Financial Demonstration for the Ohio River Bridges Project,
In Support of the Louisville (KY-IN) Metropolitan Transportation Plan
July 2010

I. Introduction

Implementation of the Ohio River Bridges Project (consisting of construction of two bridge crossings and reconstruction of the I-65/I-71/I-64 Interchange, and hereinafter referred to as the "Project") will rely upon a combination of conventional (federal, state and local) and alternative funding resources and draw upon an array of traditional and innovative financing techniques. Following a brief background section and a summary of anticipated project costs, this document provides a synopsis of the potential sources of funding that the Louisville and Southern Indiana Bridges Authority (the "Bridges Authority"), the Commonwealth of Kentucky, and the State of Indiana expect could be utilized in some combination to meet the currently anticipated project funding needs. These potential funding sources and finance mechanisms are reasonably expected to be available in the amounts and at the times needed to complete the Project.

The Bridges Authority, working in conjunction with the Commonwealth of Kentucky and the State of Indiana, will continue its work to develop a financial plan for the Ohio River Bridges Project. This document is not that financial plan; nor does it include the full range of potential funding and finance strategies that could be considered by the Bridges Authority as part of that financial plan. Once that financial plan is developed by the Bridges Authority and adopted by the states, the Bridges Authority and the two state sponsors will coordinate to provide any required updates for the purposes of amending the Louisville (KY-IN) Metropolitan Transportation Plan ("MTP"), as well as the Louisville (KY-IN) Transportation Improvement Program ("TIP") and the Statewide Transportation Improvement Programs ("STIPs") of both Kentucky and Indiana.

II. Background

In January 2008, the Kentucky Transportation Cabinet ("KYTC") and the Indiana Department of Transportation ("INDOT") received approval from the Federal Highway Administration ("FHWA") of an Initial Financial Plan (the "IFP") for the Project. Since that time, the Commonwealth of Kentucky and the State of Indiana have taken several key, affirmative steps to expand the range of strategies available to them to ensure the availability of potential funding sources for the Project. The centerpiece of these activities has been the establishment of a bi-state authority to oversee the financing and construction of the Project. This authority, known as the Louisville and Southern Indiana Bridges Authority, held its inaugural meeting in February 2010. The Bridges Authority's formation was subsequently ratified by the Kentucky General Assembly in late March 2010, as required by the enabling statute (the "Bi-State Authority Statute").

In furtherance of its mission, the Bridges Authority has been coordinating with the Project's state sponsors as it works toward meeting its primary objective of developing a financial plan for the Project. In the course of that work, the Bridges Authority is following the directive of its appointing authorities— the Governors of Kentucky and Indiana and the Mayor of Louisville— to consider and explore any and all possible funding options for the Project. The Bridges Authority anticipates completing its efforts to review and evaluate all potential options and to develop a recommended financial plan for the Project over the course of this year.

III. Project Costs

The currently available project development and construction cost estimate, as developed by the state sponsors in conjunction with the General Engineering Consultant ("GEC") for the Project, is $4.1 billion based on projected year-of-expenditure dollars (i.e., on a cash flow basis in nominal dollars). This cost estimate (i) reflects updated estimates prepared in early 2010 by the state sponsors in conjunction with the GEC and individual design firms for each project segment and (ii) includes project phasing and unit cost estimate adjustments from the IFP cost estimate.[1] The IFP's long-term inflation factor of 4.0 percent was maintained for purposes of this updated estimate and is consistent with MTP assumptions.

A. Project Development and Construction Costs

The tables below provide an overview of the Project costs by segment and a breakdown between Kentucky and Indiana based upon the cost-sharing agreements entered into as part of the bi-state agreement for the Project. The overall cost estimate will be reviewed in detail and updated as part of the Bridges Authority's development of the financial plan for the Project.

Table 1. Ohio River Bridges Project Cost Estimate – by Segment and by State (Year-of-Expenditure $, millions)*

Project Segment	Total Projct Cost	Kentucky	Indiana
Section 1. Kennedy Interchange	$1,490.3	$1,490.3	$0.0
Section 2. I-65 Downtown Bridge	$509.1	$255.0	$254.1
Section 3. Downtown Indiana Approach	$450.9	$0.0	$450.9
Section 4. East End Kentucky Approach	$908.4	$908.4	$0.0
Section 5. East End Bridge	$385.7	$193.4	$192.3
Section 6. East End Indiana Approach	$238.7	$0.0	$238.7
Other Costs	$112.7	$81.8	$31.0
TOTAL (Y.O.E)	**$4,095.8**	**$2,928.9**	**$1,166.9**

**Note: Totals may not sum due to rounding. Small differences may occur relative to cost-share agreement based on invoice timing between the states and several small items not subject to the cost-share agreement.*

[1] Updated cost estimates provided by state project sponsors, reflecting section cost reviews for all sections and project phasing adjustments.

Table 2. Ohio River Bridges Project Cost Estimate – by Time Period and State (Year-of-Expenditure $, millions)*

State	Expended to Date (as of SFY 2010, est.)	SFY 2011 - 2012	SFY 2013 - 2016	SFY 2017 - 2020	SFY 2021 - 2024	TOTAL
Kentucky	$122.3	$146.8	$1,709.2	$708.4	$242.2	**$2,928.9**
Indiana	36.9	$38.0	$598.3	$466.3	$27.5	**$1,166.9**
TOTAL (Y.O.E.)	**$159.2**	**$184.8**	**$2,307.4**	**$1,174.7**	**$269.7**	**$4,095.8**

**Note: Totals may not sum due to rounding.*

B. Operations and Maintenance Costs

In addition to the development and construction costs reviewed above, the Project financial plan must account for reasonably anticipated operations and maintenance costs. These costs include routine facility operations and maintenance costs, major maintenance requirements, and, to the extent tolling is deployed, toll operations costs. These cost items have been incorporated into this financial demonstration and evidence provided that operations and maintenance costs would be fully covered by reasonably available resources, as described further below. As part of the financial plan development process, the Bridges Authority and its advisors will coordinate with the state project sponsors to review and update these estimates as necessary.

IV. Sources of Funds

Both states are fully committed to supporting the Project, as evidenced by their continued funding for the Project on a pay-as-you-go basis since the 2003 issuance by FHWA of the Record of Decision, as well as by their continued cooperation through the bi-state agreement (as supplemented by the recent formation and current work of the Bridges Authority in tandem with KYTC and INDOT).

In addition to funds already expended on the Project of $159.2 million ($122.3. million by Kentucky and $36.9 million by Indiana through SFY 2010[2]), the Bridges Authority and the state sponsors together believe that some combination of the funding sources described below can be reasonably expected to be available in amounts sufficient to fund the Project. The remainder of this document demonstrates that all MTP-related fiscal constraint tests are met for the Project, including with respect to (i) the first two years of the MTP and Transportation Improvement Program ("TIP"), for which funds must be "committed" or "available," and (ii) the remaining years of the MTP and the TIP, for which funds must be "reasonably expected to be available," in each case in accordance with applicable federal law and regulations.[3]

[2] Estimated through June 2010.
[3] *See generally* 23 CFR Part 450.

A. Conventional state and federal sources.

Both Kentucky and Indiana have historically used federal-aid resources for the Project and have committed specific funding for the Project from their respective near-term federal-aid highway funding programs, as described further below.

Federal-aid Formula and State Funds. Federal-aid formula funds provided to the Project have been and would continue to be matched by a combination of state road funds and toll credits[4] in Kentucky and by state funds in Indiana. Both states have a demonstrated track record of meeting their state match obligations with a variety of state funding sources, including state-imposed fuel taxes and a variety of transportation-related fees.

In addition to each state's federal-aid highway programs, additional state transportation funds are potentially available for the Project. In Indiana's case, this would be through the Major Moves Program in combination with other state transportation program resources through 2015, and through other state transportation program resources thereafter. The State of Indiana launched the Major Moves Program in late 2005 to fund a $12 billion plan to significantly improve and expand Indiana's highway infrastructure (involving a $2.6 billion allocation to the Major Moves Program from the long-term lease of the Indiana Toll Road).

The state sponsors and the Bridges Authority have taken note of the history of the states' federal-aid programs, including increases in funding between ISTEA ("Intermodal Surface Transportation Efficiency Act of 1991") and SAFETEA-LU ("Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users") authorizations, and have reasonable expectations for a reauthorized federal surface transportation program at levels that are *at least* commensurate with current funding levels. Based on those expectations, as well as reasonable expectations regarding the availability of corresponding state transportation funds, the state sponsors and the Bridges Authority suggest that an estimated $1.5 billion of federal-aid highway formula and state transportation funds could reasonably be expected to be available to the Project, to be utilized as necessary and as part of the comprehensive financial plan to be developed for the Project. This level of funding includes $159.2. million of funds already expended, as well as proceeds from Kentucky's authorized GARVEE bond issuances, one of which, in the amount of $100 million, has already been completed.[5] The Commonwealth of Kentucky has committed an additional portion of its federal program resources to the payment of debt service associated with GARVEE bonds issued for the Project. These debt service costs are accounted for in the MTP (also see Table 3 below for additional detail.)

Federal Discretionary Funds. During the past 25 years, Kentucky and Indiana have secured discretionary funding from the federal Highway Trust Fund and General Appropriations for bridges over the Ohio River, specifically including the Project, for which $30.6 million has been

[4] The application of "toll credits" for matching federal transportation funds is a mechanism allowed by the federal-aid program whereby prior state reinvestment of toll dollars in projects throughout the state can be utilized to offset the required non-federal matching funds for current investments. It does not relate to the future tolling of any facilities, including the Ohio River Bridges Project itself.

[5] As discussed further below, Kentucky has an additional $131 million of authorized but unissued GARVEE bonds available for issuance.

received in direct federal appropriations to date. In addition, the Project has received $93 million through a High Priority Project funding designation under TEA-21 ("Transportation Equity Act for the 21st Century") and SAFETEA-LU. On the basis of this experience, the state sponsors and the Bridges Authority will continue to identify and, as appropriate, pursue potential additional federal discretionary funds for the Project. This may include funds made available under the second phase of the U.S. Department of Transportation's TIGER (Transportation Investment Generating Economic Recovery) discretionary grant program and additional federal transportation discretionary funds made available through reauthorization of the federal surface transportation program and other Congressional acts. Kentucky and Indiana were successful in securing a $20 million discretionary grant under the TIGER program for the Milton-Madison Bridge Project earlier this year, and both states received federal funds for transportation under the American Recovery and Reinvestment Act of 2009 (ARRA). These examples provide strong evidence of the likelihood of the Project's future ability to secure additional discretionary federal funds.

Based on the states' history and their knowledge of current and potential federal discretionary funding opportunities, as well as the importance of this project to national freight movements and the general economy, it is estimated that federal discretionary funds equal to 10% - 15% (approximately$400 million - $600 million) of the total project costs could be reasonably expected to be available over the anticipated remaining 12-year implementation horizon of the Project.

B. Alternative Funding Sources.

Both states have recognized, as indicated in the IFP, that alternative funding approaches will need to be pursued to augment conventional transportation funding resources in financing the Project. As stated in the IFP, these alternative sources may include, but are not necessarily limited to:

- Public-private partnerships that rely at least in part on tolls as the underlying funding stream;
- Public-sponsored tolling (via authorities that now exist under both Indiana law and Kentucky law, specifically in the context of the Bi-State Authority Statute and Indiana's tolling statutes);
- Development-related private financial participation; and/or
- Other dedicated state and local funding sources, such as transportation-related fees or other revenue measures.

The Bridges Authority is in the process of exploring the full range of alternative funding sources potentially available for the Project. In connection with the organizational process for the Authority, the states' two Governors and the Mayor of Louisville tasked the Bridges Authority with investigating any and all options in the process of developing a financial plan that would deliver the Project in the most rapid and cost-effective manner possible. This process will include consideration of all viable alternative funding sources. As it pursues this approach, the

Bridges Authority will be mindful of the fact that both states have had successful histories of using innovative funding sources for the development of their road infrastructures.[6]

Toll-Related Revenues. The estimate of reasonably available toll revenues is premised on requirements of the Metropolitan Transportation Plan development process and FHWA's preliminary determinations regarding tolling approaches that would satisfy the fiscal constraint demonstration requirements of that process, in combination with related air quality conformity demonstration requirements. Thus, the figures presented in this demonstration document should be considered in the context of the required financial demonstration for the purposes of the MTP. The estimation method used as part of the financial demonstration effort is by necessity a conservative approach, with limitations on both the range of tolling strategies that can be considered and the range of potential revenues from those strategies. The results should not be construed as representative of the ultimate funding potential of the full range of available tolling strategies that may be considered for the Project.

The estimates incorporated into this demonstration document are derived from work conducted by Wilbur Smith Associates (WSA) on behalf of the state project sponsors. Significant additional analytical effort is underway and will continue to be carried out by the Bridges Authority and its advisors, in consultation with the state sponsors and their advisors, to develop further both the potential tolling scenarios and associated revenue estimates.

Key assumptions, for the limited purpose of this narrow demonstration exercise, include:

- Tolled facilities and timing – The estimate developed for the purposes of the financial demonstration is based only on a single scenario: tolling the East End Bridge once it is open to traffic, anticipated to be in 2017, and tolling both the existing and new Downtown (I-65) Bridges once the new bridge is open to traffic, anticipated to be in 2020. Other scenarios are currently under consideration by the Bridges Authority as part of its development of a financial plan for the Project. The scenario presented in this financial demonstration is a reasonably available funding approach for the limited purpose of the required financial demonstration and is based on currently available information and current statutory authorities.[7]

- Toll rates – For the purposes of this financial demonstration effort, a toll rate of $3 **(**in 2009 dollars) imposed in both directions is assumed. This assumption is based upon requirements associated with the air quality conformity demonstration that is carried out in tandem with the financial demonstration and should not be construed as the anticipated

[6] *See* related discussion in the second paragraph of Section C below, "Innovative Financing Techniques."

[7] The Downtown Bridges are eligible as tolled Interstate facilities subject to Toll Agreement requirements pursuant to 23 U.S.C. Section 129. To the extent federal funds are utilized for construction of the East End Bridge as a non-Interstate facility, a Section 129 Toll Agreement would be applicable and required for that facility, as well. In general, if federal-aid funds are used for construction of or improvements to a tolled facility or the approach to a tolled facility, or if a state were to plan to reconstruct and convert a free highway, bridge or tunnel previously constructed with federal-aid funds to a tolled facility, a Toll Agreement under Section 129(a)(3) is required. For a discussion of state enabling laws and other actions, please refer to the discussion under the heading "Recent Supportive Actions of the State Sponsors" in Section V below.

toll rate ultimately required to support the Project. Actual rates will likely differ and may include variation based on time-of-day, vehicle type, facility, and other factors.

- Allocation of operations and maintenance costs – For the purpose of this demonstration, it is assumed that operations and maintenance costs, along with debt service, are included as a “first call” on toll revenues and thus fully covered by reasonably available resources. (Alternatively, all or a portion of such operations and maintenance costs, such as for the non-tolled elements of the Project, could be considered part of the states’ contribution to the Project. This would be a less conservative assumption, however, than the one used here.) These operations and maintenance cost estimates, including both toll operations and routine facility operations and maintenance, are based on information provided by WSA as part of its work. The Bridges Authority will coordinate with the bi-state management team for the Project to develop facility-specific operations and maintenance cost estimates and consider how those costs are addressed as part of the comprehensive financial plan for the Project.

Based on its traffic and revenue analysis and the above assumptions, WSA developed an estimate of a reasonable range financing capacity associated with the forecast revenues. These estimates are described in the following section and incorporated into Table 3, below.

Additional State and Locally-Generated Revenues. There are a variety of additional revenue options at both the state and local level that potentially could be considered to help fund the Ohio River Bridges Project. Examples include local revenue options, such as dedicated sales taxes, parking surcharges, development-related contributions or assessments, and tax increment financing approaches. The Bridges Authority has not yet conducted an adequate assessment of these options to include any one of them in this demonstration. These and other mechanisms will be considered by the Bridges Authority as part of its work to develop a comprehensive financial plan for the Project.

C. *Innovative Financing Techniques*.

In addition to the revenue alternatives discussed above, the financing approaches to be considered include (i) the use of borrowing via the States’ highway revenue bonding programs (including the potential application of Build America Bonds (“BABs”) and the sale of GARVEE bonds to be repaid with future federal and matching state funds), (ii) federally-supported borrowing such as via the Transportation Infrastructure Finance and Innovation Act (“TIFIA”) program and any successor programs such as is envisioned as part of the National Infrastructure Innovation and Finance Fund (“I-Fund”), (iii) private activity bonds (“PABs”) as part of a public-private partnership approach, and (iv) equity investment. These and any other appropriate financing approaches will be considered in the context of each state’s overall transportation programs, the cash flow demands of the Project relative to these programs, and the ability to generate cost savings and/or expedited project delivery.

Both Kentucky and Indiana have successful histories of using a range of alternative funding sources and financing techniques for the development of their transportation infrastructure. Kentucky, for example, built a system of approximately 680 miles of full-access controlled parkways using bonding with debt service supported by a mix of state road funds and tolling. Indiana maintained the 157-mile Indiana Toll Road connecting the Chicago Skyway with the Ohio Turnpike for fifty years, periodically using the proceeds of toll-revenue bonds for necessary expansion and maintenance projects. In 2006, Indiana completed a very successful public-private partnership transaction with a private concessionaire involving the Toll Road, the proceeds of which resulted in approximately $2.6 billion being allocated for transportation improvements throughout the state via the Major Moves Program. [8]

Kentucky has already issued $100 million of a total $231 million of GARVEE bonds specifically authorized for the Project, debt service for which will be paid from the state's future federal highway funding. The Kentucky Legislature provided flexibility to issue an additional $105 million in GARVEE bonds (as an alternative to the use of separately authorized pay-as-you-go funding should that prove beneficial. While this additional GARVEE funding was not programmed in the recently enacted Biennial Highway Construction Plan, language contained in Kentucky Transportation budget (2010 Extraordinary Session, HB 3, Part I, A., 4. Highways) did provide this fund replacement flexibility.

Table 3, below, incorporates these potential financing mechanisms, together with the underlying revenue sources described in the previous section, to demonstrate that sufficient funds are reasonably expected to be available to fund the Project. These estimates are based on a financial capacity assessment prepared by WSA as part of its work, which supports the reasonable expectation that between $2.2 billion and $3.3 billion could be capitalized from revenues generated, net of toll operations and facility operations and maintenance costs that, along with debt service requirements, would be covered first from available toll revenues. This assessment provides a reasonable estimate of funds that could be made available for project development and construction from the application of toll revenues and associated financing techniques without regard to a specific project delivery method or financing structure and without the benefit of detailed financial structuring.

V. Summary of Potential Funding Sources and Financing Options

Working together, KYTC, INDOT, and the Bridges Authority have prepared the following financial demonstration setting forth a range of funding levels that are "committed," "available," or "reasonably expected to be available" for the Project. Taken together, these funding categories – and reasonable estimates for each – demonstrate (a) that sufficient resources can be reasonably expected to be available to meet the Project's estimated funding needs, and in timeframes that are consistent with the currently staged project implementation timeline and key open-to-traffic milestones, and (b) that all MTP-related fiscal constraint requirements are met.

First, sufficient funds are "available" and "committed" to the Project by the two state sponsors to meet the currently anticipated project costs for State Fiscal Years ("SFYs") 2011 and 2012.[9] For Kentucky, this commitment is in the form of a combination of previously authorized but

[8] Interest earned on the Toll Road concession proceeds is also available to fund Indiana's transportation improvements.
[9] As required by 40 CFR § 93.108.

unexpended funds (including (i) previously issued but unexpended GARVEE bond proceeds of $96 million and (ii) new funds authorized by the state's enacted 2010 – 2012 Biennial Budget and 2010 – 2012 Biennial Highway Construction Plan in the amount of $105 million. For Indiana, this commitment is in the form of authorized and designated funding in INDOT's internal financial management systems and consistent with the anticipated STIP and TIP designations for the Project.

Second, for years following the SFY 2011-12 period, funds are "reasonably expected to be available" to meet the remaining funding demands of the Project, as currently and reasonably anticipated, and as evidenced further below. This includes $131 million in proceeds from authorized but unissued GARVEE bonds in Kentucky and additional allocations from the state's Six-Year Highway Plan as well as additional allocations of Indiana's federal and state resources, as currently reflected in INDOT's internal financial management systems and consistent with anticipated updates to the STIP and TIP. This also includes funds reasonably expected to be available from alternative funding sources and financing mechanisms, as shown below.

This demonstration is not intended to serve as a definition of the financial plan for the Project currently being developed by the Bridges Authority, but rather as a description of the reasonably available funding sources and techniques that could be used in some combination to fully fund the Project. For purposes of estimating levels of funding that might reasonably be expected to be available, this demonstration is premised on an assembly of reasonable ranges for each potential funding source. Taken together, these ranges demonstrate that the Project can be fully funded through a combination of sources and within the reasonable ranges for each source. Although the sum of the high end of these ranges is indeed higher than the currently anticipated total funding need for the Project, this approach was taken to account for the fact that the precise level of funding within each component is still to be determined. The ultimate financial plan for the Project will more fully specify the individual funding components and exact funding combinations.

Table 3. Ohio River Bridges Project Financial Demonstration – Committed, Available, and Reasonably Expected to be Available Funding Sources and Finance Mechanisms (in Year-of-Expenditure $, millions)

Anticipated Funding Needs & Sources	State	Expended to Date (as of SFY 2010, est.)	SFY 2011 - 2012	SFY 2013 - 2016	SFY 2017 - 2020	SFY 2021 - 2024	TOTAL
Reasonably Anticipated Project Development and Construction Funding Needs							
Project Development and Construction Costs as Allocated Per Bi-State Agreement*	KY	$122	$147	$1,709	$708	$242	$2,929
	IN	$37	$38	$598	$466	$27	$1,167
	TOTAL	**$159**	**$185**	**$2,307**	**$1,175**	**$270**	**$4,096**
Committed, Available, and Reasonably Available Funding Sources							
Conventional State and Federal Sources							
Federal-aid Formula and State Transportation Funds, incl. KY GARVEE Debt Proceeds **	KY	$84	$151****	$381*****	$200	$200	$1,016
	IN	25	31	200	200	30	486
	TOTAL	**$109**	**$181**	**$581**	**$400**	**$230**	**$1,502**
Federal Discretionary Funds (10-15% of Project Costs)***	KY	39	19	150 - 250	70 - 105	25 - 40	300 - 450
	IN	12	9	60 - 90	40 - 65	N/A	120 - 175
	TOTAL	**$51**	**$28**	**$200 - 330**	**$100 - 150**	**$25 - 40**	**$400 - 600**
Subtotal – Conventional Sources		**$160**	**$210**	**$780 - 910**	**$500 - 550**	**$255 - 270**	**1,905 - 2, 100**
Alternative Funding and Financing Sources (Toll-Based Financing)							
Toll-Based Commercial Financing Sources (e.g., traditional tax-exempt debt, Build America bonds, private activity bonds, taxable commercial debt, and equity investment)******	Combined	N/A	N/A	$550 - 1250	$300 - 700	N/A	$850 - 1950
Toll-Based TIFIA Financing, I-Fund, & Successor Federal Financing Alternatives (*based on 33% of Project Costs, exclusive of any potential grants from these programs)********	Combined	N/A	N/A	875	475	N/A	1350
Subtotal – Alt. Sources & Financing		**N/A**	**N/A**	**$1,425 - 2,125**	**$775 - 1,175**	**N/A**	**$2,200 - 3,300**
TOTAL – ALL SOURCES		**$160**	**$210**	**$2,205 - 3,035**	**$1,275 - 1,725**	**$255 - 270**	**$4,105 - 5,400**

* In addition to these project development and construction costs, the financial plan must support ongoing operations and maintenance costs associated with the project facilities. For the purposes of this demonstration, operations and maintenance costs are included as a reduction in the net revenues available from toll revenues, along with debt service.

** Does not include additional Kentucky funds for debt service obligations on GARVEE bonds which constitute an additional commitment of state resources and are accounted for in the MTP.

*** Any required state matching funds included as part of above category (federal-aid formula and state transportation funds).

**** Includes $96 million in unexpended GARVEE bond proceeds and $55 million provided in SFY 2010 - 12 Biennial Budget. Remaining $50 million carried forward.

***** Includes $131 million authorized GARVEEs, $50 million carried forward, and $50 million additional per year as provided for in Recommended Six-Year Plan.

****** Based on a single scenaro of tolling East End Bridge commencing in 2017 and two Downtown Bridges commencing in 2020, as provided by the traffic consultants to the state sponsors, and using a $3 toll rate (in 2009 dollars) for preliminary capacity demonstration purposes. Also assuming federal credit available in the amount of 33% of project costs (if not available, this portion would increase accordingly).

******* To the extent that this level of TIFIA financing is not available, the other toll-backed financing mechanisms (e.g., commercial debt and equity) could reasonably be increased to offset the difference via a dedication of reasonably available toll revenues.

VI. Recent Supportive Actions of the State Sponsors

In addition to continued efforts to fund the Ohio River Bridges Project on a pay-as-you-go basis and to move forward with design work, right-of-way acquisitions and other preliminary planning through the coordinated efforts of the bi-state management team, both states have recently taken actions to strengthen and expand the range of possible funding and financing strategies available to the Project.

Each state has enacted legislation and taken numerous other actions since the summer of 2009 to expand the authorities for bringing alternative funding sources and financing techniques to bear on the Project. Specifically:

- The Kentucky General Assembly enacted the Bi-State Authority Statute, which established the framework for the Bridges Authority and recognized the possibility of using tolls for the Project, as well as entering into a public-private partnership via a development agreement as a means to deliver the Project;[10]

- The legislation enacted by the Kentucky General Assembly that contained the Bi-State Authority Statute also included general recognition and approval of the use of tolling as part of financing plans developed within a newly-created legal structure for authorizing the construction, operation, financing and oversight of significant transportation projects within Kentucky and between Kentucky and Indiana;[11]

- Indiana Governor Mitch Daniels issued an Executive Order authorizing Indiana's participation with Kentucky in the Bridges Authority;[12]

- The two Governors, in conjunction with the Mayor of Louisville, have duly constituted and organized the Bridges Authority—a bi-state authority tasked with developing a financial plan for the Project (and ultimately participating in the development of the Project);[13]

- The Kentucky General Assembly has ratified the formation of the Bridges Authority so that it could move forward expeditiously with its work;[14]

- In its most recent 2010 session, the Indiana General Assembly amended both the state's tolling statutes and its public-private partnership statute so that they now apply expressly to the Project, thus allowing it to have the benefit of these tools as it relates to Indiana components;[15]

- Kentucky completed the issuance of $100 million of $231 million of authorized GARVEE bonds for the Project, and the Kentucky legislature provided additional flexibility to issue additional GARVEE bonds for the Project as an alternative to pay-

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[10] Kentucky Revised Statutes ("KRS") Section 175B.030.
[11] *See generally* KRS 175B.005 *et seq*. (formerly known as "House Bill 3"); *see also* KRS 175B.040.
[12] Executive Order 09-11 (December 2009).
[13] The authority is comprised of 14 members: seven appointed by Indiana Governor Mitch Daniels, three appointed by Kentucky Governor Steve Beshear and four appointed by Louisville Mayor Jerry Abramson. The work of the authority is supported by an executive director and a communications director.
[14] On March 25, 2010, Kentucky Governor Steve Beshear signed into law Senate Joint Resolution 169, pursuant to which the Kentucky General Assembly ratified the formation of the Bridges Authority.
[15] *See* Indiana Senate Enrolled Act No. 382 (2010).

as-you-go funding resources in the future; and

- Each state continues to demonstrate an ongoing commitment to supporting the mission of the Bridges Authority, which is steadily progressing its work toward the objective of developing a plan that will set forth the financing and construction parameters for the Project (both for purposes of the FHWA's "Major Project" financial plan requirement and the Bi-State Authority Statute's financial plan requirement).

In summary, these actions, which have created very promising momentum for the Project, indicate clear evidence of support by the Governors, the state legislatures, and local decision-makers for the Project.

The Bridges Authority, KYTC, and INDOT concur that the Ohio River Bridges Project could be funded using a combination of conventional and innovative funding and financing strategies. KYTC and INDOT concur that the funds portrayed in this financial demonstration can be reasonably expected to be available and that provision of such funds would not impair either state's ability to continue to maintain its existing highway system in adequate condition. Further analysis will be performed by the Bridges Authority, as mandated by the Bi-State Authority Statute, in connection with the development of a specific financial plan for the Project.