COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2012-13 STAFF BUDGET BRIEFING

DEPARTMENT OF TRANSPORTATION

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

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FY 2012-13 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF TRANSPORTATION

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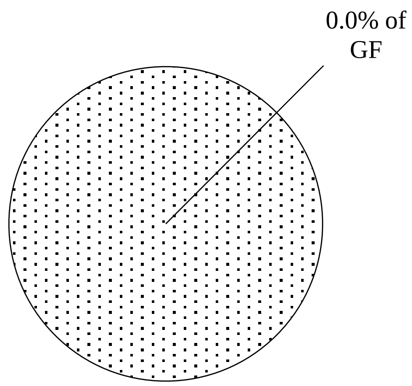
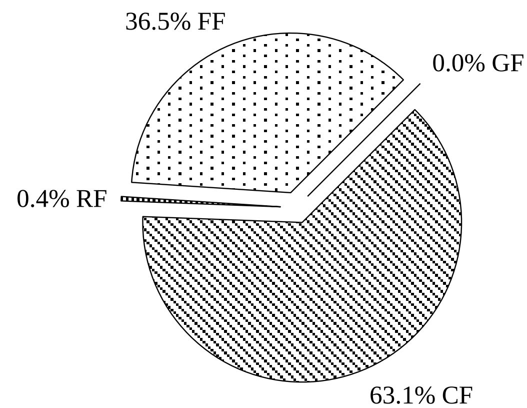
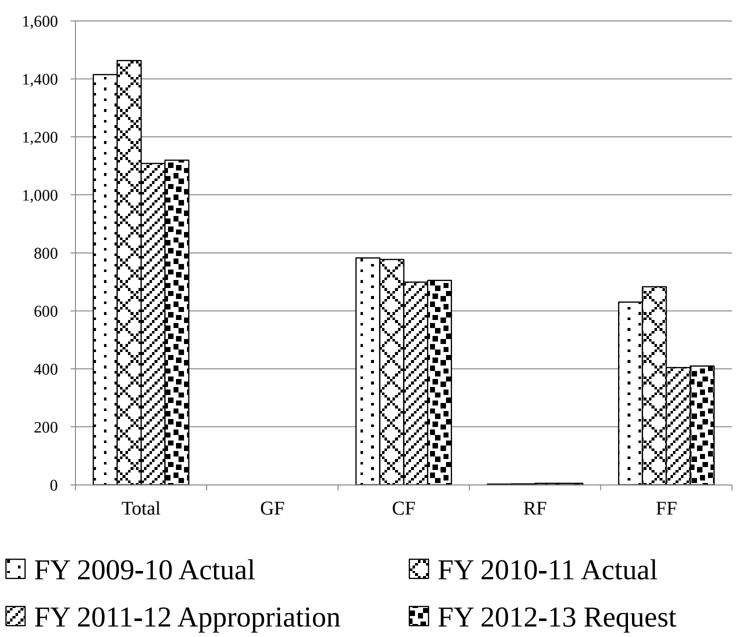
Department's Share of Statewide General Fund



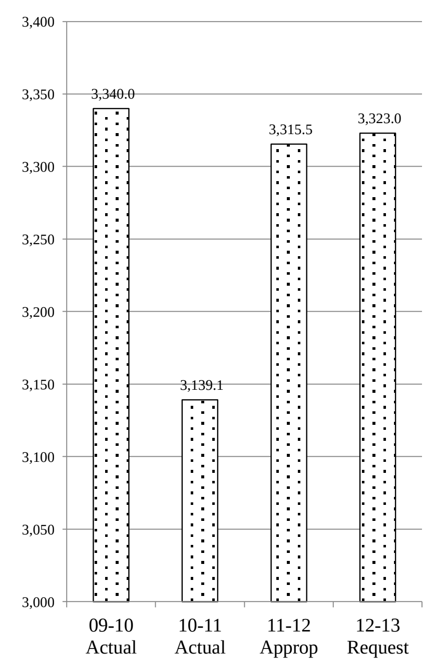
Department Funding Sources



Budget History
(Millions of Dollars)

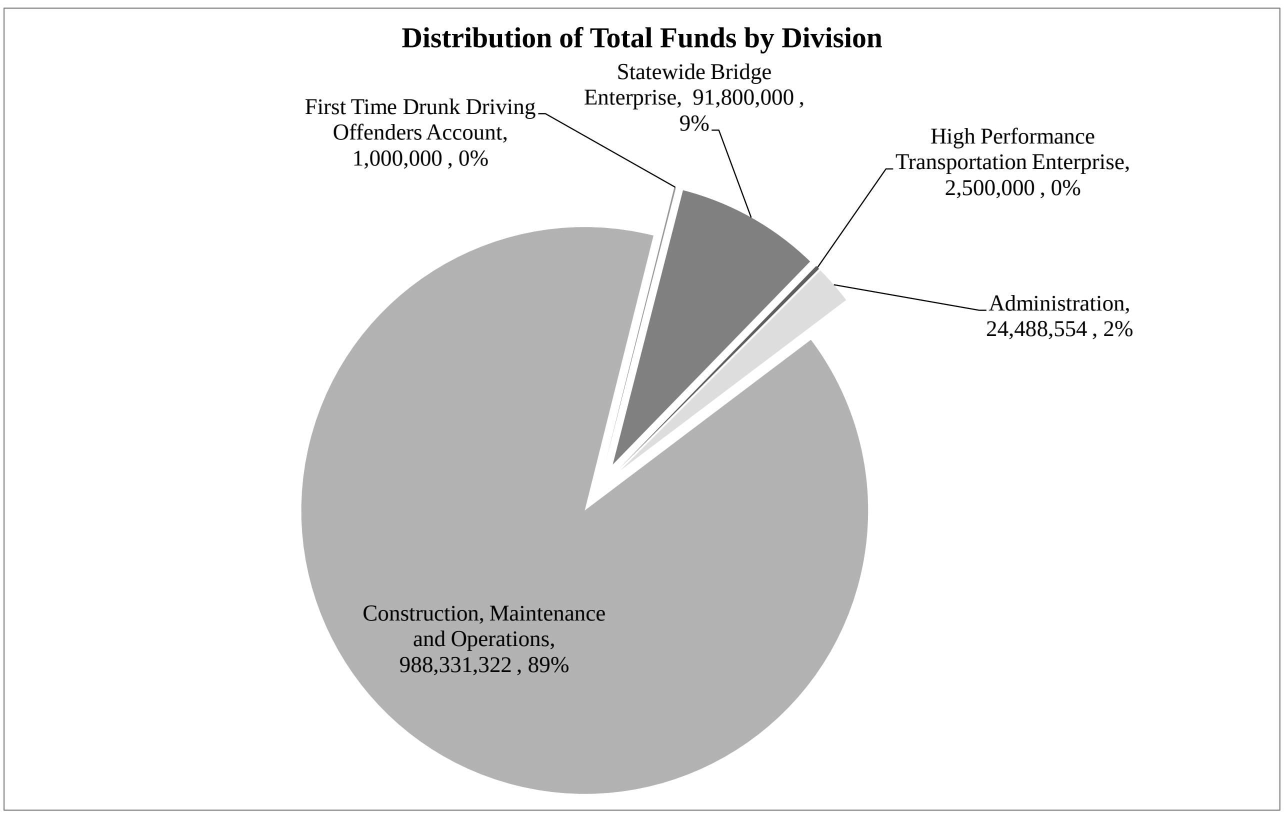


FTE History



Unless otherwise noted, all charts are based on the FY 2010-11 appropriation.

The Department Received No General Fund in FY 2011-12



FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Transportation

DEPARTMENT OVERVIEW

Key Responsibilities

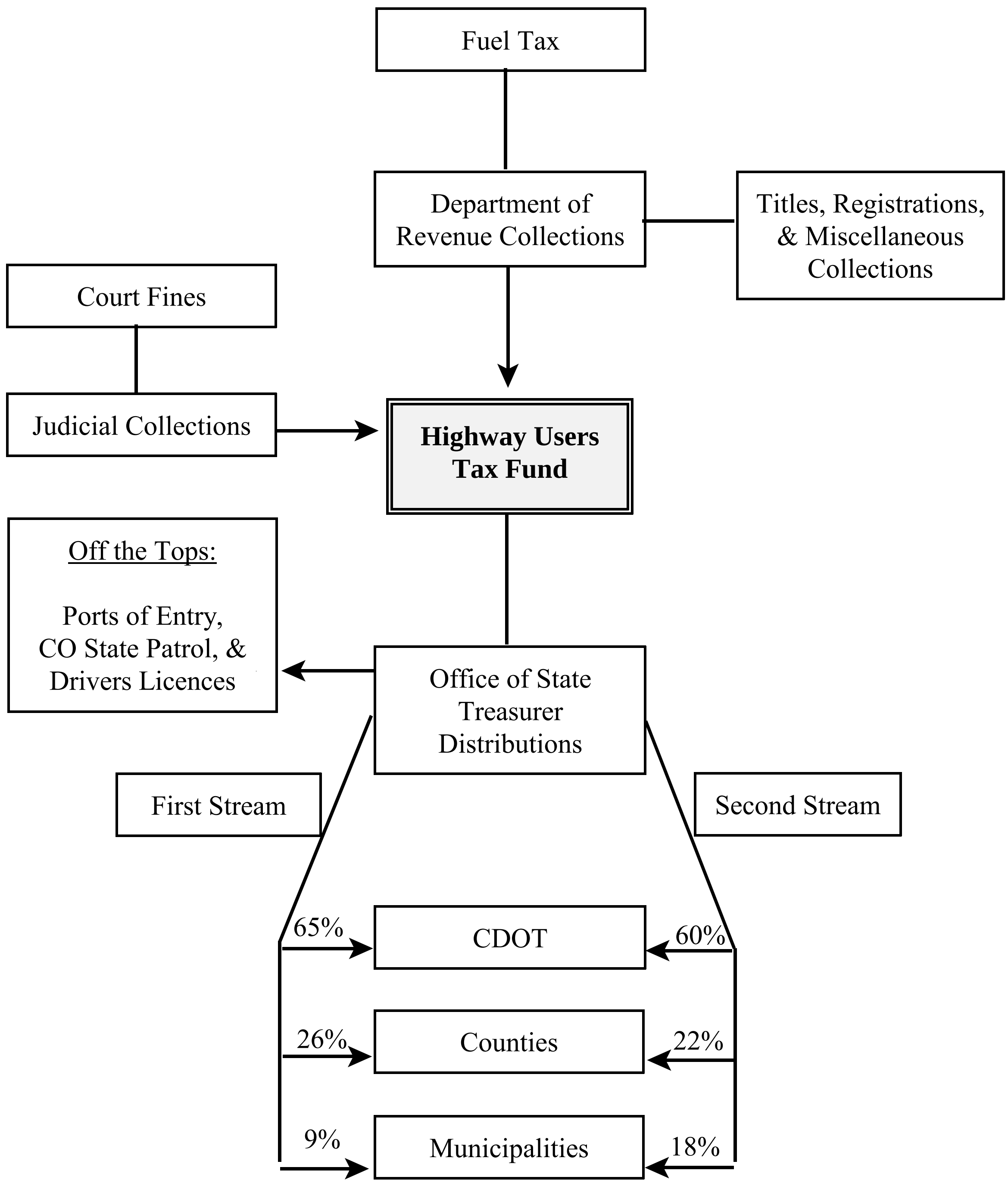
The Colorado Department of Transportation (CDOT) is a cabinet level department. It plans for, operates, maintains, and constructs the state-owned transportation system, including state highways and bridges. CDOT operates under the direction of the Colorado Transportation Commission, which is composed of eleven members who represent specific districts around the state. Each commissioner is appointed by the Governor and confirmed by the Senate for a four year term. The Commission directs policy and adopts departmental budgets and programs. Some of CDOT's specific duties include:

- Operation of the 9,134 mile state highway system, which includes 3,406 bridges and handles over 28 billion miles of vehicle travel.
- Management of more than 150 highway construction projects statewide.
- Maintenance of the state highway system, including repairing road damage, filling potholes, plowing snow, and applying sand to icy roads.
- Assistance in the development of a statewide, multi-modal transportation system by providing assistance to local transit systems in the state.
- Development and implementation of the State's Highway Safety Plan, including efforts to combat drunk driving, encourage seatbelt use, enforce speed limits, and reduce traffic fatalities.
- Maintenance of the statewide aviation system plan, which includes the provision of technical support to local airports regarding aviation safety and the administration of both entitlement reimbursement of aviation fuel tax revenues and discretionary grants to local airports.

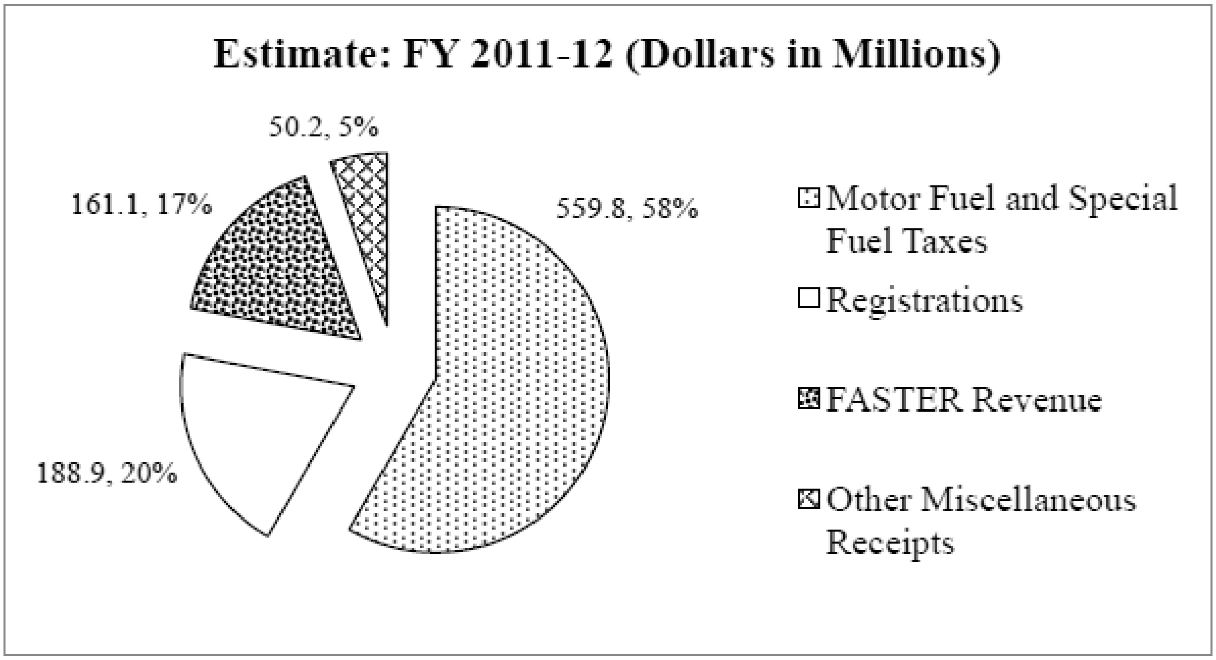
Factors Driving the Budget

State Transportation Revenues and S.B. 09-108 (FASTER)

The Department's main source of funding comes from state and federal excise taxes on gasoline and diesel fuel. Receipts are deposited into the Highway Users Tax Fund (HUTF), which is also supported by registration fees, surcharges, and other miscellaneous sources of revenue. By statutory formula, CDOT receives approximately half of the State's monthly HUTF distributions. Please see the flowchart on the following page for a visual overview of HUTF fund sources and distributions. Because these distributions make up the majority of CDOT funding, fluctuations in HUTF revenues as a result of changes in behavior (e.g., increasing or decreasing vehicle miles of travel which affects fuel tax revenues) or policy have a significant effect on revenues and drive the budget.


Fuel Tax
Department of Revenue Collections
Titles, Registrations, & Miscellaneous Collections
Court Fines
Judicial Collections
Highway Users Tax Fund
Off the Tops:
Ports of Entry, CO State Patrol, & Drivers Licences
Office of State Treasurer Distributions
First Stream
Second Stream
65%
CDOT
60%
26%
Counties
22%
9%
Municipalities
18%

The enactment of S.B. 09-108, otherwise known as FASTER, increased HUTF revenues and increased the share of the Department's revenues coming from registration fees and surcharges. Prior to the enactment of FASTER, motor fuel taxes accounted for more than 70.0 percent of total HUTF revenues. FASTER-related revenues now account for about 17 percent of total HUTF revenues and have reduced the share attributed to motor fuel tax revenues to about 59 percent. The chart below displays the share of forecasted revenues for the current fiscal year that are attributable to each type of HUTF revenue source.



Source: Legislative Council, September 2011 Transportation-Related Revenue Forecast

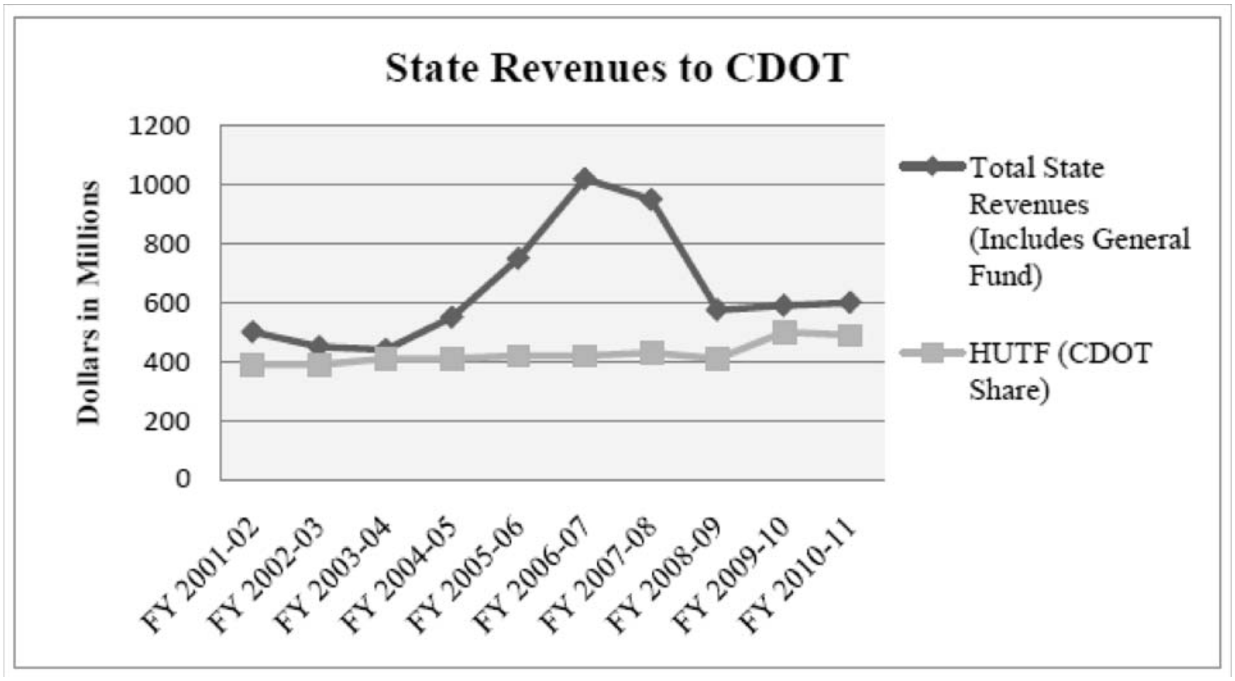
The implementation of FASTER has also increased other revenues for the Department because not all of the legislation's fees and surcharges are credited to the HUTF. Bridge safety surcharge revenues are credited to the Statewide Bridge Enterprise Special Revenue Fund. This dedicated tax fund is created by the bill and managed by the Statewide Bridge Enterprise. The following table shows FASTER-related revenues for FY 2009-10 and Legislative Council's estimates for FY 2010-11 and FY 2011-12.

FASTER Revenues

	FY 2009-10 Actual	FY 2010-11 Est.*	FY 2011-12 Est.*
FASTER HUTF	$155.80	$162.50	$160.30
State Bridge Enterprise	45.20	72.10	96.40
Total Faster Revenues	**201.00**	**234.60**	**256.70**

* The Legislative Council Staff estimates include continued (but slowly declining) late registration fee revenues.

Total state funding for transportation has fluctuated substantially over the past ten years, primarily due to changes in the amount of General Fund transferred to the HUTF. Non-General Fund HUTF revenues have been more consistent. The following chart displays Non-General Fund HUTF revenues (cash funds) and total state funding for CDOT (including General Fund transfers as well as non-HUTF revenue sources) for each year since FY 2001-02.



Source: CDOT

The rise in HUTF and total revenues from FY 2008-09 to FY 2009-10 is largely a result of the implementation of FASTER, and the anticipated increase in total state revenues from FY 2009-10 to FY 2010-11 is largely the result of phasing in bridge safety surcharges under FASTER.

General Fund Expenditures for Highway Construction and S.B. 09-228

Since 1997, the General Assembly has passed a variety of legislation to assist in the completion of priority transportation projects by providing additional funding to the State Highway Fund from General Fund sources, including: Capital Construction Fund appropriations (which originate in the General Fund), diversions of sales and use taxes from the General Fund to the Highway Users Tax Fund (pursuant to S.B. 97-001), Limited Gaming Fund appropriations (which use cash funds that would otherwise be credited to the Clean Energy Fund), and two-thirds of the year-end General Fund surplus (pursuant to H.B. 02-1310). Additional legislation (H.B. 99-1325) has permitted the Department to issue bonds to accelerate projects and to use future federal and state revenues to pay back bondholders over time.

Transfers of General Fund to the State Highway Fund under the legislation discussed above fluctuated with the economy. For example, economic conditions precluded most such transfers from

FY 2002-03 through FY 2004-05, although there were limited transfers under H.B. 02-1310 in FY 2003-04 and FY 2004-05. As shown in the table below, transfers pursuant to S.B. 97-001 and H.B. 02-1310 increased in FY 2006-07 (to a total of $522 million), decreased to $407 million in FY 2007-08, and then decreased to $88 million in FY 2008-09.

General Fund Diversions to HUTF Pursuant to S.B. 97-001 and H.B. 02-1310 (millions)

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09*	Totals
S.B. 97-001	$35	$0	$0	$0	$220	$231	$241	$59	$786
H.B. 02- 1310	n/a	n/a	0	81	65	291	166	29	633
Totals	$35	$0	$0	$81	$286	$522	$407	$88	$1,419

*Transfers pursuant to S.B. 97-001 in FY 2008-09 were based on FY 2007-08 revenues but actually took place in FY 2008-09.

Senate Bill 09-228 repeals the transfers of General Fund associated with S.B. 97-001 and H.B. 02-1310, making transfers from the General Fund to the HUTF subject to annual appropriation by the General Assembly. Senate Bill 09-228 requires transfers of 2.0 percent of General Fund revenues to the HUTF for FY 2012-13 through FY 2016-17 under certain conditions, but it does not require any General Fund transfers prior to FY 2012-13. The five-year block of transfers from FY 2012-13 through FY 2016-17 is subject to a trigger based on growth in statewide personal income. If personal income increases by less than 5.0 percent from calendar year 2011 to calendar year 2012, the entire five-year block of transfers is postponed until the first fiscal year in which the personal income trigger is met.

Availability of Federal Funds

The Department's total share of federal funds has fluctuated in recent years. Actual expenditures increased to $630.4 million in FY 2009-10 and $682.4 in FY 2010-11, with an infusion of funds as a result of the "American Recovery and Reinvestment Act" (ARRA). More recently, budgetary conditions, including the depletion of the surplus in the federal Highway Trust Fund, have resulted in "obligation limits" reducing each state's funding below the full amounts authorized in SAFETEA-LU. The table below illustrates how much federal funding for CDOT has fluctuated.

CDOT Federal Expenditures (millions)

FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
$507.1	$630.4	$682.4	$404.1	$409.4

CDOT receives federal funding for four purposes, including highways (Federal Highway Administration funds), safety (National Highway Traffic Safety Administration funds), transit (Federal Transit Administration funds), and aviation (Federal Aviation Administration funds). Federal funds provide a significant share of the CDOT's resources (36.5 percent of the Department's total appropriations for FY 2011-12), and fluctuations in federal funds, determined by multi-year authorization bills, affect the Department's annual budgetary outlook. The most recent authorization bill, the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users*

(SAFETEA-LU), expired in September 2009. The U.S. Department of Transportation is currently operating on a short-term extension of SAFETEA-LU, the eighth extension overall, that will expire on March 31, 2012. Congress will have to act again by that date to keep federal funds flowing.

Because Congress has yet to pass the next multi-year authorization bill and the U.S. Department of Transportation is operating under a short-term extension, the Department's expectations regarding future federal funds are highly uncertain. Most of the key authorizing committees in both houses of Congress seem to be moving toward marking-up committee bills. However, there remains disagreement about the overall size and length that the transportation reauthorization should take. House Transportation and Infrastructure (T&I) Committee Chair John Mica has spoken about a six-year reauthorization package at the level of current federal revenues, which is about 30 percent lower than current program authorities under the short-term extension. The Senate Environment and Public Works (EPW) Committee—which has jurisdiction over highway programs—voted unanimously November 9 to pass a two-year transportation reauthorization bill at current program levels, but additional revenues have to be identified to meet these levels. Unlike in the House, where the T&I Committee has full responsibility for any transportation reauthorization bill, the Senate splits jurisdiction among several committees. The Senate Banking Committee still needs to consider the transit portion of the reauthorization bill, the Senate Commerce Committee will consider the rail portion, and the Senate Finance Committee needs to figure out how to pay for the entire package.

The federal picture has become even more clouded with the failure of the Congressional Deficit Supercommittee, a bipartisan group of 12 lawmakers that was tasked with agreeing to $1.2 trillion in spending cuts for the 2013 federal fiscal year (FFY). Failure by the bipartisan committee to agree on a budget blueprint means that $1.2 trillion in across-the-board cuts could kick in starting in FFY 2013, which begins Oct. 1, 2012. A portion of that $1.2 trillion trigger will target defense and Medicare reimbursements, but a significant portion encompasses yet-to-be identified discretionary spending. The annual budget for the U.S. Department of Transportation, which was just approved for FFY 2012, could be on the chopping block in 2013 regardless of any reauthorization package. Because the discretionary cuts are yet to be identified, it is unclear at this stage what effect this trigger will have on federal dollars distributed to CDOT. Therefore, while the FY 2012-13 budget request assumes a total of $409,409,045 in federal funds, that figure may change significantly based on Congressional action in the coming months.

Transportation Revenue Anticipation Notes (TRANs)

In 1995, the Transportation Commission approved a 20-Year Transportation Plan which estimated that projected revenues would be $8 billion short of the amount required to complete priority state transportation projects. In 1996, the Strategic Corridor Projects plan identified 28 high priority projects of statewide significance needing to be expedited. These were called the "7th Pot" projects. In 1999, the General Assembly enacted H.B. 99-1325, which was submitted to and approved by the voters (as Referendum A) under TABOR. The referendum authorized CDOT to borrow up to $1.7 billion against future federal and state funding as a "multiple-fiscal year obligation" by selling TRANs bonds. As a result, proceeds from TRANs are exempt from TABOR limitations, and

TRANs debt service payments are exempt from TABOR spending limits. Other limits on the TRANs program include:

- ❏ The maximum repayment amount was set at $2.3 billion (Federal legislation permits the use of federal funds to pay debt service on bonds used for transportation projects eligible for federal funding. Colorado and the Federal Highway Administration have agreed to a minimum 50 percent state match on the TRANs debt service payments);

- ❏ The federal portion of the debt service payment for a given year cannot exceed 50 percent of the previous year's federal funding received by the Department; and

- ❏ The repayment of the bonds may be from federal funds, state-matching funds, bond proceeds, or interest earnings.

The Department reached the $2.3 billion total current repayment limit (per H.B. 99-1325) in June 2005, making approximately $1.5 billion available for projects. All projects funded through TRANs proceeds have been budgeted and are under contract. Annual debt service payments of approximately $168 million will continue through FY 2016-17, making debt service on the bonds a significant factor in the Department's annual budget.

Section 43-4-713, C.R.S., requires CDOT to submit a TRANS report to the Joint Budget Committee each year by January 15. Below are two tables summarizing the 2011 report. The first summarizes the total debt service by fiscal year and the second lists the TRANS projects' funding and status.

Total Debt Service by Fiscal Year

Fiscal Year	TRANS Debt Service
2000-01	33,791,818
2001-02	66,812,891
2002-03	71,140,530
2003-04	65,207,424
2004-05	84,787,100
2005-06	167,990,652
2006-07	167,981,531
2007-08	167,989,075
2008-09	167,992,430
2009-10	167,990,881
2010-11	167,990,278
2011-12 through 2016-17	1,036,416,724
Total	**2,366,091,334**

TRANS Project Funding and Status

Corridor	Description	TRANS Proceeds	Status
01	I-25, US50 to SH47 Interchange	$15,349,890	Complete
02	I-25 S Academy to Briargate	99,589,926	Complete
03	I-25/US36/SH270	62,354,795	Complete
04	I-225 & Parker	51,468,482	Complete
05	I-76 / 120th Ave	20,494,593	Complete
06	I-70 /I-25 Mousetrap Renovation	33,344,451	Complete
07	I-25 Owl Canyon Rd to Wyoming	0	Complete
08	I-70 East Tower Road to Kansas	52,102,632	Complete
09	North I-25 / SH7 - SH66	43,321,536	Complete
10	US50 Grand Jct to Delta	40,219,997	Complete
11	US285 Goddard Ranch Court to Foxton Rd	26,397,379	Complete
12	South US287 Campo to Hugo	41,310,748	Ongoing
13	US160 Wolf Creek Pass	47,436,186	Complete
14	US40 Winter Park to Berthoud Pass	26,659,652	Complete
15	US550 New Mexico State Line to Durango	18,780,177	Complete
16	US160 Jct SH3 to Florida River	25,762,559	Complete
17	C-470 Extension	181,482	Complete
18	US34 & I-25 to US85	0	Complete
19	US287 Broomfield to Loveland	38,060,099	Complete
20	Powers Blvd, Colorado Springs	51,346,759	Ongoing
21	SH82 Basalt to Aspen	123,369,998	Complete
22	Sante Fe Corridor	0	Complete
23	Southeast Corridor I-25, Broadway to Lincoln TREX	476,929,423	Complete
24	East Corridor MIS	0	Ongoing
25	West Corridor MIS	4,418,921	Ongoing
26	I-70 West EIS	52,112,438	Ongoing
27	I-25 South Corridor Denver to Colorado Springs	91,206,596	Ongoing
28	I-25 North Corridor Denver to Fort Collins	45,346,282	Ongoing
	Total Issuance	**$1,487,565,001**	

Under current budgetary conditions the Department is not investing additional funds in the "ongoing" strategic projects. As noted above, the TRANS bonds have been fully budgeted and are under contract. The remaining required funds for the strategic projects were anticipated to be from S.B. 97-1, which was repealed by S.B. 09-228, and those funds are no longer available.

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
The Department did not submit any requests for FY 2012-13.						
Total	**0**	**0**	**0**	**0**	**0**	**0.0**

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Department of Transportation

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2011-12 appropriation and its FY 2012-13 request.

Total Requested Change, FY 2010-11 to FY 2011-12 (millions)

Category	GF	CF	RF	FF	Total	FTE
FY 2011-12 Appropriation	$0.0	$699.1	$4.9	$404.1	$1,108.1	3,315.5
FY 2012-13 Request	0.0	705.2	4.9	409.4	1,119.5	3,323.0
Increase / (Decrease)	$0.0	$6.1	$0.0	$5.3	$11.4	7.5
Percentage Change	n/a	0.9%	0.0%	1.3%	1.0%	0.2%

The following table highlights changes contained in the Department's FY 2012-13 budget request, as compared with the FY 2011-12 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2011-12 to FY 2012-13

Category	CF	RF	FF	Total	FTE
Administration	**$758,589**	**$28,743**	**$0**	**$787,332**	**0.0**
Common Policy Adjustments	500,762	17,156	0	517,918	0.0
Restore FY 2011-12 PERA Adjustment	272,054	11,587	0	283,641	0.0
Indirect Cost Adjustment	(14,227)	0	0	(14,227)	0.0
Construction, Maintenance, and Operations	**$4,149,320**	**$0**	**$5,264,022**	**$9,413,342**	**4.5**
High Performance Transportation Enterprise	**$0**	**$0**	**$0**	**$0**	**3.0**
First Time Drunk Driving Offenders Account	**$0**	**$0**	**$0**	**$0**	**0.0**
Statewide Bridge Enterprise	**$1,226,477**	**$0**	**$0**	**$1,226,477**	**0.0**
Total Change	**$6,134,386**	**$28,743**	**$5,264,022**	**$11,427,151**	**7.5**

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Transportation

BRIEFING ISSUE

ISSUE: Performance-based Goals and the Department's FY 2012-13 Budget Request

This issue brief summarizes the Department of Transportation's (CDOT's) report on its performance relative to its strategic plan and discusses how the FY 2012-13 budget request advances the Department's performance-based goals. Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), the full strategic plan for CDOT can be accessed from the Office of State Planning and Budgeting web site.

The issue brief assumes that the performance-based goals are appropriate for the Department. Pursuant to the SMART Government Act legislative committees of reference are responsible for reviewing the strategic plans and recommending changes to the departments. The issue brief also assumes that the performance measures are reasonable for the performance-based goals. Pursuant to the SMART Government Act the State Auditor periodically assesses the integrity, accuracy, and validity of the reported performance measures. Please note that the Department's full strategic plan includes CDOT's four functional categories—safety, system quality, mobility, and program delivery. This issue brief deals with the highest priority objectives and performance measures related to each of these four functional categories.

DISCUSSION:

Performance-based Goals and Measures

The Department's four top priority objectives are:

1. Safety....

Objective: Maintain federal goals for vehicle crash fatalities.

Fatal Crash Rate (per 100 Million VMT)		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	1.00	1.05
FY 2007-08 Actual	1.00	0.99
FY 2008-09 Actual	1.00	0.94
FY 2009-10 Actual	1.00	0.94
FY 2010-11 Actual	1.00	0.87
FY 2011-12 Appropriation	1.00	Unknown
FY 2012-13 Request	1.00	Unknown

a. How is the Department measuring the specific goal/objective?
The Department tracks a number of types of accident data and establishes objectives related to many types of accidents, including those that include fatalities.

b. Is the Department meeting its objective, and if not, why?
Yes. Between 2010 and 2011, total traffic fatalities fell by 3.7 percent, from 465 to 448. This resulted in a fatality rate 0.87 in 2011, which is less than the federal benchmark of one per 100 million vehicle miles traveled. Colorado has experienced a steady decline in motor vehicle fatalities since a recent peak of 743 deaths in 2002, despite an increase of nearly 4,300 million vehicle miles traveled. In less than ten years, the number of traffic fatalities has fallen by 40 percent.

Education has been a large factor in reducing the fatality rate; however, technological advances such as the installation of rumble strips have also prevented crashes or significantly increased the chances of surviving if one occurs. Additionally, the passage of traffic safety legislation has played a role in reducing fatalities. For example, Colorado's Graduated Driver Licensing (GDL) laws, which set limits and requirements on new teen drivers, are credited with helping reduce by half the number of young people age 15 to 20 killed in crashes each year.

c. How does the budget request advance the performance-based goal?
No decision items have been included in the FY 2012-13 budget request. However, CDOT continues to work quickly to capitalize on the introduction of FASTER safety funds. For FY 2011-12, CDOT budgeted about $92.2 million of FASTER Safety funds for projects with significant safety elements. The Department will continue to optimize the use of FASTER-Safety dollars and continue behavior campaigns that will work toward achieving its fatality benchmark.

Objective: Reduce the annual workplace accident rate by 10 percent per year.

Number of Workers Compensation Claims		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	415	465
FY 2007-08 Actual	415	450
FY 2008-09 Actual	408	370
FY 2009-10 Actual	333	363
FY 2010-11 Actual	327	345
FY 2011-12 Appropriation	310	Unknown
FY 2012-13 Request	-10% from FY 11-12	Unknown

a. How is the Department measuring the specific goal/objective?
The Department tracks the number of workers compensation claims and publishes this data in its annual Safety Action Plan.

b. Is the Department meeting its objective, and if not, why?

No. The Department reports that annual workplace accidents fell from the FY 2009-10 level of 363, but did not meet the stated goal of 327. Most CDOT injuries occur to maintenance workers, primarily to the lower back, shoulders, and legs. Fortunately, the number of workers' compensation claims has dropped more than 23 percent from the FY 2007-08 level of 450 to the FY2010-11 level of 345. This reduction can be credited to a number of training and operational initiatives such as the Click Safety training program, which offers courses that enable employees to be more cognizant of workplace hazards. Employee participation in the Regional Safety Committees has also created a collaborative environment where employees are part of the solution in addressing safety concerns.

c. How does the budget request advance the performance-based goal?

Because only 10 percent of workplace injuries are caused by faulty equipment, the Department has not submitted any decision items related to equipment and workplace safety. However, CDOT views this as an ongoing effort. In a recent reorganization, the Office of Risk Management was moved from the Division of Human Resources and Administration to the Office of Transportation Safety, signaling increased organizational emphasis on employee safety. The safety group continually manages education and training programs to help Department employees be safe and minimize the number of accidents occurring on the job.

2. System Quality....

Objective: Maintain or improve the system-wide pavement condition forecast for 2017 of roughly 39 percent good/fair condition.

Percent of Pavement in Good/Fair Condition		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	61	59
FY 2007-08 Actual	52	52
FY 2008-09 Actual	50	50
FY 2009-10 Actual	46	48
FY 2010-11 Actual	45	48
FY 2011-12 Appropriation	44	Unknown
FY 2012-13 Request	43	Unknown

a. How is the Department measuring the specific goal/objective?

The Department's Pavement Management Program monitors pavement quality through several surveys conducted throughout the fiscal year that evaluate CDOT's infrastructure and how well it was maintained. Some of the tools that are provided include the Statewide Surface Condition Reports, Future Surface Condition Projections, Project Recommendations, and Regional Budget Allocation Recommendations. The primary measure of pavement quality is the percent of pavement that is in good or fair condition. CDOT evaluates the condition of pavement based on how many years remain before reconstruction is necessary. A good rating means there is a remaining service life of 11 or more years; a fair rating indicates a remaining service life of 6-10 years; and a poor rating represents a remaining service life of less than 6 years. Good/fair/poor maps are also provided.

b. Is the Department meeting its objective, and if not, why?
Yes. A 45 percent good or fair condition objective was established for FY 2010-11. CDOT was able to surpass the objective and achieve a good or fair condition on 48 percent of its highways. However, this was primarily attributed to additional funding through the American Recovery and Reinvestment Act (ARRA). CDOT was able to capitalize on the one-time infusion of ARRA funds to slow the rate of decline. The annual target continues to be established each year at a level lower than the prior year's actual level. This is indicative of the continued system deterioration caused by insufficient investment in transportation infrastructure.

c. How does the budget request advance the performance-based goal?
Pavement maintenance is generally provided from discretionary CDOT funds. Just less than one half of CDOT's funds are restricted to specific programs. Examples are Bridge Enterprise FASTER funds, which are dedicated for bridges by state legislation, and federally-earmarked funds dedicated to certain significant improvement projects. This leaves the Transportation Commission with about $500 million to allocate as it deems necessary among a number of program areas that build and maintain the transportation system. Pavement has historically received about $100 to $150 million of these moneys. This amount is insufficient to maintain current quality and drivability of the state highway system. Without increased discretionary funding, performance will continue to deteriorate as surface treatment costs escalate.

Objective: Maintain or improve upon the system-wide major vehicular bridge deck area condition forecast for 2017 of roughly 94 percent good/fair condition.

Percent of Bridge Deck Area in Good/Fair Condition		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	97.00	94.50
FY 2007-08 Actual	93.50	93.50
FY 2008-09 Actual	92.50	94.50
FY 2009-10 Actual	94.40	94.50
FY 2010-11 Actual	94.80	94.50
FY 2011-12 Appropriation	95.00	Unknown
FY 2012-13 Request	95.00	Unknown

a. How is the Department measuring the specific goal/objective?
The Department continuously monitors bridge quality. CDOT collects data on major vehicular bridge condition by the percent of bridge deck area statewide in good or fair condition. The National Bridge Inventory standards established by the Federal Highway Administration are used to inventory and classify the condition of the major vehicular bridges. The classification is based on a sufficiency

rating of 0-100 and a status of not deficient, functionally obsolete, or structurally deficient. Major vehicular bridges in poor condition have a sufficiency rating less than 50 and status of structurally deficient or functionally obsolete. Bridges in Poor condition do not meet all safety and geometry standards and require reactive maintenance to ensure their safe service. Major vehicular bridges in fair condition have a sufficiency rating from 50 to 80 and a status of structurally deficient or functionally obsolete. Bridges in Fair condition marginally satisfy safety and geometry standards and require either preventative maintenance or rehabilitation. Major vehicular bridges in good condition are all remaining major bridges that do not meet the criteria for Poor or Fair. Bridges in good condition generally meet all safety and geometry standards and typically only require preventative maintenance.

A bridge is structurally deficient if it does not meet minimum standards for condition or capacity. Having only a small portion of a bridge in poor condition can result in the entire bridge being classified as structurally deficient. A bridge is functionally obsolete if it does meet current minimum geometric requirements. Bridges classified as functionally obsolete often have inadequate roadway shoulders, insufficient number of lanes to handle current traffic volumes, overhead clearances less than minimums, or inadequate widths for roadways or streams passing underneath. Functional obsolete bridges may need signage (e.g. vertical clearance signs), reduced speeds, or traffic control devices (e.g. additional guardrails) to ensure safety.

b. Is the Department meeting its objective, and if not, why?

No. In FY 2010-11, 94.5 percent of the bridge deck area Statewide was in good or fair condition. This did not meet the Department's target of 94.8 percent. However, at the close of FY 2009-10, 127 of 3,447 major vehicular bridges were in the poor category, exceeding the objective for FY 2009-10. This allowed the Department to establish a higher objective for FY 2010-11 than would have been possible without passage of Senate Bill 09-108 (FASTER). Indeed, as with pavement, the Transportation Commission annually resets its target for each year's bridge performance level based on allocated funding. The Department's Policy Directive 14 had established a long-range objective of maintaining 83 percent good/fair condition by 2016. However, the passage of FASTER enabled the commission to establish annual objectives that demonstrate a slower deterioration than was originally forecasted. The improved projection can also be partly attributed to advancements in bridge repair.

c. How does the budget request advance the performance-based goal?

Bridges in poor condition are still a major concern in the long-term. Each year, deteriorating bridges fall into the poor category. A one percent Statewide increase in "poor" deck area results in a $327 million liability for the Department to rehabilitate or reconstruct that bridge area. CDOT estimates that $1.49 billion is needed to replace the bridges currently in poor condition, which includes $800 million for the I-70 viaduct. FASTER established the Bridge Enterprise and is projected to generate about $100 million annually in bridge safety and other surcharges. This influx of revenue is projected to slow the deterioration of bridges significantly. Other activities executed by the CDOT Bridge Program include: planned preventative maintenance, essential repairs, structure inspection and management, and scour plan of action updates. Each of these measures is a cost-saving activity.

Objective: Meet or exceed the adopted annual maintenance level of service grade.

Annual Maintenance Level of Service Grade		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	B	B-
FY 2007-08 Actual	B-	B-
FY 2008-09 Actual	C+	B-
FY 2009-10 Actual	C+	B-
FY 2010-11 Actual	C+	B-
FY 2011-12 Appropriation	C	Unknown
FY 2012-13 Request	C	Unknown

a. How is the Department measuring the specific goal/objective?
CDOT uses an extensive Maintenance Levels of Service (MLOS) budgeting system to allocate funds and evaluate all maintenance activities performed throughout the state for a given fiscal year. The main objective of MLOS is to establish an overall target level of service while staying within allocated budget dollars. Levels of service communicate targets for accomplishment inside and outside the agency. When planned levels of service are compared to actual service levels accomplished, a basis of accountability is established. Relationships between levels of service and cost enable CDOT to evaluate the impacts of different funding levels, analyze tradeoffs in resource allocation, and monitor planned versus actual accomplishments against expenditures. The achieved LOS is determined through extensive surveys of approximately 700 randomly selected highway segments throughout the state. There are several surveys conducted throughout the fiscal year that evaluate CDOT's infrastructure and how well it was maintained.

b. Is the Department meeting its objective, and if not, why?
Yes. The Department has exceeded its benchmark every fiscal year since FY 2006-07 where there is data. The primary factor in exceeding the objective grade of C+ over the last few years was favorable weather conditions in early winter for certain maintenance sections, allowing them to exceed target levels of service for non-snow related maintenance activities. The decrease to a C benchmark in FY 2011 is the result of (1) budgeted dollars not keeping up with the rising costs of fuel and materials, inflation and increasing needs for bridge maintenance activities, and (2) the impact of prior heavy winters on the projected cost of maintaining the system.

c. How does the budget request advance the performance-based goal?
No decision items have been submitted for this objective. However, close to a third of CDOT's discretionary funding is spent each year in the ongoing maintenance of the State's transportation system, including snow and ice control, traffic services, roadway resurfacing, roadside facilities, rest areas, equipment and buildings, planning and training, structure maintenance, roadside appearance, and tunnel maintenance. Long-term costs for each of these program areas trend upward for the over the next ten years.

3. Mobility....

Objective: Reduce the growth rate in minutes of delay per traveler in congested corridors by 1.5% below the forecast for 2017 of 21 minutes of delay.

Travel Time Delay in Congested Corridors (minutes per person)		
Year	**Benchmark**	**Actual**
FY 2007-08 Actual	31.00	18.00
FY 2008-09 Actual	31.20	17.00
FY 2009-10 Actual	18.00	17.00
FY 2010-11 Actual	18.40	17.30
FY 2011-12 Appropriation	19.40	Unknown
FY 2012-13 Request	20.50	Unknown

a. How is the Department measuring the specific goal/objective?

The Department's primary measure of mobility is minutes of delay per traveler in congested state highway segments. Travel time delay is the difference between the travel time on highways at the free flow speed and the time it takes to travel with heavy traffic. Multiple devices along several corridors, such as I-70 West, I-25 South and U.S. 6 in the Denver metro area, acquire data that CDOT processes into real-time traffic speeds and calculated travel times. This information is collected and disseminated using Intelligent Transportation Systems (ITS).

b. Is the Department meeting its objective, and if not, why?

Yes. In FY 2010-11, the average travel time delay was calculated at 17.3 minutes per person, which is below the goal of 18.4 minutes per person. While the TREX project in Denver and COSMIX project in Colorado Springs added to lane capacity in Colorado, the decrease from 22 minutes calculated in 2005 is due primarily to (1) increased gas prices and (2) individual motorist economic conditions, both resulting in fewer vehicle miles traveled. Whether this is a short-term trend or a long-term shift remains to be determined. Additionally, when CDOT developed its 2035 Long Range Plan, delay had been projected to be 70 minutes per traveler in 2035 (from 22 minutes in 2005) with no additional highway capacity improvements. The benchmarks prior to FY 2009-10 reflect this projection.

c. How does the budget request advance the performance-based goal?

Since the last increase in fuel tax, population growth and growth in vehicle miles traveled, particularly among the trucking industry, has accelerated much more rapidly than revenues. The Department has therefore endeavored not to reduce congestion, but slow the rate of its increase. Gradually over the past several decades the strategy for accomplishing this has shifted from adding highway lane capacity to changing traveling behavior. While this is not reflected directly in decision items, it has been reflected in the measures taken by CDOT, such as moving vehicle commuters to transit, encouraging different work schedule practices such as flex time or staggered start times, and providing travelers with real-time information on the status of the route ahead of them.

Objective: Maintain the snow and ice maintenance level of service grade at the adopted annual grade.

Snow and Ice Control Annual Grade		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	B	B-
FY 2007-08 Actual	B	C+
FY 2008-09 Actual	B-	C+
FY 2009-10 Actual	B	C+
FY 2010-11 Actual	B	B
FY 2011-12 Appropriation	B	Unknown
FY 2012-13 Request	B	Unknown

a. How is the Department measuring the specific goal/objective?
Each year CDOT completes an analysis on a five-year average of materials, plow miles, and total dollars spent in maintenance activity 402 (Snow Removal and Traction Application) to:

- ❏ Assess the variation in costs and accomplishments among the five years, as a way of gauging differences in weather that affect the demand for winter maintenance;

- ❏ Test the effect of average annual daily traffic (AADT) on winter maintenance policy, work accomplishment, and costs; and

- ❏ Analyze historical trends in winter maintenance work accomplishments and costs with the purpose of determining a "standard winter" for budgeting.

b. Is the Department meeting its objective, and if not, why?
Yes. CDOT was able to improve its performance of snow and ice control, rising from a C+ in FY 2009-10 to a B in FY 2010-11. CDOT attributes this improvement to two things. First, during the FY 2010-11 budgeting process, the Transportation Commission used a trade-off analysis to determine funding levels for the nine maintenance program areas for the first time. This allowed for a more informed and efficient decision-making process. Second, in 2008, amid rising costs per plow mile, maintenance policy was revised, so that highway segments with an annual average daily traffic count of less than 1,000 vehicles are not plowed between the hours of 7:00 PM and 5:00 AM (exceptions are made for school bus or hospital routes). However, the survey procedures used to determine actual performance in snow and ice control were not changed to reflect this policy until FY 2010-11. As a result, the FY 2010-11 grade more accurately reflects actual performance.

c. How does the budget request advance the performance-based goal?
There is no decision item included in the FY 2012-13 budget related to this objective. However, keeping major roads clear of snow and ice is one of the most important activities of the Maintenance

Program, and receives the most funding of the nine maintenance program areas (MPAs)—27 percent for FY 2011-12. While weather conditions alter the demand for snow and ice removal year to year, long-term cost projections continue to trend upward over the next ten years for this program area.

4. Program Delivery....

Objective: Improve year over year percent of projects advertised within 30 days of the target advertisement date established on July 1st of the fiscal year.

Percent of Design Projects Advertised Within 30 Days of the Ad Dates Established		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	>69.90	71.90
FY 2007-08 Actual	>71.90	65.90
FY 2008-09 Actual	>60.90	68.00
FY 2009-10 Actual	>65.90	69.00
FY 2010-11 Actual	80.00	47.20
FY 2011-12 Appropriation	80.00	Unknown
FY 2012-13 Request	80.00	Unknown

a. How is the Department measuring the specific goal/objective?

CDOT projects occur in two phases: design and construction. CDOT designs the majority of its projects in house and then solicits bids for the construction phase from contractors. At the beginning of the fiscal year the Department establishes projected completion dates or ad dates for the design phase of projects in the coming year. When all design work has been completed a project is ready to be advertised for construction bids. This measure is the percent of projects that meet their planned advertisement dates. CDOT tracks each project's planned and actual ad date. In addition to tracking this measure of project delivery, CDOT is preparing to report, through its Annual Performance Report, on time and on budget measures for the construction program.

b. Is the Department meeting its objective, and if not, why?

No. On-time advertising regressed in FY 2010-11. Of the 106 projects assigned ad dates in FY 2010-11 as of August 1, 2010, 50 were advertised within 30 days of the original ad date. This reflects rescheduling that occured throughout the year as some projects' ad dates were accelerated, others were postponed and some projects were combined with others to capitalize on opportunities to be more efficient. By the close of FY 2010-11, projects scheduled for advertisement in that fiscal year had grown from 106 to 144, demonstrating how projects may be added during the year with influxes of funding, savings from completed projects, or heightened priorities. As an example, there were a number of ARRA projects advertised in FY 2009-10 that required rapid time lines in order to meet federal regulations. CDOT jumped at this new stimulus funding and by June 30th, the Department had obligated 59 projects worth $211 million, increasing the percentage for FY 2009-10.

This measure only captures Design-Bid-Build projects, where CDOT designs a project in-house and then puts the project out to bid for a private firm to construct it. Other types of projects, such as Construction Management/General Contractor (CM/GC), which involves more collaboration between the designers and contractors, and Design-Build contracts, where one firm handles both the design of a project and the construction phase, can be more efficient than the traditional Design-Bid-Build model, and CDOT anticipates it will use them increasingly in the future.

c. How does the budget request advance the performance-based goal?
No decision items have been submitted for this objective. While the amount of projects moving through design and construction fluctuates annually, the Department attempts to tie resources for its procurement unit to the annual need. The Chief Engineer has revised the annual benchmark to 80 percent for fiscal year 2010-11 and beyond.

Objective: Meet or exceed the Department's annual Disadvantaged Business Enterprise (DBE) goals.

Percent DBE Participation in CDOT Projects		
Year	**Benchmark**	**Actual**
FY 2006-07 Actual	14.00	12.50
FY 2007-08 Actual	12.80	11.00
FY 2008-09 Actual	12.80	10.30
FY 2009-10 Actual	13.30	22.80
FY 2010-11 Actual	13.30	16.30
FY 2011-12 Appropriation	13.30	Unknown
FY 2012-13 Request	Unknown	Unknown

a. How is the Department measuring the specific goal/objective?
The federal government requires that at least 10 percent of the funds authorized for highway and transit financial assistance programs be expended on Disadvantaged Business Enterprises (DBEs). A DBE is a for-profit small business concern that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. In the case of a corporation, 51 percent of the stock is owned by one or more such individuals; and, whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it. The intent is to open the construction market to DBEs and foster increased competition. The Federal Highway Administration (FHWA) has set a national aspirational goal for DBE participation of 10 percent. Each state uses an FHWA formula based on the demographic composition of the market (i.e. evidence of the availability of ready, willing, and able DBEs relative to all businesses ready, willing, and able to participate on USDOT-assisted contracts) to calculate an annual objective. CDOT sets an annual objective percentage of DBE participation in construction projects. The Department then tracks how much funding is expended on DBEs.

b. Is the Department meeting its objective, and if not, why?
Yes. In FY 2010-11, DBEs received 16.3 percent of construction contract dollars awarded. This amount exceeds the annual target of 13.3 percent, but falls short of the 22.8 percent of contract dollars awarded to DBEs in FY 2009-10. In 2010, the Department awarded a large contract to a DBE, which caused a spike in the percentage. While CDOT did not award a similarly large contract to a DBE in FY 2010-11, the total number of contracts awarded to DBEs increased by 25.5 percent.

c. How does the budget request advance the performance-based goal?
No decision items have been submitted for this objective in the FY 2012-13 budget request. The Department achieves its goal by providing technical assistance as well as training and project-specific outreach to the contracting community in support of DBE objectives. This is an ongoing effort within CDOT.

Objective: Have no environmental compliance violations.

Number of Environmental Compliance Violations		
Year	**Benchmark**	**Actual**
FY 2007-08 Actual	0	0
FY 2008-09 Actual	0	1
FY 2009-10 Actual	0	0
FY 2010-11 Actual	0	0
FY 2011-12 Appropriation	0	Unknown
FY 2012-13 Request	0	Unknown

a. How is the Department measuring the specific goal/objective?
CDOT obtains permits from the Colorado Department of Public Health and Environment (CDPHE) to discharge stormwater from roadway projects. The permit states that only storm water (and a few other allowable discharges, like landscape irrigation overflow) can be discharged from CDOT right of way (ROW) into State Waters. Pollutants, such as dirt, fertilizers, pesticides, oil and grease, and antifreeze must be prevented as much as practicable from entering State Waters by the diligent use of Best Management Practices. CDOT also has a Municipal Separate Stormsewer System Permit (MS4). CDPHE notifies CDOT of any violations.

b. Is the Department meeting its objective, and if not, why?
Yes. CDOT did not receive any notices of violation in FY 2010-11.

c. How does the budget request advance the performance-based goal?
No decision items have been submitted for this objective. However, CDOT has several different programs in place to ensure the amount of pollutants is reduced. Additionally, CDOT is increasing its control measures to include accountability at additional levels in order to proactively secure a site against significant storm events and to respond more quickly to findings with prompt action steps.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Transportation

BRIEFING ISSUE

ISSUE: State Transportation Deficit Report

The Department submitted the Transportation Deficit Report required by S.B. 09-108 on March 1, 2011. The report analyzes factors impacting the Department's budget, the anticipated revenue shortfall over the next ten years, and factors driving that shortfall.

SUMMARY:

- ❑ The Transportation Deficit Report, required by S.B. 09-108, addresses the goals of repairing deficient highways and bridges, and sustaining existing transportation system performance levels over the next ten years.

- ❑ The report forecasts declines in system condition and performance under projected revenue levels, estimating that an additional $3.3 billion would be needed over the next decade to sustain the current condition of the most significant components of the State's transportation infrastructure. This estimate includes $3 billion for highways, $200 million for bridges, and $95 million for maintenance activities.

- ❑ While CDOT continues to leverage the transportation system in order to get the most benefit out of existing infrastructure, the Department has limited control of either the amount of revenue available or the factors driving up costs. Without further increases in revenue or reduced costs, the Department projects that the system will continue to deteriorate.

DISCUSSION:

Background

Section 43-4-813, C.R.S., enacted in S.B. 09-108, requires CDOT to produce a Transportation Deficit Report each year detailing the causes and effects of the Department's funding shortfall. The report for 2011 was submitted to the Legislature in March and is available on the CDOT website.[1]

Under the guidelines set forth in the enabling legislation, the annual report addresses the goals of:

- ❑ Repairing deficient highways and bridges; and

- ❑ Sustaining existing transportation system performance levels.

[1] http://www.coloradodot.info/library/AnnualReports/TransportationDeficitReport2011.pdf/view

For each of these goals, the report includes estimated costs and the resulting deficits of achieving the goal and corridor vision within the next ten years. In describing deficits, the report incorporates FY 2011-12 programmatic budgets and projected revenues calculated prior to the October budget submittal to the Governor's office. Additionally, the report includes the annual increase and rate of increase for costs as well as a discussion of factors contributing to costs, including rate/distribution of population growth, vehicle size and weight, land use policies, and work patterns. Finally, the report presents some of the Department's suggested methods for reducing the impact of cost factors and a discussion on mitigating these factors to achieve CDOT's Stated goals.

Repairing Highways

The Transportation Commission endeavors to preserve 60 percent of the State Highway System (approximately 23,000 lane miles) in good or fair condition. This goal has been reduced in recent years as existing resources cannot practically support a higher performance goal. Highway conditions have regressed annually after peaking at 65 percent fair/good in 2005. The program concluded FY 2009-10 with a 48 percent good/fair condition, falling from 50 percent in FY 2008-09. Highway conditions were projected to be worse; however, projects funded with American ARRA dollars slowed the decline. FY 2010-11 is projected to finish with 44 percent of highways in good/fair condition and the FY 2011-12 funding level of $148.6 million for the Surface Treatment Program is projected to result in slightly better than 40 percent of highways in good/fair condition.

Highway conditions continue to regress primarily because of declining program budgets and rising resurfacing costs. Program budgets continue to decline due to nonflexible revenue sources. The Department's most significant source of State revenues is the excise tax on motor fuels, which has been set at $0.22 per gallon of gasoline and $0.205 per gallon of diesel fuel since 1991 and 1992 respectively. The major source of federal revenue is also an excise tax on motor fuels, which has been set at $.184 per gallon of gasoline and $.244 per gallon of diesel fuel since 1997. Please see Appendix E for a brief history of each of these excise taxes. Adding these federal taxes to the State excise taxes results in a total tax of $.404 per gallon of gas and $.449 per gallon of diesel in Colorado. The average fuel taxes for all states is $.488 per gallon of gas and $.539 per gallon of diesel, leaving Colorado in the bottom half (Please see the following two charts for a State by State breakout of total gasoline and diesel fuel taxes). Because fuel efficiency continues to increase, drivers have to pay less per mile driven each year that fuel excise taxes remain the same.

Figure 1A: Gasoline Motor Fuel Taxes as of November 2011

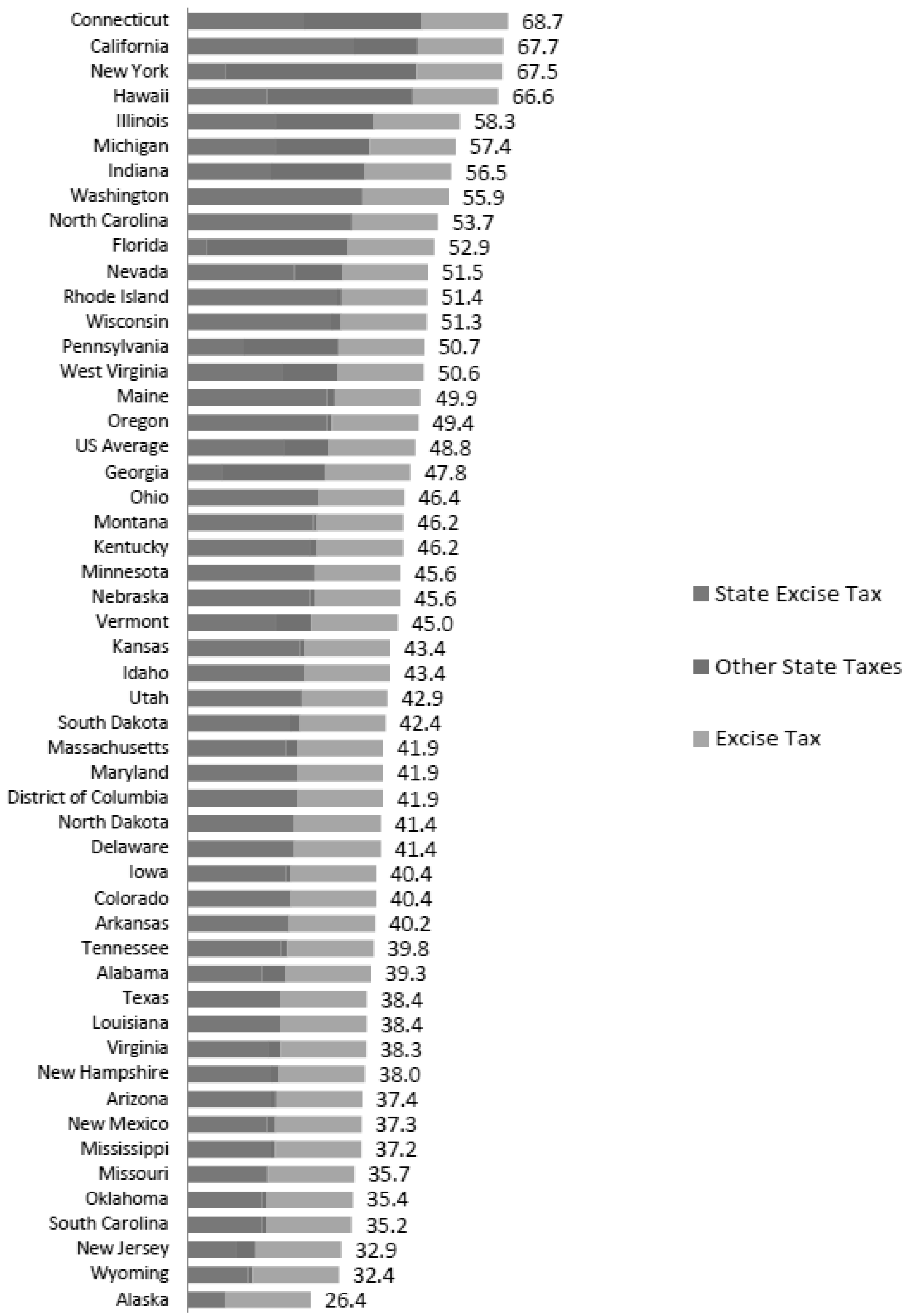
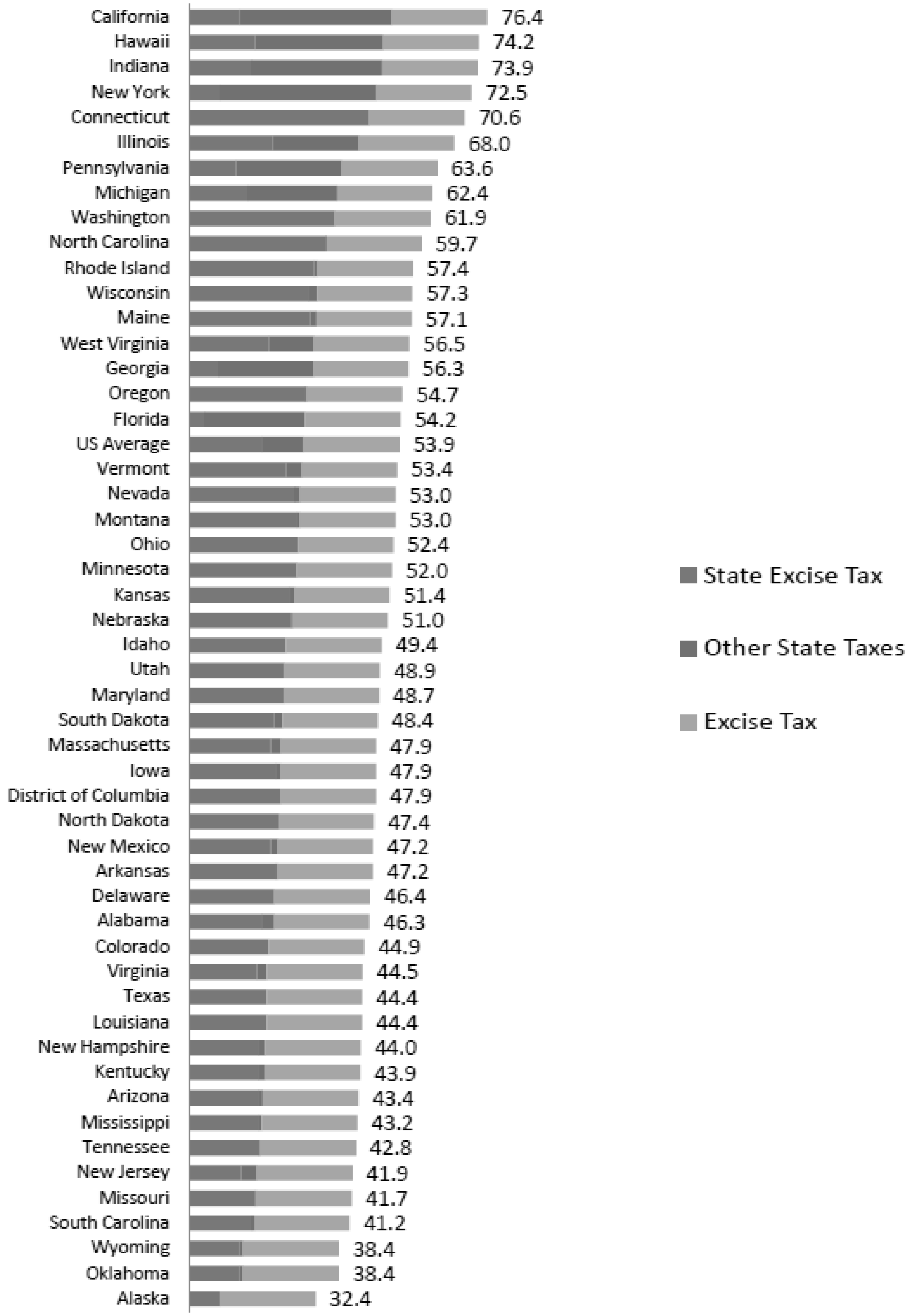


Figure 1B: Diesel Motor Fuel Taxes as of November 2011



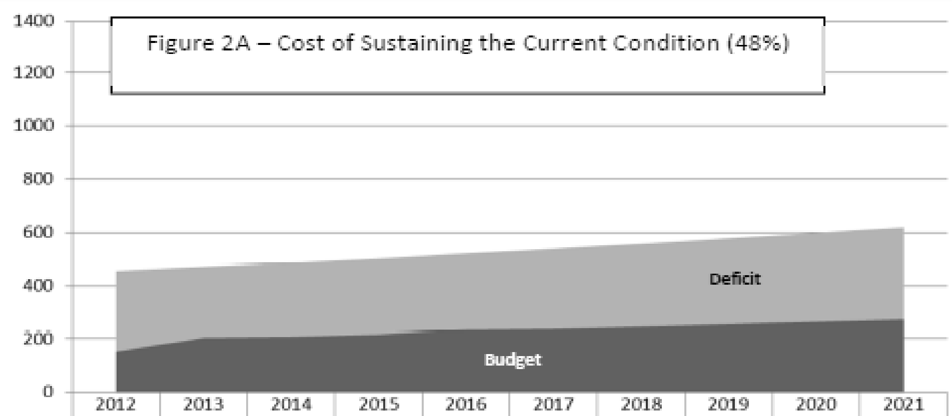
Costs continue to rise because of the climbing price of construction, population growth, and increased vehicle size and weight. According to CDOT, increases in construction costs as measured by the Construction Cost Index, have outpaced both the Department's revenues and general inflation. Essentially, $1.00 in motor fuel tax revenue in 1991 would purchase less than $0.40 in 2011.

A growing State population has also translated to increased vehicle miles traveled (VMT). The State grew to more than 5 million people in 2010—a 16.9 percent increase over the past decade—and the State Demographer projects that Colorado will grow to 6.2 million people by 2020. The growth in vehicle miles traveled (VMT) has outpaced this population growth, exerting increased pressure on the system. Indeed, the growth in VMT directly affects congestion and mobility, and it accelerates wear and tear on the road surface.

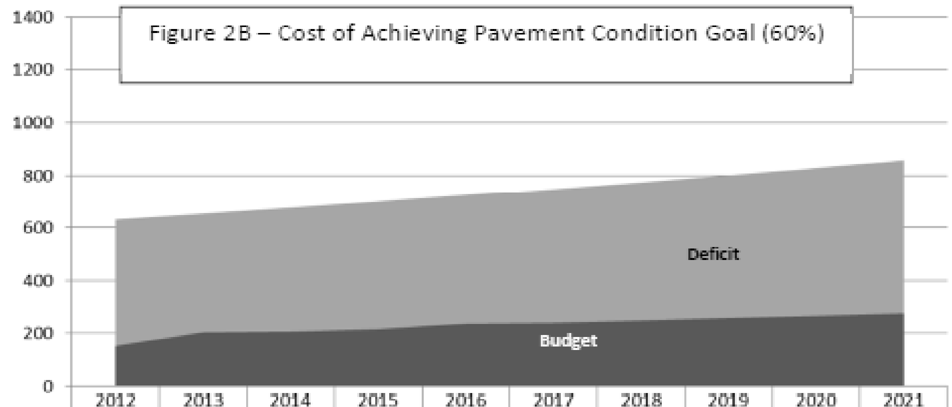
Vehicle size and weight are even more significant determinants in surface quality deterioration than population growth. Pavement thickness, for example, is a direct result of anticipated traffic volume and weight of vehicles. A stretch of highway that handles 80,000 cars per day but no trucks requires seven inches of pavement, while a stretch of highway that handles 8,000 cars and 4,000 trucks requires eight inches of pavement. These factors have created significant costs for the Department over the next ten years. These are detailed in the table below.

CDOT Goal	Cost Over Through 2021 (billions)
Sustain the current condition of 48 percent good/fair for State highways	$5.3
Achieve the CDOT goal of 60 percent of State highways in good/fair condition	$7.4
Achieve the corridor vision of 75 percent of State highways in good/fair condition	$10.1

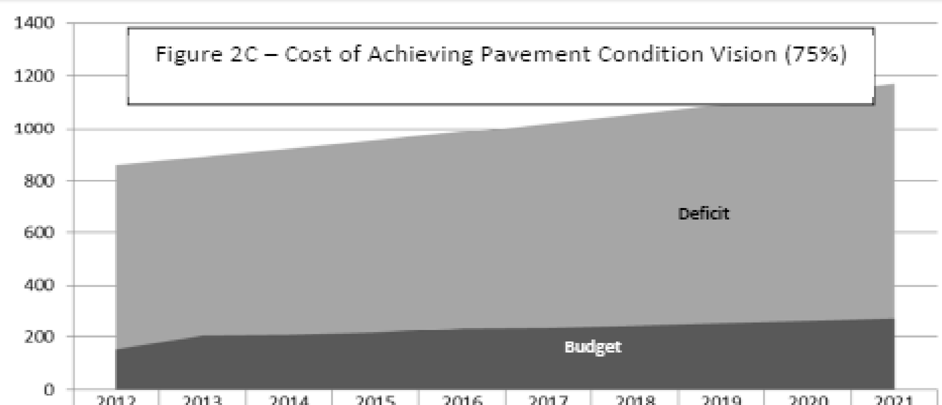
The projected revenue allocation for surface treatment through 2021 is approximately $2.3 billion, or an average of $230 million per year. The deficit, therefore, is $3.0 billion to maintain current conditions, $5.1 billion to achieve the CDOT goal of 60 percent good/fair, and $7.8 billion to achieve the State's corridor vision of 75 percent good/fair. These deficits are illustrated on the following page in figures 2A, 2B, and 2C.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sustain 2010 Condition (48%)	455	471	487	504	522	540	559	579	599	620
Forecasted Budget	154	204	207	217	237	241	249	258	267	276
Deficit	301	267	280	287	285	300	310	321	333	344



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Achieve Goal (60%)	630	652	675	698	723	748	774	802	830	859
Forecasted Budget	154	204	207	217	237	241	249	258	267	276
Deficit	476	448	468	481	486	508	526	544	563	583



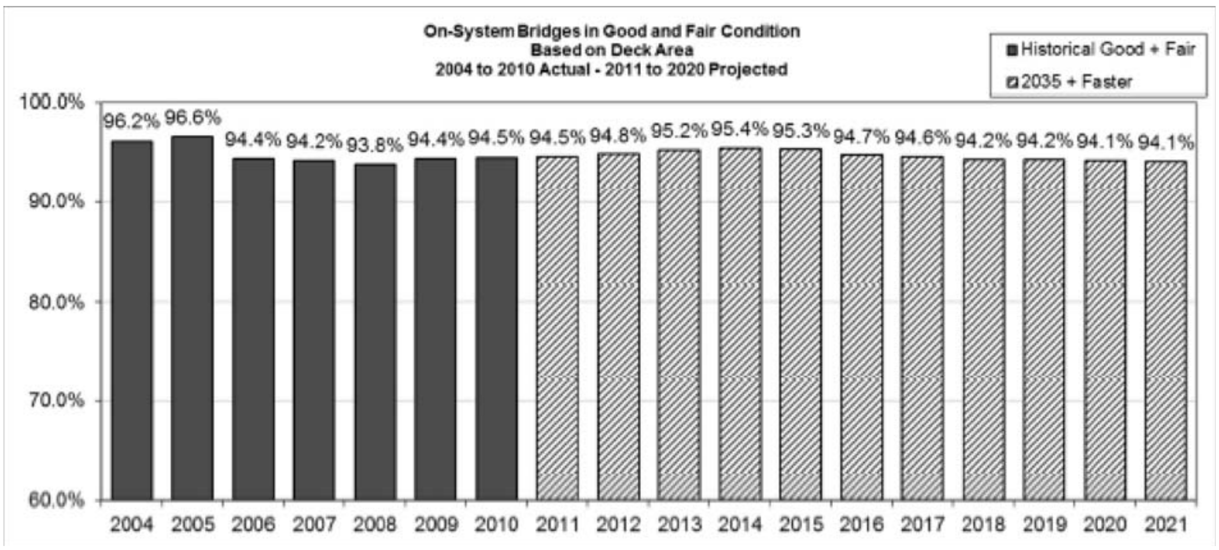
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Achieve Vision (75%)	860	890	921	953	987	1021	1057	1094	1132	1172
Forecasted Budget	154	204	207	217	237	241	249	258	267	276
Deficit	706	686	714	736	750	781	808	837	866	896

Source: CDOT 2011 Transportation Deficit Report

Repairing Bridges

The Transportation Commission endeavors to maintain 95 percent of the State's bridges (approximately 3,447 major vehicular bridges on the State highway system) in good or fair condition. The program ended FY 2009-10 with 94.5 percent in good/fair condition, an improvement over 94.4 percent in FY 2008-09. Prior to FY 2008-09, bridge conditions were projected to be worse; however, increased revenues from the annual bridge safety surcharge on vehicle registrations under FASTER has significantly slowed the downward trajectory of the State's bridges. Indeed, the projected trend, based on forecasted revenues through 2035 (including the FASTER Bridge Enterprise Special Revenue Fund), is only slightly downward to 94.1 percent good/fair in 2021.

Figure 3: Projected Bridges in Good/Fair Condition



Source: CDOT 2011 Transportation Deficit Report

While several factors contribute to this downward trend, exposure to the elements, population growth, vehicle size and weight, and land use are cited in the report as the most important factors driving bridge costs. Bridges are designed to withstand the wear and tear of very high volumes of traffic operating under current and historical weight and size limits. However, deterioration of bridges due to exposure affects their ability to carry these same volumes over time and can result in costly maintenance or repair.

Bridges are affected by population growth, vehicular size and weight, and land use patterns in similar fashion to pavement. As mentioned previously, a growing State population has also translated to increased VMT. Paired with increases in vehicle sizes and weights and land use policies meant to accommodate new development, this population growth can alter a bridge's average daily traffic (ADT), accelerate deterioration, and advance or delay the onset of functional obsolescence. These factors have created significant costs for the Department in maintaining bridges over the next ten years. These are detailed in the table below.

CDOT Goal	Cost Over Through 2021 (billions)
Sustain the current condition of 94.5 percent good/fair for State highway bridges	$1.5
Achieve the CDOT goal of 95 percent of State highway bridges in good/fair condition	$1.7
Achieve the corridor vision of 100 percent of State highway bridges in good/fair condition	$4.1

The projected revenue allocation for bridges through 2021 is approximately $1.3 billion. The deficit, therefore, is $200 million to maintain current conditions, $410 million to achieve the CDOT goal of 95 percent good/fair, and $2.7 billion to achieve the State's corridor vision of 100 percent good/fair. These deficits are illustrated below in figures 4A, 4B, and 4C.

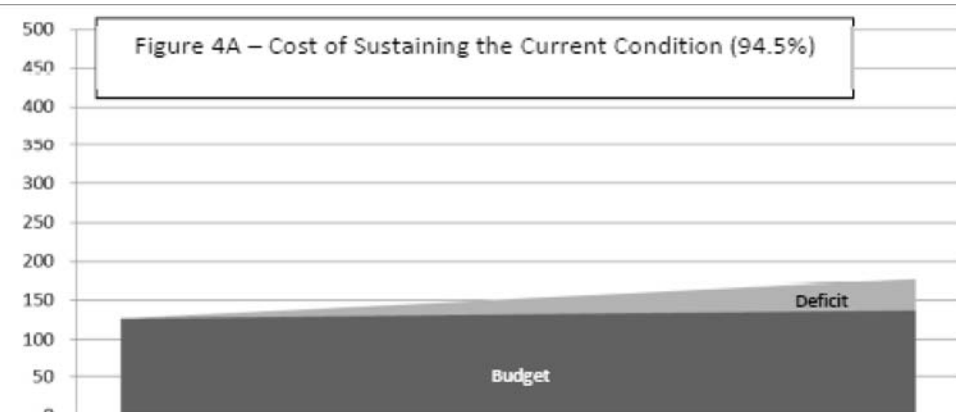


Figure 4A – Cost of Sustaining the Current Condition (94.5%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cost to Sustain 94.5% good/fair	127	133	138	144	150	155	161	166	172	178
Forecasted Budget	127	128	129	131	132	133	134	135	136	138
Deficit	0	4	9	13	18	22	27	31	36	40

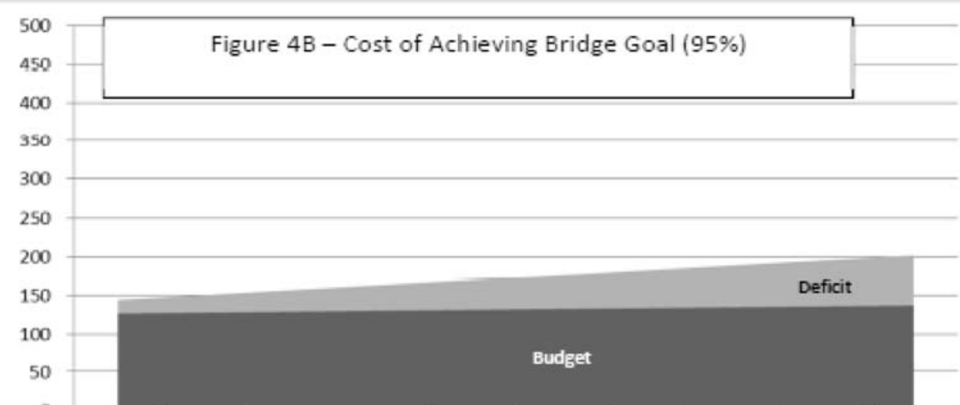
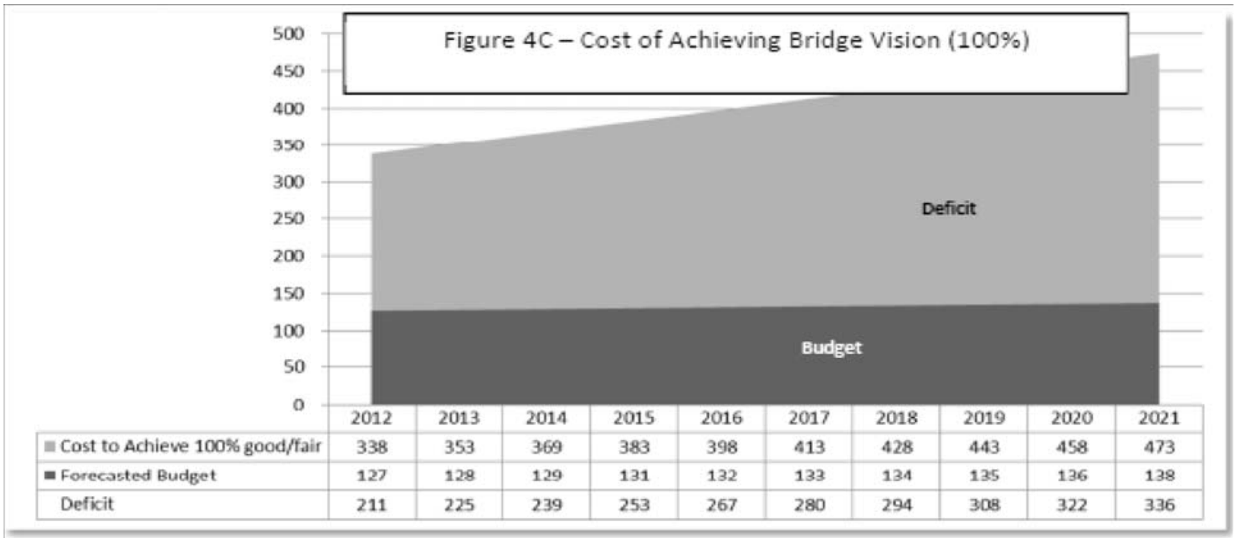


Figure 4B – Cost of Achieving Bridge Goal (95%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cost to Achieve 95% good/fair	144	151	157	164	170	176	183	189	196	202
Forecasted Budget	127	128	129	131	132	133	134	135	136	138
Deficit	17	23	28	33	38	44	49	54	59	65



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cost to Achieve 100% good/fair	338	353	369	383	398	413	428	443	458	473
Forecasted Budget	127	128	129	131	132	133	134	135	136	138
Deficit	211	225	239	253	267	280	294	308	322	336

Source: CDOT 2011 Transportation Deficit Report

Sustaining Performance Levels

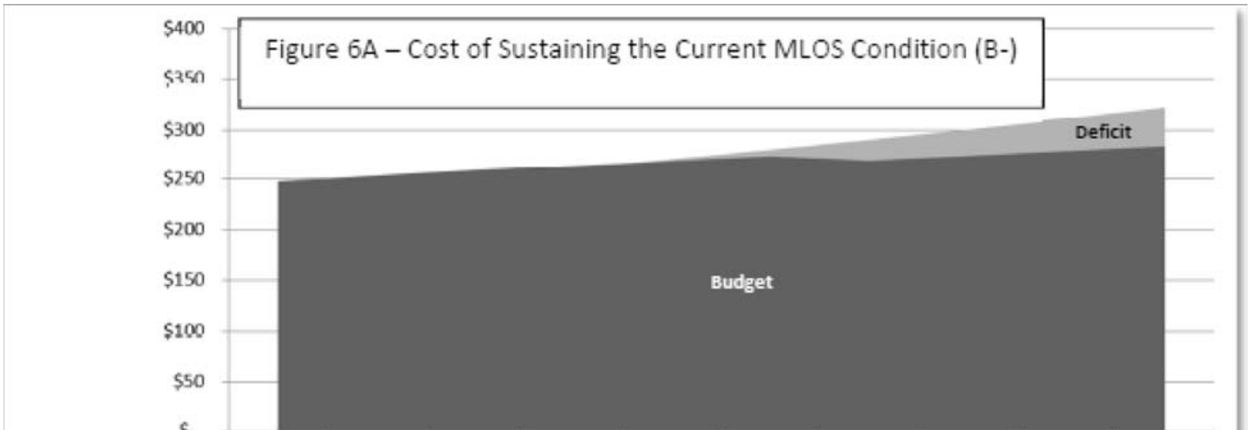
The pavement and bridge programs collectively consume about one-third of CDOT's discretionary funding. Ongoing maintenance required to sustain adequate performance levels consumes another third of the Department's discretionary funding. The maintenance program is designed to keep the system open and safe for the traveling public. The annual objective for maintenance levels of service is a B. The statewide grade for maintenance levels of service was a C+ in FY 2009-10 and B- in FY 2010-11.

The report describes many factors that impact maintenance costs. Fuel prices and labor are significant components of nearly all maintenance activities. As mentioned previously, increases in construction costs, as measured by the Construction Cost Index, have outpaced both the Department's revenues and general inflation. Weather conditions also heavily impact the need for snow and ice removal measures, and there is no lasting positive effect on transportation infrastructure from these measures. Rather, there is a cumulative harmful effect caused by plow blades and deicing chemicals. These and other factors such as population growth continue to drive long-term cost trends upward for most maintenance program areas (See the table below).

CDOT Goal	Cost Over Through 2021 (billions)
Sustain the current condition of B- maintenance level of service	$2.8
Achieve the CDOT goal of B maintenance level of service by 2021	$3.3
Achieve the B maintenance level of service now and maintain it through 2021	$3.3

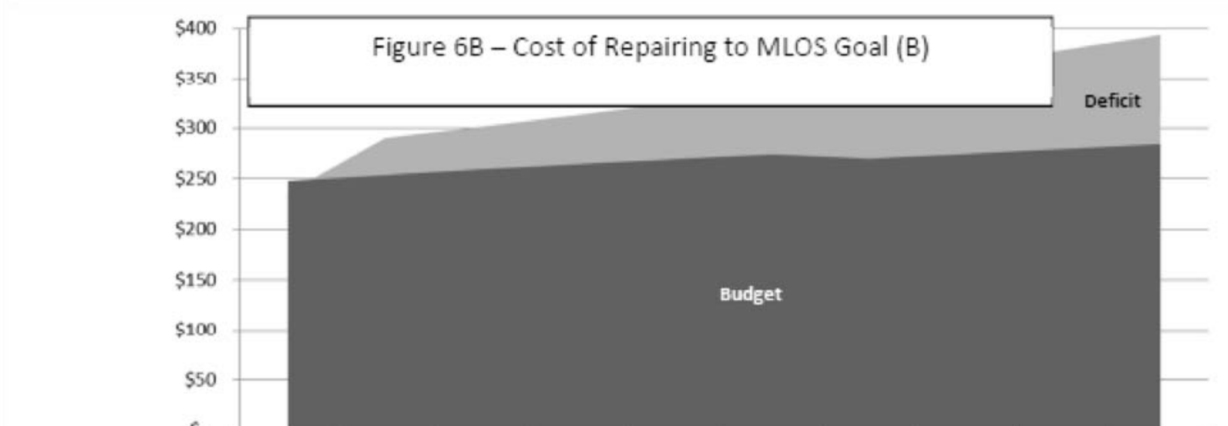
The projected revenue allocation for maintenance through 2021 is approximately $2.705 billion. The deficit, therefore, is $95 million to maintain current conditions, $600 million to achieve the CDOT goal of B by 2021, and $600 million to immediately achieve a B maintenance level of service and sustain it through 2021. These deficits are illustrated in figures 6A, 6B, and 6C.

Figure 6A – Cost of Sustaining the Current MLOS Condition (B-)

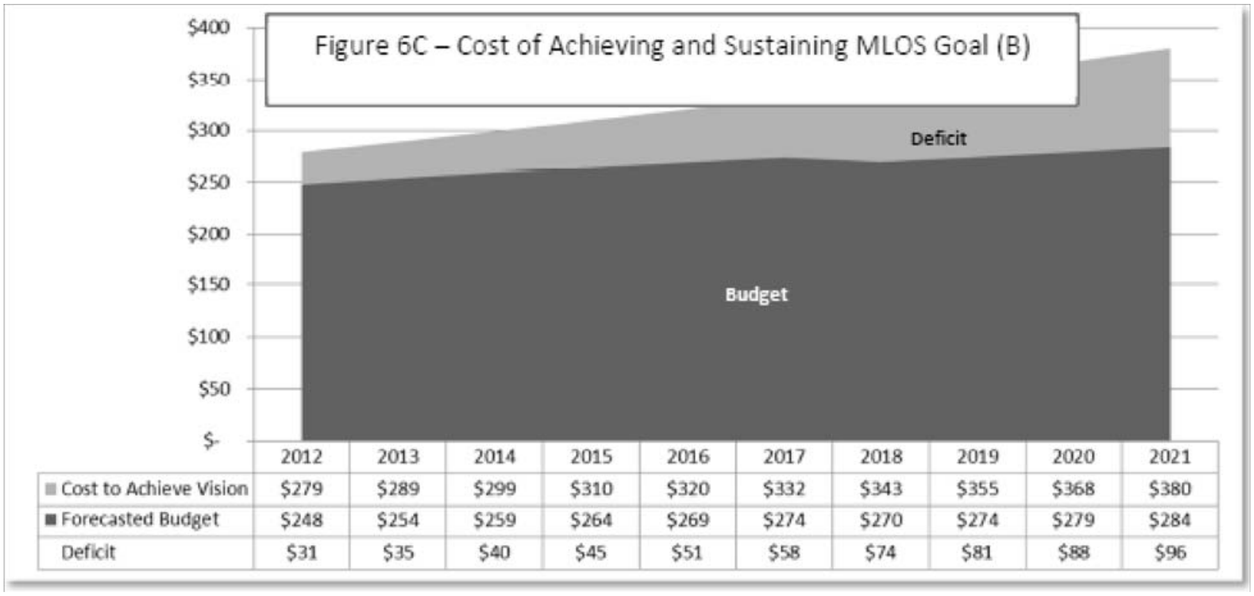


	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cost to Sustain B-	$236	$244	$253	$262	$271	$281	$290	$301	$311	$322
Forecasted Budget	$248	$254	$259	$264	$269	$274	$270	$274	$279	$284
Deficit	$(12)	$(9)	$(6)	$(2)	$2	$7	$21	$26	$32	$38

Figure 6B – Cost of Repairing to MLOS Goal (B)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cost to Achieve Goal	$236	$290	$301	$313	$325	$338	$351	$364	$379	$394
Forecasted Budget	$248	$254	$259	$264	$269	$274	$270	$274	$279	$284
Deficit	$(12)	$36	$42	$49	$56	$64	$81	$90	$100	$109



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cost to Achieve Vision	$279	$289	$299	$310	$320	$332	$343	$355	$368	$380
Forecasted Budget	$248	$254	$259	$264	$269	$274	$270	$274	$279	$284
Deficit	$31	$35	$40	$45	$51	$58	$74	$81	$88	$96

CDOT Efforts to Mitigate Costs

The report also discusses a variety of measures that could mitigate some of the need for additional revenues, including:

- ❑ Better integration of land use policy and transportation planning (the State and CDOT currently have no role in land us planning although the Department must meet the needs of new development as they relate to the state highway system);
- ❑ Offering more options in terms of modes of transportation (transit, bicycle/pedestrian, managed lanes, ridesharing, etc.) to reduce demand on the existing system;
- ❑ Encouraging changes in demand through telecommuting and flex time; and
- ❑ Accelerating the deployment of intelligent transportation systems to mitigate the need for additional capacity.

Critically, while these tactics must play an increasing role in Colorado's transportation system, additional revenue would be necessary to simply maintain the existing infrastructure even if the measures above were fully utilized. The State still would not have adequate resources to maintain its existing transportation infrastructure systems.

STAFF EVALUATION:

The 2011 Transportation Deficit Report highlights a need for additional funding and methods of reducing costs if the State is to avoid marked deterioration in its transportation system. The existing funding system has not kept pace with demand or escalating costs. Despite one-time influxes of capital from ARRA and new State funding sources resulting from FASTER, the projected available funding for projects continues to shrink, requiring the State to place an ever greater emphasis on maintenance. However, as the State's transportation infrastructure ages the costs of maintenance are increasing. Indeed, sustaining the most critical components of the State transportation system will require $3.3 billion more than projected revenues through 2021.

Because of the projected funding gap, CDOT needs to further explore means to reduce costs. For example, the Department could explore ways in which it can play a greater role in land use planning. While State Departments of Transportation, metropolitan planning organizations (MPOs), local agencies, and others involved in the transportation planning process have flexibility in achieving this goal, at a minimum it requires that local and state officials assess and evaluate how land use decisions effect the transportation system. In turn, the transportation sector should be aware of the effects that existing and future transportation infrastructure may have on land use development demand, choices, and patterns. This requires additional communication and the coordinated crafting of local and regional land use/economic development strategies, policies, and plans with pertinent transportation studies, plans, and programs. SAFETEA-LU reconfirms the need to consider land use through the federally-supported transportation planning program as one of its eight planning factors states the following:

> "(E) protect and enhance the environment, promote energy conservation, improve the quality of life, and promote consistency between transportation improvements and State and local planned growth and economic development."[2]

CDOT also needs to examine feasible ways to implement revenue streams that are more responsive to demands placed on the system. Department officials continue to be concerned that the fuel taxes that provided stable and growing revenue for many decades have become unreliable. Fuel consumption and fuel tax revenues have been depressed by changes in automotive technology, rising fuel prices, and inflation. Additionally, the user fee finance principle that formed the basis of highway finance has eroded in practice, as non-highway applications of user fee revenues proliferate and dependence on revenue from sources other than user fees grows. These concerns are pushing many states to examine ways to transition to a fee structure that more directly charges vehicle operators for their actual use of roads. For example, the Oregon Department of Transportation launched a pilot program in 2006 that charges driver fees based on actual miles traveled. A more responsive fee system for CDOT could depend on some combination of mileage, road and vehicle characteristics, and traffic conditions. In this way, charges would be set to reflect the true cost of each trip to the highway agency and the public. While it would likely be years before a new fee-based system could be implemented, the transition could also proceed in stages—starting, for instance, with closer matching of present fees to costs and expanded use of tolling.

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[2] See 23 USC 134 (h) (1)

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Transportation

BRIEFING ISSUE

ISSUE: State Rail Bank Fund Transfer

This issue brief summarizes the Department of Transportation's request to transfer proceeds from the October 2011 sale of the state-owned Towner Rail Line in southeastern Colorado from the State Rail Bank to the General Fund.

SUMMARY:

❑ In 1998, the General Assembly was concerned over the potential abandonment of the Towner Line, resulting in a loss of the right-of-way. H.B. 98-1395 directed CDOT to purchase the Line and transferred General Fund dollars to the State Rail Bank for that purpose.

❑ CDOT signed a six year lease-purchase agreement with Victoria Southern Railway in December 2005 that was closed in October 2011, resulting in the deposit of $9,356,000 in the State Rail Bank. CDOT would like to transfer these moneys to the General Fund.

❑ Victoria Southern has submitted a letter of intent to abandon the Towner Line.

DISCUSSION:

Background

The Colorado General Assembly passed H.B. 1395 during the 1998 Legislative Session. The bill authorized CDOT to acquire a 121.9 mile long rail line in eastern Colorado, known as the "Towner Line" and allocated $10.2 million to the State Rail Bank Fund created in Section 43-1-1309, C.R.S. The rail line was a former Missouri Pacific Railroad line that extended from N.A. Jct., east of Pueblo, to Towner, Colorado near the Kansas state line (see the map below).

Map of the Towner Line

The line interchanges with the Burlington Northern and the Santa Fe (BNSF) Railway at N.A. Junction, Co and with the Kansas and Oklahoma Railroad (KO) at Towner, CO. Traffic consists primarily of wheat and barley shipped from the Bartlett Grain Company, based in Kansas City, MO and the Tempel Grain Company, based out of Wiley, CO.

The Towner Line was originally owned and operated by the Union Pacific (UP) Railroad until the merger of the Missouri Pacific Railroad and the Union Pacific Railroad in the fall of 1996. UP proposed the line for abandonment in late 1996, and in an effort to preserve the line, the General Assembly decided to purchase it from UP for $10.2 million, stating that:

> "Abandonment of the Towner Railroad Line and removal of the railroad tracks from that line would result in the permanent loss of that line. The loss of the Towner Line would severely impair the access of the southeastern portion of Colorado to commercial rail transportation. The General Assembly further finds and determines that the permanent loss of the Towner Line would damage the economy and harm the citizens of Colorado, as well as jeopardize the continued viability and physical condition of other transportation infrastructure of the state. The General Assembly, therefore, declares that It is beneficial to the citizens of Colorado that the Towner Line be preserved."[3]

The legislation also required CDOT to lease or sell the line by June 30, 2000. On July 29, 1999 CDOT issued a request for proposals for the purchase (or lease-purchase) of the line, and a lease purchase agreement was executed by CDOT and the Colorado Kansas and Pacific Railway Company (CKP) on December 9, 1999. The lease agreement was for five years with an option to buy. CKP began operating rail service on the line by moving a number of loaded grain cars at Haswell, Eads, and Towner, as well as storing a significant number of empty intermodal cars for TTX in April 2000.

CKP experienced difficulties in 2001 and 2002 due to prolonged drought and lower crop yields. In response, H.B. 02-1350 was signed into law. The bill amended H.B. 98-1395 by (1) directing CDOT to renew the current lease, provided the lessee is financially solvent and responsible; (2) extending the length of the lease from 5 to 10 years; (3) instructing CDOT to lease the line for as long as is feasible and to offer the lessee an option to buy; (4) requiring CDOT to waive any bonding requirements if the lessee has demonstrated financial solvency and responsibility after one year of such lease; and (5) authorizing CDOT to suspend any volume-based rent in the lease so long as such rent is placed into an escrow account used for infrastructure improvements approved by CDOT.

However, CKP experienced two derailments and did not realize significant additional freight traffic from the local community in 2003. The railroad struggled to maintain service, and in February 2004 was unable to secure insurance for operating the Towner Line. CDOT requested that CKP stop operation until that situation was rectified. While a number of options were explored, CKP was unable to overcome its operational problems, and CDOT staff received approval from the Transportation Commission in June 2004 to begin lease termination proceedings.

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[3] H.B. 98-1395

Current Status

In February 2005, CDOT released another request for proposal for the sale or lease of the Towner Line and re-commencement of operation. CDOT received five proposals and selected the Virginia and Southern Railroad (V&S) to purchase the line for $10.3 million on December 1, 2005. The purchase agreement stipulated a down payment of 1.5 million dollars that was collected at the contract initiation with a balance of $9.356 million due in six years (December 2011).

V&S agreed to operate the line for a three-year period, known as the initial operating period. V&S also agreed not to abandon the line at any time prior to December 1, 2011. In January 2006, V&S began rehabilitation and improvements of the Line which included: track repair, track replacement, repair of active crossing equipment, and returning the track to Class II operating standards. The first grain train returning the Line to service was conducted in September 2006. In April 2008, the Line experienced the loss of two bridges and roadbed damage due to fires in the Ordway area. V&S has repaired the Line, and is able to provide full service. VST is storing cars on the west portion of the line for UP, and grain movement on the Towner Line is provided by WATCO under the V&S name.

The Towner Line's closing (sale of the Towner Line to the Victoria and Southern Railroad) took place on October 4, 2011. CDOT hoped that V&S would continue to provide rail service. However, the Department has since received a letter of intent from V&S to abandon the Line. The company has decided that tearing out the track and selling the steel rails for salvage is its best alternative. CDOT maintains the right of first refusal to purchase the line and associated rights of way. If the Department exercises this right, it would be required to pay the lesser of:

❑ The purchase price paid by V&S plus documented capital improvements made by V&S to the line, plus eight percent interest compounded annually (about $14 million); or

❑ The net salvage of the line at the time CDOT intends to sell all or part of the line.

If CDOT does not exercise its right of first refusal to re-purchase the Towner Line, the Department also retains a "possibility of reverter." The possibility of reverter is a legal concept meaning that whatever rights the V&S owns in real property—and only the real property, not the ties or rail—becomes vested in CDOT by operation of law. However, CDOT did not perform a title review when the Line was originally purchased in 1998. It is not clear what rights CDOT would acquire in the real estate underlying the Towner Line if the possibility of reverter is triggered.

CDOT Request

The Department requests budget authority and associated statutory authorization to transfer $9,356,000 from the State Rail Bank Fund into the General Fund in FY 2012-13. This is the amount of revenue that resulted from the sale of the state-owned Towner Line. Funds received from the sale were deposited in the State Rail Bank by the State Treasurer as required by Section 43-1-1305 (4) (c) (II), C.R.S. Pursuant to Section 43-1-1309, C.R.S., moneys in the State Rail Bank may only be used for the acquisition, maintenance, improvement, or disposal of rail lines or railroad rights-of-way, or any other purpose required to carry out the acquisition of abandoned railroads. Therefore, transferring these moneys to the General Fund would require a statutory change.

STAFF EVALUATION:

If the Department's request is granted, an additional $9,356,000 will be transferred to the General Fund and would be made available for other General Fund programs. The transfer of sale proceeds would zero out the balance of the State Rail Bank and require the use of General Fund dollars should the General Assembly exercise its right of first refusal to re-purchase the Towner Line.

Conversely, sale proceeds will remain in the State Rail Bank and accrue interest if the moneys are not transferred to the General Fund. This is because unlike most of CDOT's funding, State Rail Bank funds are not continuously appropriated to the Department. If V&S disposes of the Towner Line, the Department could then seek a supplemental to repurchase the Line.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Transportation

BRIEFING ISSUE

ISSUE: Motorcycle Operator Safety Training Program Performance Audit

This issue brief summarizes the September 2011 performance audit of the Department of Transportation's Motorcycle Operator Safety Training Program (MOST). The full report can be accessed from the Office of the State Auditor's web site.

SUMMARY:

- ❑ Motorcycles pose unique safety challenges because they are inherently more difficult to operate and they offer almost no physical protection in a crash.

- ❑ In Colorado, the number of motorcyclist fatalities has increased steadily as motorcycles become more popular, leading to the creation of the MOST program.

- ❑ There are weaknesses in the administration of MOST and the conditions that led to the creation of the program have improved significantly. This may make the program obsolete.

DISCUSSION:

Background

Motorcycles pose unique safety challenges because they are inherently more difficult to operate than passenger vehicles and they offer no physical protection in a crash. Indeed, the National Highway Traffic Safety Administration (NHTSA) estimates that 80 percent of motorcycle crashes injure or kill a motorcyclist versus only 20 percent for passenger car crashes. In Colorado, the number of motorcyclist fatalities has increased steadily as motorcycles become more popular, as shown in the table below. However, the rate of motorcycle fatalities per 100,000 motorcycles has decreased.

Motorcycle Registrations and Fatalities in the U.S. and Colorado for Calendar Years 1990 Through 2009

	1990	1995	2000	2005	2009	Percentage Change
Motorcycle Registrations						
National	4,300,000	3,800,000	4,300,000	6,200,000	7,900,000	84%
Colorado	110,000	90,000	98,000	140,000	175,000	59%
Motorcycle Fatalities						
National	3,200	2,200	2,900	4,600	4,500	41%
Colorado	68	45	73	87	88	29%
Fatalities Per 100,000 Motorcycles						
National	74.4	57.9	67.4	74.2	57	-23%
Colorado	61.8	50	74.5	62.1	50.3	-19%

Source: Federal Highway Administration Highway Statistics and Colorado Department of Revenue data.

According to the NHTSA, states can use four strategies to improve motorcycle safety, including: (1) passing laws requiring the use of a helmet; (2) preventing alcohol-impaired motorcyclists; (3) ensuring that motorcyclists are properly trained and licensed; and (4) promoting driver awareness of motorcyclists. As part of its effort to follow this blueprint, the Colorado General Assembly enacted the MOST program in 1990. The stated goals of the program were to provide courses that "develop the knowledge, attitudes, habits, and skills necessary for the safe operation of a motorcycle," and to provide funds "so that Motorcycle Safety training would be more accessible to a greater percentage of Colorado consumers and would be less costly to consumers, thereby enabling more persons to enroll in and complete such safety training."

Statutory Responsibilities and Program Funding

The MOST program is administered by the Office of Transportation Safety within CDOT, along with several other federal grant programs that are designed to improve motorcycle safety. Sections 43-5-502 and 503, C.R.S. require the Department to contract with private vendors to offer motorcycle safety training courses while also setting standards for instructor certification. The program's project manager establishes one-year contracts and disburses funds to these contractors by paying a per-student subsidy and by reimbursing contractors for some of their operating expenses.

The MOST program currently provides a $70 per-student subsidy to take the basic motorcycle safety course and a $45 per-student subsidy for advanced courses. Contractors received subsidies for about 9,100 individuals in Fiscal Year 2010-11. Only Colorado residents and active duty military stationed in Colorado are eligible to receive this subsidy. Pursuant to Section 43-5-502 (1) (c), C.R.S., the Department can spend no more than 15 percent of total program costs on administrative expenses.

Motorcyclists fund the MOST program through additional endorsement and registration fees. Section 43-5-504, C.R.S., created the Motorcycle Operator Safety Training Fund to be used for the implementation and administration of the program. The cash fund is supported by a $4 annual fee levied on motorcycle registrations and a $2 fee paid when a motorcycle endorsement is added to a Colorado drivers license (and with each renewal thereafter). The $4 registration fee increased from $2 to $4 in 1997 (H.B. 97-1238) and the $2 fee increased from $1 to $2 in 2006 (S.B. 00-011).

MOST Program Revenue and Expenditures Fiscal Years 2006-07 Through 2010-11

	Fiscal Year					Percentage Change
	2006-07	2007-08	2008-09	2009-10	2010-11	
Revenue						
Registrations	$510,000	$620,000	$640,000	$610,000	$630,000	24%
Endorsements	130,000	70,000	100,000	110,000	160,000	23%
Total Revenue	$640,000	$690,000	$740,000	$720,000	$790,000	23%
Expenditures						
Contract (Program)	540,000	520,000	810,000	470,000	730,000	35%
Administrative	50,000	60,000	100,000	80,000	80,000	60%
Total Expenditures	$590,000	$580,000	$910,000	$550,000	$810,000	37%

Source: Office of the State Auditor's analysis of data from the Colorado Financial Reporting System (COFRS).

As shown in the table above, total revenue for the program has slowly risen over the last five years while program expenditures have fluctuated significantly. The increase in expenditures to more than

$910,000 in FY 2008-09 can be attributed to a higher number of students trained, increased financial support to contractors for operating expenses, and increased administrative expenses by the Department. Expenditures spiked again in FY 2010-11 due to an increase in the per-student subsidy for the basic motorcycle safety course from $50 to $70.

Key Findings

As mentioned previously, the purpose of the audit was to evaluate the MOST program's management of contracts with motorcycle safety training schools, the appropriateness of the program's administrative expenses, and the overall effectiveness of the program. The major findings are as follows:

- ❏ No strong evidence exists to suggest that the MOST program is needed to fulfill its original purpose of making motorcycle safety training more affordable and accessible. For example, motorcycle safety training is widely available in the state, and it is not clear that the MOST program's subsidy provides an incentive for taking motorcycle safety training courses.

- ❏ The MOST program lacks meaningful performance measures to gauge effectiveness, and the performance data collected by the program are insufficient and unreliable.

- ❏ The MOST program could not provide evidence showing the basis for the contract amounts awarded to MOST contractors.

- ❏ Program staff do not perform any systematic analysis to determine the per-student tuition subsidy rate, currently at $70 for the basic course.

- ❏ One-third of the 15 MOST contractors did not appear to pass along the $70 per-student tuition subsidy to their students, as required by MOST contracts.

- ❏ For 29 of 60 expense reimbursements reviewed, the MOST program reimbursed contractors for items that had not been preapproved, as required by program regulations and contracts. There were also examples in which the MOST program reimbursed some, but not all, contractors for certain types of expenses, such as classroom equipment.

- ❏ It may be more cost-effective and equitable to provide tuition subsidies directly to students, rather than through MOST contractors.

As these findings demonstrate, the Office of the State Auditor has found that the MOST program has many serious administrative deficiencies that need to be corrected.

Audit Recommendations

The report states that CDOT should only make the effort to revamp the MOST program if the program continues to serve an identified need. The report concludes that there is no strong evidence exists to suggest that the MOST program is still needed to fulfill its original purpose of making training more affordable and accessible. This conclusion is based on five factors: (1) motorcycle safety training is widely accessible across the state; (2) it is not clear that the MOST program subsidy is needed to ensure affordability of training; (3) it is not clear that the MOST program subsidy provides an incentive to take a motorcycle safety training course; (4) the effectiveness of motorcycle safety training classes is undetermined, according to the National Highway Traffic Safety Administration; and (5) Department staff believe that the MOST program may not be the most effective way to promote motorcycle safety in the state. Therefore, the main recommendation of the audit is for the Department to work with the General Assembly to discontinue the program. However, the audit also includes several recommendations to improve the MOST program if it should continue. These recommendations follow.

1. Contract Awards and Terms—CDOT should improve the contracting process for MOST by:

   - ❑ Developing objective criteria for evaluating applications for MOST contracts based on identified training needs in the state and basing award amounts to MOST contractors on how well the contractors meet those criteria; and

   - ❑ Developing a systematic, analytical methodology for determining the amount of the MOST program's per-student tuition subsidy each fiscal year.

2. Reimbursement to Contractors—The Department should evaluate whether it is more administratively cost efficient and equitable to reimburse MOST program contractors separately for their operating expenses or to adjust the per-student subsidy rate to cover preapproved operating costs for all contractors. If, based on the results of the evaluation, the Department continues to reimburse MOST contractors separately for operating expenses, the Department should improve the MOST program's reimbursement controls by:

   - ❑ Ensuring that its contracts and purchase order agreements with MOST contractors contain a detailed list of specific operating expenses that have been preapproved for each contractor and only approving contractor reimbursements for preapproved items; and

   - ❑ Determining at the beginning of each fiscal year the types of operating expenses it will reimburse through its MOST program contracts and purchase orders, publicizing the list to all MOST contractors, and approving all expenses that fall within the list.

3. Tuition Subsidy Payments—The Department should ensure that MOST program tuition subsidies are received by Colorado residents and active duty military personnel stationed in Colorado who complete motorcycle safety training classes by:

   - ❑ Developing and implementing a process for verifying that MOST contractors are passing along the entire subsidy to the students completing these courses; and

   - ❑ Evaluating the feasibility and cost-effectiveness of providing MOST tuition subsidy payments directly to students and seeking regulatory and statutory change, as needed, to make this change.

4. Monitoring of Schools and Instructors—The Department should improve oversight of MOST program motorcycle safety training schools and instructors by:

- ❑ Ensuring that its quality assurance visits cover all required elements and focus on measuring contractors' performance on objective criteria;

- ❑ Providing training to staff on the proper way to conduct quality assurance visits at MOST contractors; and

- ❑ Seeking regulatory changes to clarify and modify the Department's role and responsibilities for ensuring that MOST instructors maintain current certifications.

5. <u>Allocation of Administrative Expenses</u>—The Department should develop and apply a consistent cost allocation methodology for charging salary expenses and other administrative expenses to the MOST program.

6. <u>Controls Over Expenses</u>—The Department should strengthen controls related to administrative expenses in the MOST program by:

   - ❑ Reviewing the appropriateness of assigning cell phones and other mobile devices to individual staff members;

   - ❑ Clearly defining in policy which expenses will be categorized as "administrative" and which will be categorized as "contract;" and

   - ❑ Calculating and recovering the mileage reimbursement costs that the MOST program employee received inappropriately as identified in the report.

7. <u>Program Data and Performance Measures</u>—The Department should improve its analysis of the MOST program's effectiveness by:

   - ❑ Developing meaningful program performance measures that are clearly related to the MOST program's stated performance goals;

   - ❑ Developing and implementing processes to identify, gather, and analyze the data needed to measure and assess program effectiveness; and

   - ❑ Developing and implementing a process for ensuring the integrity of the program data it collects, including data that appear in its Annual Report.

Future of the MOST Program

The Legislative Audit Committee has drafted a bill to repeal the MOST Program administered by CDOT. The bill would also eliminate the extra fees paid by motorcyclists on annual motorcycle registrations and on motorcycle endorsements to drivers' licenses; these fees are collected by the Department of Revenue for the sole purpose of funding the MOST program. During the November 2011 Legislative Audit Committee hearing, a motion was made to proceed with the draft bill; however, the motion died on vote of 4-4. At this time, the Committee is not scheduled to consider the draft bill again during the December 12-13 hearing.

CDOT does not support a repeal of the MOST program. Rather, the Department has agreed to work with stakeholders and the General Assembly to implement changes to address the other recommendations included in the report. For example, the Department is currently conducting a survey of 9,000 MOST participants and completed a survey of 16 program operators. This effort is ongoing. The implementation date recommended in the audit is July 2012.

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Appendix A: Numbers Pages

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
DEPARTMENT OF TRANSPORTATION **Donald Hunt, Executive Director**					

(1) ADMINISTRATION

This line item was created to include the personal services and operating expenses for offices and programs that are the administrative piece of the Transportation Commission's non-appropriated functions. The lines below are included for figure setting purposes. Because the Administration line is a program line, the Department has discretionary flexibility over all amounts within Administration. The Transportation Commission has appropriations authority over both the Administration line and the Construction, Maintenance, and Operations line, and the combined annual request for these lines reflects anticipated revenues to the State Highway Fund, Federal Highways Administration funds and funds from local governments. The General Assembly sets an appropriated level for the Administration line as a total, and the balance of anticipated highway funds become the appropriation to the Construction, Maintenance, and Operation line.

(A) Administration

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Personal Services	14,179,299	13,057,759	13,780,049	14,063,690	
FTE	196.7	178.3	192.5	192.5	
Cash Funds	13,523,950	12,434,825	13,045,655	13,317,709	
Reappropriated Funds	655,349	622,934	734,394	745,981	
Operating Expenses	2,390,943	5,085,265	5,512,050	5,277,309	
Cash Funds	1,697,126	4,276,696	4,444,191	4,209,450	
Reappropriated Funds	693,817	808,569	1,067,859	1,067,859	
Total Funds - (A) Administration	**16,570,242**	**18,143,024**	**19,292,099**	**19,340,999**	**0.0%**
FTE	**196.7**	**178.3**	**192.5**	**192.5**	**0.0%**
Cash Funds	15,221,076	16,711,521	17,489,846	17,527,159	0.0%
Reappropriated Funds	1,349,166	1,431,503	1,802,253	1,813,840	0.6%

(B) Centrally Appropriated Personal Services

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Shift Differential	24,156	27,389	21,501	24,452	
Cash Funds	23,108	27,090	20,630	24,186	
Reappropriated Funds	1,048	299	871	266	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Health, Life, and Dental	**1,063,068**	**937,810**	**997,365**	**1,103,039**	
Cash Funds	1,011,129	889,162	953,904	1,049,174	
Reappropriated Funds	51,939	48,648	43,461	53,865	
Short-term Disability	**18,848**	**17,790**	**20,116**	**22,395**	
Cash Funds	18,026	16,942	19,294	21,481	
Reappropriated Funds	822	848	822	914	
S.B. 04-257 Amortization Equalization Disbursement	**244,902**	**252,809**	**318,217**	**404,882**	
Cash Funds	234,185	240,383	305,218	388,366	
Reappropriated Funds	10,717	12,426	12,999	16,516	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	**153,064**	**184,340**	**255,711**	**347,946**	
Cash Funds	146,366	175,279	245,265	333,752	
Reappropriated Funds	6,698	9,061	10,446	14,194	
Total Funds - (B) Centrally Appropriated Personal Services	**1,504,038**	**1,420,138**	**1,612,910**	**1,902,714**	**18.0%**
FTE	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Cash Funds	1,432,814	1,348,856	1,544,311	1,816,959	17.7%
Reappropriated Funds	71,224	71,282	68,599	85,755	25.0%
(C) Miscellaneous Administration Accounts					
Statewide Indirect Costs State Highway Funds	**116,746**	**123,805**	**139,546**	**125,319**	
Cash Funds	116,746	123,805	139,546	125,319	
Legal Services	**463,526**	**416,206**	**498,172**	**498,172**	
Cash Funds	463,526	416,206	498,172	498,172	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Risk Management - General Insurance	**3,292,870**	**1,042,310**	**2,533,271**	**2,871,052**	
Cash Funds	3,292,870	1,042,310	2,533,271	2,871,052	
Workers' Compensation	**422,041**	**428,136**	**412,555**	**537,629**	
Cash Funds	422,041	428,136	412,555	537,629	
Total Funds - (C) Miscellaneous Administration Accounts	**4,295,183**	**2,010,457**	**3,583,544**	**4,032,172**	**12.5%**
FTE	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Cash Funds	4,295,183	2,010,457	3,583,544	4,032,172	12.5%
Total Funds - (1) Administration	**22,369,463**	**21,573,619**	**24,488,553**	**25,275,885**	**3.2%**
FTE	**196.7**	**178.3**	**192.5**	**192.5**	**0.0%**
Cash Funds	20,949,073	20,070,834	22,617,701	23,376,290	3.4%
Reappropriated Funds	1,420,390	1,502,785	1,870,852	1,899,595	1.5%

(2) CONSTRUCTION, MAINTENANCE, AND OPERATIONS

This line item includes non-appropriated revenues to the Transportation Commission and the Division of Aeronautics. Totals represent non-appropriated funds.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Construction Maintenance, And Operations	**1,113,950,863**	**1,425,775,296**	**988,331,322**	**997,744,664**	
FTE	3,142.3	2,959.3	3,122.0	3,126.5	
Cash Funds	678,293,760	741,528,655	581,170,495	585,319,815	
Reappropriated Funds	962,726	1,805,735	3,015,804	3,015,804	
Federal Funds	434,694,377	682,440,906	404,145,023	409,409,045	
Total Funds - (2) Construction, Maintenance, and Operations	**1,113,950,863**	**1,425,775,296**	**988,331,322**	**997,744,664**	**1.0%**
FTE	**3,142.3**	**2,959.3**	**3,122.0**	**3,126.5**	**0.1%**
Cash Funds	678,293,760	741,528,655	581,170,495	585,319,815	0.7%
Reappropriated Funds	962,726	1,805,735	3,015,804	3,015,804	0.0%
Federal Funds	434,694,377	682,440,906	404,145,023	409,409,045	1.3%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation

(3) HIGH PERFORMANCE TRANSPORTATION ENTERPRISE

This section, created in S.B. 09-108, replaced the Statewide Tolling Enterprise created pursuant to S.B. 02-179 and H.B. 02-1310 and pursues public-private partnerships and other means of completing surface transportation projects, including collecting tolls on existing roadways if such projects are approved by local transportation entities. The amounts shown are included for informational purposes only.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
High Performance Transportation Enterprise	1,726,445	3,774,234	2,500,000	2,500,000	
FTE	1.0	1.5	1.0	4.0	
Cash Funds	1,726,445	2,898,843	2,500,000	2,500,000	
Federal Funds	0	875,391	0	0	
Total Funds - (3) High Performance Transportation Enterprise	**1,726,445**	**3,774,234**	**2,500,000**	**2,500,000**	**0.0%**
FTE	**1.0**	**1.5**	**1.0**	**4.0**	**300.0%**
Cash Funds	1,726,445	2,898,843	2,500,000	2,500,000	0.0%
Federal Funds	0	875,391	0	0	0.0%

(4) FIRST TIME DRUNK DRIVING OFFENDERS ACCOUNT

The line item is supported with fees paid to reinstate drivers' licenses following drunk driving convictions and provides funding for increased high visibility drunk driving law enforcement actions undertaken pursuant to H.B. 08-1194.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
First Time Drunk Driving Offenders Account	889,747	967,183	1,000,000	1,000,000	
Cash Funds	889,747	967,183	1,000,000	1,000,000	
Total Funds - (4) First Time Drunk Driving Offenders Account	**889,747**	**967,183**	**1,000,000**	**1,000,000**	**0.0%**
FTE	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Cash Funds	889,747	967,183	1,000,000	1,000,000	0.0%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation

(5) STATEWIDE BRIDGE ENTERPRISE
This section was created in S.B. 09-108 and is funded through the bridge safety surcharge created in that bill. The enterprise's purpose is to facilitate the repair or replacement of bridges rated as in poor condition and either structurally deficient or functionally obsolete.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Statewide Bridge Enterprise	**2,377,264**	**11,179,750**	**91,800,000**	**93,026,477**	
Cash Funds	2,377,264	11,179,750	91,800,000	93,026,477	
Total Funds - (5) Statewide Bridge Enterprise	**2,377,264**	**11,179,750**	**91,800,000**	**93,026,477**	**1.3%**
FTE	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Cash Funds	2,377,264	11,179,750	91,800,000	93,026,477	1.3%
Total Funds - Department of Transportation	**1,141,313,782**	**1,463,270,082**	**1,108,119,875**	**1,119,547,026**	**1.0%**
FTE	**3,340.0**	**3,139.1**	**3,315.5**	**3,323.0**	**0.2%**
Cash Funds	704,236,289	776,645,265	699,088,196	705,222,582	0.9%
Reappropriated Funds	2,383,116	3,308,520	4,886,656	4,915,399	0.6%
Federal Funds	434,694,377	683,316,297	404,145,023	409,409,045	1.3%

*This line item includes a decision item.

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

2011 Session Bills

- ❏ **S.B. 11-076:** For the 2011-12 state fiscal year only, reduces the employer contribution rate for the State and Judicial divisions of the Public Employees' Retirement Association (PERA) by 2.5 percent and increases the member contribution rate for these divisions by the same amount. In effect, continues the FY 2010-11 PERA contribution adjustments authorized through S.B. 10-146 for one additional year. Reduces the Department's total appropriation by $283,641 total funds, of which $272,054 is cash funds and $11,587 is reappropriated funds. Although the change in allocation affects all Department employees, the bill only reduces the appropriation to the legislatively appropriated Administration Division.

- ❏ **S.B. 11-209:** General appropriations act for FY 2011-12.

- ❏ **H.B. 11-1002:** Requires the Department of Transportation to develop and maintain a publicly accessible, searchable, online database of its revenue and expenditure data prior to July 1, 2012. Requires the new database to link to the state's existing Transparency Online Project (TOP) website and sets requirements for information to be included in the database. For FY 2011-12, appropriates $54,538 reappropriated funds to the Governor's Office of Information Technology for computer programming services associated with this bill.

- ❏ **H.B. 11-1163:** Permits CDOT to issue "super-load" permits for vehicles that weigh 500,000 pounds or more and occupy 2 lanes, or unladen combination vehicles trailers that occupy 2 lanes. Creates requirements for super-load permit applications. Authorizes CDOT to place restrictions on permits and to deny future permit applications from applicants found to have disobeyed permit restrictions and requires CDOT to create a system to track permit holders' compliance. Restricts super-loads to no more than 25 miles per hour on highways and 10 miles per hour on structures but authorizes CDOT to change those restrictions for specific loads when necessary for safety or to prevent structural damage. Requires CDOT, the Colorado State Patrol, or Ports of Entry to inspect super-loads to ensure compliance with permit restrictions. Creates a $400 super-load permit application fee. For FY 2011-12, appropriates $740 cash funds from the HUTF to the Department of Revenue and reappropriates that sum to the Governor's Office of Information Technology.

2010 Session Bills

- ❏ **H.B. 10-1316:** Supplemental appropriation to the Department of Transportation to modify FY 2009-10 appropriations in the FY 2009-10 Long Bill (S.B. 09-259).

- ❏ **H.B. 10-1327:** Transfers the remaining balance of the Law Enforcement Assistance Fund (LEAF) as of June 30, 2010, estimated to be $1,560,315, to the General Fund.

- ❑ **H.B. 10-1376:** General appropriations act for FY 2010-11.

- ❑ **H.B. 10-1388:** Transfers the balance of the Law Enforcement Assistance Fund (LEAF) to the General Fund on June 30, 2011 and June 30, 2012, an estimated $1,082,980 each year.

2009 Session Bills

- ❑ **S.B. 09-108 (Gibbs/Rice):** Increases fees, fines, and surcharges to provide additional funding for statewide transportation improvements. Imposes the following new fees and surcharges: (1) highway safety surcharge; (2) bridge safety surcharge; (3) a daily fee on vehicle rentals; and (4) a new surcharge on certain oversize and overweight vehicle fees. Increases fees and fines for late vehicle registrations. Reconstitutes the Statewide Tolling Enterprise as the High Performance Transportation Enterprise with a new governance structure and expanded scope for tolling facilities on state highways. Creates the Statewide Bridge Enterprise with the authority to finance, repair and maintain certain designated bridges in the state highway system, and to impose a bridge safety surcharge to repay bonds. Authorizes both the High Performance Transportation Enterprise and the Statewide Bridge Enterprise to issue revenue bonds. Requires CDOT to create a standing efficiency and accountability committee charged with seeking ways to maximize the efficiency of the department.

- ❑ **S.B. 09-208 (Tapia/Pommer):** Transfers the following amounts to the General Fund in FY 2008-09:

Source	Amount
Transportation Infrastructure Revolving Fund (State Infrastructure Bank)	$3,000,000
State Rail Bank Fund	1,543,937
Total	**$4,543,937**

- ❑ **S.B. 09-228 (Morse/Marostica & Court):** Amends the statutory limitation on General Fund appropriations from the lesser of 6.0 percent over appropriations for the previous fiscal year or an amount equal to 5.0 percent of Colorado personal income, to an amount equal to 5.0 percent of Colorado personal income. Eliminates the conditional diversion of sales and use tax revenues to the Highway Users Tax Fund that was originally established by S.B. 97-001. Eliminates the fiscal year-end transfers of General Fund surplus to the Capital Construction Fund and Highway Users Tax Fund originally established by H.B. 02-1310.

  For a five-year period beginning in FY 2012-13, requires the following annual transfers from the General Fund if Colorado personal income increases by at least 5.0 percent from CY 2011 to CY 2012:

- ❑ Transfer an amount equal to 2.0 percent of General Fund revenues to the HUTF.

- ❑ For two fiscal years, transfer an amount equal to 0.5 percent of General Fund revenues to the Capital Construction Fund. Subsequently, for three fiscal years, transfer an amount equal to 1.0 percent of General Fund revenues to the Capital Construction Fund.

If Colorado personal income does not increase by at least 5.0 percent from CY 2011 to CY 2012, delays the transfers to the Highway Users Tax Fund and Capital Construction Fund until the next fiscal year during which Colorado personal income increases by at least 5.0 percent.

For any fiscal year in which there are excess State revenues that are required to be refunded pursuant to the Taxpayer's Bill of Rights (TABOR), modifies the required transfers to the Highway Users Tax Fund and the Capital Construction Fund as follows:

- ❑ if the amount of the TABOR refund is equal to between 1.0 and 3.0 percent of total General Fund revenues, each transfer is reduced by 50.0 percent;

- ❑ if the amount of the TABOR refund is equal to more than 3.0 percent of total General Fund revenues, the transfers shall not be made.

Requires the Capital Development Committee and the Transportation Legislation Review Committee to make recommendations by February 1, 2016, concerning new methods of financing projects under their respective jurisdictions.

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Department of Transportation

APPENDIX C: UPDATE OF FY 2011-12 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

The Department did not have any Long Bill footnotes in FY 2011-12.

Requests for Information

1 All Departments, Totals - Every department is requested to submit to the Joint Budget Committee, by November 1, 2011 information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2010-11 The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2011-12.

Comment: The Department of Transportation does not have federal grants or private donations in its budget.

2 Department of Transportation, Administration - The Department is requested to complete state budget forms for Administration personal services that provide information for each office or section within the Administration line item. This information should be sufficiently detailed to allow calculation for Option 8 purposes. PERA and Medicare should also be provided by the individual section or office. Additionally, the Department should include subtotals for salary and FTE for each of the offices within the Administration line item.

Comment: The Department complied with this request for information. While it was not supplied with the November 1, 2011 budget submission, the Department provided it upon staff's request.

3 Department of Transportation, Administration - The Department is requested to submit, with the November 1, 2011 budget request, decision items for any changes made within the Administration program line during either FY 2010-11 or FY 2011-12 that the Department wishes to have recognized during the FY 2012-13 figure setting process.

Comment: The Department did not submit a decision item in accordance with this request for information.

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Department of Transportation

APPENDIX D: STATE AUDITOR'S OFFICE RECOMMENDATIONS NOT ENTIRELY IMPLEMENTED

LOIS TOCHTROP, CHAIR
Senator
CINDY ACREE, VICE CHAIR
Representative
DEB GARDNER
Representative
LUCIA GUZMAN
Senator

State of Colorado

LEGISLATIVE AUDIT COMMITTEE

Legislative Services Building - Second Floor
200 East 14th Avenue
Denver, Colorado 80203

JAMES KERR
Representative
STEVE KING
Senator
JOE MIKLOSI
Representative
SCOTT RENFROE
Senator

October 31, 2011

Representative Cheri Gerou, Chair
Joint Budget Committee

Dear Representative Gerou:

The Legislative Audit Committee has been concerned about departments not implementing audit recommendations that they have agreed to implement. The State Auditor and her staff have developed a database to track recommendations and produce reports identifying those not implemented. We are providing this report for your consideration as you evaluate the budget requests for the Department of Transportation.

Attached you will find information regarding the following recommendations:

Department of Transportation		
Number of Recommendations	Audit of Origination	Audit Date
6	State of Colorado Statewide Single Audit	Fiscal Years Ending June 30, 2008 and 2009

Thank you for integrating this into your budget process.

Sincerely,

Senator Lois Tochtrop

Senator Lois Tochtrop, Chair
Legislative Audit Committee

Office of the State Auditor Recommendations
Financial Recommendations Not Entirely Implemented As of Fiscal Year Ending June 30, 2010

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Transportation	Strengthen its controls over local agency receivables, revenue, and deferred revenue by: (a) ensuring that supervisory reviews of accounts receivable are adequate to identify and correct errors in a timely manner.	51a	Deficiency in Internal Control	Partially Implemented	September 2011	51a	Significant Deficiency	N/A	Partially agree - original implementation date is June 2010								
Department of Transportation	Strengthen its controls over local agency receivables, revenue, and deferred revenue by: (b) completing the research on the seven confirmations from local agencies who disputed their account balances and making adjustments as appropriate.	51b	Deficiency in Internal Control	Partially Implemented	September 2011	51b	Significant Deficiency	N/A	Partially agree - original implementation date is June 2010								
Department of Transportation	Strengthen its controls over local agency receivables, revenue, and deferred revenue by: (c) following up with local agencies on a regular and timely basis regarding outstanding balances owed to the State and providing sufficient detail to the local agencies that supports the outstanding	51c	Deficiency in Internal Control	Partially Implemented	September 2011	51c	Significant Deficiency	N/A	Partially agree - original implementation date is June 2010								
Department of Transportation	Strengthen its controls over local agency receivables, revenue, and deferred revenue by: (d) considering the need for an allowance for outstanding balances that are 60 days or more in arrears.	51d	Deficiency in Internal Control	Partially Implemented	September 2011	51d	Significant Deficiency	N/A	Partially agree - original implementation date is June 2010								
Department of Transportation	Strengthen its controls over local agency receivables, revenue, and deferred revenue by: (e) ensuring that SAP operates as intended when processing transactions related to accounts receivable and that all	51e	Deficiency in Internal Control	Partially Implemented	September 2011	51e	Significant Deficiency	N/A	Partially agree - original implementation date is June 2010								
Department of Transportation	Track subrecipient activity based on payments made to subrecipients in each current year and obtain audits from subrecipients that have $500,000 or more in federal funds as required by OMB Circular A-133.	108	Significant Deficiency	Partially Implemented	September 2011	150	Significant Deficiency	Deferred	December 2009	109	Significant Deficiency	N/A	Agree - original implementation date is December 2009				

APPENDIX E: MOTOR FUEL TAX HISTORY

Colorado Motor Fuel Tax Rates

Tax Rate (cents)	Fuel	Effective Dates
1.0	Gas & Diesel	January 1, 1919 to December 31, 1922
2.0	Gas & Diesel	January 1, 1923 to December 31, 1926
3.0	Gas & Diesel	January 1, 1927 to December 31, 1928
4.0	Gas & Diesel	January 1, 1929 to December 31, 1933
5.0	Gas & Diesel	January 1, 1934 to December 31, 1934
4.0	Gas & Diesel	January 1, 1935 to December 31, 1946
6.0	Gas & Diesel	January 1, 1947 to July 31, 1965
7.0*	Gas & Diesel	August 1, 1965 to August 31, 1966
6.0	Gas & Diesel	September 1, 1966 to June 30, 1969
7.0	Gas & Diesel	July 1, 1969 to July 1, 1981
9.0	Gas & Diesel	July 2, 1981 to June 30, 1983
12.0	Gas	July 1, 1983 to June 30, 1986
18.0	Gas	July 1, 1986 to July 31, 1989
20.0	Gas	August 1, 1989 to December 31, 1990
22.0	Gas	January 1, 1991 to present
13.0	Diesel	July 1, 1983 to June 30, 1986
20.5	Diesel	July 1, 1986 to June 30, 1989
18.5	Diesel	July 1, 1989 to July 31, 1989
20.5	Diesel	August 1, 1989 to December 31, 1989
18.0	Diesel	January 1, 1990 to December 31, 1991
20.5	Diesel	January 1, 1992 to present

*A 1-cent motor fuel tax for 1965 flood disaster relief was passed effective August 1, 1965 through August 31, 1966.

Source: Colorado Department of Transportation

Federal Fuel Tax Rates

Tax Rate (cents)	Fuel	Effective Dates
1.0	Gas	June 21, 1932 to June 16, 1933
1.5	Gas	June 17, 1933 to December 31, 1933
1.0	Gas	January 1, 1934 to June 30, 1940
1.5	Gas	July 1, 1940 to October 31, 1951
2.0	Gas & Diesel	November 1, 1951 to June 30, 1956
3.0	Gas & Diesel	July 1, 1956 to September 30, 1959
4.0	Gas & Diesel	October 1, 1959 to March 31, 1983
9.0	Gas	April 1, 1983 to November 30, 1990
14.1*	Gas	December 1, 1990 to September 30, 1993
18.4**	Gas	October 1, 1993 to December 31, 1995
18.3	Gas	January 1, 1996 to September 30, 1997
18.4**	Gas	October 1, 1997 to present
9.0	Diesel	April 1, 1983 to July 31, 1984
15.0	Diesel	August 1, 1984 to November 30, 1990
20.1*	Diesel	December 1, 1990 to September 30, 1993
24.4**	Diesel	October 1, 1993 to December 31, 1995
24.3	Diesel	January 1, 1996 to September 30, 1997
24.4**	Diesel	October 1, 1997 to present

* Includes 0.1 cent per gallon tax dedicated to the Leaking Underground Storage Tank Fund effective January 1, 1987. Collection of the tax was suspended for the period September 1, 1990 through December 1, 1990. The 14.1 cents per gallon rate includes 2.5 cents per gallon for reduction of the national debt.

**Includes 0.1 cent per gallon tax dedicated to the Leaking Underground Storage Tank Fund. This amount Includes 6.8 cents per gallon tax for reduction of the national debt. Effective October 1, 1995, 2.5 cents of the 6.8 cents is dedicated to the Federal Highway Trust Fund. The remaining 4.3 cents does not expire.

Source: Federal Highway Administration