

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2011-12 STAFF BUDGET BRIEFING
DEPARTMENT OF TRANSPORTATION**

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

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November 15, 2010**

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**FY 2011-12 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

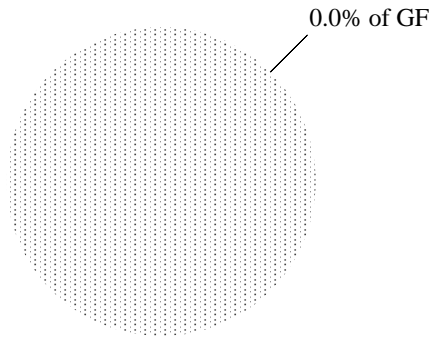
DEPARTMENT OF TRANSPORTATION

Table of Contents

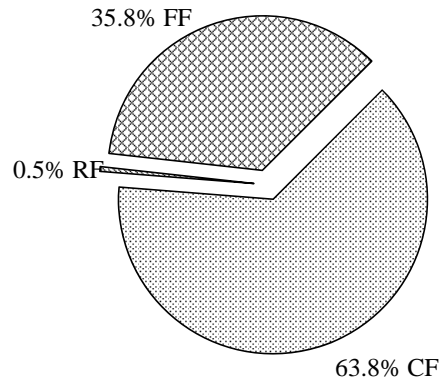
Graphic Overview	1
Department Overview	4
Decision Items	11
Overview of Numbers Pages	12
Issues:	
Issue #1: Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget ..	13
Issue #2: Statewide Bridge Enterprise Bonding	16
Issue #3: Background on the Department's Appropriation Structure	18
Issue #4: Recommended Changes to Staff Presentation of Administration Budget	22
Issue #5: State Transportation Revenue Status	24
Issue #6: Declining condition of the State Highway System	28
Appendices:	
A - Numbers Pages	31
B - Summary of Major Legislation from 2010 Legislative Session	38
C - Update on Long Bill Footnotes and Requests for Information	40

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
 Department of Transportation
 GRAPHIC OVERVIEW**

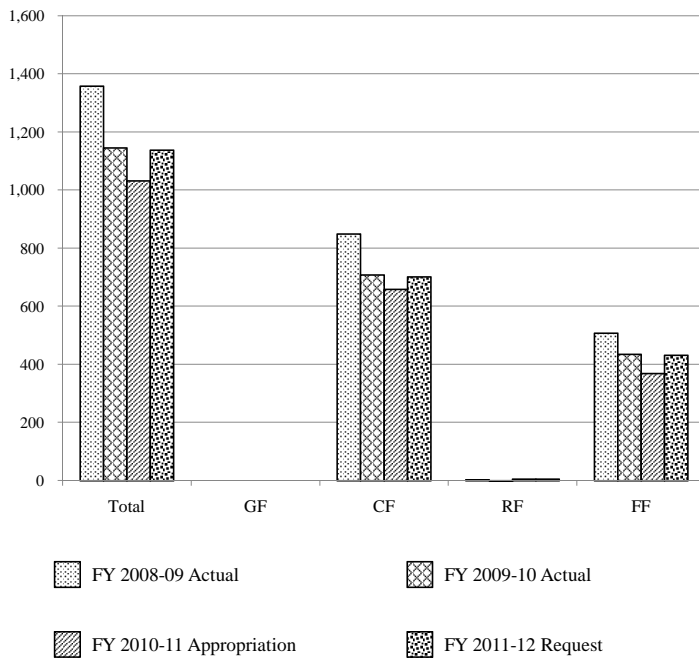
Department's Share of Statewide General Fund



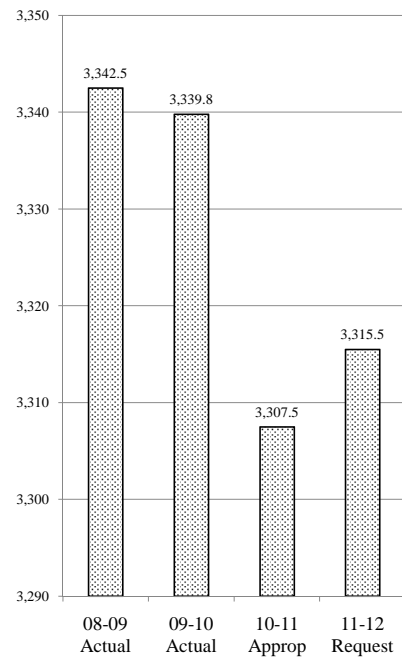
Department Funding Sources



**Budget History
 (Millions of Dollars)**

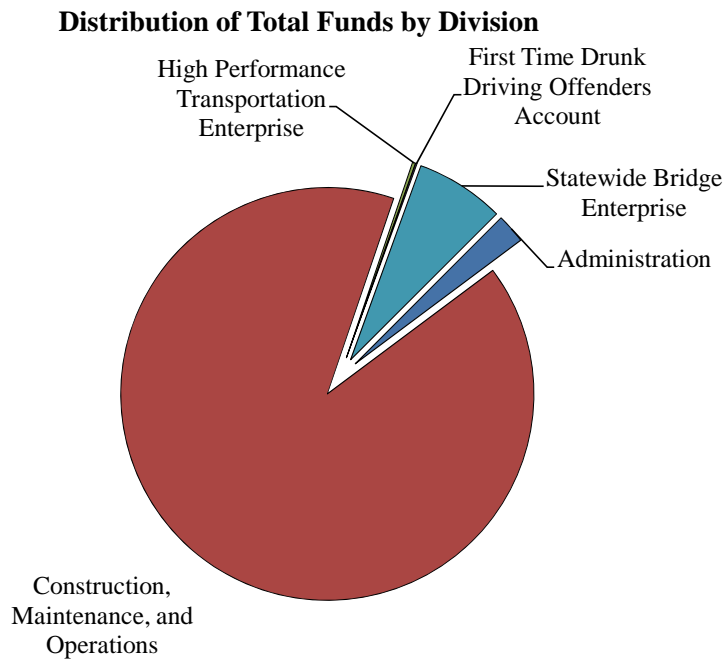


FTE History

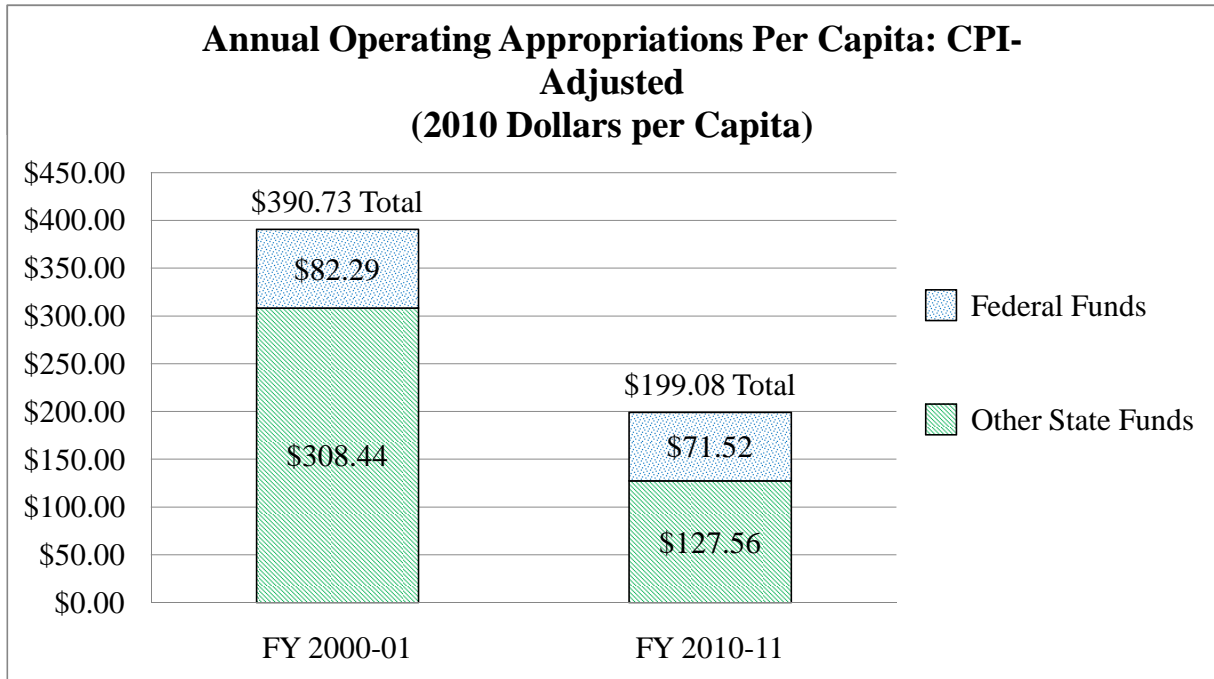
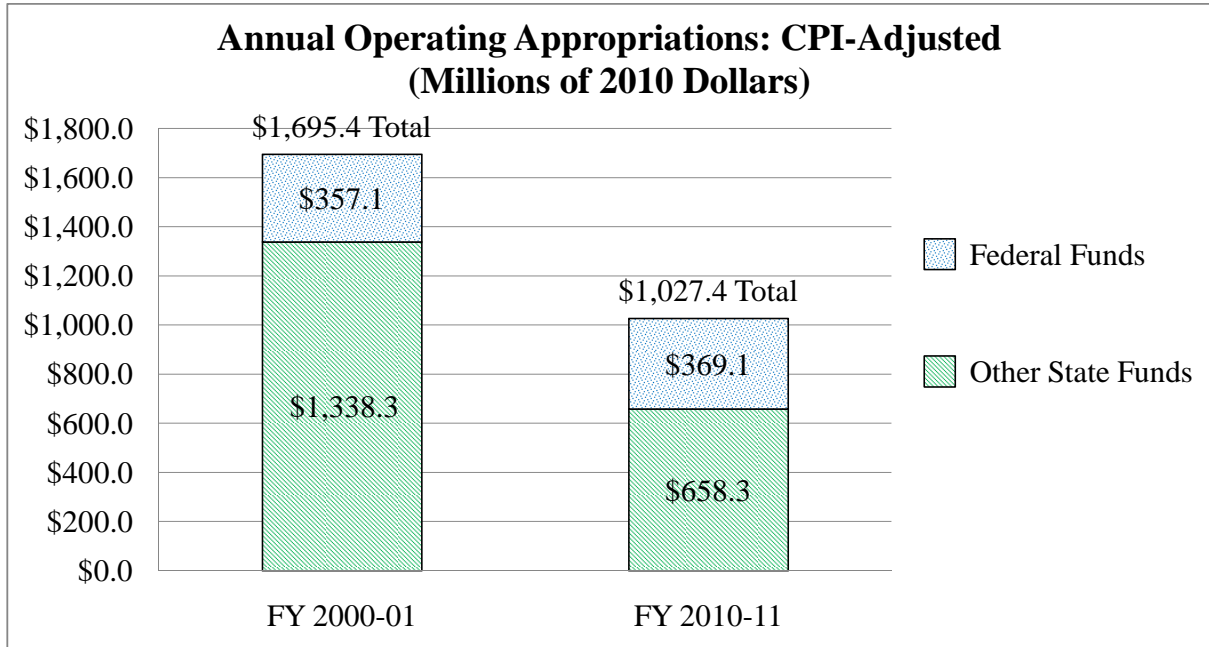


Unless otherwise noted, all charts are based on the FY 2010-11 appropriation.

The Department of Transportation received no General Fund appropriation in FY 2010-11.



**FY 2011-12 Joint Budget Committee Staff Budget Briefing
 Department of Transportation
 COMPARISON OF FY 2000-01 AND FY 2010-11 APPROPRIATIONS**



NOTES: (1) All appropriations above *exclude* duplicate appropriations (i.e., these appropriations exclude reappropriated funds for FY 2010-11 and, for FY 2000-01, exclude amounts that would have been classified as reappropriated funds). For this department, these excluded amounts primarily reflect payments for services within the Department, such as for the Department's Print Shop in FY 2000-01 and for the Print Shop and multi-agency fleet vehicle maintenance in FY 2010-11.
 (2) For the purpose of providing comparable figures, FY 2000-01 appropriations are adjusted to reflect changes in the Denver-Boulder-Greeley consumer price index (CPI) from 2000 to 2010. Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, the CPI is projected to increase 21.9 percent over this period.
 (3) In the per capita chart, above, appropriations are divided by the Colorado population (for 2000 and 2010, respectively). Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, Colorado population is projected to increase by 18.9 percent over this period.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

DEPARTMENT OVERVIEW

Key Responsibilities

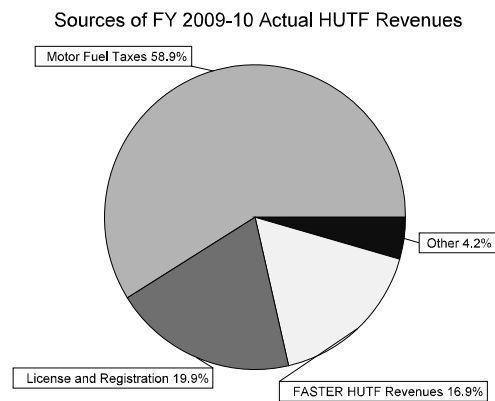
- Operates the 9,134 mile state highway system, which includes 3,406 bridges and handles over 28 billion miles of vehicle travel.
- Manages over 150 highway construction projects statewide.
- Maintains the state highway system, including repairing road damage, filling potholes, plowing snow, and applying sand to icy roads.
- Assists in development of a statewide, multi-modal transportation system by providing assistance to local transit systems in the state.
- Develops and implements the State’s Highway Safety Plan, including efforts to combat drunk driving, encourage seatbelt use, enforce speed limits, and reduce traffic fatalities.
- Maintains the statewide aviation system plan, provides technical support to local airports regarding aviation safety, and administers 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

The Highway Users Tax Fund (HUTF), which is supported by the State's motor fuel tax, registration fees and surcharges, and other miscellaneous sources of revenue, is the major source of state revenue for the Department, accounting for 75.7 percent of the Department's actual state revenues in FY 2009-10. By statutory formula, the Department receives approximately half of HUTF collections, so 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 affect the revenues available to the Department and drive the budget.

The enactment of S.B. 09-108 (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 HUTF revenues accounted for 16.9 percent of total HUTF revenues in FY 2009-10 and reduced the share attributed to motor fuel tax revenues to 58.9 percent. The chart at right displays the share of FY 2009-10 HUTF revenues attributable to each revenue source.

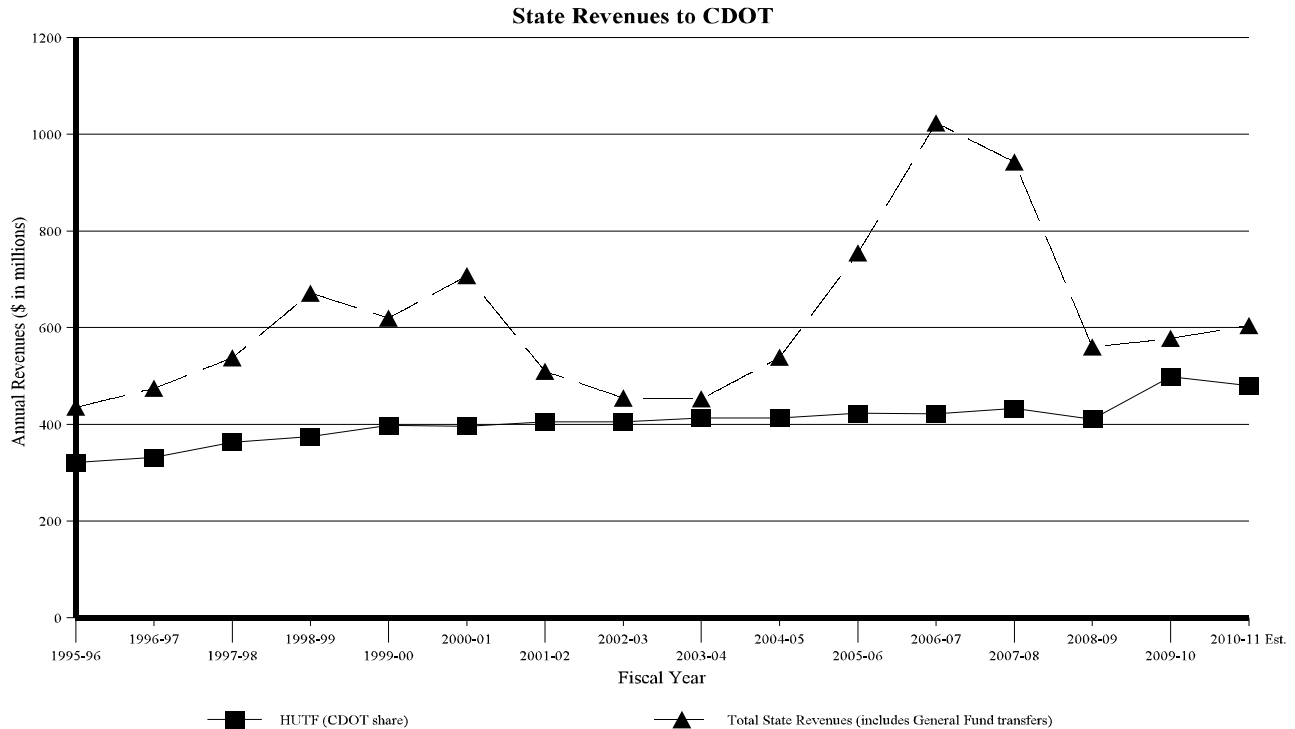


Implementation of FASTER has also increased other revenues for the Department because not all of the bill's fees and surcharges are credited to the HUTF. Bridge safety surcharge revenues are credited to the Statewide Bridge Enterprise Special Revenue Fund created by the bill and managed by the Statewide Bridge Enterprise. Including Bridge Enterprise funds, FASTER generated a total of \$142.4 million for the Department and \$57.1 million for local governments in FY 2009-10. The following table shows FASTER-related revenue distributions for FY 2009-10 and the Department's estimates for FY 2010-11 and FY 2011-12.

	FY 2009-10 Actual	FY 2010-11 Est.*	FY 2011-12 Est.*
FASTER HUTF to CDOT	\$98,206,128	\$88,752,467	\$88,752,467
State Bridge Enterprise	<u>44,148,597</u>	<u>71,831,467</u>	<u>96,088,233</u>
Total to CDOT	142,354,725	160,583,934	184,840,700
HUTF to Counties	31,425,592	28,400,456	28,400,456
HUTF to Cities	<u>25,711,841</u>	<u>23,236,730</u>	<u>23,236,730</u>
Total Faster Revenues	\$199,492,158	\$212,221,120	\$236,477,886

* The Department's estimates for FY 2010-11 and FY 2011-12 do not include any revenues associated with late registration fees, which is the primary reason for the decline in estimate HUTF revenues relative to the FY 2009-10 actual levels. Legislative Council Staff's September 2010 Revenue Forecast anticipates a total of \$223.0 million in FASTER revenues in FY 2010-11 and \$245.4 million in FY 2011-12. The Legislative Council Staff estimates include continued (but slowly declining) late registration fee revenues.

The following chart displays HUTF revenues and total state funding for the Department (including General Fund transfers to the HUTF, which are discussed the following section, as well as non-HUTF revenue sources) for each year since FY 1995-96. Total state funding has fluctuated substantially over that period, primarily as a result of changes in the amount of General Fund transferred to the HUTF, but the non-General Fund HUTF revenues have been more consistent. 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 the HUTF Pursuant to S.B. 97-001 and H.B. 02-1310
Historical Data
(in millions of dollars)

	02	03	04	05	06	07	08	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

CDOT receives federal funding for four basic purposes, including highways (Federal Highway Administration funds), highway 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 Department's resources (37.9 percent of the Department's actual expenditures in FY 2009-10), and fluctuations in the availability of 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 short-term extensions of SAFETEA-LU: Congress has now extended the law through December 31, 2010 but will have to act again by that date to keep federal funds flowing to the states.

The Department's total share of federal funds has fluctuated in recent years. The total increased from \$359.7 million in FY 2000-01 to \$552.5 million in FY 2007-08. Similarly, Colorado's share of federal highway funds increased from \$373.7 million in FY 2002-03 to \$533.8 million in FY 2007-08, according to CDOT records. In FY 2008-09, with an infusion of funds as a result of the American Recovery and Reinvestment Act (ARRA), the Department received a total of \$959.4 million in federal funds. Budgetary conditions, including the depletion of the surplus in the federal Highway Trust Fund, resulted in "obligation limits" reducing each state's funding below the full amounts authorized in SAFETEA-LU.

Federal Funding to CDOT
(\$ in millions)

Source	FY04-05	FY05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11 Est	FY 11-12 Est
FHWA	\$396.0	\$434.2	\$527.6	\$533.8	\$943.1	\$568.9	\$349.3	\$415.4
FTA	9.2	9.1	10.9	10.2	13.9	13.3	13.2	14.2
FAA	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3
NHTSA	<u>4.7</u>	<u>5.0</u>	<u>3.4</u>	<u>8.1</u>	<u>2.1</u>	<u>4.1</u>	<u>6.4</u>	<u>2.1</u>
Total	\$410.1	\$448.6	\$542.1	\$552.4	\$959.4	\$586.6	\$369.2	\$432.0

Because Congress has yet to pass the next multi-year authorization bill and the U.S. Department of Transportation is currently operating under short-term extensions of SAFETEA-LU, the Department's expectations regarding future federal funds are highly uncertain. The FY 2011-12 budget request assumes a total of \$431.9 million in federal funds but that figure may change significantly based on Congressional action. The Department is currently anticipating \$349.3 million in federal highway funds in FY 2010-11 and \$415.4 million in FY 2011-12.

Transportation Revenue Anticipation Notes (TRANs)

In 1999, the General Assembly enacted H.B. 99-1325, which was submitted to and approved by the voters (as Referendum A) that year. The referendum authorized the Department to borrow up to \$1.7 billion by selling TRANs bonds in order to accelerate construction on the "7th Pot" projects. The bill and referendum (Section 43-4-700, C.R.S.) effectively allowed the state to borrow against future federal and state funding as a "multiple-fiscal year obligation" approved by the voters under TABOR. As a result, the proceeds from TRANs are exempt from TABOR limitations, and the TRANs debt service payments are exempt from TABOR spending limits.

H.B. 99-1325 set other limits on the TRANs program beyond the \$1.7 billion maximum principal issuance amount and the requirement to use the proceeds on the "7th Pot" projects:

- 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 the Department to submit a TRANS report to the Joint Budget Committee each year by January 15. Below are two tables summarizing the 2010 report. The first summarizes the total debt service by fiscal year and the second lists the TRANS projects' funding and status.

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 through 2016-17	1,138,313,352
Total	2,299,997,684

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	Ongoing
16	US160 Jct SH3 to Florida River	25,762,559	Ongoing
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 and anticipated 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.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
NP-1	0	0	(11,587)	0	(11,587)	0.0
Statewide PERA Adjustment						
Administration; Construction, Maintenance, and Operations. This statewide common policy request would continue the reduced employer contribution to PERA enacted in S.B. 10-146. This decision item requires legislation. <i>Statutory authority: Section 24-51-401 (1.7), C.R.S.</i>						
Total	0	0	(11,587)	0	(11,587)	0.0

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
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 2010-11 appropriation and its FY 2011-12 request.

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

Category	GF	CF	RF	FF	Total	FTE
FY 2010-11 Appropriation	\$0.0	\$658.3	\$5.0	\$369.1	\$1,032.4	3,307.5
FY 2011-12 Request	0.0	701.3	5.0	431.9	1,138.2	3,315.5
Increase / (Decrease)	\$0.0	\$43.0	\$0.0	\$62.8	\$105.8	8.0
Percentage Change	n/a	6.5%	0.0%	17.0%	10.2%	0.2%

The following table highlights changes contained in the Department's FY 2011-12 budget request, as compared with the FY 2010-11 appropriation. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2010-11 to FY 2011-12

Category	CF	RF	FF	Total	FTE
Administration	\$2,530,675	\$7,905	\$0	\$2,538,580	0.0
Common Policy Adjustments	2,468,510	5,078	0	2,473,588	0.0
Restore FY 2010-11 PERA Adjustment	318,477	14,414	0	332,891	
Indirect Cost Adjustment	15,742	0	0	15,742	0.0
Statewide PERA Adjustment (DI NP-1)	(272,054)	(11,587)	0	(283,641)	0.0
Construction, Maintenance, and Operations	\$20,427,758	\$0	\$62,821,866	\$83,249,624	8.0
High Performance Transportation Enterprise	\$0	\$0	\$0	\$0	0.0
First Time Drunk Driving Offenders Account	\$0	\$0	\$0	\$0	0.0
Statewide Bridge Enterprise	\$19,968,133	\$0	\$0	\$19,968,133	0.0
Total Change	\$42,926,566	\$7,905	\$62,821,866	\$105,756,337	8.0

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

BRIEFING ISSUE

ISSUE: Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget

Total appropriations to the Department of Transportation have decreased since FY 2007-08 due to a decline in federal funds that has not been fully offset by increased state funding. Since the most recent economic downturn started in 2008, the General Assembly has enacted transfers of approximately \$8.1 million from Department-related cash funds to the General Fund. The General Assembly has also refinanced general funded activities in other departments with revenues that would otherwise have been deposited into the HUTF.

SUMMARY:

- ❑ The General Assembly has taken a variety of actions associated with and/or impacting the CDOT budget to balance the General Fund from FY 2008-09 through FY 2011-12. The actions include transferring approximately \$8.1 million from Department-related cash funds to the General Fund over that four year period and refinancing driver's license activities at the Department of Revenue that were previously funded with General Fund with revenues that would otherwise have been credited to the HUTF.

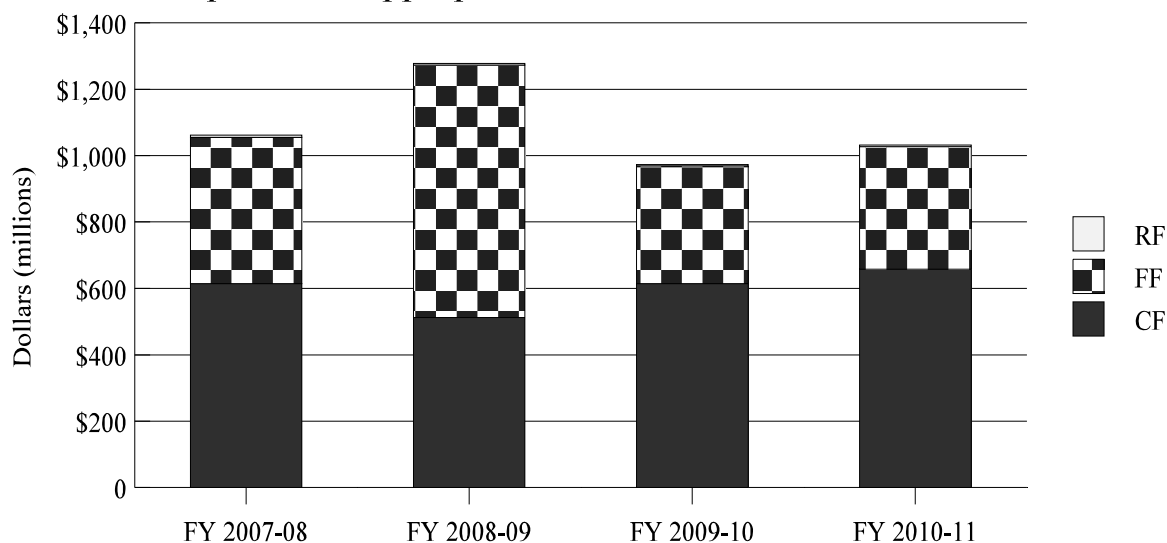
- ❑ The Department does not receive General Fund appropriations and HUTF dollars are constitutionally required to be utilized for the supervision and maintenance of the state highway system. As a result, the Department's budget presents limited options to assist with General Fund shortfalls.

DISCUSSION:

From FY 2007-08 to FY 2010-11, total appropriations to the Department of Transportation decreased by approximately 2.8 percent (\$29.7 million). The overall decrease was the result of a decline of \$72.3 million in federal funds, which was partially offset by an increase of \$44.4 million in state cash funds. State funds have increased largely as a result of the implementation of S.B. 09-108 (FASTER), while federal funds have decreased as a result of a shortage of funds in the federal highway trust fund.

Appropriations to the Department of Transportation for FY 2007-08 through FY 2010-11 are illustrated in the bar chart and detailed in the table below.

Department Appropriations FY 2007-08 to FY 2010-11



Department of Transportation Appropriations FY 2007-08 to FY 2010-11 /a					
	Total Funds	General Fund	Cash Funds	Federal Funds	Reappropriated Funds
FY 2007-08 /b	\$1,062,120,060	\$0	\$613,969,876	\$441,417,139	\$6,733,045
FY 2008-09	1,277,611,752	0	512,824,049	760,864,123	3,923,580
FY 2009-10	973,508,750	0	614,161,434	355,397,188	3,950,128
FY 2010-11	1,032,417,169	0	658,329,628	369,101,388	4,986,153
Increase/(Decrease.) /c	(\$29,702,891)	\$0	\$44,359,752	(\$72,315,751)	(\$1,746,892)
Percent Change /c	(2.8)%	n/a	7.2%	(16.4)%	(25.9)%

a/ Appropriation amounts reflect informational appropriations to the Department each year, as set in the Long Bill and adjusted through supplementals and other legislation. Because the appropriations are informational and based on estimates of funds anticipated to be available to the Department, amounts shown do not reflect the actual revenues available to the Department in a given year.

b/ FY 2007-08 appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 529 of the FY 2008-09 Appropriations Report.

c/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

As illustrated in the bar chart above, appropriations to the Department peaked in FY 2008-09 primarily due to the influx of federal ARRA funds the Department received that year. State cash funds have increased in FY 2009-10 and FY 2010-11, largely as a result of the implementation of FASTER, after declining from FY 2007-08 to FY 2008-09 because of a decline in General Fund revenues transferred to the Highway Users Tax Fund (and classified as cash funds in the Department's budget) pursuant to S.B. 97-1 and H.B. 02-1310.

Because the Department of Transportation receives no General Fund appropriations and Highway Users Tax Fund resources are constitutionally restricted to transportation purposes, the General

Assembly has few options to balance General Fund shortfalls through the Department's budget. Beginning in January of 2009 and continuing through the 2010 Session, the General Assembly has enacted transfers of approximately \$8.1 million in transportation-related cash funds to the General Fund. The cash fund transfers are shown in the table below.

Cash Fund Transfers to the General Fund (FY 2008-09 through FY 2011-12)					
	Bill Number(s)	FY 2008-09	FY 2009-10	FY 2010-11 Est.	FY 2011-12 Est.
Transportation					
Infrastructure Revolving					
Fund (State					
Infrastructure Bank)	S.B. 09-208	\$3,000,000	\$0	\$0	\$0
State Rail Bank	S.B. 09-208	1,543,937	0	0	0
Law Enforcement					
Assistance Fund	H.B. 10-1327 and				
(LEAF)*	H.B. 10-1388	<u>0</u>	<u>1,368,595</u>	<u>1,082,980</u>	<u>1,082,980</u>
Total		\$4,543,937	\$1,368,595	\$1,082,980	\$1,082,980

* For FY 2009-10, the transfer from the LEAF to the General Fund was offset by increased appropriations from the First Time Drunk Driving Assistance Account of the Highway Users Tax Fund enacted through the FY 2009-10 supplemental (H.B. 10-1316). A FY 2010-11 decision item approved by the General Assembly offsets the FY 2010-11 and FY 2011-12 transfers with increased HUTF "Off-the-Top" appropriations made to the Colorado State Patrol and reappropriated to CDOT. Transfers from the LEAF were enacted as year-end transfers of available balances; amounts shown for FY 2010-11 and FY 2011-12 were estimates at the time H.B. 10-1388 was enacted.

General Fund Refinancing in the Department of Revenue

In addition, during the 2010 session, the General Assembly enacted H.B. 10-1387 which refinanced \$20.0 million in FY 2010-11 General Fund appropriations with funds that would otherwise have gone into the HUTF (\$17.3 million from the Licensing Services Cash Fund and \$2.7 million from HUTF "Off-the-Top" funds). Without the refinance, the Department of Transportation would have received 65.0 percent of the total, or \$13.0 million, with the remainder distributed to counties and municipalities according to statutory formula. The refinance of Division of Motor Vehicle expenditures will be discussed in greater depth during the Department of Revenue briefing.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

BRIEFING ISSUE

ISSUE: Statewide Bridge Enterprise Bonding

The Statewide Bridge Enterprise is proceeding with plans to issue bonds based on FASTER bridge safety surcharges and federal bridge program revenues to accelerate the repair and reconstruction of bridges.

SUMMARY:

- ❑ FASTER created the Statewide Bridge Enterprise (Bridge Enterprise) and the bridge safety surcharge that supports the Enterprise in order to speed the repair and reconstruction of bridges.
- ❑ The bill authorizes the Bridge Enterprise to issue revenue bonds based on the surcharge to accelerate projects. The Enterprise is planning to issue the first set of bonds in December 2010.
- ❑ Repealing FASTER, or just the bridge safety surcharge, after the Enterprise has issued bonds could have serious consequences for the State's budget and credit rating.

RECOMMENDATION:

Staff recommends that the Committee and the Department discuss the Bridge Enterprise's bonding efforts at the upcoming hearing, including the potential impact of repealing FASTER and the bridge safety surcharge that supports the Enterprise.

DISCUSSION:

Background

FASTER created the Statewide Bridge Enterprise (Enterprise) and a bridge safety surcharge on vehicle registrations to accelerate the repair and reconstruction of bridges rated as in poor condition and either structurally deficient or functionally obsolete. The bill also authorized the Statewide Bridge Enterprise to issue revenue bonds based on surcharge revenues to further accelerate bridge repair and reconstruction projects.

The bridge safety surcharge provided \$43.6 million in revenues to the Enterprise in FY 2009-10 and is expected to provide \$65.9 million in FY 2010-11 and \$91.8 million in FY 2011-12. The Department intends to transfer \$15 million in federal bridge program funds (out of an estimated \$23.3 million in FY 2010-11 and \$22.3 million in FY 2011-12) to the Enterprise per year going forward.

As of November 1, 2010, the Department has transferred ownership of 77 bridges to the Enterprise, and the Enterprise has completed repairs to two bridges with FASTER funding and the Department completed another 19 bridges without FASTER funding; those 19 bridges will not be transferred to the Enterprise.

Bonding

The Enterprise waited to proceed with bonding until after the November 2, 2010 elections because Amendment 61 would have eliminated the State's ability to borrow through bonds and Proposition 101 would have eliminated the surcharges imposed by FASTER. Following the voters' rejection of those measures, the Department has moved forward with efforts to issue bonds and seeks to do so quickly to take advantage of low interest rates and construction costs.

The Enterprise has met with bond rating agencies, is awaiting a bond rating decision, and intends to make the first bond issuance in December 2010. The Enterprise's current plan is to issue \$300 million in bonds in 2010, \$200 million in 2012, and \$200 million in 2014, for a total of \$700 million.

Based on current interest rate estimates, the Enterprise anticipates that implementing the entire \$700 million proposed program would require \$44.9 million per year (about 48.9 percent of anticipated FY 2011-12 surcharge revenues) in debt service from 2017 to 2044, with lower annual payments until 2017. According to the Enterprise, the plan would accelerate the repair and reconstruction of Enterprise bridges by at least 8 years.

Staff is concerned about the potential impact of bonding against the bridge safety surcharge because of the potential to repeal the surcharge. Based on conversations with bond counsel, completely repealing the bridge safety surcharge after the Enterprise had issued bonds (for example in the 2011 Session) could represent a breach of the bond contract (which will say that the surcharge will continue for the entire repayment period of any bonds) and result in lawsuits that could be difficult to defend. In addition, defaulting on the bonds would negatively impact the State's credit rating.

The Enterprise has argued to rating agencies that the voters' rejection of Proposition 101 negates staff's concerns about the sustainability of the bridge safety surcharge. The Enterprise's November 5, 2010, presentation to Moody's Investment Service included the following statement:

"Replacing or repairing poor bridges on the State Highway System is a popular use of proceeds. In fact, on November 2, 2010, voters effectively ratified FASTER by overwhelmingly defeating Proposition 101."

Staff is not certain that the rejection of Proposition 101 reflects a ratification of FASTER (the proposition went beyond repealing FASTER), and legislative repeal is still possible.

Staff recommends that the Committee discuss the Enterprise's bonding plans at the upcoming hearing. Given that the Enterprise is moving quickly, and the Enterprise Board may make decisions regarding bonding this week, staff also recommends that the Committee voice any concerns with the bonding now, before bonds are issued.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

BRIEFING ISSUE

INFORMATIONAL ISSUE: Background on the Department's Appropriation Structure

This issue provides a brief background on the Department's unique appropriation structure and the role of the General Assembly in setting the annual budget.

DISCUSSION:

The Department's FY 2010-11 Long Bill appropriation includes five line items, each of which is treated as a separate division: 1) Administration; 2) Construction, Maintenance, and Operations; 3) High Performance Transportation Enterprise; 4) First Time Drunk Driving Offenders Account; and 5) Statewide Bridge Enterprise. Only the Administration and First Time Drunk Driving Offenders Account line items are legislatively appropriated (a total of 2.4 percent of the FY 2010-11 Long Bill appropriation). The remaining line items (constituting 97.6 percent of the FY 2010-11 budget) are continuously appropriated through statutory formula, are only shown for informational purposes in the Long Bill, and are controlled by the Transportation Commission.

In prior years (most recently in FY 2008-09) the Long Bill also included a legislatively appropriated Gaming Impacts line item which used Limited Gaming revenues to support projects on highways leading to gaming communities. However, the Department has neither requested nor received gaming revenues in the FY 2009-10 or FY 2010-11 long bills because of the economic downturn.

As an overview, staff would note two unique features of the Department's budget and relationship to the General Assembly and Joint Budget Committee.

1. The General Assembly has delegated nearly all authority over the Department's budget to the Department and the Commission. The General Assembly directly impacts the amount of revenue available to the Department through policy changes affecting revenue sources (e.g., increasing or decreasing fees), and specifies priorities for some funds, but has delegated allocation decisions to the Commission.
2. Even within the legislatively appropriated sections (primarily Administration), the use of a single "program" line item to support all of the Department's administrative functions allows the Department a high degree of flexibility in determining how those funds will be used, as long as they remain within the total appropriation in the Long Bill.

A brief description of each line item and its revenue sources follows.

(1) Administration (legislatively appropriated)

Background: Section 43-1-113 (3) (a), C.R.S., requires the General Assembly to appropriate funds for the Department's administrative expenses (as defined in Section 43-1-113 (2) (c) (III), C.R.S.) as a single line item. The single Administration line item supports eleven separate staff organizations in addition to centralized appropriations for health, life, and dental insurance, salary survey, etc. Under Section 43-1-113 (6) (a), C.R.S., the Administration budget may not exceed 5.0 percent of the Department's total budget but it generally remains far below that level (it makes up 2.3 percent of the FY 2010-11 Long Bill appropriation). The use of a "program line" gives the Department flexibility regarding the use of funds because management may move funds and FTE between offices and organizations at will.

Fund Sources: The line item is supported by the State Highway Fund (using HUTF revenues) and reappropriated funds. The reappropriated funds are collected for services provided by the Department, including the Print Shop and a garage that serves multiple agencies' fleet vehicles. The following table shows the FY 2010-11 appropriation and the Governor's FY 2011-12 request for Administration.

FY 2010-11 Appropriation and FY 2011-12 Request for Administration				
Fiscal Year	Total	Cash Funds	Reappropriated Funds	Federal Funds
FY 2010-11 Appropriation	\$23,630,403	\$21,660,054	\$1,970,349	\$0
FY 2011-12 Request	\$26,168,982	\$24,190,728	\$1,978,254	\$0

(2) Construction, Maintenance, and Operations (continuously appropriated)

Background: The Construction, Maintenance, and Operations division is responsible for transportation planning, inter-modal transportation programs, and all phases of highway operation including engineering, construction, and maintenance. This division reflects state and federal revenues that are continuously appropriated to the Department for the construction, maintenance, and operations of state highways and transportation systems. Because the revenues are continuously appropriated to the Department, the Commission allocates the funds among the Department's various programs. The Construction, Maintenance, and Operations "appropriation" is shown in the Long Bill for information purposes only and represents an estimate of the revenues anticipated to be available to the Department in a given fiscal year. As a result, actual revenue and spending levels in a given year may be significantly different from the Long Bill estimate.

Fund sources: Cash funds for highway purposes include the State Highway Fund, miscellaneous permit fees, interest earnings, a variety of other cash funds, and local matching funds made available for federal dollars. Cash funds for the Division of Aeronautics are from the Aviation Fund, which is supported by aviation fuel taxes. The following table shows the FY 2010-11 informational appropriation and the Governor's FY 2011-12 request for Construction, Maintenance, and Operations.

FY 2010-11 Appropriation and FY 2011-12 Request for Construction, Maintenance, and Operations				
Fiscal Year	Total	Cash Funds	Reappropriated Funds	Federal Funds
FY 2010-11 Appropriation	\$933,454,899	\$561,337,707	\$3,015,804	\$369,101,388
FY 2011-12 Request	\$1,016,704,523	\$581,765,465	\$3,015,804	\$431,923,254

(3) High Performance Transportation Enterprise (continuously appropriated)

Background: This section, created in S.B. 09-108, replaces the Statewide Tolling Enterprise that was created pursuant to S.B. 02-179 and H.B. 02-1310. In addition to assuming the responsibilities of the former Statewide Tolling Enterprise, the High Performance Transportation Enterprise was established to pursue 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. This section is granted enterprise status as long as it retains the authority to issue revenue bonds and receives less than 10.0 percent of its total revenues from grants from state and local governments.

Fund sources: The cash fund amounts shown are revenue estimates from the existing toll lanes on Interstate 25 and are included for informational purposes only. The following table shows the FY 2010-11 informational appropriation and the Governor's FY 2011-12 request for the High Performance Transportation Enterprise.

FY 2010-11 Appropriation and FY 2011-12 Request for High Performance Transportation Enterprise		
Fiscal Year	Total	Cash Funds
FY 2010-11 Appropriation	\$2,500,000	\$2,500,000
FY 2011-12 Request	\$2,500,000	\$2,500,000

(4) First Time Drunk Driving Offenders Account (legislatively appropriated)

Background: This section provides funding for increased high visibility drunk driving law enforcement actions undertaken pursuant to H.B. 08-1194. The General Assembly created this Long Bill section because: (1) the program was not appropriate for inclusion in the legislatively appropriated Administration line item; and (2) the program requires annual appropriation by the General Assembly and therefore should not be included in the continuously appropriated Construction, Maintenance, and Operations line item.

Fund sources: Cash funds are from driver's license restoration fees from alcohol-related driving offenses. The following table shows the FY 2010-11 appropriation and the Governor's FY 2011-12 request for the First Time Drunk Driving Offenders Account.

FY 2010-11 Appropriation and FY 2011-12 Request for First Time Drunk Driving Offenders Account		
Fiscal Year	Total	Cash Funds
FY 2010-11 Appropriation	\$1,000,000	\$1,000,000
FY 2011-12 Request	\$1,000,000	\$1,000,000

(5) Statewide Bridge Enterprise (continuously appropriated)

Background: This enterprise was created by S.B. 09-108 to repair or replace bridges rated as in poor condition and as either structurally deficient or functionally obsolete. The enterprise has the authority to issue revenue bonds and to borrow funds from the Transportation Commission to be repaid from bridge safety surcharge revenues. The section can maintain enterprise status as long as it retains the authority to issue revenue bonds and receives less than 10.0 percent of its total revenues from grants from state and local governments. The Enterprise's funds are continuously appropriated to the Enterprise and the amounts shown in the Long Bill are revenue estimates and are included for information purposes only.

Fund source: The Enterprise's cash funds are from a bridge safety surcharge on vehicle registrations created by FASTER. The following table shows the FY 2010-11 informational appropriation and the Governor's FY 2011-12 request for the Statewide Bridge Enterprise.

FY 2010-11 Appropriation and FY 2011-12 Request for the Statewide Bridge Enterprise		
Fiscal Year	Total	Cash Funds
FY 2010-11 Appropriation	\$71,831,867	\$71,831,867
FY 2011-12 Request	\$91,800,000	\$91,800,000

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

BRIEFING ISSUE

ISSUE: Recommended Changes to Staff Presentation of Administration Budget

This issue includes staff's recommendations to change the format of the JBC Staff presentation of the Department's annual budget for Administration.

RECOMMENDATION:

Staff recommends that the Committee approve the following format changes for the staff presentation of the Department's Administration budget: 1) consolidate all personal services lines from the various organizations within the Administration line item; 2) consolidate all operating expenses lines for the various organizations with Administration; 3) display and discuss the various centralized and common policy items; and 4) include a table in staff documents showing the Department's allocations to the various organizations within Administration but make recommendations on the consolidated items listed above.

DISCUSSION:

As discussed in the previous issue paper, statute (Section 43-1-113 (3) (a), C.R.S.) requires the General Assembly to make a single appropriation for all of the Department's administrative activities. Section 43-1-113 (2) (c) (III), C.R.S., defines administration as including "salaries and expenses of the following offices and their staffs: Commission, executive director, chief engineer, district engineers, budget, internal audits, public relations, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing".

The General Assembly funds the direct costs for the administrative organizations as well as indirect costs and associated centralized appropriations within the single "program line." The use of a program line item gives the Department complete flexibility to reallocate funds among organizations and expenses funded through Administration within a given fiscal year, as long as total expenses remain within the amount provided for the line item as a whole.

While the Long Bill makes a single appropriation, the Joint Budget Committee Staff has historically presented detailed budgetary information for each Administration organization in briefing and figure setting documents (see the numbers pages in Appendix A), including making funding recommendations on an organization-specific basis as though they were funded through separate line items. Attempting to present information and recommendations at that level of detail creates two complications:

1. The detailed presentation gives an illusion of legislative control where the only actual control is the single line item in the Long Bill. Because the Department is not held to the detailed funding allocations, the details have no impact on Departmental management.
2. By common policy, committee staff build annual appropriation recommendations on the prior year's appropriation. For this department, staff has used the allocations approved by the Committee as the "appropriation" for each organization within Administration. However, when the Department changes the allocation of funds between organizations it creates a disconnect with the Committee's common policy calculations, and the Department does not track reallocations of funds in a way that facilitates staff calculations. Staff and the Department have improved the situation over the past two years through decision items to reconcile staff documents with Departmental spending, but the disconnect remains a problem.

Staff does not believe that continuing to make detailed recommendations for each organization within the Administration program line benefits the Committee or the General Assembly. Staff presents four basic options for the Committee's consideration:

1. **Staff recommendation:** Allow staff to present data and recommendations in three basic categories: (1) a consolidated personal services line including personal services for all of the organizations funded through Administration; (2) a consolidated operating expenses line; (3) detail for each of the centralized and common policy items. Staff would include a table in the figure setting narrative showing the Department's distribution of funds among the different organizations but would not make recommendations for each organization.
2. Run legislation eliminating the single program line item for Administration and split the various organizations and centralized appropriations into separate line items in the Long Bill (as is done in most departments). The Department would undoubtedly oppose the loss of flexibility resulting from this option. Staff does not see much point in doing so if the remaining 97.5 percent of the Department's budget is still continuously appropriated and under the control of the Transportation Commission.
3. Remove the statutory requirement to annually appropriate funds for Administration and place Administration under the control of the Transportation Commission along with the rest of the budget. Doing so would remove legislative oversight from departmental administration.
4. Maintain the status quo of detailed presentations.

Staff asks for the Committee's permission to change the presentation of the Administration budget as outlined in option "1" above.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

BRIEFING ISSUE

INFORMATIONAL ISSUE: State Transportation Revenue Status

Implementation of FASTER has provided additional predictable revenue to the Department but total state revenues for transportation remain below FY 2000-01 levels both with and without adjusting for inflation.

SUMMARY:

- ❑ The Department of Transportation is the only state department for which the FY 2010-11 appropriation is below the FY 2000-01 appropriation without adjusting for inflation, a decline of roughly \$360 million dollars below the FY 2000-01 appropriation. Annual fluctuations in the Department's budget, particularly prior to FY 2009-10, make such comparisons highly dependent on the particular years chosen.
- ❑ Because of the Department's budget structure, focusing on the change from a given year's actual revenues is more informative than focusing on the appropriation. The FY 2010-11 total appropriation is \$68.1 million below the actual revenues received by the Department in FY 2000-01. The FY 2011-12 request is \$37.6 million *above* actual FY 2000-01 revenues.
- ❑ Focusing only on state revenues, the FY 2010-11 appropriation is \$435.7 million below the FY 2000-01 *appropriation* and is *\$81.1 million below the actual level of state revenues from FY 2000-01*. The decline in state revenues is due to large transfers of General Fund to the HUTF in FY 2000-01 that are no longer available under statute, while the decrease is partially offset by revenue increases resulting from FASTER.
- ❑ The combination of repealing statutory General Fund transfers previously made to the HUTF and implementing FASTER has stabilized the Department's revenues and provided more funds than were available during non-General Fund transfer years but less than were available when large General Fund transfers were possible.
- ❑ Going forward in FY 2010-11 and beyond, federal revenues are highly uncertain because the federal highway authorization bill has expired and reauthorization in the near term is unlikely.

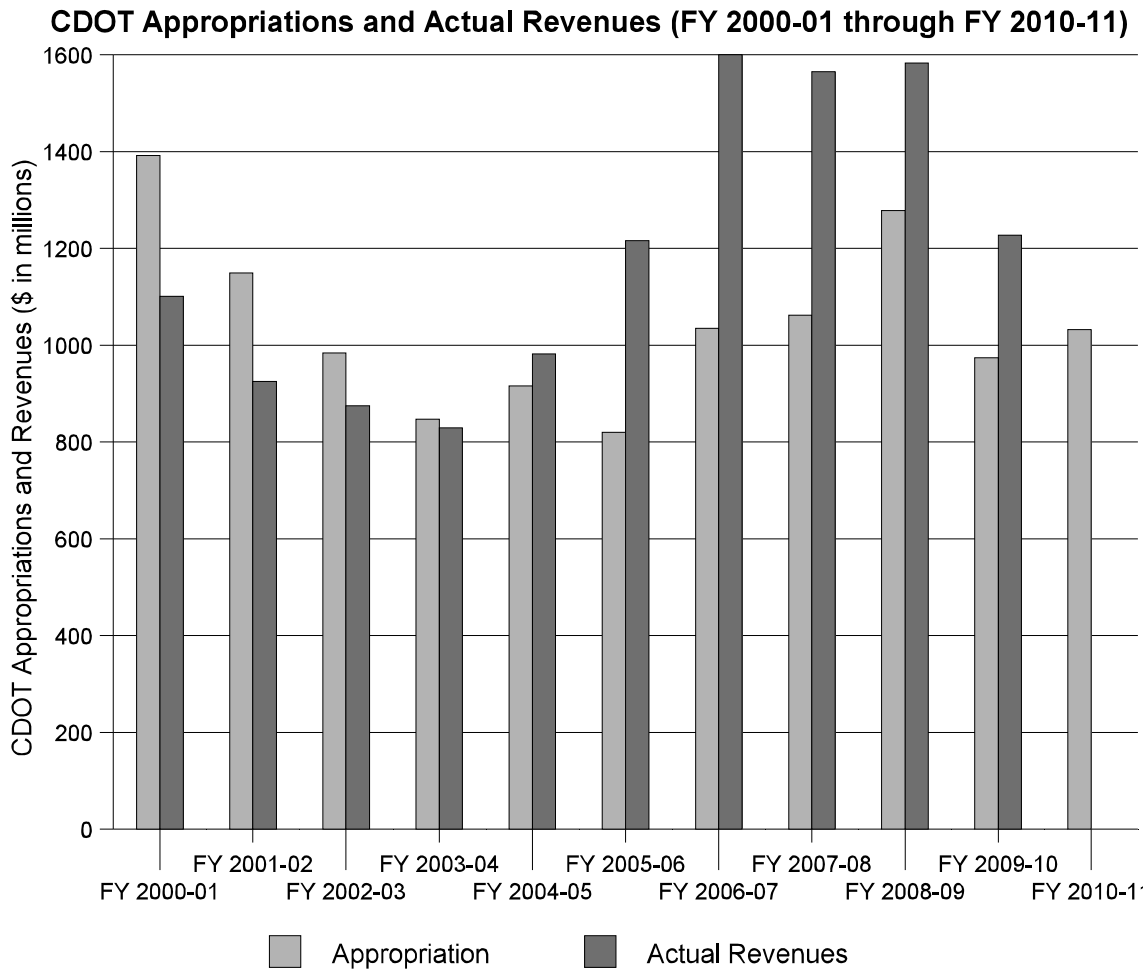
DISCUSSION:

Total Revenues History and Status

The Department is the only state department for which the total appropriation was lower in FY 2010-11 than in FY 2000-01 without any adjustment for inflation. The total FY 2010-11 appropriation

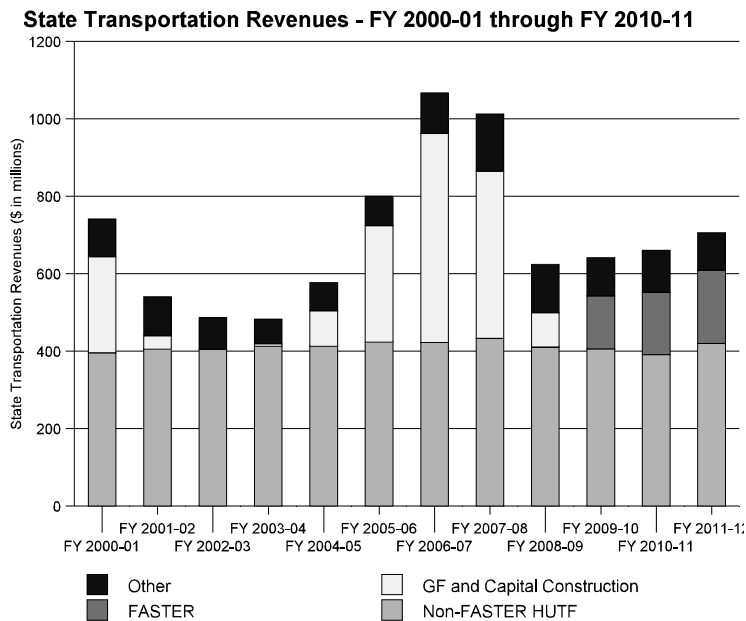
is \$359.4 million below the FY 2000-01 appropriation (see figure below). This comparison is problematic for two reasons.

- First, the Department's revenues fluctuate significantly from year to year so comparisons of individual years are highly dependent upon which years are chosen and do not necessarily show a trend. Prior to the repeal of S.B. 97-1 and H.B. 02-1310 during the 2009 Session, General Fund transfers drove fluctuations in State revenues. Federal revenues can also fluctuate from year to year.
- Second, the Department's "appropriation" represents an estimate of the revenues anticipated to be available to the Department in a given fiscal year and is not updated to reflect actual revenue levels, so historic comparisons of appropriations are inherently using inaccurate data. As shown in the chart below, the differences between the Department's "appropriations" and actual revenues can be large. Although actual revenues from FY 2000-01 were still higher than the FY 2010-11 appropriation, comparing the two appropriations exaggerates the difference.

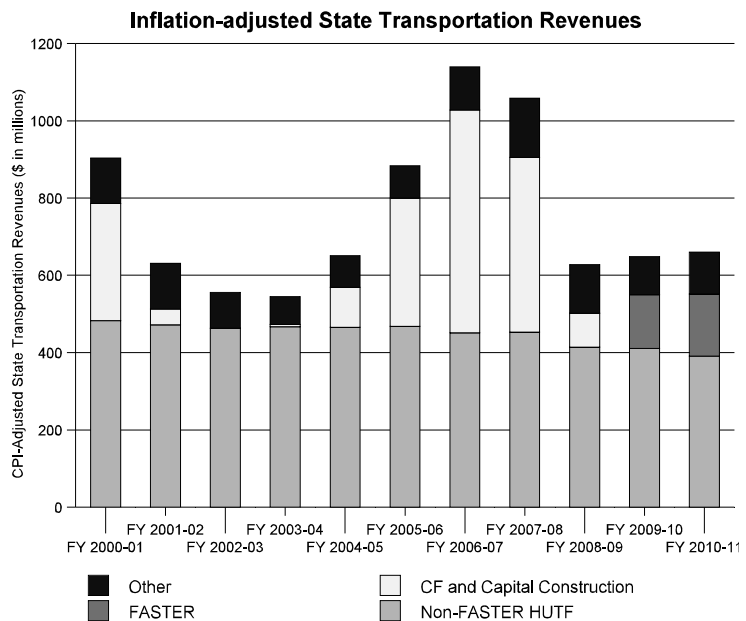


State Revenue Status

The General Assembly enacted two bills in 2009 that significantly affected the Department's budget: S.B. 09-108 (FASTER) increased revenues through a set of fees and surcharges levied on vehicle registrations (see discussion on page 4) and S.B. 09-228 repealed transfers of General Fund to the HUTF pursuant to S.B. 97-1 and H.B. 02-1310 (see discussion on pages 6 and 7). The end result is a tradeoff: the Department is receiving less state revenue than in prior years that had large General Fund transfers but more than in prior years without large transfers. The revenue stream is also far more predictable. The first chart below displays actual state transportation revenues for FY 2000-01 through FY 2009-10, the FY 2010-11 appropriation, and the FY 2011-12 request.



As shown in the first chart at left, the FY 2010-11 appropriation is about \$81 million below actual state revenues from FY 2000-01 and well below FY 2005-06 through FY 2007-08 because of the magnitude of General Fund transfers in those years. Non-FASTER HUTF funding has been consistent over that period, presumably because the motor fuel tax which provides the majority of HUTF revenues was last changed in 1992.

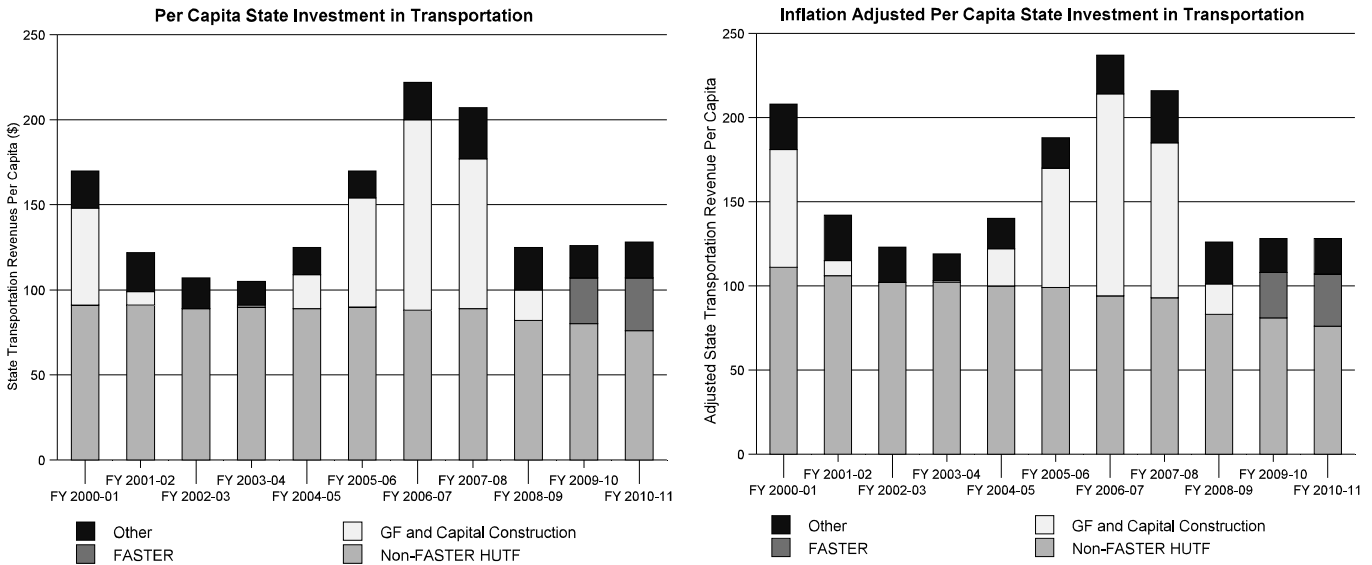


The story is similar but more pronounced if revenue levels are adjusted for inflation. The second chart at left adjusts revenues for FY 2000-01 through FY 2010-11 to be in 2010 dollars using the Denver-Boulder Consumer Price Index (CPI) and shows a decline of about \$244 million from FY 2001-01 to FY 2010-11.

Per Capita Investment

Between FY 2000-01 and FY 2010-11, the State's *per capita* investment of state revenues in transportation has fluctuated from a low of \$105 in FY 2003-04 to a high of \$222 in FY 2006-07, with actual investment of roughly \$125 in FY 2008-09, FY 2009-10, and FY 2010-11 (see left chart on the following page). This does not include HUTF funds transferred to local

governments. As with total revenues, the fluctuations in per capita investment levels prior to FY 2009-10 correspond to the magnitude of General Fund transfers in a given year, while the non-FASTER HUTF revenues per capita have been relatively constant and have shown a decline over that period. Also as above, the pattern is more pronounced when revenues are adjusted for inflation using the CPI (see right chart below).



Federal Revenues

While the Department's state revenues are relatively stable and predictable (barring a change in statute), there is far less certainty regarding federal funds going forward. The FY 2011-12 request includes \$431.9 in total federal revenues, reflecting the Department's current estimate. However, the current federal authorization bill is operating on another temporary extension through the end of calendar year 2010, solvency issues persist in the federal Highway Trust Fund, and there is no long-term reauthorization in sight. As a result, the Department reports that possible federal funding in FY 2011-12 ranges from a low of \$223.8 million to a high of \$500 million or more.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

BRIEFING ISSUE

INFORMATIONAL ISSUE: Declining condition of the State Highway System

The Department's major performance measures indicate that the condition of the State Highway System is declining and will continue to do so under anticipated revenue levels. Bridge condition represents the lone major performance area where conditions are expected to sustain or improve.

SUMMARY:

- ❑ According to the Department, a majority (52 percent) of the State Highway System is now in poor condition, and the Department predicts continued deterioration under anticipated funding levels.
- ❑ The maintenance level of service (MLOS), a compilation of performance measures reflecting the maintenance of the system, has remained constant at the "B-" level since 2008. The Department expects to maintain a "B-" level overall but anticipates declines in most MLOS categories over that time.
- ❑ Bridge condition is the one major measure of system condition that holding constant or improving, largely as a result of FASTER bridge funds.

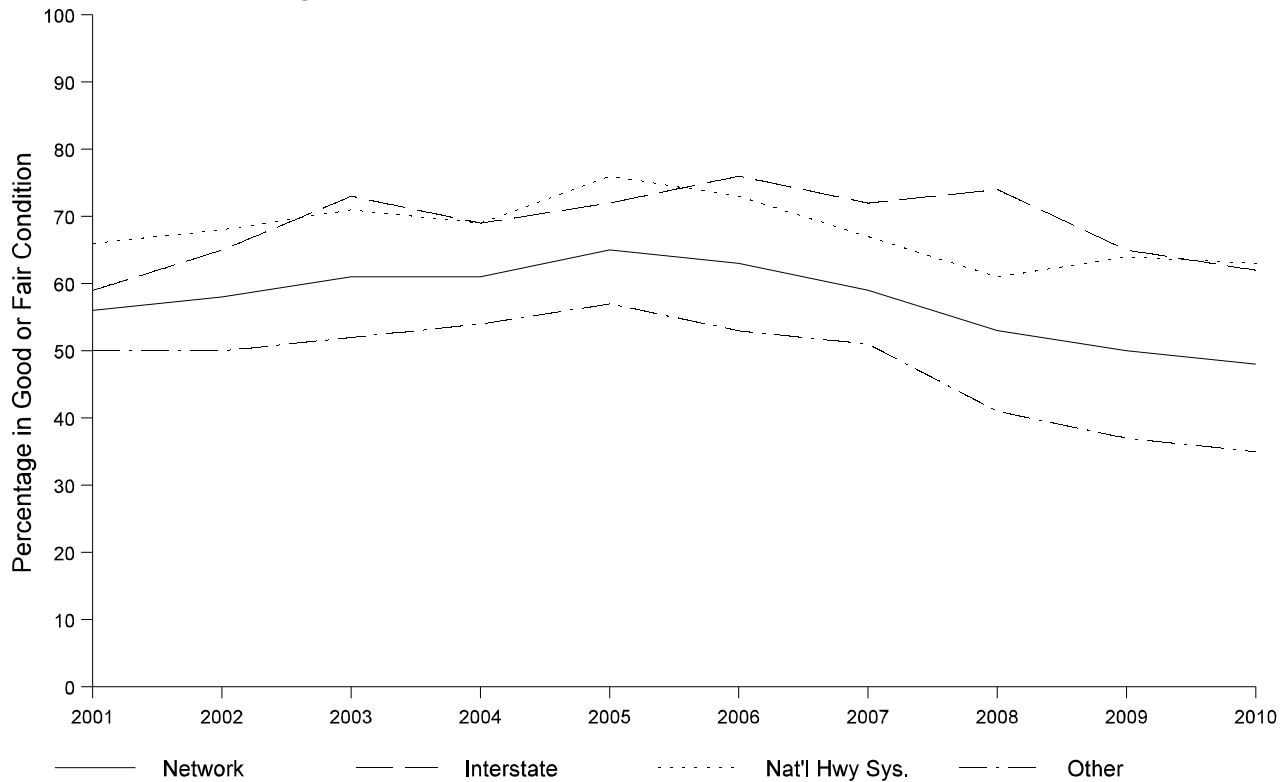
DISCUSSION:

Surface Treatment

The Department measures performance for surface treatment by assessing the percentage of the State Highway System that is in good (at least 11 years of service life remaining), fair (between 6 and 10 years of service life remaining), and poor (less than 6 years of service life remaining) condition.

For the first time since the Department began tracking pavement condition, the Department reports that more than half of the total network (52 percent) is in poor condition. That measure is a compilation for the entire network. As shown in the chart on the following page, current pavement condition depends heavily on the category of roadway in question. For example, 62 percent of the Interstate System in Colorado was rated as in good or fair condition in 2010 but only 35 percent of the Non-Interstate and Non-National Highway System roads (termed "other" in the chart) is currently in good or fair condition.

Percentage of Network in Good or Fair Condition (2001-2010)



As the chart shows, the "Other" category is the only category for which less than half of the system is in good or fair condition, meaning that a majority is in poor condition. The Department has prioritized the maintenance of the Interstate and National Highway System segments, and has kept those systems above 60 percent good-fair (although still below the Transportation Commission's goals for those systems of 85 percent and 70 percent good-fair, respectively). However, this prioritization shows in the deterioration of highways outside of the Interstate and National Highway systems.

Based on anticipated revenue levels, the Department expects continued deterioration of the network as a whole and a continued need to focus available resources on the Interstate System and the National Highway System. The current (FY 2010-11) surface treatment budget is \$101 million. The Department estimates that simply maintaining the current 48 percent good-fair rating would require \$515 million per year (\$414 million above the FY 2010-11 budget), while improving the status of the system would cost even more.

Maintenance Levels of Service

The Department uses Maintenance Levels of Service (MLOS) to track the Department's performance in maintaining the State Highway System and to inform budget decisions. Expressed in a letter grade system from A+ to F-, the system allows the Department and the Transportation Commission to assess past progress, identify the cost required to achieve results, and make tradeoffs to allocate limited resources.

The overall MLOS rating has declined from a B+ in 2001 to a B- in 2010, with seven of the specific categories declining over that time (see table below). The Department's draft budget for FY 2011-12 anticipates further declines six of the nine specific categories, although the overall rating would remain a B-, with Roadway Surface and Snow and Ice Control weighing heavily on the overall rating because of those categories' shares of the MLOS budget.

MLOS Category	2001		2010		2012	
	Budget (millions)	Rating	Budget (millions)	Rating	Draft Budget (millions)	2012 Target
Planning Scheduling and Training	\$7.5	B	\$11.4	C	\$12.6	C
Roadway Surface	39.1	A-	43.8	B+	52.0	B-
Roadside Facilities	15.7	A-	19.0	B+	16.2	C
Roadside Appearance	6.5	B+	8.0	B	7.0	C
Traffic Services	44.8	B	56.0	B-	58.0	C
Structure Maintenance	4.7	C-	8.0	B-	12.0	C+
Snow and Ice Control	37.3	B+	66.6	C+	64.3	B
Rest Areas, Buildings, and Grounds	10.9	C+	13.8	C+	14.0	C
Tunnel Maintenance	4.4	B-	5.2	C+	6.1	C+
Total Budget/Combined Rating	\$170.9	B+	\$231.8	B-	\$242.2	B-

Bridge Condition

The Department reports that bridge condition (measured as the percentage of State Highway System bridge deck in good or fair condition) is holding relatively constant at approximately 95 percent and attributes the ability to sustain that level in FY 2009-10, FY 2010-11, and FY 2011-12 largely to FASTER funding. According to the budget submission, the Department expects condition to begin to deteriorate in about 2016, as the purchasing power of bridge safety surcharge revenues (which are not indexed to inflation) declines. The Department's projections did not incorporate the acceleration of bridge projects as a result of bonding (discussed in the issue paper beginning on page 16 of this document), which would alter the near- and long-term outlook for bridge condition by accelerating investment in bridge repair and reconstruction.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

APPENDIX A: NUMBERS PAGES

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	
	Actual	Actual	Appropriation	Request	Change Request
DEPARTMENT OF TRANSPORTATION					
Russell George, 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 Operations line.

Transportation Commission

Personal Services	88,057	81,859	97,330	76,529
FTE	1.0	1.0	1.0	1.0
Operating Expenses	<u>101,961</u>	<u>73,158</u>	<u>117,602</u>	<u>117,602</u>
Subtotal - Transportation Commission	190,018	155,017	214,932	194,131
FTE	1.0	1.0	1.0	1.0

Office of the Executive Director

Personal Services	365,943	371,536	400,708	526,438
FTE	3.0	3.0	3.0	4.0
Operating Expenses	<u>31,046</u>	<u>22,172</u>	<u>68,452</u>	<u>68,452</u>
Subtotal - Executive Director	396,989	393,708	469,160	594,890
FTE	3.0	3.0	3.0	4.0

Office of Government Relations (previously Policy)

Personal Services	576,377	558,387	585,458	638,091
FTE	6.8	6.8	7.0	8.0

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	
	Actual	Actual	Appropriation	Request	Change Request
Operating Expenses	<u>53,039</u>	<u>28,351</u>	<u>61,514</u>	<u>61,514</u>	
Subtotal - Office of Government Relations	629,416	586,738	646,972	699,605	
FTE	6.8	6.8	7.0	8.0	
Public Relations Office (previously Public Information)					
Personal Services	559,844	577,465	628,383	611,319	
FTE	6.8	8.0	7.0	7.0	
Operating Expenses	<u>79,076</u>	<u>47,500</u>	<u>133,013</u>	<u>133,013</u>	
Subtotal - Office of Public Relations	638,920	624,965	761,396	744,332	
FTE	6.8	8.0	7.0	7.0	
Office of Information Technology					
Personal Services	2,878,421	2,839,497	2,695,689	2,792,971	
FTE	29.8	30.2	0.0	0.0	
Operating Expenses	<u>305,029</u>	<u>417,488</u>	<u>328,008</u>	<u>328,008</u>	
Subtotal - Office of Information Technology	3,183,450	3,256,985	3,023,697	3,120,979	
FTE	29.8	30.2	0.0	0.0	
Office of Financial Management & Budget					
Personal Services	1,001,367	949,373	1,200,595	1,226,699	
FTE	11.8	11.9	13.0	12.0	
Operating Expenses	<u>34,154</u>	<u>17,451</u>	<u>61,709</u>	<u>61,709</u>	
Subtotal - Office of Financial Mgmt. & Budget	1,035,521	966,824	1,262,304	1,288,408	
FTE	11.8	11.9	13.0	12.0	
Accounting Branch (formerly Office of Accounting)					
Personal Services	1,461,480	1,340,980	1,700,163	1,676,444	
FTE	24.0	22.9	26.0	27.0	

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Change Request
	Actual	Actual	Appropriation	Request	
Operating Expenses	<u>75,860</u>	<u>41,313</u>	<u>95,869</u>	<u>95,869</u>	
Subtotal - Accounting Branch	1,537,340	1,382,293	1,796,032	1,772,313	
FTE	24.0	22.9	26.0	27.0	
Chief Engineer and Region Directors					
Personal Services	1,526,492	1,463,264	1,588,210	1,594,828	
FTE	15.0	14.1	15.0	15.0	
Operating Expenses	<u>206,236</u>	<u>132,629</u>	<u>272,628</u>	<u>272,628</u>	
Subtotal - Chief Engineer and Region Directors	1,732,728	1,595,893	1,860,838	1,867,456	
FTE	15.0	14.1	15.0	15.0	
Motor Pool Operations for State Fleet Vehicles (ICF)					
Personal Services	36,325	42,791	88,070	87,140	
FTE	0.4	0.3	2.0	2.0	
Operating Expenses	<u>27,798</u>	<u>89,314</u>	<u>327,616</u>	<u>327,616</u>	
Subtotal - Motor Pool Operations for State Fleet Vehicles	64,123	132,105	415,686	414,756	
FTE	0.4	0.3	2.0	2.0	
Human Resources and Administration					
Personal Services	5,724,368	5,418,151	6,738,027	6,333,989	
FTE	93.1	90.6	111.0	109.0	
Operating Expenses	<u>1,360,332</u>	<u>1,518,130</u>	<u>1,916,610</u>	<u>1,916,610</u>	
Subtotal - Human Resources & Administration	7,084,700	6,936,281	8,654,637	8,250,599	
FTE	93.1	90.6	111.0	109.0	
Division of Audit					
Personal Services	666,007	544,377	698,931	685,726	
FTE	7.5	7.7	7.5	7.5	
Operating Expenses	<u>22,835</u>	<u>20,852</u>	<u>33,290</u>	<u>33,290</u>	

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	
	Actual	Actual	Appropriation	Request	Change Request
Subtotal - Division of Audit	688,842	565,229	732,221	719,016	
FTE	7.5	7.7	7.5	7.5	
					<i>% Change Req. vs. Approp.</i>
SUBTOTAL - Administration	<u>17,182,047</u>	<u>16,596,038</u>	<u>19,837,875</u>	<u>19,666,485</u>	-0.9%
Personal Services	14,884,681	14,187,680	16,421,564	16,250,174	-1.0%
FTE	199.2	196.5	192.5	192.5	0.0%
Operating Expenses	2,297,366	2,408,358	3,416,311	3,416,311	0.0%
Miscellaneous Administration Accounts					
Statewide Indirect Costs					
State Highway Funds	556,141	116,746	123,805	139,546	
Legal Services (6,580 hours)	494,158	463,505	482,775	482,775	
Risk Management - General Insurance	4,125,757	3,292,870	1,042,310	3,335,827	
Workers' Compensation	<u>387,629</u>	<u>422,041</u>	<u>428,136</u>	<u>500,954</u>	
					<i>% Change Req. vs. Approp.</i>
Subtotal - Miscellaneous	5,563,685	4,295,162	2,077,026	4,459,102	114.7%
Centrally Appropriated Personal Services					
Salary Survey Increases	530,595	0	0	0	
Performance-based Pay Awards	182,224	0	0	0	
Shift Differential	22,686	0	20,306	22,105	
Health/Life/Dental	933,620	1,061,469	1,120,523	1,299,120	
Short Term Disability	16,296	18,827	20,691	19,972	
S.B. 04-257 Amortization Equalization Disbursement	210,189	244,901	320,375	391,861	
S.B. 06-235 Supplemental Amortization Equalization					

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	
	Actual	Actual	Appropriation	Request	Change Request
Disbursement	<u>95,878</u>	<u>153,065</u>	233,607	310,337	
					<i>% Change Req. vs. Approp.</i>
Subtotal - Central Pots	1,991,489	1,478,262	1,715,502	2,043,395	19.1%
Administration - Subtotal	<u>24,737,221</u>	<u>22,369,462</u>	<u>23,630,403</u>	<u>26,168,982</u>	
Personal Services	14,884,681	14,187,680	16,421,564	16,250,174	
Operating & Travel	2,297,366	2,408,358	3,416,311	3,416,311	
Miscellaneous	5,563,685	4,295,162	2,077,026	4,459,102	
Central Pots	1,991,489	1,478,262	1,715,502	2,043,395	
					<i>% Change Req. vs. Approp.</i>
TOTAL - Administration	24,737,221	22,369,462	23,630,403	26,168,982	10.7%
FTE	199.2	196.5	192.5	192.5	0.0%
Internal Cash Funding (Print Shop and Vehicle Maint) (CFE/RF)	1,299,800	1,420,390	1,970,349	1,978,254	
FTE	11.8	12.0	15.0	15.0	
					<i>% Change Req. vs. Approp.</i>
APPROPRIATED LEVEL - ADMINISTRATION	24,737,221	22,369,462	23,630,403	26,168,982	10.7%
FTE	199.2	196.5	192.5	192.5	0.0%
State Highway Funds (CFE/CF)	23,437,421	20,949,072	21,660,054	24,190,728	11.7%
FTE	187.4	184.5	177.5	177.5	0.0%
Internal Cash Funds (CFE/RF)	1,299,800	1,420,390	1,970,349	1,978,254	0.4%
FTE	11.8	12.0	15.0	15.0	0.0%

(2) CONSTRUCTION, MAINTENANCE, AND OPERATIONS

Includes non-appropriated revenues to the Transportation Commission, which consists of eleven members responsible for formulating state policy with respect to the management construction, and maintenance of state highways and transportation systems; advising and making recommendations relative to transportation policy; and adopting budget and programs. Also includes the Division of Aeronautics, which works with local airports to improve state air transportation planning, operations, and safety. H.B. 06-1244 transferred appropriation authority for the Division of Aeronautics administrative budget from the General Assembly to the Transportation Commission. Totals in this line item represent non-appropriated funds.

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Change Request
	Actual	Actual	Appropriation	Request	
Construction and Maintenance & Operations	1,332,550,365	1,113,950,863	933,454,899	1,016,704,523	
FTE	<u>3,142.3</u>	<u>3,142.3</u>	<u>3,114</u>	<u>3,122.0</u>	
CF - Local Funds, Aeronautics, LEAF, MOST, Misc.	2,188,880	2,400,735	103,285,658	70,033,983	
CFE/ CF - SHF (HUTF)	821,954,651	675,893,025	458,052,049	511,731,482	
CFE/ RF - Internal Cash Funds & HUTF from Public Safety in 10-	1,322,928	962,726	3,015,804	3,015,804	
Federal Funds	507,083,906	434,694,377	369,101,388	431,923,254	

(3) HIGH PERFORMANCE TRANSPORTATION ENTERPRISE

This program was created pursuant to S.B. 02-179 and H.B. 02-1310 and is reflected for informational purposes only.

High Performance Transportation Enterprise Total	1,558,900	1,726,445	2,500,000	2,500,000	
FTE	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	
Cash Funds - Tolling Cash Funds	1,558,900	1,726,445	2,500,000	2,500,000	
Cash Funds Exempt/RF	0	0	0	0	

(4) FIRST TIME DRUNK DRIVING OFFENDER 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.

First Time Drunk Driving Offender Account - Cash Funds	0	889,747	1,000,000	1,000,000	
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(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.

Statewide Bridge Enterprise - CF	0	2,377,264	71,831,867	91,800,000	
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(6) GAMING IMPACTS - CF

This program provides for construction and maintenance of roads related to increased traffic in communities with limited gaming activities.

Gaming Impacts Total	<u>24,029,827</u>	<u>4,363,725</u>	<u>0</u>	<u>0</u>	
Cash Funds	24,029,827	4,363,725	0	0	
Cash Funds Exempt/RF	0	0	0	0	

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	
	Actual	Actual	Appropriation	Request	Change Request
TOTAL - DEPARTMENT OF TRANSPORTATION APPROPRIATED AND NON-APPROPRIATED					<i>% Change Req. vs. Approp.</i>
DEPARTMENT TOTALS	1,382,876,313	1,145,677,506	1,032,417,169	1,138,173,505	10.2%
FTE	<u>3,342.5</u>	<u>3,339.8</u>	<u>3,307.5</u>	<u>3,315.5</u>	0.2%
Cash Funds	873,169,679	708,600,013	658,329,628	701,256,193	6.5%
Cash Funds Exempt/RF	2,622,728	2,383,116	4,986,153	4,994,058	0.2%
Federal Funds	507,083,906	434,694,377	369,101,388	431,923,254	17.0%

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **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.
- ❑ **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 Highway Users Tax Fund.
- 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.

**FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Transportation**

**APPENDIX C: UPDATE OF FY 2010-11
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

The Department did not have any Long Bill footnotes in FY 2010-11.

Requests for Information

- 1 All Departments, Totals** - Every department is requested to submit to the Joint Budget Committee, by November 1, 2010, information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2009-10. 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 2010-11.

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

- 60 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 Joint Budget Committee personal services common policy calculations. 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 information currently supplied.

Comment: The Department complied with this request for information. While it was not supplied with the November 1, 2010, budget submission, the Department provided it upon staff's request.

- 61 Department of Transportation, Administration** -- By August 1, 2010, the Department is requested to provide a report to the Joint Budget Committee regarding the effectiveness of the expansion of the Office of Organizational Learning and Development in reducing turnover and increasing retention of Department staff.

Comment: The Department complied with this request and submitted the requested report. The Department reports that only 0.5 FTE of the 2.5 FTE authorized through the FY 2008-09 decision item have been hired and attributes the delay to internal and statewide hiring freezes. Departmental management has now authorized the hiring of 1.0 additional FTE. Because the

Department has not hired the appropriated staff and has not implemented the decision item, the report did not include information on the effectiveness of the initiative in reducing turnover.

- 72 Department of Transportation, Administration** -- The Department is requested to submit, with the November 1, 2010 budget request, decision items for any changes made within the Administration program line during either FY 2009-10 or FY 2010-11 that the Department wishes to have recognized during the FY 2011-12 figure setting process.

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