Fiscal Year 2021 FHWA-536 Report for the Kentucky Transportation Cabinet

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Kentucky Transportation Center
College of Engineering, University of Kentucky, Lexington, Kentucky

in cooperation with
Kentucky Transportation Cabinet
Commonwealth of Kentucky

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KTC Research Report
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Fiscal Year 2021 FHWA-536 Report for the Kentucky Transportation Cabinet

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Executive Summary

The Federal Highway Administration (FHWA) requires state transportation agencies to submit a biennial report on local highway finances. The purpose of these reports is to provide FHWA with the data it needs to capture the financing of highway activities at the local level. Based on this information, FHWA can identify trends in revenue, expenditures, investments, and program development, and in turn make decisions about future investments. The report, FHWA-536, asks agencies to report on four areas of local highway finance: 1) disposition of highway-user revenues, 2) revenues used for roads and streets identified by source and funding type, 3) road and street expenditures identified by purpose of activity, and 4) local highway debt status. This document summarizes the data submitted that fulfils the Kentucky Transportation Cabinet's FHWA-536 obligations for FY 2021. The table below presents itemized revenues and expenditures in each of the four areas of local highway finance listed above. Total receipts for FY 2021 were $560,976,178 — a decrease of $11,797,463 over FY 2019. Total disbursements were $636,319,645 — a decrease of $23,966,298 over FY 2019.

1. Introduction

1.1 The Federal Highway Administration

The Federal Highway Administration (FHWA) is a division of the United States Department of Transportation that provides governance related to the design, construction, maintenance and preservation of the country's highways, bridges, and tunnels (FHWA, 2021). Through the Federal-aid Highway Program, the FHWA supports state and local governments in designing, constructing, and maintaining the U.S. highway system. The agency carries out its mission[1] by providing financial and technical assistance to state and local governments.

The Federal-aid Highway Program began in 1916 and since then has gone through many iterations. However, the partnership that stands as the program's foundation has survived the changes and challenges the country has encountered since its inception (FHWA, 2021). The adaptability of federal-state partnerships lets the FHWA take a leading role in the transportation community. Integral to this relationship is the reporting of each state's highway financial data.

The FHWA provides a variety of reporting forms to state transportation agencies. These forms are used to collect data from several state agencies and departments as well as many local government agencies. FHWA State Planning and Research (SPR) Program funds are available to all States to defray the cost of obtaining and reporting statistical information to the agency (FHWA, 2021).

The FHWA has designed a series of reporting forms in two main areas: 1) highway use and 2) highway funding. This report presents the form *FHWA-536 Local Highway Finance* for the fiscal year ending June 2021.

1.2 What is Form FHWA-536?

FHWA-536 is a local highway finance report. The report is a biennial summary of highway funding by local governments (FDOT, 2021). Local governments include counties, townships, municipalities, special districts, and other general-purpose authorities under the jurisdiction of local governments (FHWA, 2021). FHWA-536 provides for the reporting of four basic areas of local highway finance: 1) disposition of highway-user revenues, 2) revenues used for roads and streets identified by source and funding type, 3) road and street expenditures identified by purpose of activity, and 4) local highway debt status (FHWA, 2021).

Using information reported on FHWA-536, the FHWA develops national tables that capture how highway activities are financed at the local level. These data, combined with more comprehensive state highway finance information, help FHWA detect relationships and changes in revenue, expenditure and investment patterns, and financial trends, which are essential for policy and program development (FDOT, 2021).

Highway finance summaries, along with data from the Highway Performance Monitoring System (HPMS), are used by FHWA to estimate highway needs and develop appropriate future federal responsibility in highway transportation (FHWA, 2021). Information presented in the national tables is available for use by a myriad of interested parties and is frequently used by public and private sector policy staff, all levels of government, business firms, research groups, trade associations, and universities (FHWA, 2021).

[1] The FHWA mission is to "enable and empower the strengthening of a world class highway system that promotes safety, mobility, and economic growth, while enhancing the quality of life of all Americans" (FHWA, 2021).

National summary tables are developed annually. During off years (the year between FHWA-536 reporting), the FHWA uses projections, estimates, and data submitted voluntarily by states. States have the option of submitting FHWA-536 annually and are encouraged to do so by the FHWA (FHWA, 2021).

1.3 Important General Considerations When Completing Form FHWA-536

FHWA provides a list of general considerations states must abide by to ensure consistent reporting within and between states. The following is a list and brief explanation of each of these considerations:

- **Determination of Reporting Year**
    - Fiscal years can vary among local governments. The reporting state should be cognizant of any variables and ensure the reporting period is accurately specified and recorded in the data provided.

- **Coverage and Content of the Local Finance Report**
    - FHWA-536 is submitted biennially. However, the form and data provided are for one year. Summary data represent information for all units of local government. Additionally, FHWA-536 should report the disposition of all highway-user revenues available to local governments for expenditure, and all receipts and expenditures related to: a) the construction, maintenance, operation, and administration of roads, streets, alleys, and other public ways; b) traffic police and road patrols; and c) debt service and status of bonds and notes issued to finance highway activities. Private sector donations for roads and streets should also be reported on FHWA-536. Private contributions are growing and are now a significant source of highway funding. Reporting these data is crucial for FHWA to understand and illustrate the total picture of local highway finance. Lastly, the accounting method used by local governments to report information to the state for FHWA-536 can be either cash or accrual.

- **Toll Facility Data**
    - Local toll facility information must be reported for publicly owned facilities each year. Toll facility data must be reported separately from other local highway finance information. If utilizing FHWA-536 for toll data, a separate form must be completed for each facility.

- **Sampling and Estimation**
    - FHWA recognizes that highway finance data may not be easily obtainable for all units of local government. In such instances, the agency recommends using sampling and estimation techniques. When relying on sampling and estimating, data should be collected for a representative sample of local governments and extrapolated to produce statewide totals. However, this is not a one-size-fits-all scenario. FHWA notes that each State is responsible for determining the sampling and estimating techniques that best represent their local government structures. Additionally, it is imperative to describe in an appendix to the report what techniques were used. When relying on sampling and estimation, a full survey must be conducted every 10 years to ensure the data set's integrity and representativeness.

- **Capital Outlay on the National Highway System**
    - All expenditures on the National Highway System are particularly important to FHWA. The agency outlines the manner in which it wants states to obtain the necessary information: a) identify local governments with National Highway System routes within their jurisdiction, b) acknowledge that not all local government officials are aware of the National Highway System routes, and c) provide all local governments with a listing of the National Highway System routes. This activity should be coordinated

with the HPMS data set. The actual data set in any given state may be relatively small as nationally only two percent of the total National Highway System is under local jurisdiction (FHWA, 2021).

- **Fund Transfers Between Governments**
  - Fund transfers between local governments should not be reported on FHWA-536. However, transfers to and from state agencies should be identified and reported. It is important for there to be consistency across FHWA forms in terms of how fund transfers are presented. For example, the amount of money reported on FHWA-536 as a transfer to a state agency should match the amount reported on FHWA-531 (State Highway Income) as receipts from local governments. Transfers *from* state agencies *to* local governments reported on FHWA-536 should be match funds shown on FHWA-556 (State Motor-Fuel Tax Receipts), FHWA-566 (State Motor-Vehicle Registration Fees and Other Receipts), and FHWA-532 (State Highway Expenditures). Differences in these reporting amounts are possible only when a local government uses a portion of multipurpose state or federal grants for roads and streets. In this case, the amount reported on FHWA-536 should be higher. Major discrepancies should be explained (FHWA, 2021). Additionally, all federal funds received by local governments should be identified and reported on FHWA-536. Federal funds include: a) direct payments, b) grants-in-aid, and c) funds transferred through the state. If the state retains the local portion of the state tax revenue or federal funds, the amount retained by the state should be omitted from FHWA-536 (FHWA, 2021).

2. Instructions for Form FHWA-536

FHWA-536 is divided into four main sections: 1) Disposition of highway-user revenues available for local government expenditure, 2) Receipts for road and street purposes, 3) Expenditures for road and street purposes, and 4) Local highway debt status. FHWA has developed user instructions, which are summarized below.

This chapter also contains FHWA-536 analysis for Kentucky over FY 2021. This work was completed by researchers at the Kentucky Transportation Center (KTC) on behalf of the Kentucky Transportation Cabinet (KYTC). Values for FY 2021 are compared to previous biennial reports, which were also prepared by the Center.

2.1 Section 1: Disposition of highway-user revenues available for local government expenditure

Section 1 is divided into four main components:

A) Local motor fuel taxes;
B) Local motor-vehicle taxes;
C) Receipts from State highway-user taxes; and
D) Receipts from FHWA.

These elements are further categorized by: i) total receipts available, ii) minus amount for collection expenses, iii) minus amount for non-highway purposes, iv) minus amount used for mass transit, and v) remainder used for highway purposes. The image below captures Section 1 of FHWA-536. Subsequent descriptions correspond to the cells labeled in red (A1, A2, A3……D3, D4, D5).

Table 1 Section 1 Elements

LOCAL HIGHWAY FINANCE REPORT			STATE YEAR ENDING (mm/yy): /	
I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE				
ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available	A1	B1	C1	D1
2. Minus amount used for collection expenses	A2	B2	C2	D2
3. Minus amount used for nonhighway purposes	A3	B3	C3	D3
4. Minus amount used for mass transit	A4	B4	C4	D4
5. Remainder used for highway purposes	A5	B5	C5	D5

A. Local Motor-Fuel Taxes

Revenue received from local motor-fuel taxes. This revenue stream is from the local government taxation on the highway use of motor-fuel.

A1. Total receipts available
Net income (i.e., receipts less refunds).

A2. Minus amount for collection expenses
Amount of local motor-fuel tax revenues deducted for the payment of collection expenses. Sometimes this may be paid from local general funds. When this occurs, no amount should be reported here.

A3. Minus amount used for non-highway purposes
Motor-fuel tax revenue used for non-highway or non-transit purposes. Examples include local general purposes (schools) or other modes of transportation (e.g., marine, aviation).

A4. Minus amount used for mass transit
Local motor-fuel taxes used for mass transit.

A5. Remainder used for highway purposes
Calculate A5 using the following equation:

$$A5 = A1 - A2 - A3 - A4$$

Kentucky's motor-fuel tax is state imposed. Gasoline and special fuel dealers transmit the taxes to the Department of Revenue (Kentucky Department of Revenue, 2021). For this reason, no local motor-fuel taxes are recorded in Section IA of FHWA-536.

B. Local Motor-Vehicle Taxes
Revenues received through local motor-vehicle taxes and fees, including local registration fees, plate fees, and wheel taxes. State-imposed registration or driver-license fees are not included.

B1. Total receipts available
Net income (i.e., total receipts less refunds).
- FY 2021 = $37,415,417

B2. Minus amount used for collection purposes
Local motor-vehicle tax revenue deducted for the payment of collection expenses.
- FY 2021 = $0

B3. Minus amount used for non-highway purposes
Local motor-vehicle tax revenue used for a purpose that was either non-highway or non-transit based. Examples include local general purposes (schools) or other modes of transportation (such as marine or aviation).
- FY 2021 = $0

B4. Minus amount used for mass transit
Amount of local motor-vehicle tax revenues used for mass transit.
- FY 2021 = $0

B5. Remainder used for highway purposes

Calculate B5 using the following equation:

$$B5 = B1 – B2 – B3 – B4$$

- FY 2021 = $37,415,417
- The following chart captures trends in this revenue stream for FY 2001 through FY 2021. FY 2021 recorded greater revenues from local motor-vehicle taxes used for highway purposes than any previous years. The next highest year was FY 2019 ($33,161,034). FY 2007 and FY 2013 represent two years where this revenue stream experienced a decline. Since FY 2013 revenues have increased, with FY 2021 displaying the largest increase of 12.8 percent over FY 2019 levels.

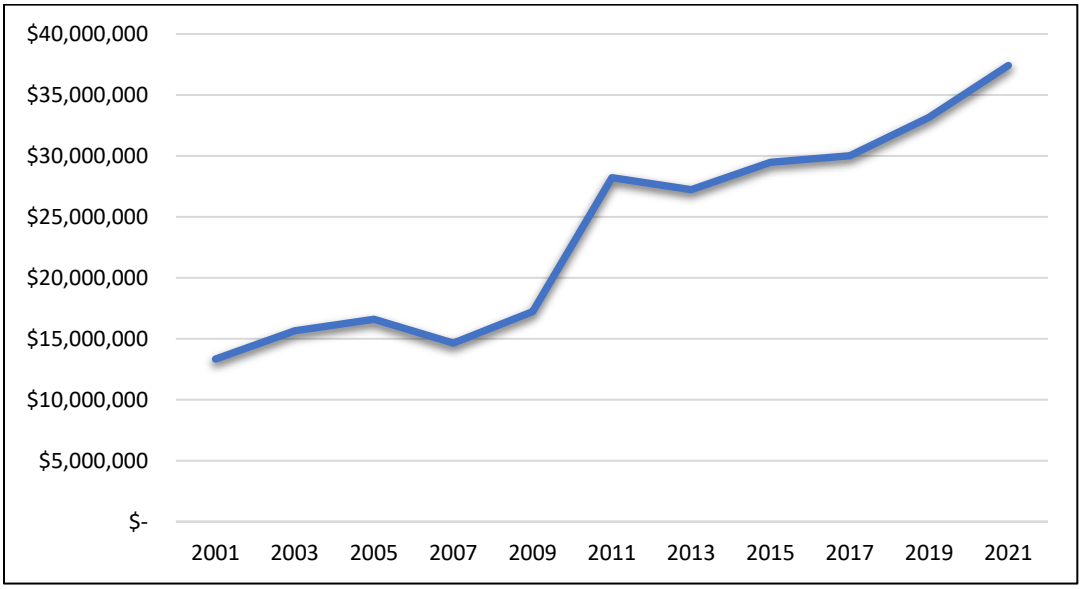

Figure 1 Local Motor-Vehicle Taxes used for Highway Purposes (FY 2001 – FY 2021)

C. Receipts from State Highway-User Taxes

Amount in state highway-user taxes and fees transferred *to* local government. Included are proceeds from *state-imposed* motor-fuel taxes, motor-vehicle registration fees, driver-license fees, and motor-carrier taxes. Reported amounts are to be consistent with information provided in FHWA-556, FHWA-566, and FHWA-532.

C1. Total receipts available

All money transferred from state to local governments. Exclude any funds on FHWA-566 (Item 2A) listed as deductions by county and local officials for collection and administration expenses.

- FY 2021 = $154,550,969

C2. Minus amount used for collection expenses

Report nothing for this line item.

- FY 2021 = $0

C3. Minus amount used for non-highway purposes

State highway-user revenues used for non-highway and non-transit purposes, including funds used for local general purposes, other modes of transportation, or specific non-highway purposes. Examples include schools, conservation programs, and courthouses (FHWA, 2021).

- FY 2021 = $0

C4. Minus amount used for mass transit purposes

State highway-user taxes used for mass transit.

- FY 2021 = $0

C5. Remainder used for highway purposes

Calculate C5 using the following equation:

$$C5 = C1 - C2 - C3 - C4$$

- FY 2021 = $154,550,969
- The following chart captures trends in this revenue stream for FY 1999 through FY 2021. In recent years this revenue stream has plateaued, hovering just above $150,000,000. The highest receipts on record were collected in FY 2007 at $200,987,160. FY 2021 represents a 24 percent decrease from FY 2007.

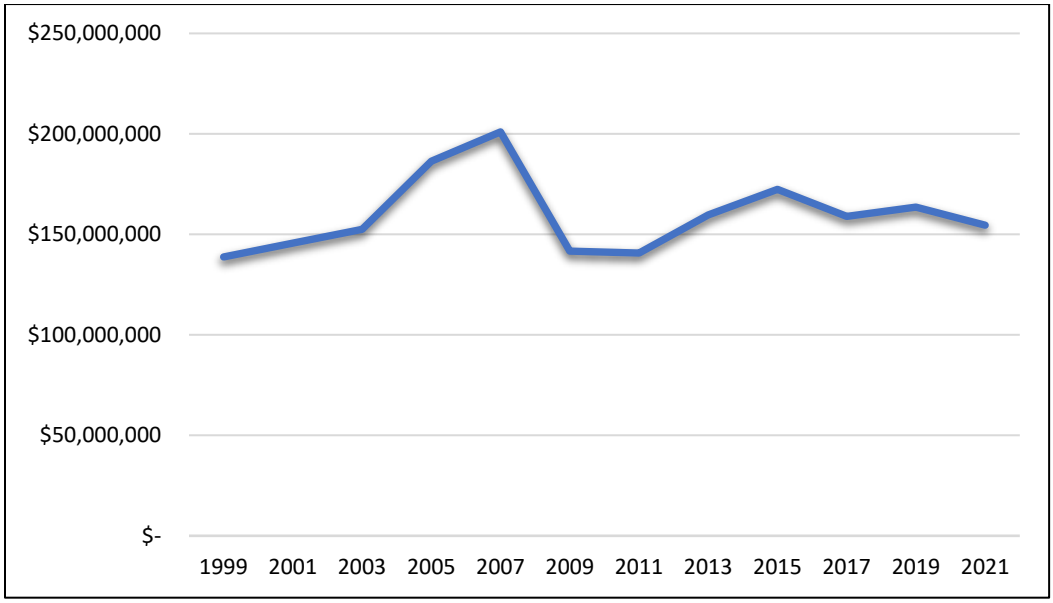

Figure 2 State Highway - User Tax Receipts used for Highway Purposes (FY 1999 – FY 2021)

D. Receipts from Federal Highway Administration

All FHWA funds received by local governments. Most of these funds are generated from federal motor-fuel and motor-vehicle taxes are passed through state to local governments.

D1. Total receipts available

All funds received by local governments.

- FY 2021 = $47,605,414

D2. Minus amount used for collection expenses

Report nothing for this line item. FHWA funds can *only* be used for highway and mass transit purposes.

- FY 2021 = $0

D3. Minus amount used for non-highway purposes

Report nothing for this line item. FHWA funds can *only* be used for highway and mass transit purposes.

- FY 2021 = $0

D4. Minus amount used for mass transit purposes

FHWA funds used for mass transit.

- FY 2021 = $0

D5. Remainder used for highway purposes

Calculate D5 using the following equation:

$$D5 = D1 – D2 – D3 – D4$$

- FY 2021 = $47,605,414
- The following chart captures trends in this revenue stream for FY 1999 through FY 2021. FY 2021 revenue from FHWA is a record high in comparison to all other presented years, being $21,781,151 or 84 percent higher than the next largest year, FY 2009.

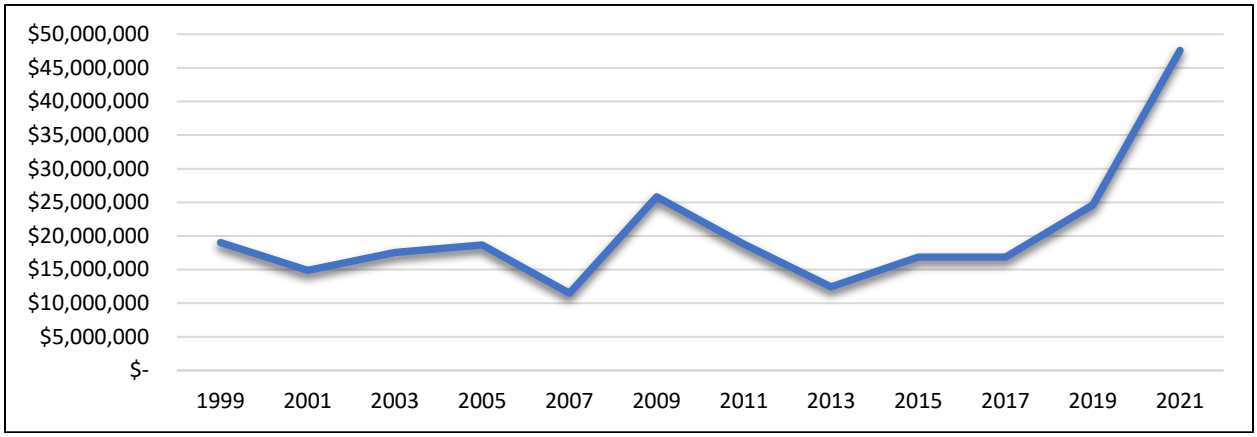

Figure 3 Annual Receipts Trend from FHWA (FY 1999 – FY 2021)

2.2 Section II: Receipts for Road and Street Purposes

Section II records revenue streams for local road and street purposes during a given fiscal year. There are four funding source categories: 1) local government, 2) private sources, 3) state government, and 4) federal government. For each category, an attempt should be made to identify the type and amount of funding. Any classification system used for these funds must align with those used in reports that identify state receipts and expenditures (i.e., those used in FHWA-531 and FHWA-532). The following table illustrates Section II of FHWA-536. Each source is described in entries below.

Table 2 Receipts for Road and Street Purposes

II. RECEIPTS FOR ROAD AND STREET PURPOSES	
ITEM	**AMOUNT**
A. Receipts from local sources:	A
1. Local highway-user taxes	A1

II. RECEIPTS FOR ROAD AND STREET PURPOSES	
a. Motor Fuel (from Item I.A.5.)	A1a
b. Motor Vehicle (from Item I.B.5.)	A1b
c. Total (a.+b.)	A1c
2. General fund appropriations	A2
3. Other local imposts (from page 2)	A3
4. Miscellaneous local receipts (from page 2)	A4
5. Transfers from toll facilities	A5
6. Proceeds of sale of bonds and notes:	A6
a. Bonds - Original Issues	A6a
b. Bonds - Refunding Issues	A6b
c. Notes	A6c
d. Total (a. + b. + c.)	A6d
7. Total (1 through 6)	A7
B. Private Contributions	B
C. Receipts from State government from page 2)	C
D. Receipts from Federal Government b. Redemption (from page 2)	D
E. Total receipts (A.7 + B + C + D)	E

A. Receipts from local government sources

All local government funding sources. Do not include revenue generated through state taxes as this is reported in *Item C*. State taxes encompass taxes collected locally on behalf of the state, even where a portion of those taxes are credited to local road funds.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

A1. Local highway-user taxes

All local fee and tax revenue used for road or street purposes during a fiscal year. Include only local fees and taxes.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

A1a. Motor-fuel

Enter the amount recorded in Section 1, Category A5 (Remainder used for highway purposes).

- Because motor-fuel tax is collected at the state level in Kentucky, record nothing in this cell.

A1b. Motor-vehicle

Enter the amount recorded in Section 1, Category B5 (Remainder used for highway purposes).

- FY 2021 = $37,415,417

A1c. Total

Calculate A1c using the following equation:

$$A1c = A1a - A1b$$

- FY 2021 = $37,415,417

A2. General fund appropriations

All appropriations from the *local* general fund used for roads and streets. Do not include excess general funds in this item.

- FY 2021 = $0

A3. Other local imposts

Local fees and taxes imposed that are dedicated for use on roads and streets. The amount reported on Page 1 should match the sum of detailed items reported on Page 2.

A3a. Property taxes and assessments

Revenues generated from property taxes and special assessments used for constructing and maintaining roads and streets *or* which are dedicated to highway debt service, including road district levies.

- FY 2021 = $28,866,732
- Property taxes and assessments were first recorded on form FHWA 536 in FY 2007 at a value of $14,639,956. Contributions in FY 2009 increased by $2,596,448 or by 18 percent. Since then the revenue has trended upwards with an annual increase ranging between 6 and 18 percent. FY 2021 represented a 14 percent increase over FY 2019.

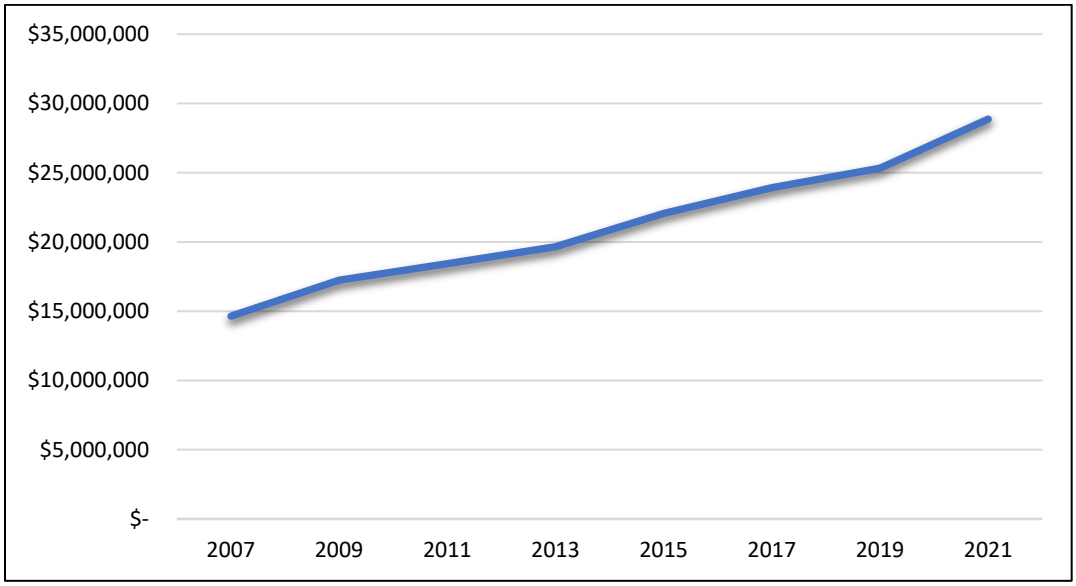

Figure 4 Property Taxes and Assessments Receipts (FY 2007 – FY 2021)

A3b. Other local imposts

Revenue generated from other local government taxes and fees, including personal property taxes levied on motor vehicles, impact fees, sales taxes, and any other local taxes and fees used for highway purposes. Identify the specific tax or fee in the detail for this item.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

Page 2 of the FY 2019 FHWA-536 indicates that other local imposts include parking, ROW Permits, city vehicle licensing, and fines.

- FY 2019 = $36,970,939

A3b(1). Parking

Revenues from local government parking fees.

- FY 2021 = $13,954

A3b(2) ROW Permits

Revenues from local government right of way permits.

- FY 2021 = $3,224,275

A3b(3) City Vehicle Licensing

Revenues from local government impounds and fines used for road and street purposes in FY 2011.

- FY 2021 = $725,646

A3b(4) Fines

Revenues from local government vehicle licensing fees used for road and street purposes in FY 2011.

- FY 2021 = $6,001,262

A3b(5) Blank

Revenues from local government vehicle licensing fees used for road and street purposes in FY 2011.

- FY 2021 = $0

A3b(6). Total

This is the total other local imposts categorized in A3b.
Calculate A3b(6) using the following equation:

$$A3b(6) = A3b(1) + A3b(2) + A3b(3) + A3b(4) + A3b(5)$$

- FY 2021 = $23,906,013

The chart below illustrates the relative proportions of each of these other local imposts' revenue funds for FY 2021.

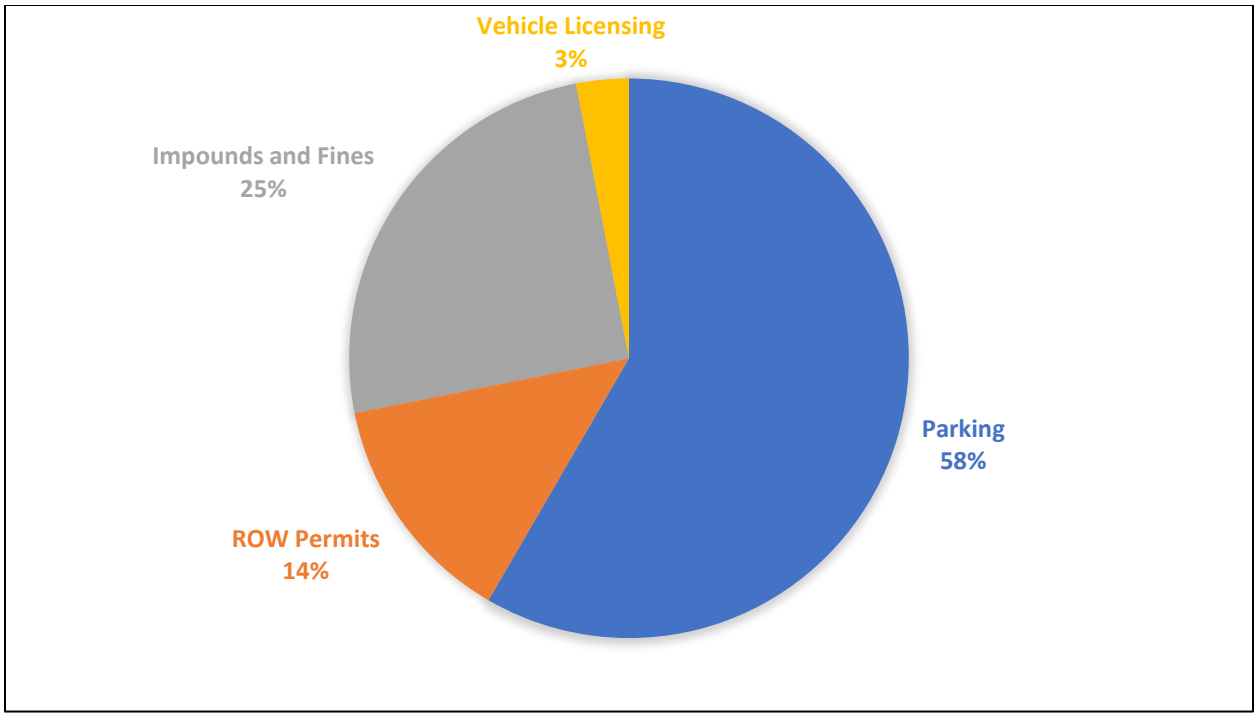

Figure 5 FY 2021 Other Local Imposts

The total revenue generated from these sources remained relatively stable between FY 2009 and FY 2015, however, the proportion of contributions changed significantly. In FY's 2017, 2019 and 2021 no revenue was received from the transit authority or riverports which dramatically impacted the total revenue available from other local imposts. From FY 2011 through FY 2015 this revenue source accounted for 40 percent or more. No additional revenue source came online in FY 2017 to replace this fund.

Table 3 Revenue Generated from Other Sources

	FY 2009	FY 2011	FY 2013	FY 2015	FY 2017	FY 2019	FY 2021
Transit Authority/ Riverports	18%	41%	45%	40%	-	-	-
Parking	48%	42%	39%	45%	73%	70%	58%
Vehicle Licensing	2%	3%	2%	4%	5%	3%	3%
ROW Permits	2%	2%	2%	2%	6%	4%	14%
Impounds & Fines	30%	12%	12%	9%	16%	23%	25%

A3c. Total

Calculate A3c using the following equation:

$$A3c = A3a + A3b(6)$$

- FY 2021 = $52,772,745
- The following chart captures trends in local impost revenues for FY 1999 through FY 2017. The sharp increase in total local imposts in FY 2005 was due to the increase in revenue generated through vehicle impounds. The increase in FY 2007 was due to the addition of property taxes and assessments as a revenue source, in addition to the inclusion of the transit authority revenue stream. The increased revenue noted below for FY 2009 is

attributed to the increased property taxes and assessments noted above, and an increase in impounds and fines, with revenue of more than $10,000,000. FY 2011 revenue reported the first decrease in revenue from other local imposts in the reported years. This is due to a significant decrease in Parking ($3,873,017) and Impounds and Fines ($9,380,740) revenue during the year. The decrease is offset significantly by an increase in the Transit Authority/River Port revenue stream ($10,491,311). FY 2013 saw a slight increase in total other local imposts revenue ($1,031,619), with some minor fluctuations between categories, but no major outliers in comparison to FY 2011. FY 2015 saw an increase in revenue owing to an increase in parking, property tax and ROW permit revenue. FY 2017 was notable as the lack of transit authority/riverport funding resulted in a significant decrease in total other local impost revenue, dropping by $17,460,601 from the high of FY 2015's $77,194,885. Total revenue from local imposts increased in FY 2019 but remains significantly below FY 2015 levels. This decreasing trajectory continued in FY 2021, as revenue decreased by over a third in comparison to FY 2019 levels, owing to significant decreases in parking and vehicle licensing revenue.

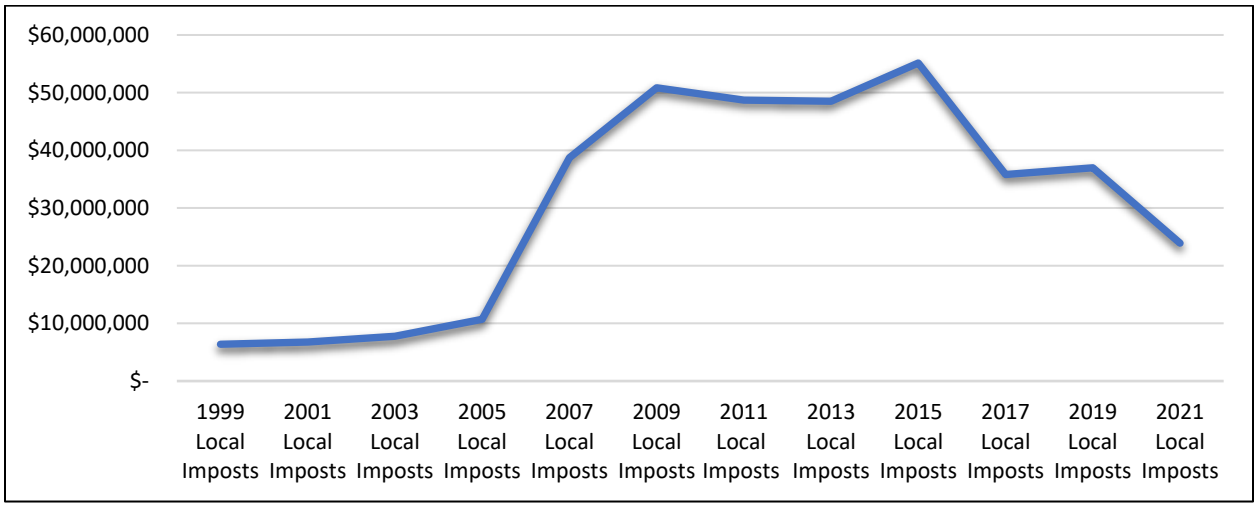

Figure 6 Total Other Local Imposts by Fiscal Year (1999 – 2021)

- During FY 2005, the contribution from vehicle impounds used for road and street purposes increased significantly. This trend repeated itself in FY 2009. However, FY 2011 noted a large decrease in revenue. In FY 2013 the revenue remained similar to FY 2011, with a slight increase of $269,776. Revenue decreased again in FY 2015 by $1,356,933. FY 2017 had an increase in revenue close to FY 2013 levels. This increase continued into FY 2019. However, revenue from this source in FY 2019 still remains below that recorded in FY 2009. FY 2021 represents a decrease in revenue in excess of $2,000,000 in comparison to FY 2019. Both the revenue increases and decrease are noted in the graph below.

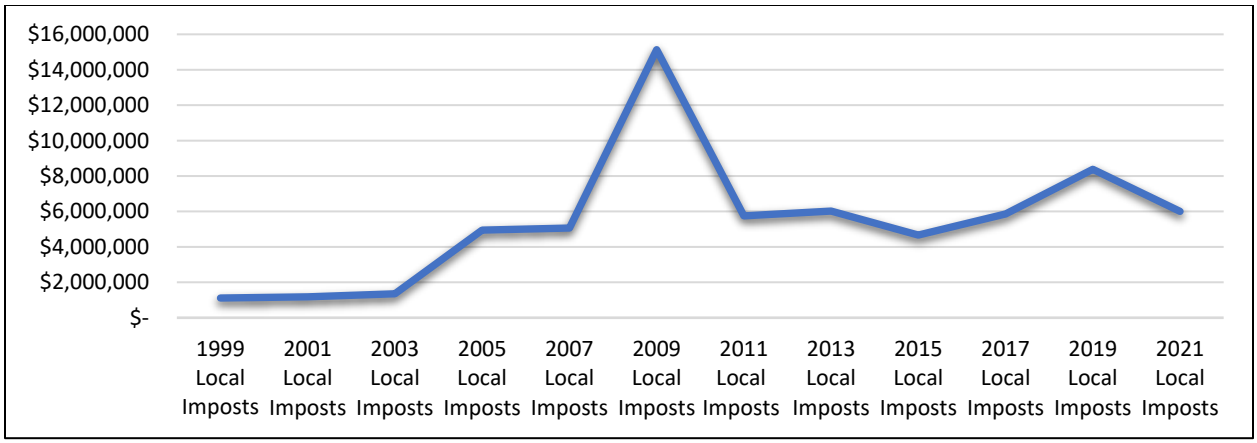

Figure 7 Revenue Generated from Vehicle Impounds (FY 1999 – FY 2021)

A4. Miscellaneous local receipts

All local income not identified as specifically dedicated for roads and streets. Examples include traffic fines and penalties, investment income, net profit or loss from investment transactions, surplus parking or garage fees transferred to local agencies, and other miscellaneous local receipts. Other revenues can be described as miscellaneous, such as other refunds/reimbursements, sale of surplus equipment and property, excess road materials, borrowed money, and anything else that cannot not be categorized using the standard revenue codes. Detail these items on Page 2 of the report. The total entered on Page 1 should match the total on page 2.

A4a. State Appropriations

Interest and investment income related to cash and investment balances in highway, road, and street accounts and funds.

- FY 2021= $58,259,654.

A4b through A4f. Major miscellaneous revenue

Major miscellaneous sources of revenue for highway purposes. Include the source, type, and amount of revenue. If necessary, attach a supplementary schedule.

- FY 2021 City Appropriations = $2,112,358.

A4i. Total (a. through h.)

Interest and investment income related to cash and investment balances in highway, road, and street accounts and funds.

- FY 2021= $60,372,012.
- The chart below illustrates trends in this category since FY 1999. There are three significant revenue decreases noted. In FY 2005, miscellaneous local receipts decreased in comparison to FY 2003. Miscellaneous local receipts dipped down to just below FY 2001 levels of $19,939,784. In FY 2009, there is a reduction in revenue of $24,072,754. The FY 2009 revenue ($14,627,024) is only slightly above the revenue generated in FY 1999 ($13,570,079). However, revenue in FY 2011 soars to a level not previously recorded of $59,508,288. An increase is again noted in FY 2013 of $4,589,202 over FY 2011 revenue. FY 2015 saw a slight decrease in revenue of $1,536,953, which is followed by another significant decrease in FY 2017 of $5,330,013. A smaller decrease in revenue is noted in FY 2019, with a decrease of $1,594,250 when compared to revenue in FY 2017. Revenue recovers in FY 2021, increasing by $4,735,738. However, it still remains $3.7M below the highest recorded year in FY 2013.

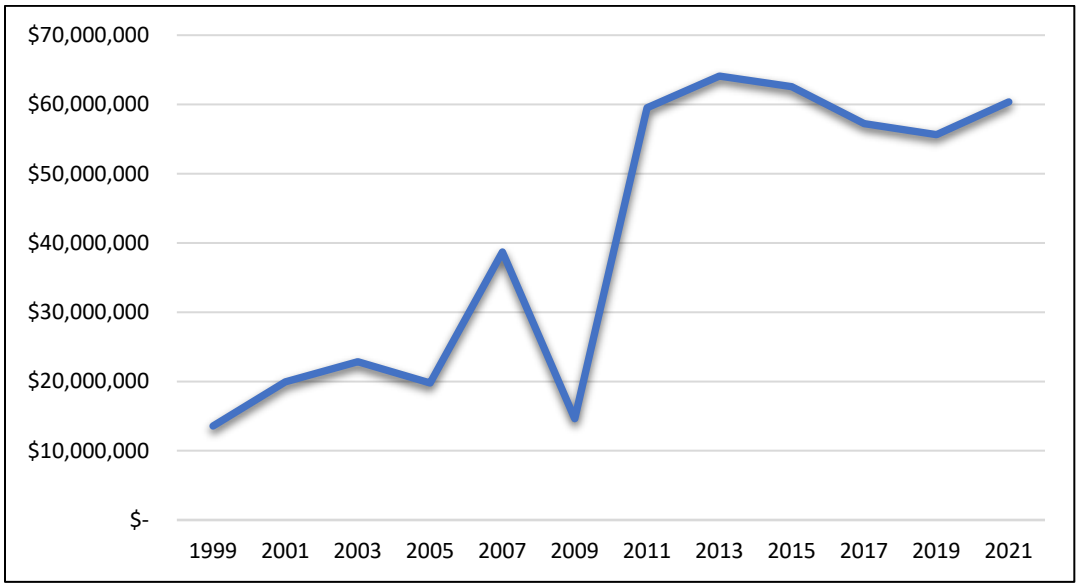

Figure 8 Total Miscellaneous Local Receipts for (FY 1999 – FY 2021)

A5. Transfers from toll facilities

All fund transfers from toll facilities to local governments. Identify the toll facility and transferred funds in a separate note.

- FY 2021 = $0.

A6. Proceeds of sale of bonds and notes

Net proceeds of debt issued by local government for highway purposes. Bonds are obligations with terms of two or more years. Notes are issued for a term less than two years. Net proceeds are the cash amount received by the local government. Only record the highway portion of the proceeds. Omit this value if the highway portion is not available or easily estimated.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

A6a. Bonds – original issue

Proceeds received by local governments from the sale of bonds used solely for road and street purposes.

- FY 2021 = $75,747,390

A6b. Bonds – refunding issues

Proceeds received by local governments from the sale of bonds used to retire existing road and street bonds.

- FY 2021 = $0

A6c. Notes

Proceeds received by local governments from the issue of notes for local road and street purposes.

- FY 2021 = $0

A6d. Total

Calculate A6d using the following equation:

$$A6d = A6a + A6b + A6c$$

- FY 2021 = $75,747,390.

A7. Total

Total revenue from local sources for road and street programs. Calculate A7 using the following equation:

$$A7 = A1 + A2 + A3 + A4 + A5 + A6$$

- FY 2021 = $226,307,564
- The chart below illustrates the trend in total receipts from local sources used for road and street purposes from FY 1999 to FY 2019. Values for total receipts from local sources remain stagnant from FY 2003 to FY 2005. However, there was a significant increase in FY 2007, followed by a slight decline in revenue for FY 2009. FY 2011 shows revenue for total receipts from local sources of $154,859,523, significantly higher than the next highest FY 2007 total of $106,708,993. This increase is predominantly a result of the increase in state appropriations noted in miscellaneous local receipts for FY 2011. Additionally, revenue generated from Local Motor Vehicle taxes is significantly higher than the previous year. FY 2013 shows an increase in revenue despite a reduction in local motor-vehicle tax revenue. This again is due to an increase in state appropriations listed under miscellaneous local receipts. FY 2015 saw another increase in total receipts from local sources. The increase in FY 2015 is a result of increased motor-vehicle revenue and an increase in local imposts (predominantly property taxes and parking revenue). FY 2017's decline in revenue is attributable to the decline in other local imposts (transit authority and riverport revenue) and miscellaneous local receipts (state appropriations). FY 2019 total receipts from local sources are significantly higher than previously recorded years due to the proceeds from bonds of $117,855,998. This resulted in revenue from local sources being $99,719,325 higher than the previously recorded highest year of FY 2015. FY 2021 total receipts fall relative to highest levels recorded in FY 2019, mirroring the decline in bond proceeds in this year. This decline of $42,639,526 still represents the highest recorded year of receipts from local sources since FY 1999 owning to the significant proceeds from bonds.

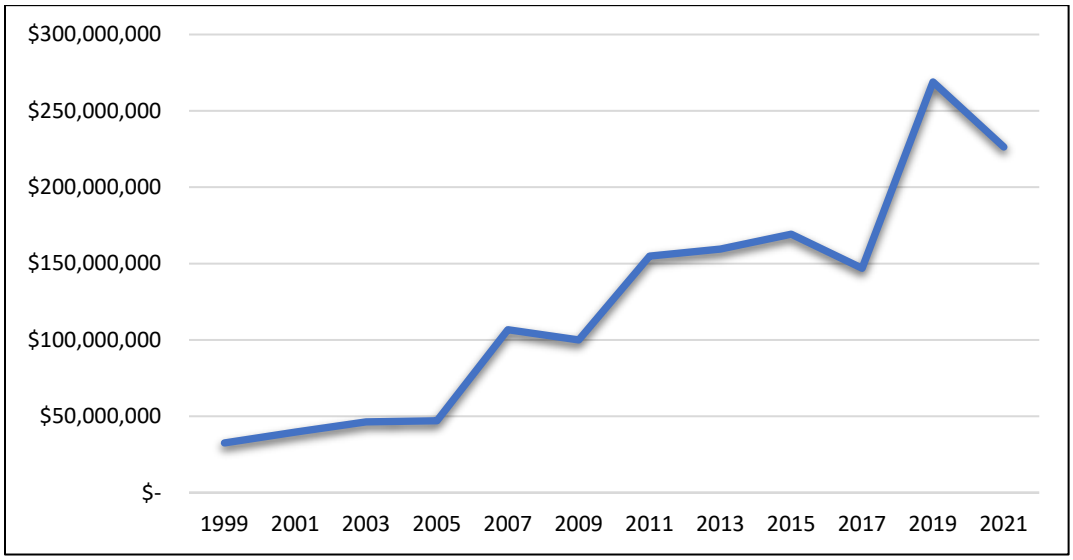

Figure 9 Total Receipts from Local Sources for Road and Street Purposes (FY 1999 – FY 2021)

B. Private Contributions

All funds local governments receive from the private sector for road and street programs. The ways in which the private sector becomes involved in road and street programs varies, but examples include donations (i.e., cash or property transfers), facility construction, performance of support services (examples provided by FHWA include surveys or engineering services). Also record private contributions in Section III.

- FY 2021 = $0

C. Receipts from State Government

All funds received by local governments from state government for local road and street programs. Forms of state transfer include a) grants-in-aid, b) loans, c) allocations or shares of state taxes, and d) payments under cooperative agreements. Examine FHWA-532 from the previous year. Item A.10 on FHWA-532 provides information on state transfers of state and federal funds to local governments for road and street purposes.

C1. Highway-user taxes

Enter the amount recorded in Section 1, Category C5. This amount represents all transfers of state highway-user taxes and fees used for roads and streets.

- FY 2021 = $154,550,969
- The chart below illustrated the trend in State Highway-user tax receipts used for highway purposes since FY 1999.

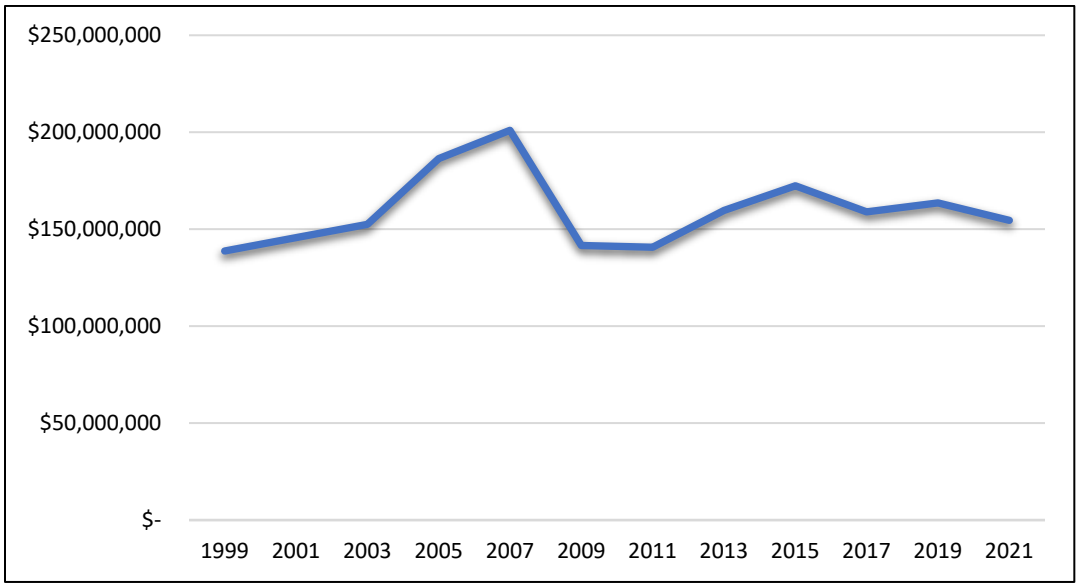

Figure 10 State Highway User Tax Receipts used for Highway Purposes (FY 1999 – FY 2021)

C2. State General funds

State general funds allocated to local governments for highway purposes.

- FY 2021 = $0

C3. Other State funds

All other state funds transferred to local governments for highway purposes. This includes bond sales, sales taxes, excise taxes, severance taxes, and mineral lease taxes. Page 2 of the FY 2019 FHWA-536 indicates that other state funds in Kentucky include license fees for trucks, insurance license fees, cabinet grant programs, other state

government, and mineral related taxes and fees which include the local government economic assistance fund. Two major categories of funds are available for maintaining local roads and streets:

- County Road Fund
- Local Government Economic Assistance Fund

Road Fund County Road Aid represents the largest contribution to the Road Fund. The County Road Aid Program was established by the Kentucky General Assembly in 1936 to help counties build and maintain county roads and bridges. In 1980, the General Assembly approved the distribution of funds directly to county governments. Prior to 1980, KYTC administered funds. The Program is currently funded through annual revenues generated by state taxes on gasoline and other motor fuels – 18.3 percent of the revenue collected via taxes are allocated to the Program. The Kentucky Department of Local Government is responsible for apportioning the County Road Aid funds pursuant to the formula laid out in KRS 179.410 and KRS 177.360. The formula has undergone several revisions. In 1964, the General Assembly adopted the present "fifths" formula, which is also used to apportion Rural Secondary funds. The formula used to allot County Road Aid funds is as follows: One-fifth equally, one fifth based on rural population, one-fifth based on rural public road mileage, and two-fifths based on rural area. Rural is defined as rural population, rural mileage, and rural areas outside of cities, towns, and urban areas having a population of 2,500 or more as shown by the most recent decennial census of the United States. KYTC compiles and coordinates the rural data used in the formula. The Cabinet obtains data on rural populations and rural areas for each county from the U.S. Census Bureau. Contrary to a prevalent misconception, county-maintained road mileage alone is not the basis for the mileage used in the formula. All rural public road mileage is used, regardless of which governmental agency is responsible for maintaining it.

Two methods are used for County Road Aid allocations. The first is direct distribution of funds based on motor fuel tax revenues for the preceding month. The second involves a cooperative agreement between counties and the Department of Rural and Municipal Aid. At the beginning of each fiscal year, the projected 80 percent of yearly motor fuel revenues, less three percent, is distributed once material price contracts for the year are submitted by participating counties. The remaining three percent held in reserve is pooled and used in emergency situations. The remaining 20 percent of motor fuel allocations are made available to counties throughout the year.

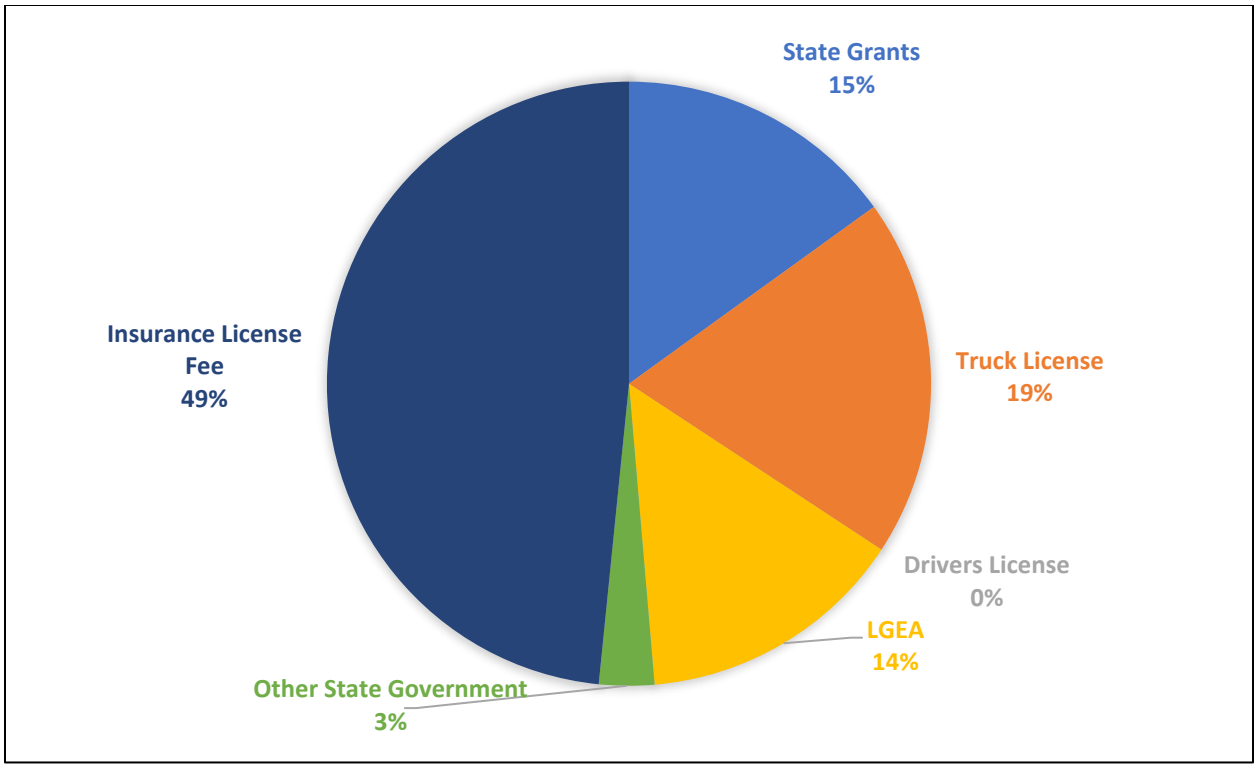

Figure 11 2021 State Fund Receipts

C3a. Truck License Fees

Revenue from truck licensing fees directed toward road and street purposes. KRS 47.020 defines Truck License Distribution; it represents 30 percent of all revenue raised by taxes under sections (3)-(14) of KRS 186.050. Each year, these funds are evenly divided among Kentucky's 120 counties.

- FY 2021 = $25,450,928
- The chart below illustrates trends for FY 1999 through FY 2021. Revenue from truck licensing was increasing steadily between FY 1999 and FY 2005. However, FY 2007 saw a decline in revenue. This decline continued into FY 2009 and FY 2011. FY 2013 saw an increase of revenue of $4,689,114 in comparison to FY 2011. However, these gains were offset in FY 2015 by a decline of $5,116,242. In FY 2017, revenue again increased by $3,162,583, and dropped slightly in FY 2019 by $229,244. Revenue increased slightly in FY 2021 by $1,985,177.

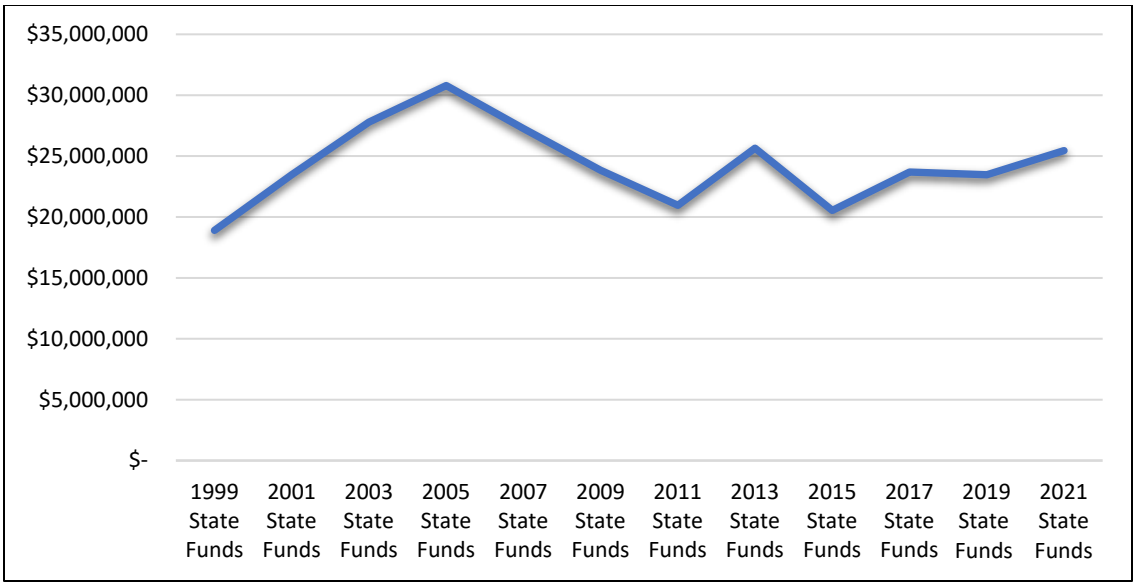

Figure 12 Truck License Revenue for Road and Street Purposes (FY 1999 – FY 2021)

C3b-3f.

Identify sources of state funds transferred *to* local governments.

C3b. Insurance License Fee

FY 2017 is the first year this is included as a revenue source. Sources increased in FY 2019 and again in FY 2021.

- FY 2021 = $64,134,652

C3c. Cabinet Grant Programs

FY 2021 = $19,940,525

- The chart below illustrates the trend in state grant revenue for FY 1999 through FY 2021. This funding source remained relatively stable from FY 1999 to FY 2005. However, no revenue was recorded for State Grants in FY 2007, FY 2011, FY 2013, and FY 2015. FY 2009 saw a large increase over revenue received from state grants in comparison to any other year. In FY 2017 there was a revival of the state grant program with a revenue similar to that received from FY 1999 to FY 2005. Revenue declined slightly in FY 2019 by $704,041, and increased in FY 2021 with the second highest year on record.

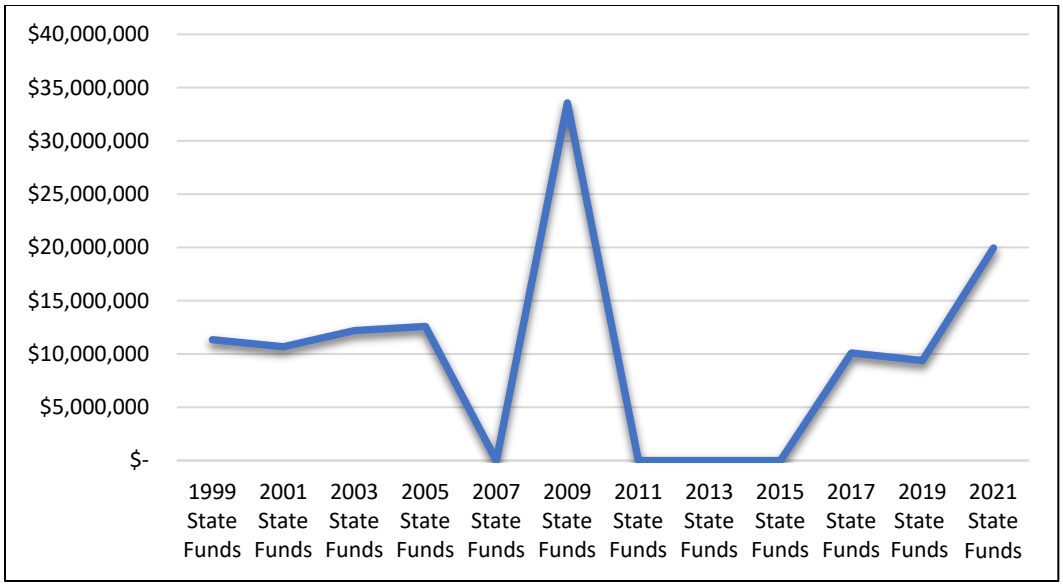

Figure 13 State Grant Revenue (FY 1999 – FY 2021)

C3d. Other State Government

FY 2021 = $3,914,143

This fund decreased in FY 2019 by $10,490,419 when compared to FY 2017. The fund increased again in FY 2021, but remains close to FY 2019 levels.

C3e. Mineral Related Taxes and Fees and the Local Government Economic Assistance Fund (LGEA Fund)

The Local Government Economic Assistance (LGEA) Fund is a revenue sharing program that was established by the General Assembly in 1980. Its purpose is to return a portion of state-collected coal and non-coal mineral severance taxes to eligible local governments (KRS 42.450 to KRS 42.495). The Division of County and Municipal Accounting within the Department of Local Government is responsible for apportioning these funds to eligible local governments. Funds are used by local governments to improve the environment for new industry and to enhance resident's quality of life. When the coal severance and processing taxes collected exceeds $15.8 million, half of the excess is transferred from the General Fund into the LGEA fund. By statute, the minimum transfer amount is 12 percent of the total severance and processing taxes collected. Half of annual tax collections from the sale and processing of minerals, exclusive of coal, is also transferred to LGEAF. Sixty percent of the coal severance tax is allocated among coal-producing counties, while 30 percent is allocated to each coal-producing county based on per capita income, ton-miles of resource roads, and population. The remaining 10 percent is allocated to coal-impact counties, which are non-coal producing counties with at least 0.25 percent of the total coal ton miles hauled over public roads within their boundary. Distribution is based on geographic area, ton-miles of coal haul roads, and per capita income in inverse order.

The mineral severance and processing tax is distributed based on the tax collected on minerals severed. Ten percent of the coal and mineral funds allocated to each county is divided among its cities based on the ratio of the population of each incorporated area to the total population of all the incorporated areas within the county. Coal-producing counties and cities must dedicate 30 percent of the coal tax portion of LGEAF to the maintenance of local public highways which have been used for a significant amount of coal transport. The remaining 70 percent may be spent on public safety, environmental protection, public transportation, health, recreation, libraries, social services, administration, industrial and economic development, and vocational education. Coal-impact counties and cities

must allocate 100 percent of their LGEAF proceeds to public transportation, streets, and roads. The mineral tax portion of LGEAF may be spent on any of the above categories.

- FY 2021 = $19,071,983
- The following chart illustrates trends for FY 1999 through FY 2021. Transfers were down sharply in FY 2001 and FY 2003. However, in FY 2005 a recovery occurs in fund receipts for road and street purposes to FY 1999 levels of $43,745,453. FY 2007 followed with another dip in revenue, returning to FY 2003 levels. However, FY 2009 shows a strong recovery in this revenue source with more fund sources recorded than any previous year ($65,049,155). FY 2011 illustrates a marginal increase over FY 2009 revenue ($65,216,377). This is followed by a decrease in FY 2013 of $14,170,183. Fund revenues in FY 2015 remain similar to those of FY 2013 with a slight decrease of $578,611. FY 2017 saw a sharp decrease in revenue, which decreased again in FY 2019 by an additional $2,656,197. FY 2021 is the lowest recorded revenue for LGEA Fund receipts since FY 1999.

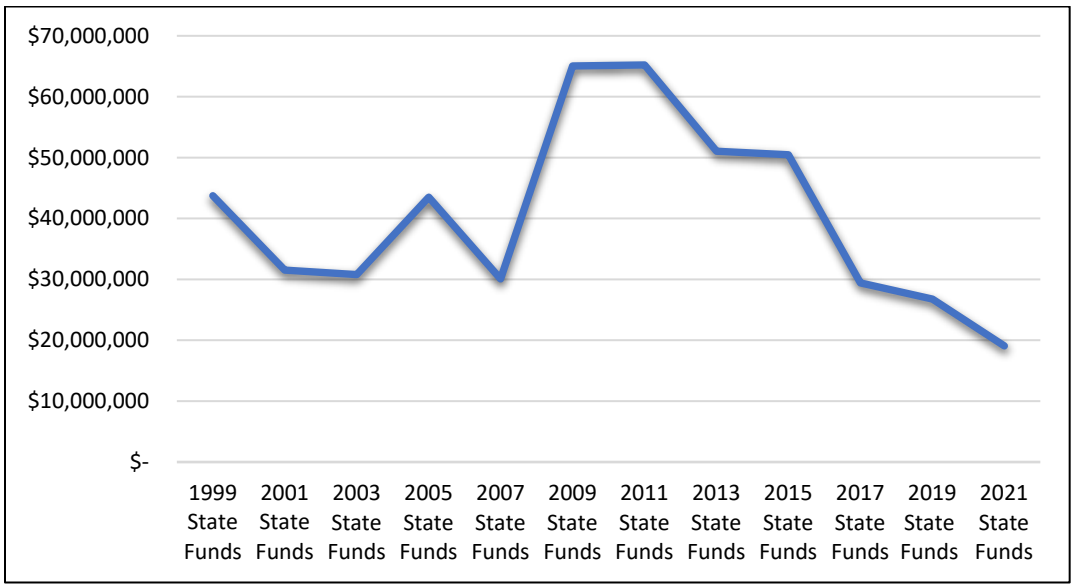

Figure 14 Local Government Economic Assistance Fund Receipts (FY 1999 – FY 2021)

Driver License

KRS 186.535 states that 25 cents raised from the original issuance or renewal of an operator's license goes into KYTC's Road Fund for use in expanding the state driver education program; another 25 cents is refunded to the county of issuance for county road purposes.

- FY 2021 = $0
- The chart below illustrates trends for FY 1999 through FY 2021. Revenue from driver licensing traditionally held a relatively small share of total revenue used for road and street purposes. The trend below illustrates a peak in revenue in FY 2005, followed by a sharp decline in FY 2007. Revenue used for road and street purposes shows recovery in FY 2009 and a marginal increase in FY 2011.This was followed by a decline in FY 2013, and an increase in FY 2015. FY 2017, FY 2019, and FY 2021 recorded $0 revenue from this source.

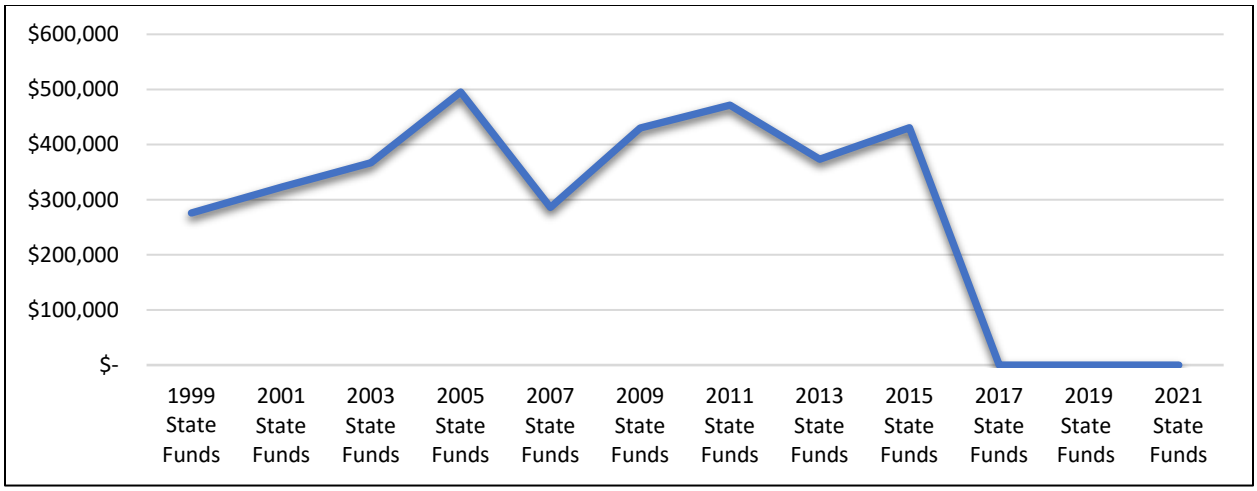

Figure 15 Driver License Revenue for Road and Street Purposes (FY 1999 – FY 2021)

C3f. Total

Total receipts from other state government funds. The sum of state grants, truck licensing, drivers licensing and the local government economic assistance fund.

- FY 2021 = $132,512,231
- The chart below presents total receipts from other state government funds for road and street purposes for the study period FY 1999 to FY 2021. Funding from other fund sources declined in FY 2001 and FY 2003. This reduction is reflective of reduced proceeds from state bond proceeds, state grants and the local government economic assistance fund. In FY 2005, total receipts from other state government funds exceed FY 1999 values by $12,595,008. FY 2007 other state funds received were lower than FY 2005, owing to the lack of state grants received. However, this reduction in other state funds was offset by highway-user taxes that year. FY 2009 saw the highest record of other state funds received up until that point. This is due to two main sources: 1) the large contribution of state grants; and 2) the LGEA Fund revenue. In FY 2011, the LGEA Fund continued to be a significant source of revenue. There is no record of state grants made available for road and street purposes in FY 2011, FY 2013 or FY 2015, however, there is a fund source documented as “other state government” that represents a significant source of revenue. Overall FY 2011 represents the peak year in terms of revenue with total receipts declining in FY 2013 and FY 2015. FY 2017 represents an increase in total receipts received from other state government funds, this increase was recorded despite the lowest recorded revenue for LGEA fund. Most notably the return of state grants for FY 2017 in combination with the insurance license fee is what has driven the increase, bringing total revenue back in line with FY 2013 levels. Slight decreases in all other state fund revenues in FY 2019 lead to an overall decrease in this category of $6,215,158. Total State fund sources increased in FY 2021 by $16,854,879 in comparison to FY 2019, driven primarily by increases in state grants and insurance license fees. These increases in revenue place FY 2021 as the highest year recorded since FY 1999.

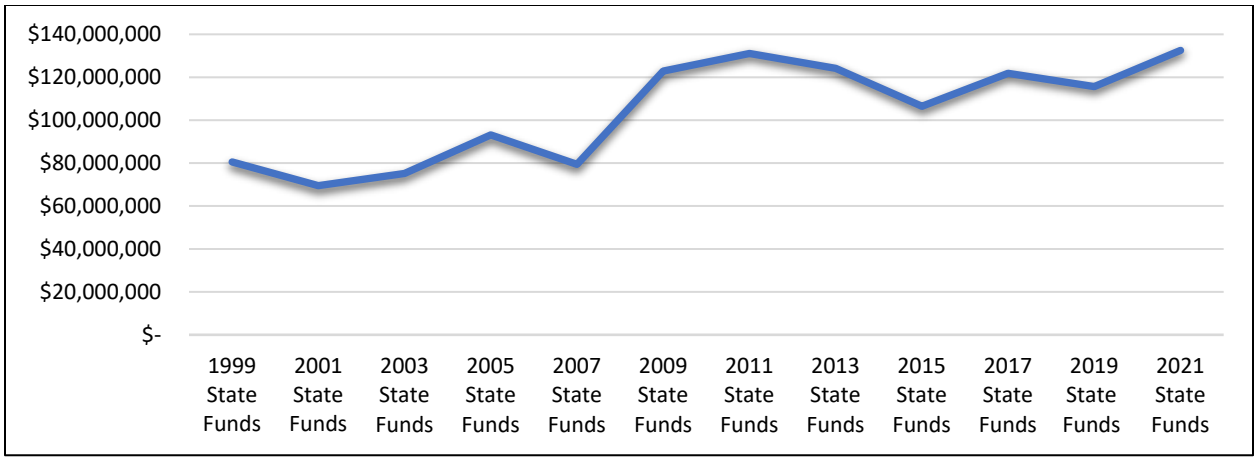

Figure 16 Total Receipts from Other State Government Funds for Road and Street Purposes (FY 1999 – FY 2021)

C4. Total

Total receipts from state government funds. The sum of highway-user taxes, state general funds, and other state funds. Calculate C4 using the following equation:

$$C4 = C1 + C2 + C3f$$

- FY 2021 = $287,063,200
- See Page 1 of FHWA-536 for total and Page 2 for an itemized listing.
- The following chart illustrates total receipts from state government funds used for road and street purposes from FY 1999 to FY 2019. Fund sources remain relatively flat from FY 1999 to FY 2003. However, there is an increase in revenue in FY 2005. State government highway-user tax receipts increased during this same time period. FY 2005 values total $186,382,351, while FY 1999 values total $138,757,224. FY 2007 shows a slight increase in revenue from state government. In FY 2009 there was an overall reduction of $15,034,801 when compared to FY 2007. FY 2011 represents a slight increase in revenue over FY 2009 with a jump of $7,245,195 in total receipts. Another increase in revenue was noted for FY 2013, bringing the total receipts to $3,460,617 more than the next highest yield in FY 2007. A decline in revenue was noted for FY 2015 of $4,991,598. FY 2017 saw a slight increase in revenue. Revenue declined marginally again in FY 2019. FY 2021 saw an increase in revenue to place it as the highest year of total receipts from state government since FY 1999.

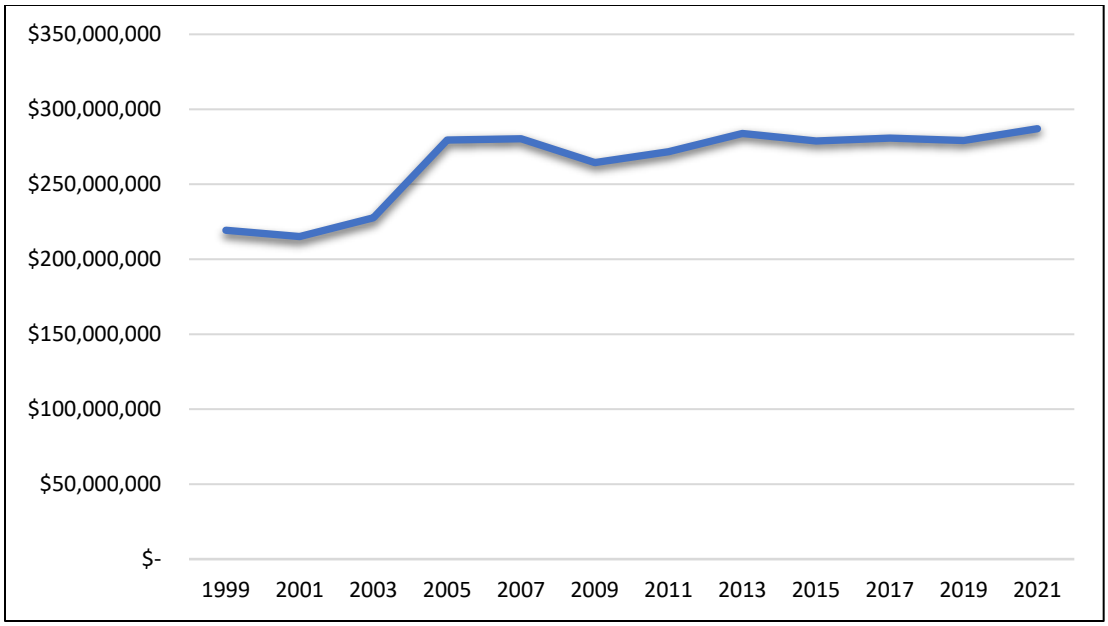

Figure 17 Total Receipts from State Government (FY 1999 – FY 2021)

D. Receipts from Federal Government

Funds directed from federal agencies to local governments for highway activities. These funds may be transferred directly (from federal agency to local government) or indirectly (passing through state government). Consult FHWA-532; Item A10 provides data on federal funds to local governments for roads and streets.

D1. Federal Highway Administration

Enter the amount recorded in Section 1, Category D5. It represents all FHWA funds passed through the state to local governments for highway purposes.

- FY 2021 = $47,605,414

D2. Other Federal Agencies

Funds local governments receive from other federal agencies for highway purposes, either directly or indirectly (through the state). Federal grants, payments, refunds, and reimbursements consist of several types of revenues, including Department of Homeland Security (DHS) and Department of Housing and Urban Development (HUD) flood reimbursements, federal emergency assistance, and federally funded grants. State grants, payments, refunds and reimbursements are not defined by statute. Examples include items such as flood damage reimbursement, road energy recovery fund, miscellaneous payments, and special state funds (e.g., bridge fund, strip mine permits).

D2a. Department of Homeland Security

Funds paid to local governments by the United States Forest Service for roads and streets (see KRS 149.130 for a definition of National Forest fund). Federal funding paid to states are distributed to counties that are home to National Forests. Apportionment is contingent on the size of the reserve in a county. Counties must put half the receipts in the road fund and the other half in a fund for public schools. Typically, the Forest Service contributes a relatively small amount of revenue to local governments for road and street purposes.

- FY 2021 = $0

D2d through D2f.

Identify additional federal agencies that provided funding to local governments for highway purposes.

D2b. FEMA

Funds directed to local governments from the Federal Emergency Management Agency (FEMA) to use for roads and streets.

- FY 2021 = $0

D2c. HUD

Funds directed to local government from HUD to use for roads and streets.

- FY 2021 = $0

D2g. Total

Total revenue received from other federal agencies.

$$D2g = D2a + D2b + D2c + D2d + D2e + D2f$$

- FY 2021 = $0

D3. Total

Total revenue from federal sources directed to local governments for road and street programs. Calculate D3 using the following equation:

$$D3 = D1 + D2$$

- FY 2021 = $47,605,414
- The chart below shows the trend in total receipts received from federal agencies from FY 1999 to FY 2021. FY 2009 and FY 2011 show receipts significantly higher than previous years. FY 2009 FHWA substantially increased the revenue to local government for road and street purposes. This combined with revenue from the Department of Homeland Security and the Federal Emergency Management Agency led to the largest contribution recorded up to that point ($37,035,824). Although FY 2011 saw a decrease in receipts from FHWA to more typical levels, funding from Department of Homeland Security increased, which led to a higher than typical revenue stream from federal agencies. In FY 2013, funding from both FHWA and Department of Homeland Security decreased. This reduction is reflected in the chart below. Funding from Department of Homeland Security ceased in FY 2015, so overall funding from federal agencies declined. In FY 2017, FHWA increased overall funding provided to local governments. Funding from FHWA in FY 2019 is the only source of Federal receipts in this year. It increased in FY 2019 by $7,755,729 in comparison to FY 2017. In FY 2021, FHWA funds again were the only federal source of revenue. During this year FHWA significantly increased their contribution, making this year the highest recorded total receipts from federal sources ($47,605,414).

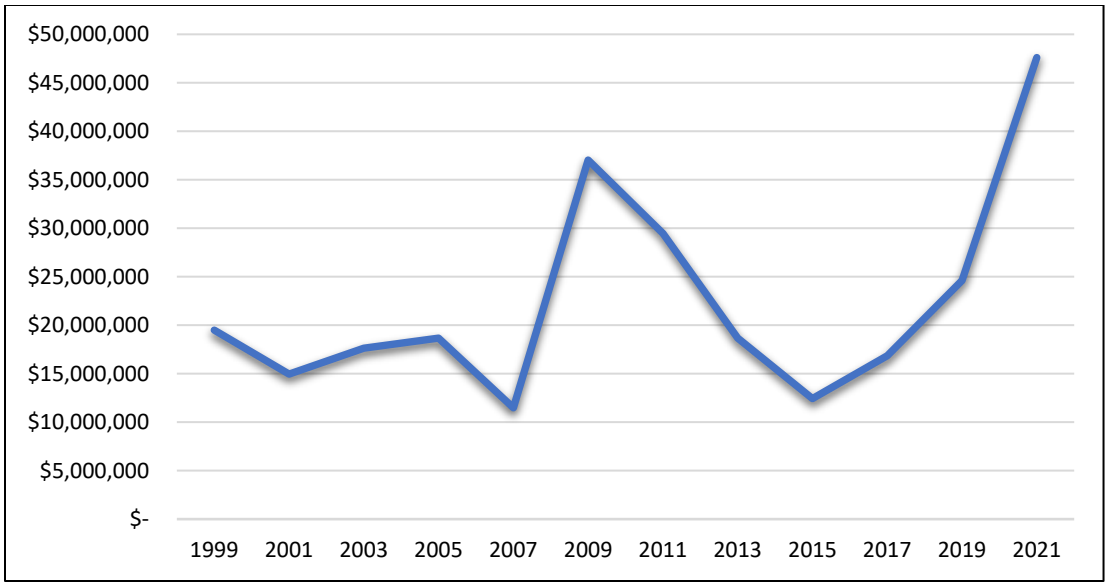

Figure 18 Total Receipts from Federal Government by Fiscal Year

E. Total Receipts

Seen on Page 1, Section II total revenue local governments receive from local, private, state resources, and federal resources for road and street purposes. Calculate E using the following equation:

$$E = A7 + B + C + D$$

- FY 2021 = $560,976,178
- The chart below looks at the relative proportion of total receipts from each source.

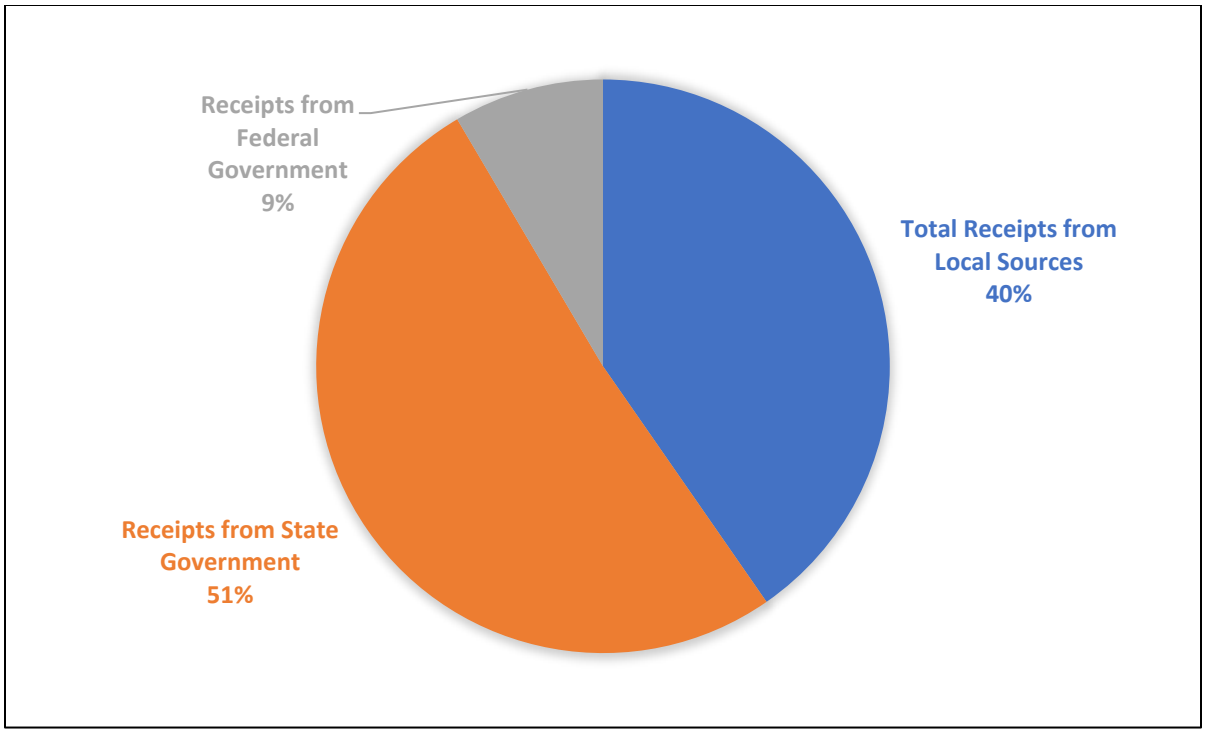

Figure 19 Total Receipts for FY 2021

The table below looks at the proportions of funding sources since FY 1999. Most notably, in recent years there has been a trend of increased funding from local sources. In FY 1999, local sources accounted for 12% of all revenue received, in comparison to 37% in FY 2015, 33% in FY 2017, 47% in FY 2019 and 40% in FY 2021. Federal sources of funding remain a smaller proportion of all revenue sources fluctuating between 3% and 9%. State revenue sources have decreased from a high of 81% (FY 1999 and FY 2005) to lows 49% in FY2019 and 51% in FY 2021.

Table 4 All Sources of Income from (FY 1999 – FY 2021)

	Local Source Percentage	State Source Percentage	Federal Source Percentage
FY 1999	12%	81%	7%
FY 2001	15%	80%	5%
FY 2003	16%	78%	6%
FY 2005	14%	81%	5%
FY 2007	27%	70%	3%
FY 2009	25%	66%	9%
FY 2011	34%	60%	6%
FY 2013	35%	61%	4%
FY 2015	37%	60%	3%
FY 2017	33%	63%	4%
FY 2019	47%	49%	4%
FY 2021	40%	51%	9%

The following chart illustrates total receipts for FY 1999 through FY 2021. After funding remained flat for 1999-2003, it gradually increased from FY 2005 to FY 2007. Funding plateaued from FY 2007 to FY 2009 but has since increased for FY 2011 and FY 2013. Funding increased slightly in FY 2015 and declined again in FY 2017. Funding increased significantly in FY 2019 by $128,136,745 in comparison to FY 2017. This is more notably owing to the addition of the

sale of bonds in FY 2019 which generated $117,855,998. In previous years no bond sales are noted in local revenue sources. Total funding dipped in FY 2021, again reflecting the trend in bond sales.

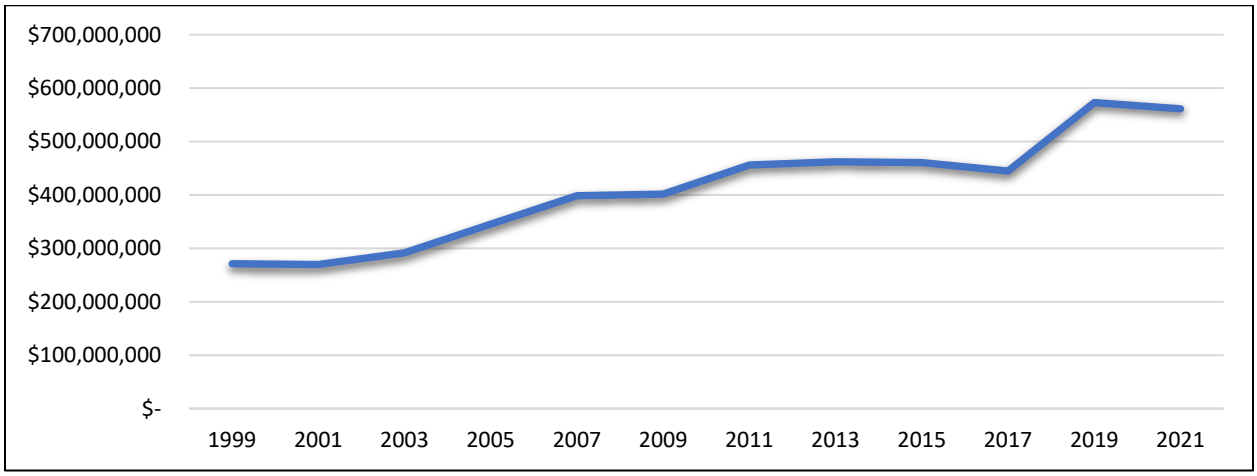

Figure 20 Total Receipts for Road and Street Purposes by Fiscal Year

2.3 Section III: Expenditures for Road and Street Purposes

This section examines local government expenditures for highway purposes. Expenditures are placed into four categories: 1) local highway disbursements, 2) debt service on local obligations, 3) payments to state governments, and 4) payments to toll facilities. In some cases, projects are jointly funded by local and state governments. When this occurs, record local government expenditures FHWA-536 and state government expenditures on FHWA-532. If the state retains full control over a project but contracts with a local government for some services, report the expenditures on FHWA-532 only.

Table 5 Section 3 Elements

ITEM	AMOUNT
A. Local highway expenditures:	A
1. Capital outlay (from page 2)	A1
2. Maintenance:	A2
3. Road and street services:	A3
a. Traffic control operations	A3a
b. Snow and ice removal	A3b
c. Other	A3c
d. Total (a. through c.)	A3d
4. General administration & miscellaneous	A4
5. Highway law enforcement and safety	A5
6. Total (1 through 5)	A6

B. Debt service on local obligations:	B
1. Bonds:	B1
a. Interest	B1a
b. Redemption	B1b
c. Total (a. + b.)	B1c
2. Notes:	B2
a. Interest	B2a
b. Redemption	B2b
c. Total (a. + b.)	B2c
3. Total (1.c + 2.c)	B3
C. Payments to State for highways	C
D. Payments to toll facilities	D
E. Total expenditures (A.6 + B.3 + C + D)	E

A. Local Highway Expenditures
All expenditures made by local government for highway activities.

A1. Capital Outlay
All capital outlays by local governments for highways, roads, and streets. This information should be consistent with information provided on FHWA-531 and FHWA-532. Omit from this section capital outlay for toll facilities, mass transit, and most administrative costs. Include the following: 1) construction materials and supplies, 2) construction machinery and equipment, and 3) administrative costs directly assignable to specific capital outlay projects.

- FY 2021 = $185,588,759
- Capital Outlay by local governments for road and street purposes had been increasing steadily up until FY 2011. In FY 2013 Capital Outlay dropped significantly, and again in FY 2015 to the lowest level recorded over the duration of the study (FY 1999 to FY 2017). However, an increase in disbursement was noted for FY 2017 and again in FY 2019. FY 2021 dropped by $5,590,818 to just below FY 2019 levels.

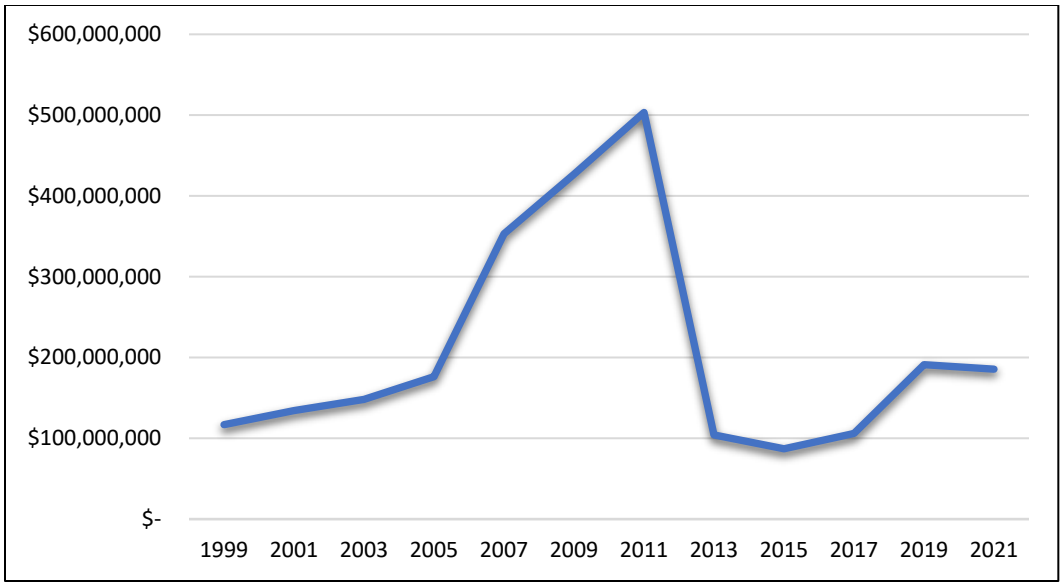

Figure 21 Capital Outlay by Local Government for Road and Street Purposes (FY 1999 – FY 2021)

A1a. Right-of-way

Includes the following expenses: 1) right-of-way administration; 2) purchase of land, improvements, and easements; and 3) the costs of moving and relocating buildings, businesses, and people. Report the amount spent on the National Highway System in *Column A*, and the amount spent off the National Highway System in *Column B*.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1b. Engineering

Includes the following expenses: 1) field engineering and costs; 2) surveys, material testing, and borings; 3) preparation of plans, specifications, and estimates; and 4) traffic and related studies. Report the amount spent on the National Highway System in *Column A*, and the amount spent off the National Highway System in *Column B*.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1c. Construction

Expenditures for construction of roads and bridges. This includes roadway earth work and grading; drainage and related protective structures; base and surface or resurfacing; shoulder and approach surfacing, including turnouts; interchanges; frontage roads; climbing lanes and parking areas; utility relocation; major and minor widening; safety-related improvements; and environmentally related improvements. Construction of structures includes bridges; viaducts; grade separation structures; overpasses and underpasses; vehicular tunnels and subway, sewer and drainage systems; walls and roads over dams; ferries and landings. It also includes protective systems installed on structures exposed to harsh environments and chemical damage.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1c1. New Facilities

Expenditures for new highways, roads, and bridges on the National Highway System.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1c2. Capacity Improvements

Expenditures for improvements that add capacity to facilities (e.g., adding lanes). Only record funds spent on the National Highway system.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1c3. System Preservation

Expenditures used to preserve the existing system without significantly improving capacity. Only record funds spent on the National Highway System.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1c4. System enhancement and operation

Expenditures made to address environmental sustainability – improvements not directly related to roads and bridges, such as safety, traffic management, traffic engineering, railroad grade crossings, vehicle weight enforcement facilities. Only record funds spent on the National Highway System.

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1c5. Total Construction

Column A is total construction costs for the National Highway System. Calculate A1c5 using the following equation:

$$A1c5 = A1c1 + A1c2 + A1c3 + A1c4$$

- FY 2021 = $0
- Data for capital outlay is not reported on County or City reports to accommodate further disbursement reporting.

A1d. Total

Calculate A1d using the following equation:

$$A1d = A1a + A1b + A1c5$$

- FY 2021 = $185,588,759

A2. Maintenance

Maintenance encompasses activities done to preserve the highway system in a condition that is close as possible to the original condition (FHWA, 2020). Includes the cost of materials, supplies, and equipment for maintenance activities. Maintenance activities for toll facilities are reported separately.

- FY 2021 = $402,867,437

A3. Road and street services

Local government operational expenditures for roads, streets and bridges.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

A3a. Traffic control operations

Expenditures for traffic control operations.

- FY 2021 = $0

A3b. Snow and ice removal

Expenditures for snow and ice removal, gritting, deicing, and the installation and removal of snow fences.

- FY 2021 = $0

A3c. Other

Road and street services such as highway air quality monitoring, highway beautification, mowing, and litter removal.

- FY 2021 = $0

A3d. Total

Calculate A3d using the following equation:

$$A3d = A3a + A3b + A3c$$

- FY 2021 = $0

A4. General Administration and Miscellaneous

Expenditures not classified as capital outlay, maintenance, or operations. Include highway planning traffic studies and research in this item.

- FY 2021 = $34,250,010

A5. Highway law enforcement and safety

Local government outlays for highway and traffic police used for traffic supervision and enforcement of highway, traffic and safety laws. Costs are sometimes aggregated with general police activities. If this occurs, estimates are reliable.

- FY 2021 = $0

A6. Total

Total local highway disbursements costs. Calculate A6 using the following equation:

$$A6 = A1 + A2 + A3 + A4 + A5$$

- FY 2021 = $622,706,206

- Total local highway disbursements have been steadily increasing over most of the study period. A decline was recorded in disbursements for FY 2015. This was followed by an increase in FY 2017. FY 2019 is the highest recorded total local highway disbursements over the course of the study period. FY 2019 is $75,086,791 higher than FY 2013 the next highest year recorded. Total local highway disbursements dropped in FY 2021 by $21,226,241 in comparison to FY 2019 levels.

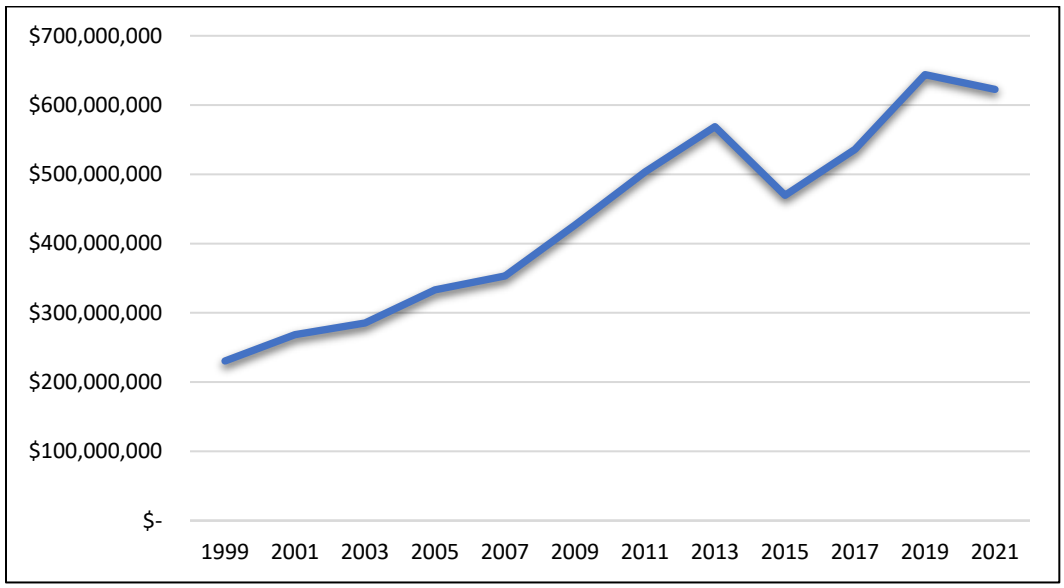

Figure 22 Total Local Highway Disbursements (FY 1999 – FY 2021)

B. Debt service on local obligations

Interest and redemption payments for local highway, road, and street bonds issued by local government. See Section II Bonds and notes. Debt service also includes all expenditures resulting from the sale and retirement of highway debt. The only debt service reported is from Item II A6, and the amount recorded in Section IV.

B1. Bonds

Debt service on bonds.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

B1a. Interest

Bond interest costs and financing costs.

- FY 2021 = $13,613,439

B1b. Redemption

Bond redemption payments at net value.

- FY 2021 = $0

B1c. Total

Calculate B1c using the following equation:

$$B1c = B1a + B1b$$

- FY 2021 = $13,613,439

B2. Notes

Debt service costs on notes.

- This cell is shaded because it is the title cell and broken into additional sub-categories (see below).

B2a. Interest

Note interest costs and any financing costs.

- FY 20121= $0

B2b. Redemption

Note redemption payments at net value.

- FY 2021 = $0

B2c. Total

Calculate B2c using the following equation:

$$B2c = B2a + B1b$$

- FY 2021 = $0

B3: Total

Calculate B3 using the following equation:

$$B3 = B1c + B2c$$

- FY 2021 = $13,613,439

C. Payments to States for highways

Fund transfers *from* local government *to* the state for highway, road, and street purposes. This value should reflect data reported on form FHWA-531.

- FY 2021 = $0

D. Payments to toll facilities

Funds transferred *from* local government *to* either a state or a local toll facility. Identify the toll facility and amount transferred in a note.

- FY 2021 = $0

E. Total Disbursements

Calculate E using the following equation:

$$E = A6 + B3 + C + D$$

- FY 2021 = $636,319,645

- The following chart captures total disbursements for road and street purposes for FY 1999 through FY 2021. Note that while disbursements stagnated between FY 2005 and FY 2007, there has been an upward trend over most of this period. Again, a decline was noted in total disbursements for FY 2015. This was a notable decline of $99,787,227. This was followed by an increase of $72,474,119 in FY 2017. FY 2019 again saw an increase in disbursements making FY 2019 the highest year for total spending — at $87,994,416 higher than the next highest record in FY 2013. Disbursements decline again in FY 2021.

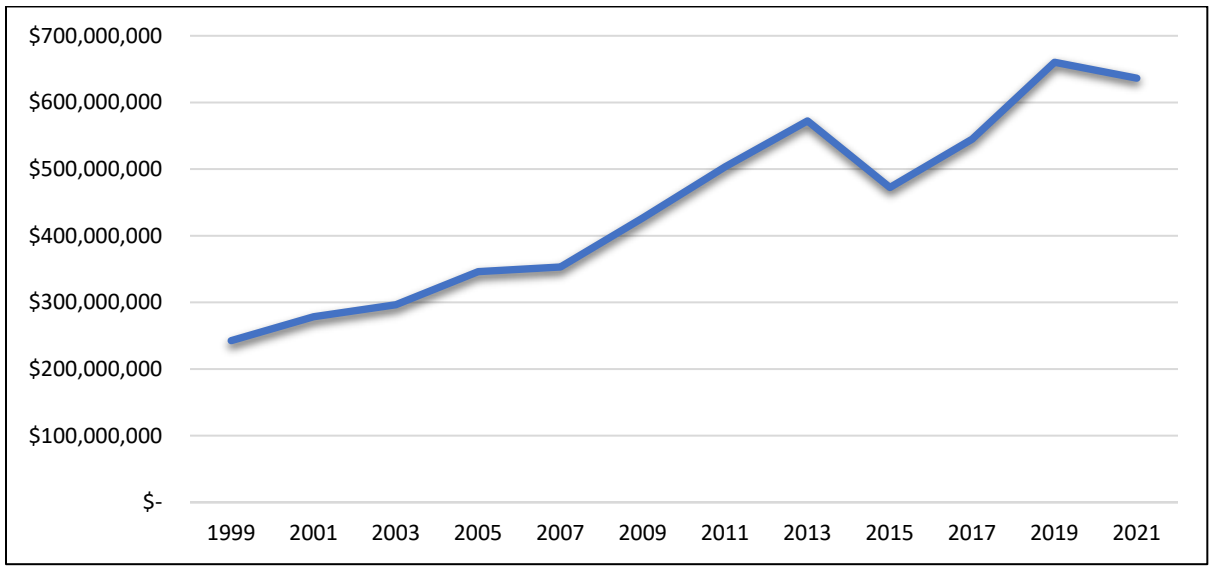

Figure 23 Total Disbursements for Road and Street Purposes by Fiscal Year

- The following bar chart presents data on total receipts and disbursements for FY 1999 through FY 2021. Total receipts are represented by the blue bars, and total disbursement by orange bars. A general trend of increasing revenues and expenditures over this time period is observable, except for FY 2015. Of note here is the large decrease in disbursements during this fiscal year. However, when examined against receipts the disbursements are more closely aligned than previous years. FY 2017 followed with a decrease in revenue and an increase in expenditures. FY 2019 presents record breaking figures for both revenue and expenditures, with disbursements exceeding receipts by $87,512,302. FY 2021 demonstrated declines in both receipts and disbursements in comparison to FY 2019. Overall expenditures exceed income by $75,343,467.

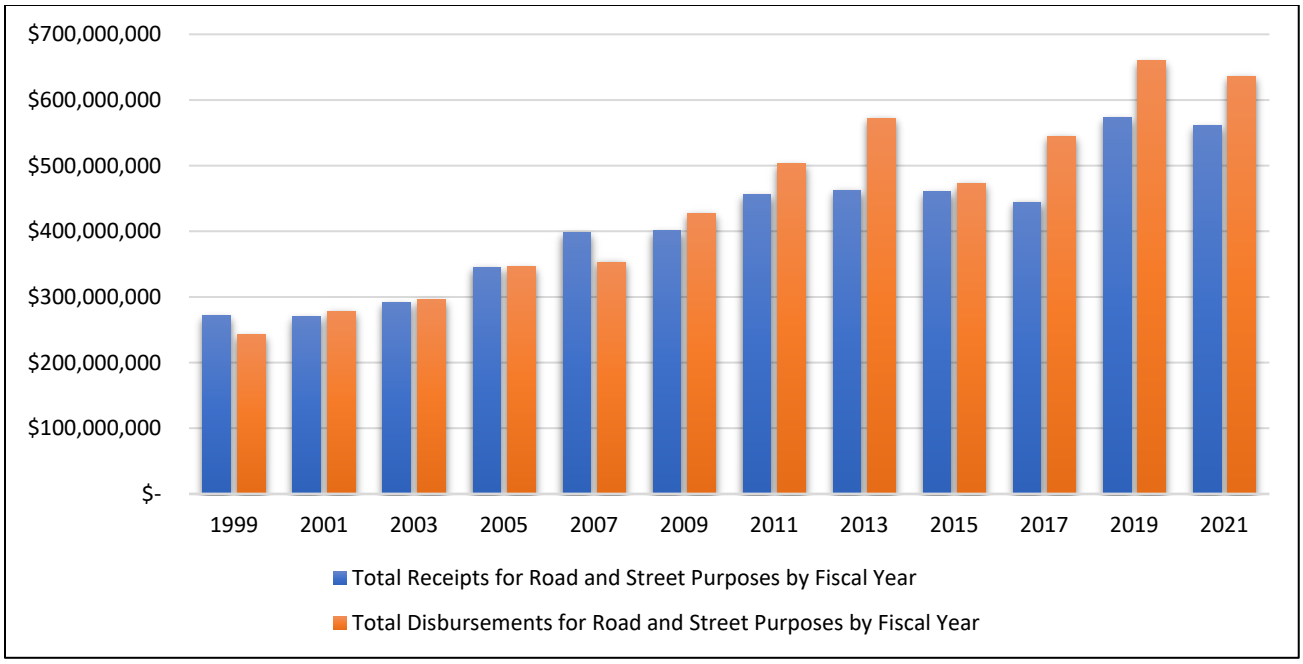

Figure 24 Disposition of Highway-User Revenues Available for Local Government Expenditure (Income vs Expenditure)

2.4 Section IV: Local Highway Debt Status

This section records the status of local government highway debt. For FY 2021, the local highway debt recorded in this section is $0. Brief descriptions of each category are provided below.

Table 6 Table for Local Highway Debt Status

IV. LOCAL HIGHWAY DEBT STATUS *(Show all entries at par)*				
	Opening Debt	**Amount Issued**	**Redemptions**	**Closing Debt**
A. Bonds (Total)				
1. Bonds (Refunding Portion)				
B. Notes (Total)				

A. Bonds (Total)

Total amount of bonds at face value. This includes bonds outstanding at the beginning of the year, bonds issued during the year, bonds redeemed during the year, and bonds outstanding at the end of the year.

A.1. Bonds (Refunding Portion)

Bonds entered in A. Bonds (Total) that were involved in refunding.

B. Notes (Total)

Face value or par value of all notes. This includes notes outstanding at the beginning of the year, notes issued during the year, notes redeemed during the year, and notes outstanding at the end of the year.

A completed version of the FHWA-536 for FY 2021 is provided on the following pages.

Form Approved

The public report burden for this information collection is estimated to average 380 hours annually. OMB No. 2125-0032

LOCAL HIGHWAY FINANCE REPORT KENTUCKY CITIES AND COUNTIES	STATE: Kentucky
	YEAR ENDING: June, 2021
This Information From The Records Of: Department for Local Government and Kentucky League of Cities	Prepared By: Kentucky Transportation Center

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available		37,415,417	154,550,969	47,605,414
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes	0	37,415,417	154,550,969	47,605,414

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	0
b. Motor Vehicle (from Item I.B.5.)	37,415,417
c. Total (a.+b.)	37,415,417
2. General fund appropriations	
3. Other local imposts (from page 2)	52,772,745
4. Miscellaneous local receipts (from page 2)	60,372,012
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	75,747,390
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	75,747,390
7. Total (1 through 6)	226,307,564
B. Private Contributions	
C. Receipts from State government (from page 2)	287,063,200
D. Receipts from Federal Government (from page 2)	47,605,414
E. Total receipts (A.7 + B + C + D)	560,976,178

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	185,588,759
2. Maintenance:	402,867,437
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	
c. Other	
d. Total (a. through c.)	
4. General administration & miscellaneous	34,250,010
5. Highway law enforcement and safety	
6. Total (1 through 5)	622,706,206
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	13,613,439
b. Redemption	
c. Total (a. + b.)	13,613,439
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	13,613,439
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	636,319,645

IV. LOCAL HIGHWAY DEBT STATUS

i(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

Notes and Comments:

Data derived from information provided by the Department for Local Government and the Kentucky League of Cities

FORM FHWA-536 (Rev.06/2000) PREVIOUS EDITIONS OBSOLOETE (Next Page)

page 1

LOCAL HIGHWAY FINANCE REPORT

Kentucky

YEAR ENDING: June, 2021

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		**A.4. Miscellaneous local receipts:**	
a. Property Taxes and Assesments	28,866,732	a. State Appropriations	58,259,654
b. Other local imposts:		b. City Appropriations	2,112,358
1. Parking	13,954,830	c. (Specify)	
2. ROW Permits	3,224,275	d. (Specify)	
3. City Vehicle Licensing	725,646	e. (Specify)	
4. Fines	6,001,262	f. (Specify)	
5.		g. (Specify)	
6. Total (1. through 5.)	23,906,013	h. (Specify)	
c. Total (a. + b.)	52,772,745	i. Total (a. through h.)	60,372,012
(Carry forward to page 1)		*(Carry forward to page 1)*	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user taxes (from Item I.C.5.)	154,550,969	1. FHWA (from Item I.D.5.)	47,605,414
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a.	
a. License Fees Trucks	25,450,928	b.	
b. Insurance License Fee	64,134,652	c. (Specify)	
c. Cabinet Grant Programs	19,940,525	d. (Specify)	
d. Other State Government	3,914,143	e. (Specify)	
e. Mineral Related Taxes and Fees	19,071,983	f. (Specify)	
f. Total (a. through e.)	132,512,231	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	287,063,200	3. Total (1. + 2.g)	47,605,414
(Carry forward to page 1)		*(Carry forward to page 1)*	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			
(2). Capacity Improvements			
(3). System Preservation			
(4). System Enhancement And Operation			
(5). Total Construction (1)+(2)+(3)+(4)	0		0
	0	0	185,588,759
	(Carry forward to page 1)		

Notes and Comments:

Data derived from information provided by the Department for Local Government and the Kentucky League of Cities
Data for "capital outlay" is not reported on County or City reports to accommodate further disbursement reporting
Federal, state, and city transit revenue and expenses not inlcuded

FORM FHWA-536

3. Inflation Adjustments

In order to analyze the trends in spending over the study period from FY 1999 to FY 2021, the real dollar value of receipts and disbursements was calculated by adjusting for inflation. The Consumer Price Index (CPI) Inflation Calculator was utilized, using the year 2021 as the base year for comparison.

According to the CPI Inflation Calculator, the value of $1 spent in 1999 would be equivalent to $1.59 in 2021. Similarly, $1 spent in 2001 would be worth $1.49 in 2021, $1 in 2003 would be worth $1.44 in 2021, $1 in 2005 would be worth $1.37 in 2021, $1 in 2007 would be worth $1.29 in 2021, $1 in 2009 would be worth $1.24 in 2021, $1 in 2011 would be worth $1.19 in 2021, $1 in 2013 would be worth $1.14 in 2021, $1 in 2015 would be worth $1.12 in 2021, $1 in 2017 would be worth $1.08 in 2021, and $1 in 2019 would be worth $1.04 in 2021.

By adjusting the dollar values for inflation, it allows for a more accurate comparison of spending across different years. This enables a better understanding of the impact of inflation on the purchasing power of funds over time.

Upon applying the appropriate inflation adjustment factors, the chart illustrates the trends in receipts for road and street purposes. Notably, FY 2019 stands out as the year with the highest total receipts. However, when inflation adjustments are considered, the decline in receipts from FY 2019 to FY 2021 becomes more pronounced, with the difference growing from just below $12 million to $34,708,408.

Overall, the long-term trend in receipts, when adjusted for inflation, indicates growth. However, specific years exhibit fluctuations in comparison to the preceding year's receipts. For instance, there was a dip in revenue in FY 2001, followed by a steady increase until 2007. In FY 2005, total receipts surpassed the levels recorded in FY 1999. However, FY 2009 witnessed a decline in revenue of $16,304,743 compared to FY 2007. Notably, FY 2011 experienced a substantial increase in revenue, surpassing all previous records by $28,575,587.

A downward trend in receipts emerged in FY 2013, FY 2015, and FY 2017, with FY 2017's receipts being $35,558,107 less than those of FY 2015 after inflation adjustments. However, there was a recovery in FY 2019, with the highest recorded levels of receipts exceeding FY 2017 levels by $115,476,739 after adjusting for inflation.

In conclusion, the analysis of receipts, considering inflation adjustments, demonstrates an overall growth trend over time. While specific years exhibit variations in comparison to preceding years, the fluctuations highlight the influence of economic factors and policy changes. The recovery in FY 2019 indicates the successful collection of revenue, reaching record levels for road and street purposes.

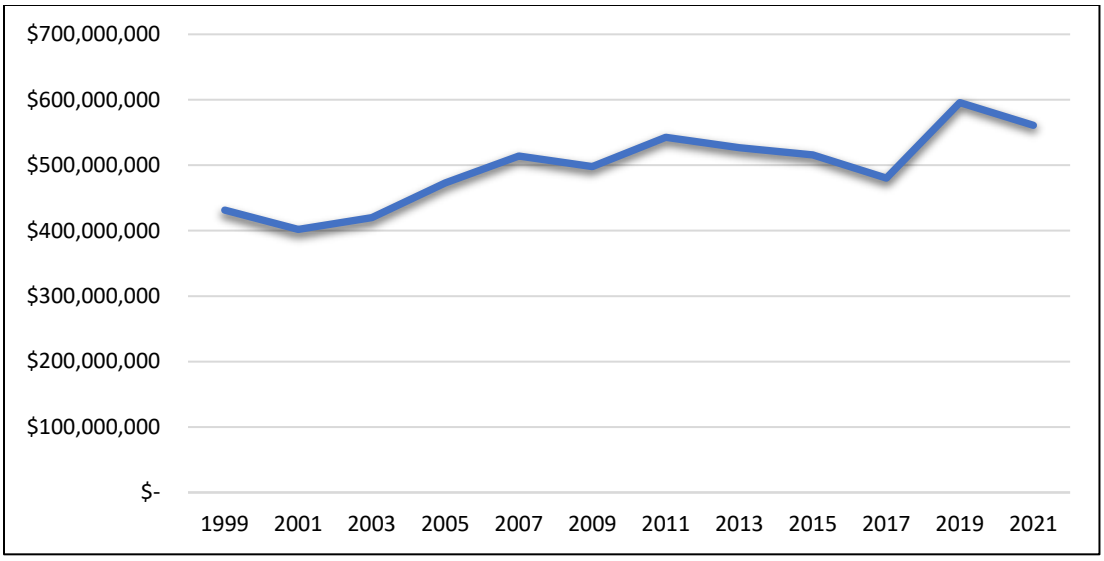

Figure 25 Total Receipts for Road and Street Purposes Adjusted to FY 2021 Levels

After applying inflation adjustments using 2021 as the base year, the chart below provides insights into total disbursements by local governments for road and street purposes. Over the period from FY 1999 to FY 2013, there was a gradual upward trend in spending, with some fluctuations along the way. Notably, FY 2007 witnessed a dip in disbursements compared to preceding years.

FY 2013 stood as the previous highest recorded year for disbursements, reaching $652,412,340 in FY 2021 values. However, in FY 2015, there was a significant decline of $125,726,678 in disbursements. Nevertheless, there was some recovery observed in FY 2017. The highest total disbursements were noted in FY 2019, surpassing all previous years, with disbursements exceeding FY 2013 inflation-adjusted levels by $34,285,040.

In contrast, FY 2021 experienced a decline in total disbursements of $50,377,735 when compared to FY 2019 after adjusting for inflation. This indicates a decrease in the allocation of funds for road and street purposes.

In summary, the analysis of total disbursements, considering inflation adjustments, reveals a mixed pattern of trends. While there was an overall gradual increase in spending from FY 1999 to FY 2013 accompanied by fluctuations and occasional declines, FY 2019 emerged as the year with the highest recorded disbursements. However, FY 2021 saw a decrease in disbursements compared to the previous year.

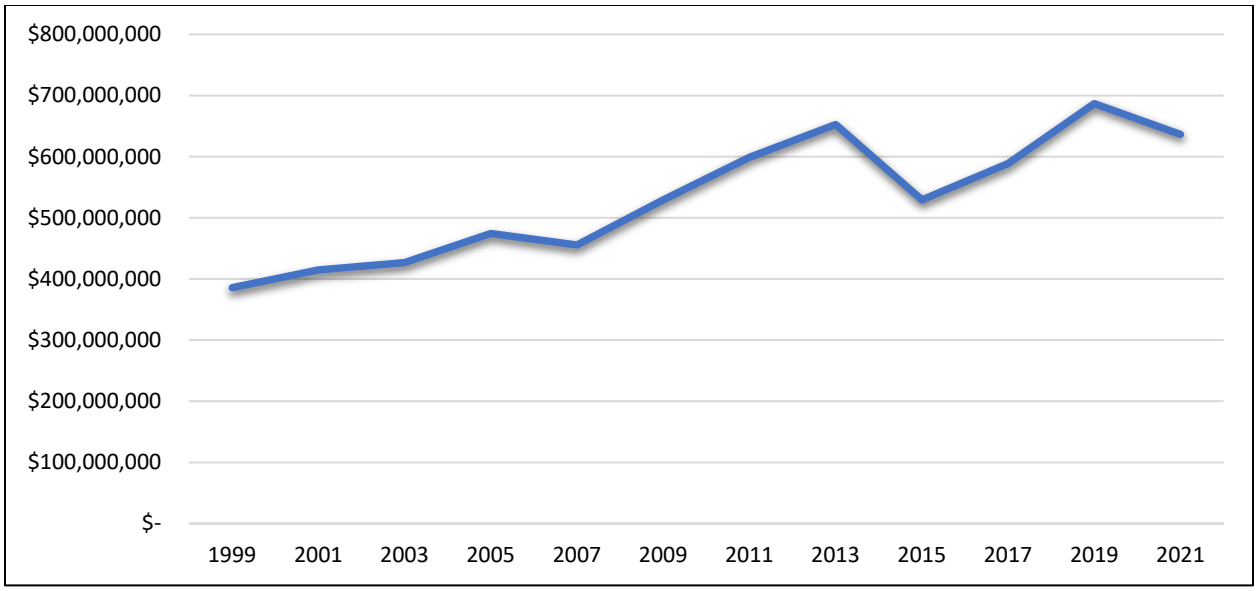

Figure 26 Total Disbursements Adjusted for Inflation to 2021 Values

The subsequent chart presents a comparison of total receipts and disbursements when adjusted for inflation. It highlights the instances where disbursements exceeded receipts in each fiscal year. The years with disbursements surpassing receipts include FY 2001 ($12,799,539), FY 2003 ($6,870,214), FY 2005 ($1,193,747), FY 2009 ($31,314,127), FY 2011 ($56,221,777), FY 2013 ($125,726,678), FY 2015 ($13,438,860), FY 2017 ($108,368,845), FY 2019 ($91,012,794), and FY 2021 ($75,343,467).

There were two exceptional years where a surplus was recorded, namely FY 1999 ($45,776,046) and FY 2007 ($58,602,018). However, since FY 2009, disbursements have consistently exceeded receipts. The largest discrepancy occurred in FY 2013, with disbursements surpassing receipts by $125,726,678.

This analysis emphasizes the consistent trend of disbursements exceeding receipts in recent years, indicating a budgetary deficit in the allocation of funds for road and street purposes. The FY 2013 differential serves as a notable indicator of the substantial gap between disbursements and receipts during that particular year.

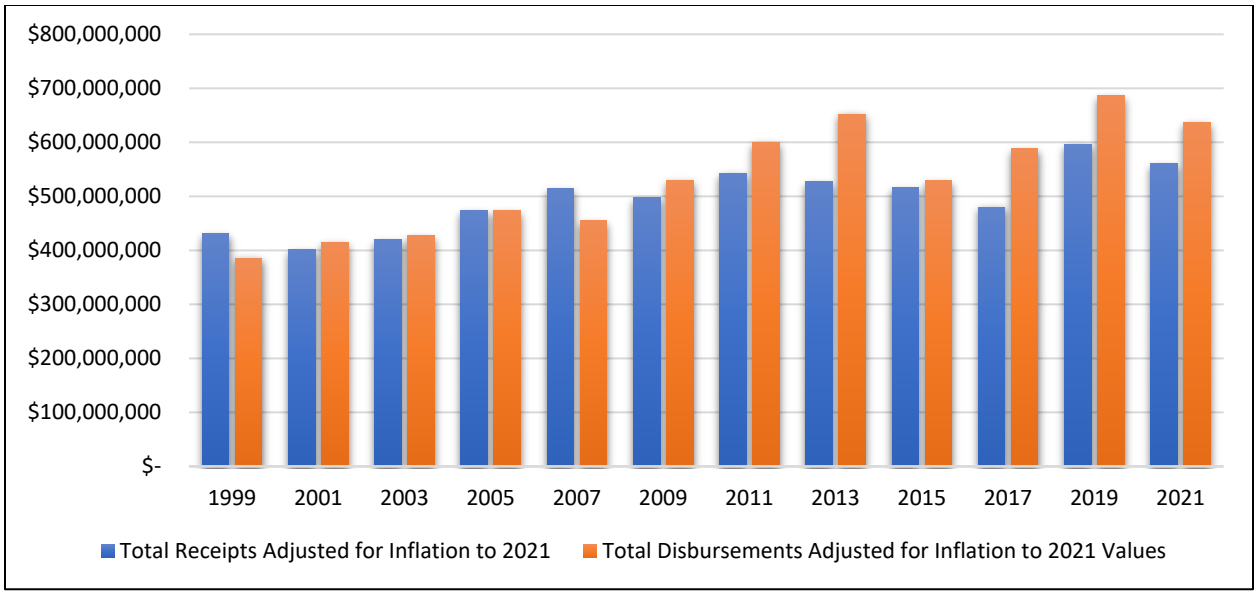

Figure 27 Total Receipts and Disbursements adjusted for Inflation to FY 2021 Levels

The accompanying chart focuses on the revenue generated by the Federal Highway Administration (FHWA) for local governments. The blue line represents the nominal dollar values of receipts, while the orange line reflects the values adjusted to FY 2019 dollars.

From FY 1999 to FY 2009, the funds received from FHWA experienced a significant reduction compared to FY 1999 levels. However, in FY 2009, the receipts from FHWA were restored to the levels observed in FY 1999 when adjusted for inflation. Following this, FY 2011 closely resembled FY 2001 in terms of revenue, as both years marked peak levels. Subsequently, there was a notable decrease in revenue from FHWA in FY 2013, making it the lowest recorded revenue when adjusted for inflation throughout the study period.

FY 2015 witnessed an increase in revenue from FHWA, followed by further increases in both FY 2017 and FY 2019. These increases brought the revenue levels in FY 2019 close to the inflation-adjusted levels observed in FY 2003 and FY 2005. Notably, total revenue for FY 2021 exhibited a substantial increase, surpassing the previous highest year (FY 2009) by $15,583,378 after adjusting for inflation.

This analysis of the FHWA revenue highlights the fluctuations in funds provided by the federal government to local governments. While there were periods of decreased revenue and a lowest point in FY 2013, there were also periods of recovery and increased revenue, particularly in FY 2021. These fluctuations have implications for the financial planning and resource allocation strategies of local governments, necessitating careful consideration of the available FHWA funds to support road and street initiatives.

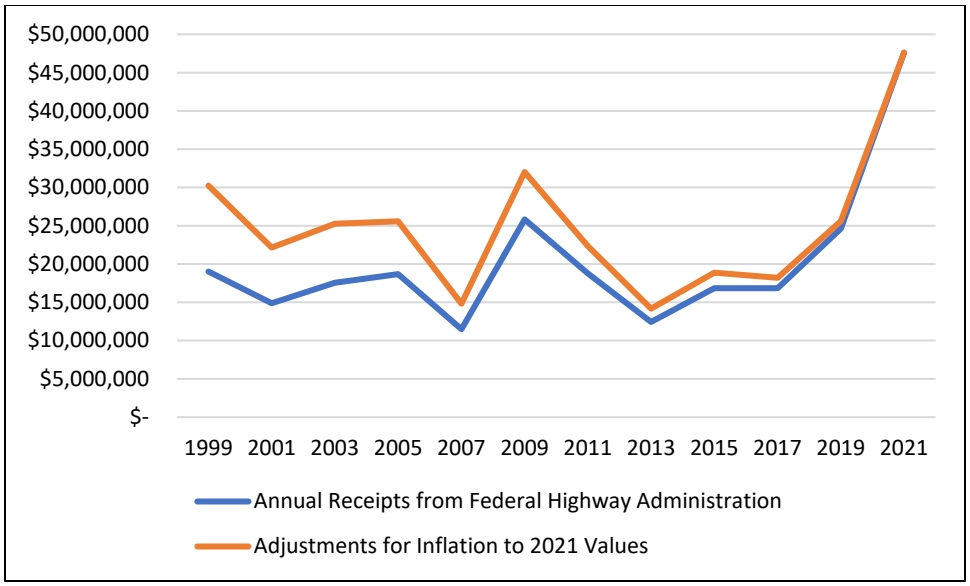

Figure 28 FHWA Receipts Adjusted to FY 2021 Values

When examining total receipts from state government, as depicted in the chart below, it is evident that there was a gradual increase from FY 1999 to FY 2005. Following this period, the revenue appeared to stabilize in FY 2005, with a slight decrease observed in FY 2009. However, there was a modest recovery in FY 2011, which continued into FY 2013. Since then, the revenue from state government has remained relatively stable, showing little fluctuation.

The overall trend indicates a steady increase in revenue provided by the state government over the study period. While there were some minor variations and a temporary decline, the general trajectory demonstrates a positive growth in state-provided revenue. This trend suggests that the state government has been committed to allocating resources for road and street purposes, reflecting their recognition of the importance of infrastructure development and maintenance.

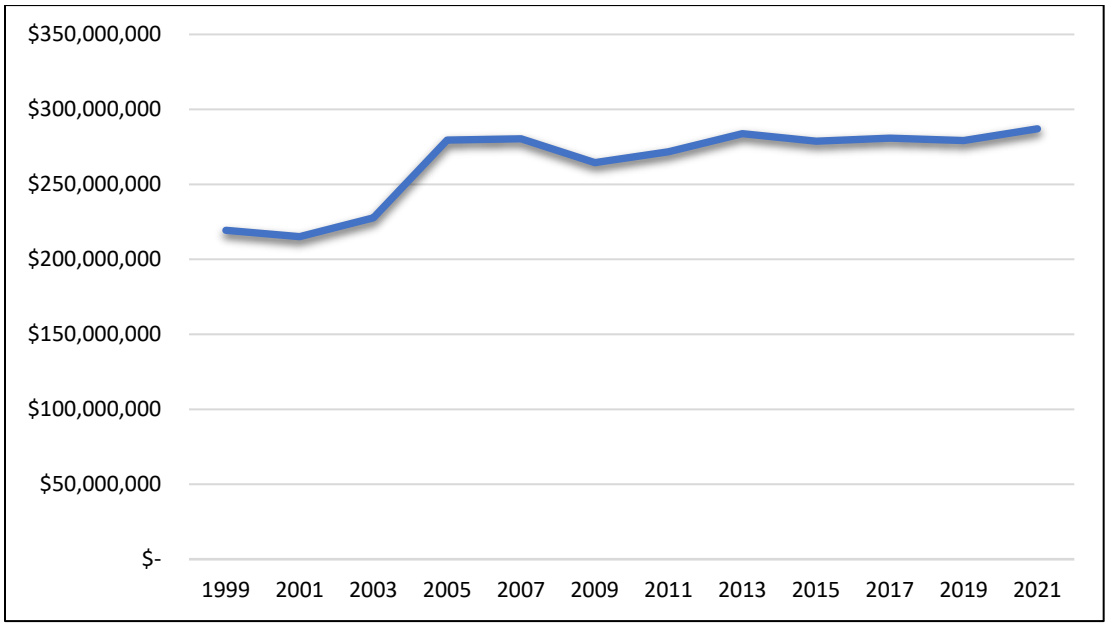

Figure 29 Total Receipts from State Government (FY 1999 – FY 2021)

The examination of inflation-adjusted data provides a different perspective on the trends observed. Notably, in FYs 2001 and 2003, there were significant declines in total receipts, which were followed by a recovery in FY 2005. However, this recovery was short-lived as FY 2007 witnessed another decrease in revenue, with FY 2009 returning to revenue levels similar to those of FY 2003. Subsequently, FY 2011 experienced a further decline in revenue, echoing the pattern observed in FY 2001. This downward trend persisted in FY 2013, FY 2015, FY 2017, FY 2019, and FY 2021.

When inflation adjustments are applied, a clear decreasing trend in state government revenue for local government road and street purposes emerges over the study period from FY 1999 to FY 2021. This trend is highlighted by FY 2021, which records the lowest state revenue after inflation adjustments. In fact, FY 2021 falls $61,661,599 short of the revenue recorded in FY 1999, underscoring the significant decline over the years.

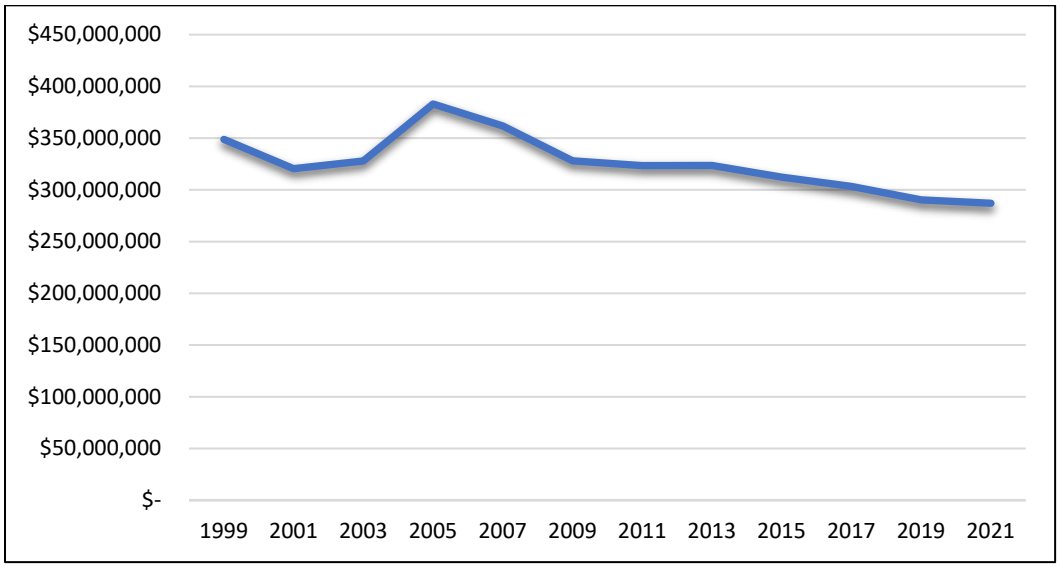

Figure 30 Total Receipts from State Government Adjusted for Inflation to 2021 Level

4. Conclusion

Over the study period spanning from FY 1999 to FY 2021, the analysis reveals a gradual increase in both total receipts and disbursements, although not without some fluctuations. Notably, FY 2013 stands out as the year with the highest total receipts compared to all previous years, while FY 2019 represents the peak in total receipts over the entire study period.

An interesting observation pertains to the receipts from the Federal Highway Administration (FHWA). These receipts experienced a downward trend throughout the study period. However, it is worth noting that in FY 2009, there was a significant increase in FHWA contribution, which partially offset the reduction in state revenue during that particular year. On closer examination, when adjusting for inflation, it becomes apparent that FY 2013 recorded the lowest revenue received from FHWA across the study period. Conversely, FY 2019 exhibited a revenue source that has almost recovered to the inflation-adjusted levels of FY 2003 and FY 2005.

It is noteworthy that local governments in Kentucky did not benefit from private contributions, as they generated no revenue. Therefore, the main source of funding continued to be state sources. However, an interesting trend emerges when considering the relative proportion of revenue from state and local sources. Over the study period, there was a notable decrease in the relative share of revenue from state sources, declining from 81% in FY 1999 to 49% in FY 2019. In contrast, local sources of revenue experienced significant growth, increasing from 12% in FY 1999 to 47% in FY 2019. This shift indicates an increasing reliance on local funding for transportation-related disbursements.

The fluctuations observed in total receipts play a crucial role in understanding why disbursements exceeded receipts in several years, namely FYs 2001, 2003, 2005, 2009, 2011, 2013, 2015, 2017, and 2019. Among these, FY 2013 stands out as the year with the largest disparity between disbursements and receipts, reaching a significant amount of $115,800,888.

In conclusion, the analysis of the study period reveals a general upward trend in total receipts and disbursements, with certain years experiencing fluctuations and notable variations in revenue sources. The findings highlight the importance of examining specific fiscal years and adjusting for inflation to gain a comprehensive understanding of the revenue landscape. Moreover, the shift in the relative proportion of revenue from state to local sources underscores the changing dynamics in funding transportation projects.

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