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July 9, 2007

Mr. Brad Griffin, Director  
Athens-Clarke County Planning Commission  
120 W. Dougherty Street  
Athens, Georgia 30601

RE: SAFETEA-LU Year of Expenditures Program Cost

Dear Mr. Griffin:

As its core mission, the Georgia Department of Transportation provides a safe, seamless and sustainable transportation system that supports Georgia's economy and is sensitive to its citizens and environment. Because we accomplish a significant portion of our work through federal transportation funds, compliance with federal statutes is vital.

The federal transportation bill "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU), was signed by President Bush on August 10, 2005 and includes several new planning requirements. Regulations promulgated by US DOT were released on February 14, 2007 that finalized the draft regulations released on June 9, 2006. The final regulations clarified the draft version, as well as adding some new requirements. One specific requirement (enclosed) that is most relevant for MPOs instructs them to include in their Long Range Transportation Plans (LRTP) a **"financial plan that demonstrates how the adopted transportation plan can be implemented."** (*Sect. 450.322(f)(10)*). **"In developing the financial plan, the MPO shall take into account all projects and strategies proposed for funding under title 23 U.S.C., title 49 U.S.C. Chapter 53 or with other Federal funds; State assistance; local sources; and private participation. Starting December 11, 2007, revenue and cost estimates that support the metropolitan transportation plan must use an inflation rate(s) to reflect "year of expenditure dollars," based on reasonable financial principles and information, developed cooperatively by the MPO, State(s), and public transportation operator(s)."** (*Sect. 450.322(f)(10)(iv)*).

While this requirement did not pertain to State DOTs in regards to Statewide Transportation Plans (SWTP), GDOT proactively adopted Georgia's SWTP with these provisions to meet planning "best practices". Enclosed for your consideration is the section of the SWTP that discusses how we accomplished this; it may be used to provide guidance to Georgia MPOs on developing their LRTP financial plans in Year of Expenditure (YOE) dollars prior to the December 11, 2007 deadline. During the last LRTP update, many MPOs listed revenues and project costs in current year dollars.

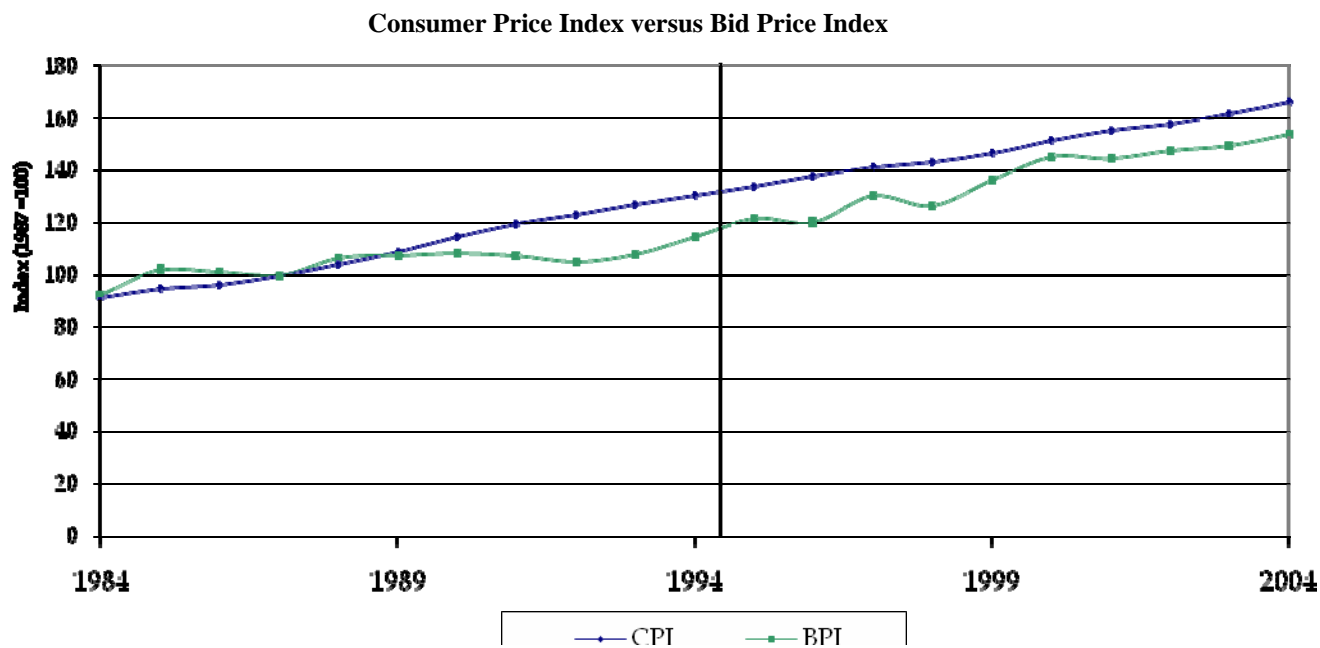
Due to the new Federal requirement, your LRTP may need to be amended to reflect YOE dollars for revenues and project cost estimates. Consistent with the enclosed regulation, for projects outside the first ten years it is suggested

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that you group the remaining LRTP projects into ten-year implementation blocks (i.e. years 11-20 and 21-30). Then apply a “cost band” for each of those projects based on the earliest and latest year of that band.

For example, a \$1 million project (in 2003 dollars, or the base year of your MPO’s plan) shown in the current LRTP for the “year 21-30” implementation block will have an inflated cost estimate between \$1,638,616 million and \$2,097,568 million. This range results from inflating the \$1 million by 2.5% annually over 20 and 30 years, respectively.

It is suggested that a 2.5% annual inflation rate be used, which is consistent with the Bid Price Index (BPI), for use in forecasting future year project costs and that the Consumer Price Index (CPI) be used for forecasting future year revenues. The Federal Highway Administration tracks highway project cost inflation using BPI. On average, the CPI and the BPI compare somewhat similarly, however BPI is a more sensitive and applicable index to use for LRTP project costs, while the CPI may be more appropriate for forecasting revenue increases:



The main reason for developing financial plans in YOE dollars is to more accurately analyze potential shortfalls (gaps) between revenues and costs over the years of the LRTP. By working with the enclosed documents, MPOs will be able to meet the latest SAFETEA-LU requirements by the December 11, 2007 deadline.

At the upcoming MPO Conference scheduled in Atlanta for July 13, 2007 and being organized by a committee led by the Atlanta Regional Commission, you will be provided with an opportunity to hear further information on this SAFETEA-LU requirement from FHWA representatives. If you have any questions, feel free to contact your GDOT Transportation Planner.

Sincerely,

<ATA signed>

Angela T. Alexander.  
State Transportation Planning Administrator

ATA:MAC  
Enclosures (2)