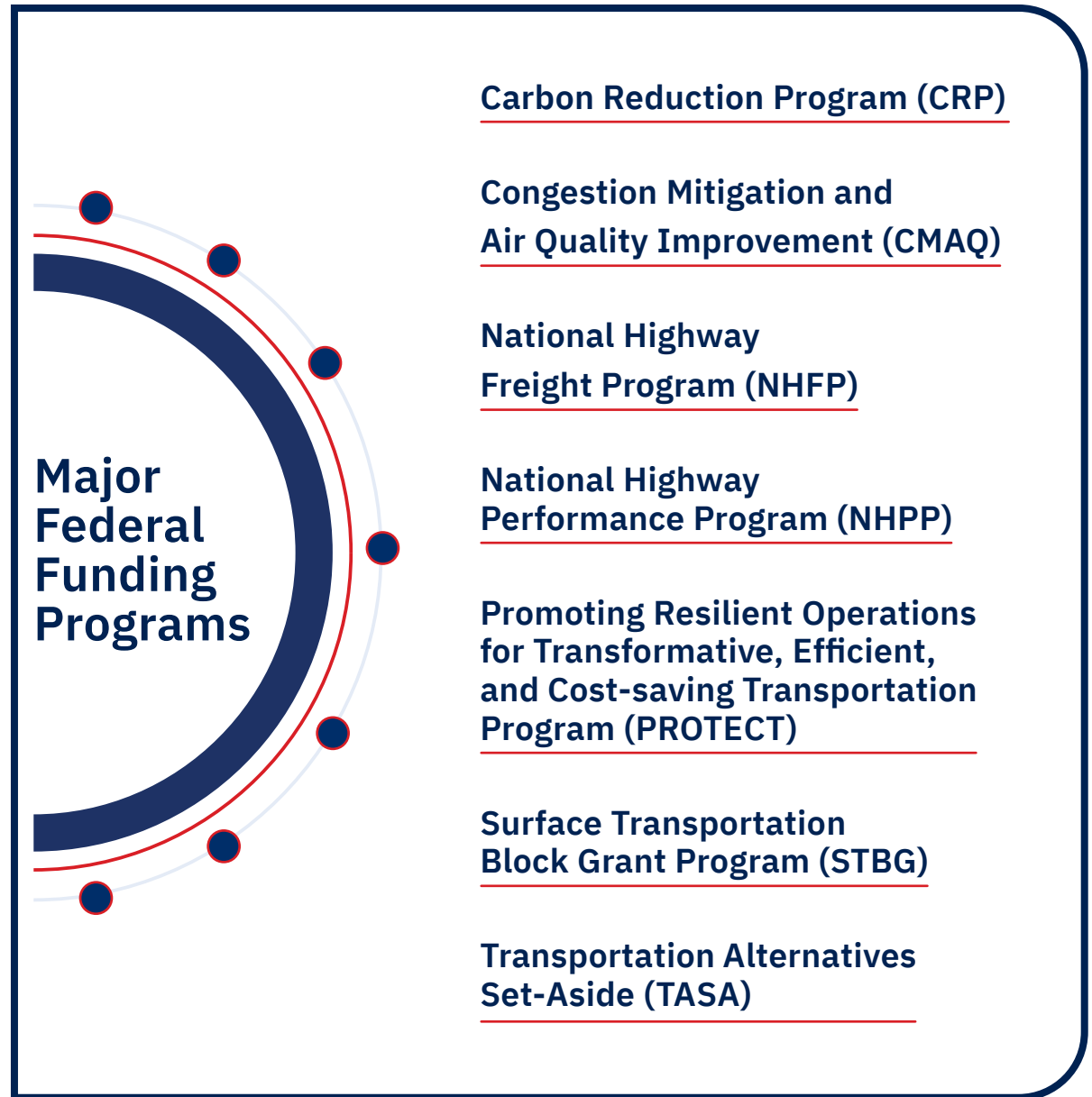
TxDOT's budget is determined by TxDOT's Finance Division, which publishes forecasted revenues the department receives from fuel taxes, vehicle registration fees, bonds, federal reimbursements, local matching funds, and other state and local funds. Forecasted revenue numbers are then provided to the districts and MPOs for allocation to projects that are listed in the TIPs. Projects from the TIPs statewide are then included in STIP, which must be fiscally constrained to the funding forecasted in the UTP. Funding allocations and planning targets for each category of funding are developed annually by TxDOT and provided to TxDOT districts and MPOs to enable updates to local and regional transportation programs.

Available Sources of Funding

TxDOT relies on a variety of federal, state, and local funding sources such as federal appropriations, federal discretionary grants, state revenue, and innovative financing to implement projects listed in the STIP. Transit projects are funded primarily through federal formula funding programs. TxDOT receives federal transportation funding through multiple apportionment programs, each with different purposes and criteria. The major federal funding programs are shown in **Figure 4**. For information regarding the major available funding sources see **Appendix B**.

The Texas Transportation Commission sets broad investment levels for federal and state highway funding, which are organized into 12 funding categories in the UTP as shown in **Table 1**, each one addressing a specific type of project or range of eligible activities. The funding within most categories comes from a mixture of state and federal sources. The state utilizes these funding categories to program projects in the STIP. TxDOT does not separate state funding sources into distinct categories. Rather, traditional State Highway Fund revenues and Proposition 1 and 7 funds are spread across all categories. **Figure 5** illustrates the process of allocating federal and state funds to projects.

Figure 4. Federal Funding Programs



Some federal programs like the Surface Transportation Block Grant (STBG) flow through nearly all categories; while other special programs like the Congestion Mitigation and Air Quality (CMAQ) Improvement Program have a dedicated category. Category determination is made by TxDOT based on the requirements of each federal program and the types of projects that are eligible under each funding category.

Fund Definitions:

- **Federal funds** are appropriated by Congress through the Highway Trust Fund.
- **State funds** are appropriated by the Texas Legislature through the State Highway Fund.
- **Other state and local funds** include the Texas Mobility Fund, bond revenue, concessions and regional toll revenue, and local funds.

Table 1. TxDOT Funding Sources by Category - [UTP](#)

FUNDING CATEGORIES	FEDERAL FUNDING	STATE FUNDING	OTHER STATE AND LOCAL FUNDING
1. Preventive Maintenance and Rehabilitation	Yes	Yes	No
2. Metro and Urban Area Corridors	Yes	Yes	No
3. Non-Traditionally Funded Projects	Yes	Yes	Yes
4. Statewide Connectivity Corridors	No	Yes	No
5. Congestion Mitigation and Air Quality*	Yes	No	No
6. Structures Replacement (Bridges)	Yes	Yes	No
7. Metropolitan Mobility and Rehabilitation*	Yes	No	No
8. Safety	Yes	Yes	No
9. Transportation Alternatives*	Yes	No	No
10. Supplemental Transportation Projects	Yes	Yes	No
11. District Discretionary	Yes	Yes	No
12. Strategic Priority	Yes	Yes	No

* While funding in these categories is primarily from federal sources, state funding may also be used.

Programmed Uses of Funding

At the beginning of each fiscal year, TxDOT produces the Planning Cash Forecast which estimates cash flow over the next 10 years. The projected revenue forms the foundation of the STIP budget by setting the funding limits and accounting for reasonable assumptions based on historical trends and anticipated growth rates.

Sometimes available funding sources or levels are not sufficient to meet current needs. When project funding needs to be supplemented or accelerated, TxDOT and its partners may utilize loans, taxing, or other alternative financing methods and programs. These include, but are not limited to, the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program credit assistance, Public-Private Partnerships (P3s), Railroad Rehabilitation and Improvement Financing (RRIF) Program loans, Private Activity Bonds (PABs), State Infrastructure Bank (SIB) financing, and Transportation Reinvestment Zones.

Further information about these strategies and others can be found at the [Center for Innovative Finance Support](#) and [Financing](#) | [Build America](#).

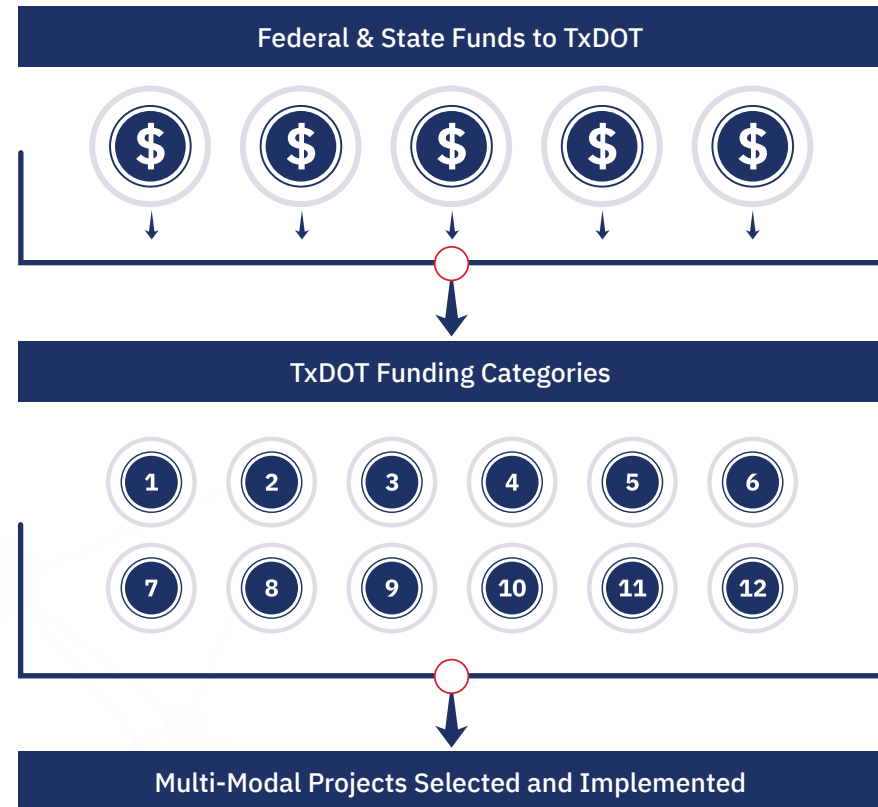


Figure 5. TxDOT Funding Allocation Process

Agency Collaboration

Collaboration between TxDOT, MPOs, and transit operators is essential in developing estimates of funds available to support the implementation of the STIP. As part of the collaborative process, TxDOT:

- Facilitates collaboration among MPOs, transit operators, and other stakeholders through regular meetings, workshops, and planning forums.
- Solicits stakeholder input throughout the STIP development process to ensure that funding estimates reflect regional transportation priorities and resource constraints.
- Refines financial estimates iteratively based on feedback from stakeholders and adjustments to funding assumptions, project scopes, and implementation schedules.
- Works with MPOs, and transit operators to reconcile funding projections with project costs, timelines, and funding availability, prioritizing projects that deliver the greatest benefits to Texas communities.

By fostering collaboration among planning partners, TxDOT ensures that the STIP is aligned with the priorities of the state and that funding is available for programmed projects within the four-year STIP period.

Demonstration of Fiscal Constraint

The STIP is required by federal law to be fiscally constrained, meaning that TxDOT will not spend more than the planned budget. The STIP includes sufficient financial information to demonstrate that projects can be implemented using committed, available, or reasonably available revenue sources, with reasonable assurance that the federally supported transportation system is adequately operated and maintained. A demonstration of fiscal constraint, along with a summary of programmed funds for fiscal years 2025-2028 and their associated uses, can be found in **Appendix C**.