JOINT BUDGET COMMITTEE

STAFF BUDGET BRIEFING
FY 2019-20

DEPARTMENT OF TRANSPORTATION

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
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CONTENTS

DEPARTMENT OF TRANSPORTATION

DEPARTMENT OVERVIEW

The Colorado Department of Transportation (CDOT) is primarily responsible for the construction, maintenance, and operation of Colorado's state highway system, with additional responsibilities relating to aviation, inter-regional bus service, new multimodal funding, and other state transportation systems. Most policy and budget authority for the Department rests with the Transportation Commission, which is composed of eleven governor-appointed members who represent specific districts around the state. Department staff provide support to the Commission as it adopts budgets, establishes policies, and implements Commission decisions.

CDOT's specific duties include:

- Operation of the over 9,100 center-lane mile state highway system, including 3,439 bridges and over 28.0 billion miles of vehicle travel;
- Management of statewide highway construction projects;
- 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; and
- Maintenance of the statewide aviation system plan, including 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.

Funds controlled by the Transportation Commission are reflected for informational purposes in three Long Bill line items:

- Construction, Maintenance, and Operations;
- The High Performance Transportation Enterprise; and
- The Statewide Bridge Enterprise.

The appropriations in the Long Bill for these line items are estimates of the anticipated revenues available to the Commission.

The General Assembly appropriates funding for
- The Administration Division, which is primarily funded from the State Highway Fund;
- Transportation programs supported by the new Multimodal Transportation Options Fund;

- The Southwest Chief Rail Commission, which is funded from the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund (Southwest Chief Rail Fund),
- The First Time Drunk Driving Offenders Account, which is funded with driver's license reinstatement fees connected with alcohol-related driving offenses; and
- The Marijuana Impaired Driving Program, which is funded from the Marijuana Tax Cash Fund;

Finally, the General Assembly has statutory oversight of transportation revenue-raising measures and approval of the Governor's appointments to the Transportation Commission.

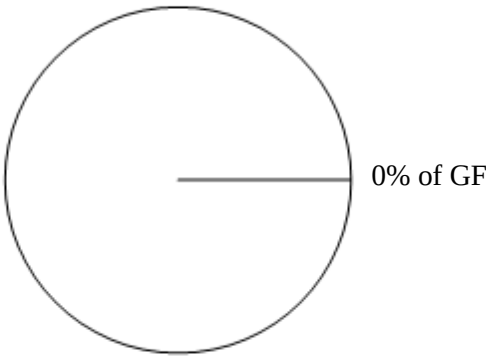
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 *
General Fund	$0	$0	$0	$0
Cash Funds	747,975,934	851,844,882	1,134,947,195	1,461,433,079
Reappropriated Funds	5,866,138	8,552,189	6,672,645	7,078,096
Federal Funds	650,882,799	718,109,752	611,918,704	621,466,824
TOTAL FUNDS	**$1,404,724,871**	**$1,578,506,823**	**$1,753,538,544**	**$2,089,977,999**
Full Time Equiv. Staff	3,326.8	3,326.8	3,326.8	3,327.4

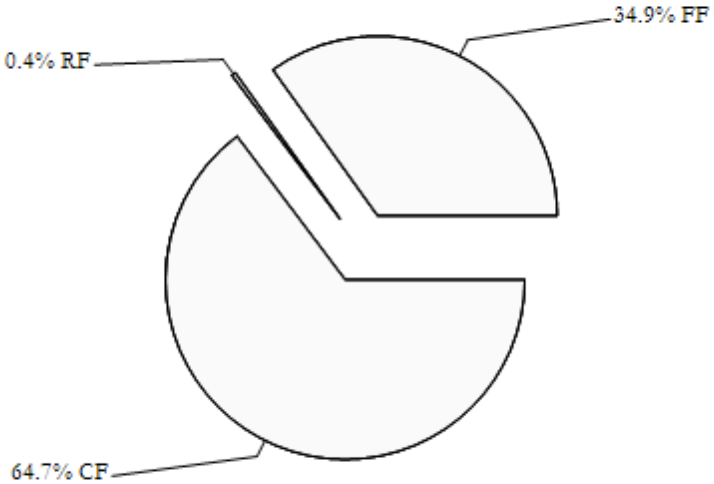
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund



Department Funding Sources

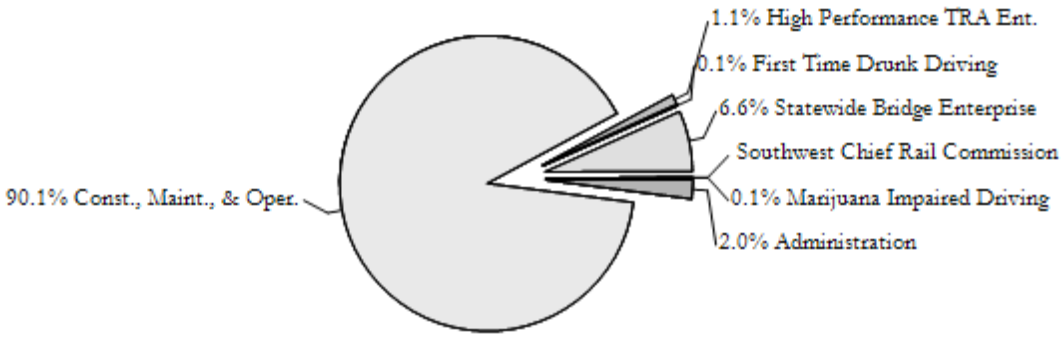


All charts are based on the FY 2018-19 appropriation.

Distribution of General Fund by Division

The Department of Transportation does not receive General Fund appropriations. Funding received pursuant to S.B. 09-228, H.B. 16-1416, and S.B. 17-262, S.B. 17-267 and S.B. 18-001 is received through General Fund transfers, not from General Fund appropriations.

Distribution of Total Funds by Division



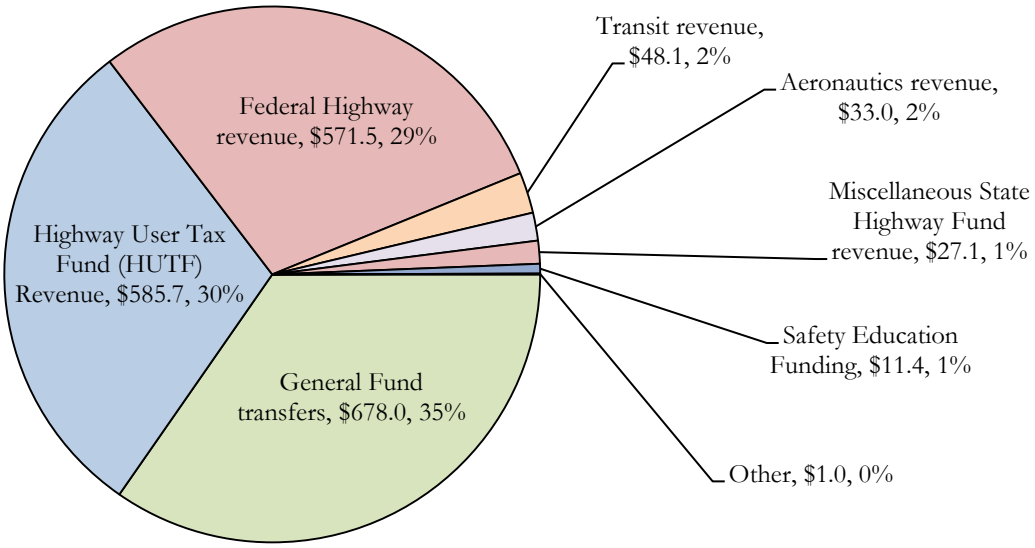
All charts are based on the FY 2018-19 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

As the Department of Transportation's deficit reports show, CDOT has a large backlog of work to do on state highways. As a result, CDOT spending is largely determined by available funding. If more funding becomes available, CDOT will usually put it to use. The following chart, based on CDOT's November 15, 2018 Proposed Budget Plan for FY 2019-20, shows the projected revenue from CDOT's various funding sources for the fiscal year, FY 2019-20, in millions of dollars.

Figure 1

CDOT Revenue Estimate, $ millions, FY 2019-20



The General Fund transfers in Figure 1 are based on current law and assume that the ballot measure that S.B. 18-001 refers to voters in 2019 fails. If the ballot measure succeeds, then FY 2019-20 General Fund transfers to CDOT will be $72.6 million higher than shown in the pie chart and CDOT will be able to issue up to $2.34 billion of Transportation Revenue Anticipation Notes (TRANs), possibly beginning in FY 2019-20. (The additional General Fund transfers are designed to help CDOT with the debt payments on the TRANs bonds.)

What does the General Assembly control? Almost all of the revenue sources shown in Figure 1 are continuously appropriated to the Department by constitutional and statutory provisions. Budget decisions concerning these continuously appropriated items are mostly made by the Transportation Commission, which, working within the framework established by statute, decides such things as how much to spend on new construction and how much to spend on maintenance. The CDOT programs that these revenues fund are included in the Long Bill, but are presented for "informational purposes" only, which means that the General Assembly does not control these amounts.

The General Assembly does appropriate the following Long Bill items, which together make up 2.0 percent of the Department's total budget request. The amounts in parentheses are the Department's FY 2019-20 request.

- Administration ($38.2 million requested for FY 2019-20),
- First Time Drunk Driving Offenders Account spending ($1,500,000),
- Marijuana Impaired Driving Program spending ($950,000),
- Southwest Chief Rail Commission spending ($1,480,447), and
- Multimodal Transportation Options Fund spending (no request for FY 2019-20).

The Administration Division is the largest component of the CDOT budget that's controlled by annual appropriations. Section 43-1-113 (3) (a), C.R.S., creates the Administration Division line item and Section 43-1-113 (2) (c) (III), C.R.S., specifies that it consist of the expenditures for the salaries and expenses of the following offices and divisions:

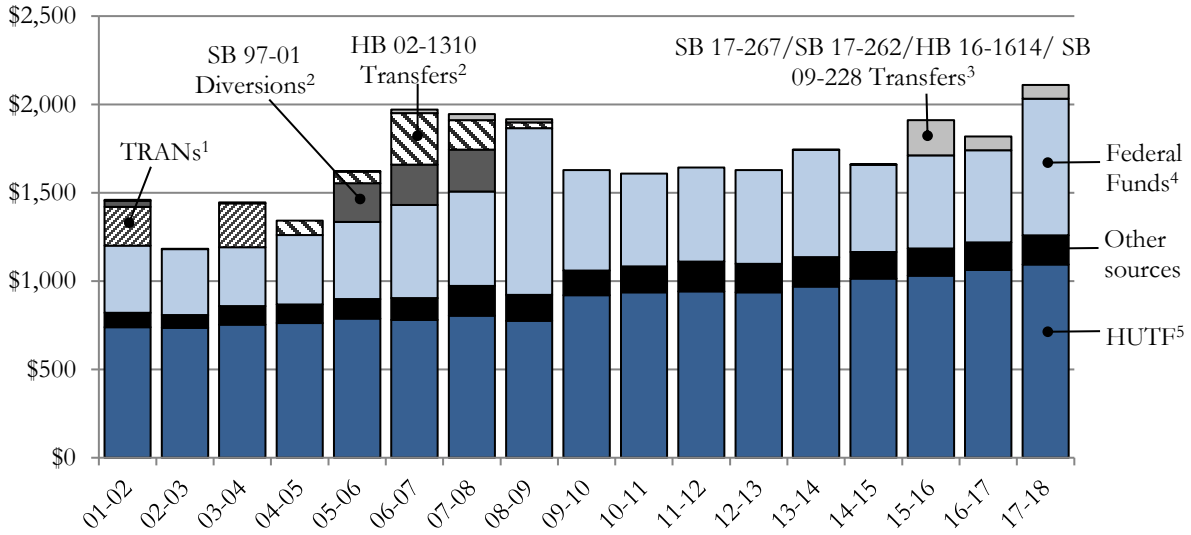
- Transportation Commission
- Executive Director
- Chief Engineer
- District engineers
- Budget
- Internal audits
- Public relations
- Equal employment
- Accounting
- Administrative services
- Building operations
- Management systems
- Personnel
- Procurement
- Insurance
- Legal
- Central data processing

Statute further requires that the specified expenditures be contained in a single Long Bill line that "shall not be identified by project, program, or district." This means that the General Assembly controls the Administration total, but CDOT has the discretion to move funds among any of the components of that appropriation, for example from Internal Audit to Legal. Section 43-1-113 (6) (a), C.R.S., limits expenditures of the Administration line item to no more than 5.0 percent of the total CDOT budget; CDOT's FY 2019-20 request for the Administration Division is less than 2% of the total request.

CDOT TOTAL FUNDING TRENDS

As shown in the following diagram, which is based on a January 2017 Legislative Council Staff publication, total funding for CDOT has fluctuated since FY 2001-02, primarily due to changing revenue from federal sources and changing transfers from the General Fund.

Figure 3
Major Sources of Funding for CDOT since FY 2001-02



[1] CDOT sold Transportation Revenue Anticipation Notes (TRANs) seven times from 2000 to 2004 and again in 2011 and 2013. The 2011 and 2013 sales and some of the 2000 to 2004 sales refinanced earlier TRANs borrowing. Net borrowing totaled $1,488,500,000. The notes have been repaid; interest payments totaled $600,111,922 but the corresponding reduction in available resources is not shown in the chart. This chart does not include other CDOT borrowing, such as the $300 million that the Bridge Enterprise borrowed in 2010.
[2] Senate Bill 97-01 and House Bill 02-1310 transfers were repealed in 2009 by S.B. 09-228.
[3] House Bill 16-1416 replaced the first two years of Senate Bill 09-228 transfers with fixed dollar amounts.
[4] Federal funds include $404.2 million in American Recovery and Reinvestment Act (ARRA) funds in FY 2008-09.
[5] HUTF revenue includes additional registration fees pursuant to Senate Bill 09-108 (FASTER) beginning in FY 09-10.

HUTF FUNDING

As Figure 3 demonstrates, in most years the Highway Users Tax Fund (HUTF) is the most important source of CDOT revenue. CDOT is actually one of several recipients of HUTF revenue. This section looks at overall HUTF revenue and how it is allocated.

The most important sources of the HUTF revenue that the state collects are:

- Motor fuel taxes,
- Registration fees for motor vehicles, which are based on vehicle age and weight, and
- Road safety surcharges, which are paid when vehicles are registered.

The following table shows projected HUTF revenues for FY 2019-20.

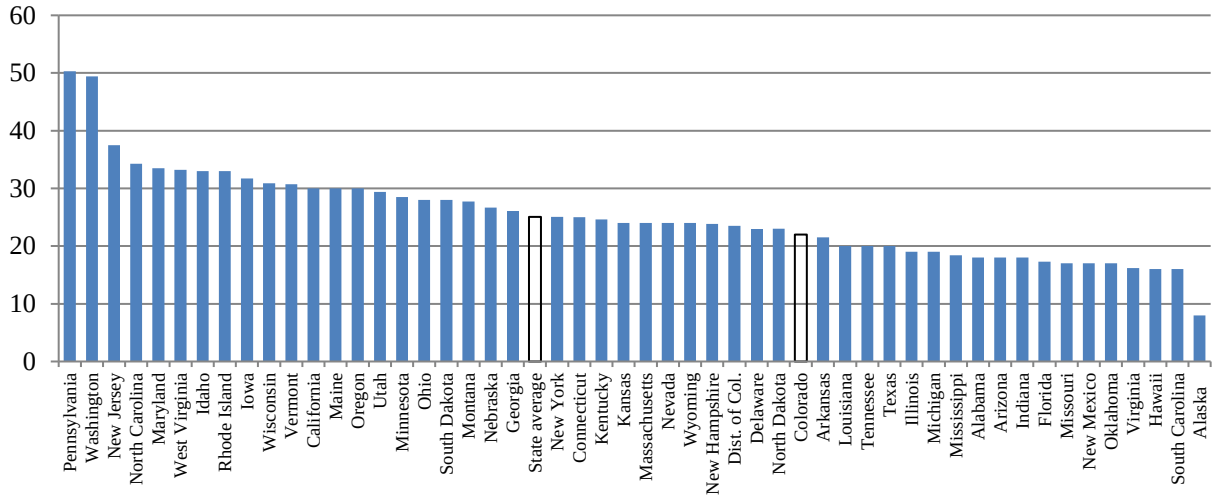
HUTF Funding Source	FY 2019-20 Revenue Estimate ($ million)	Percent of Total
Motor Fuel Tax	626.0	57.4%
Motor Vehicle Registration	230.0	21.1%
SB 09-108 Road Safety Surcharges	140.0	12.8%
Other Miscellaneous HUTF	34.4	3.2%
SB 09-108 Late Registration Fees	21.8	2.0%
SB 09-108 Daily Vehicle Rental Fees	37.0	3.4%
SB 09-108 Oversize/Overweight Vehicle Surcharges	1.1	0.1%

HUTF Funding Source	FY 2019-20 Revenue Estimate ($ million)	Percent of Total
TOTAL	**1,090.3**	**100.0%**

The revenues labeled "SB 09-108" in the table are "FASTER" revenues that were added by that bill, which will be discussed later. The motor fuel taxes that make up more than half of HUTF revenue come from the State's 22¢ per gallon gasoline excise tax and 20.5¢ per gallon diesel excise tax. These rates have not changed since 1992, as shown in Appendix D. The following chart, based on data from the Federal Highway Administration that is presented in Appendix F, compares Colorado's gas tax rate with the rates of other states.

Figure 4

State Gas Taxes in Cents Per Gallon, Dec. 2016

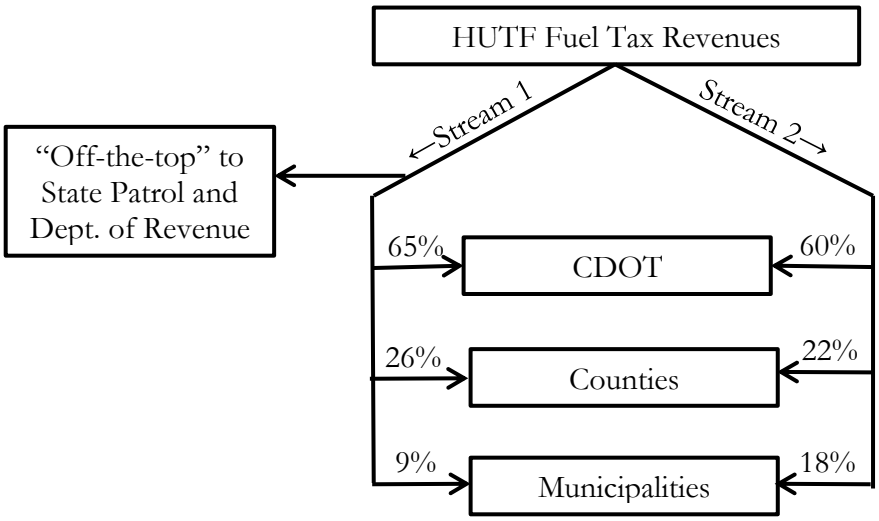


CDOT notes that the purchasing power of Colorado's fuel excise tax revenue has decreased due to a combination of increased fuel efficiency, which results in lower tax revenue per vehicle mile, and increased construction costs. According to the Department, increases in construction costs, as measured by the Department's Construction Cost Index, have outpaced both the Department's revenues and general inflation.

Article X, Section 18 of the Colorado Constitution requires that motor fuel taxes and vehicle registration fees be used exclusively for the construction, maintenance, and supervision of the state highway system. Colorado courts have said that this implies continuous appropriation authority over these funds for CDOT. (Johnson v. McDonald, 97 Colo 324, 49 P.2nd 1017 (1935)).

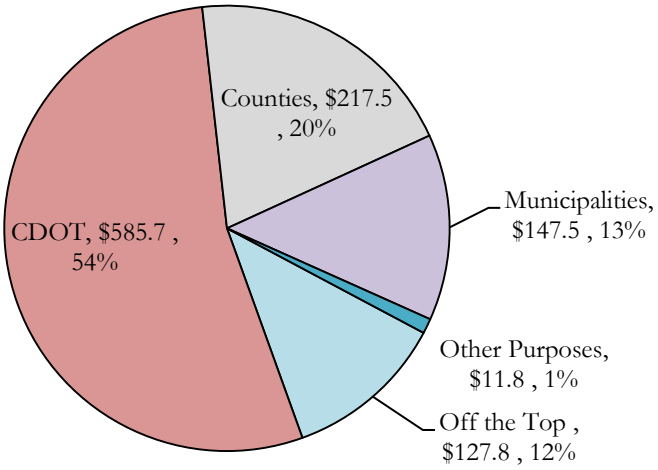
Formulas in Sections 43-4-205 through 43-4-208, C.R.S., divide HUTF fuel tax revenue into two "streams" that are allocated to CDOT, counties, and municipalities in differing proportions as shown in the following diagram. Stream 1 consists of the first 7¢ of fuel excise taxes, registration fees, plus other HUTF receipts like vehicle title and registration fees, and license plate fees. Stream 2 consists of fuel taxes in excess of 7¢, license fees, and FASTER registration fees (discussed later).

Figure 5. Distribution of HUTF Revenue



Prior to distribution of Stream 1, "off-the-top" appropriations are made to the Department of Revenue, for highway-related functions, and to the Department of Public Safety, for the State Patrol. In FY 2019-20 these formulas are projected to result in the following distribution of HUTF revenue (in $ millions):

Figure 6. Projected FY 2019-20 HUTF Distributions ($ million)



The State Highway Fund. Section 43-1-219, C.R.S., requires the Treasurer to transfer HUTF revenues that are earmarked for the Department of Transportation to the State Highway Fund and continuously appropriates the balance in the State Highway Fund to CDOT. The State Highway Fund is the principal fund from which CDOT expends state moneys.

SENATE BILL 09-108 (FASTER)

Senate Bill 09-108 (FASTER, Funding Advancement for Surface Transportation and Economic Recovery) altered the structure of the Department of Transportation by creating two TABOR enterprises within the Department and authorized new transportation revenue sources.

FASTER REVENUES

The FASTER bill added the following new revenue sources.

- Road safety and bridge safety surcharges, which depend on vehicle weight and are collected through the same mechanism used for payment of registration fees and specific ownership taxes;
- A supplemental oversize/overweight vehicle surcharge;
- A daily fee for the use of a rented motor vehicle;
- An increased fee for the late registration of a motor vehicle; and
- An increased unregistered vehicle fine.

Projected FY 2019-20 revenues from several of these fees are presented in the earlier HUTF Funding Sources table.

About two thirds of the FASTER revenue goes to the HUTF and most of the remainder goes to the Bridge Special Fund created by S.B. 09-108. The FASTER proceeds that go to the HUTF are distributed 60.0 percent to CDOT, 22.0 percent to counties, and 18.0 percent to municipalities. They are not subject to "off-the-top" appropriations. Prior to enactment of FASTER, motor fuel taxes accounted for more than 70.0 percent of total HUTF revenues. Following passage of FASTER, the share declined to about 60.0 percent.

FASTER STATEWIDE BRIDGE ENTERPRISE

FASTER's Bridge Safety Surcharge revenues are credited to the Statewide Bridge Enterprise Special Revenue Fund and are used for the repair and rehabilitation of bridges rated as "poor[1]", functionally obsolete, or structurally deficient. This dedicated fund is managed by the Statewide Bridge Enterprise. The board of directors for the Enterprise consists of members also on the Transportation Commission.

FASTER HIGH-PERFORMANCE TRANSPORTATION ENTERPRISE (HPTE)

FASTER replaced the former Statewide Tolling Enterprise with the High-Performance Transportation Enterprise (HPTE). The HPTE has expanded authority to pursue innovative methods of financing the state's transportation system, including:

- Public-private partnerships;
- Operating concession agreements;
- User fee-based project financing;
- Availability payments; and
- Design-build contracting.

[1] The condition of the parts of a bridge are rated on a scale of 0 to 9 (9 = "excellent"). The bridge is rated on deck (riding surface), superstructure (supports immediately beneath the driving surface), substructure (foundation and supporting posts and piers), and culvert. The bridge is classified as "poor" if the lowest rating is 4 or less.

FASTER authorizes the HPTE to use road pricing on existing highway capacity as a congestion management tool if the Enterprise secures federal approval and the approval of all affected local governments. The Enterprise is governed by a seven-member board consisting of four appointees of the Governor and three members of the Transportation Commission. Both the Statewide Bridge Enterprise and the High Performance Transportation Enterprise are authorized to issue revenue bonds backed by their respective revenues.

FEDERAL FUNDS

CDOT receives federal funding for four purposes: 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 and fluctuations in federal funds have a substantial impact on the Department's annual budget.

As shown in Appendix E, federal fuel tax rates have not changed since the 1990's. The federal rate equals 18.4¢ per gallon for gasoline and 24.4¢ per gallon for diesel. Taken together, the total excise taxes for Colorado are 40.4¢ per gallon for gas and 44.9¢ per gallon for diesel.

The following table shows the federal funding that Colorado has received in recent years.

Federal Funding to CDOT ($ millions)

Federal Program[1]	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Forecast
FHWA	$568.8	$349.3	$472.0	$514.3	$606.5	$656.4	$672.5	$620.0	$523.5	$536.4
FTA	13.3	13.2	12.8	15.7	16	20.4	18.9	24.5	20.9	26.2
FAA	0.3	0.2	0.3	0.3	0.1	0.2	0.3	0	0	0
NHTSA	6.3	6.3	7.1	7.9	1.7	8	9.1	8.6	8.8	8.1
ARRA	12.5	0	0	0	0	0	0	0	0	0
Total	**$601.2**	**$369.0**	**$492.2**	**$538.2**	**$624.3**	**$685.0**	**$700.8**	**$653.1**	**$553.2**	**$570.7**

[1] FHWA - Federal Highway Administration; FTA - Federal Transit Administration; FAA - Federal Aviation Administration; NHTSA - National Highway Traffic Safety Administration; ARRA - American Recovery and Reinvestment Act of 2009

GENERAL FUND AND OTHER STATE SUPPORT FOR CDOT

Since at least the 1970's, the General Assembly has approved bills that provide CDOT with additional funding, sometimes through transfers from the General Fund and sometimes by other means. These included diversions of sales and use taxes from the General Fund to the HUTF pursuant to S.B. 97-001[2] (known as "SB 1 funding"); Limited Gaming Fund appropriations to the HUTF, which diverted cash funds that would otherwise be credited to the Clean Energy Fund; and H.B. 02-1310[3] funding that directed two-thirds of the year-end General Fund surplus to the HUTF. House Bill 99-1325 (which received approval in a voter referendum) permitted the Department to

[2] S.B. 97-1 diverted to the HUTF 10 percent of state sales and use tax revenue when General Fund revenue was sufficient to fund TABOR refunds, the statutory reserve, and a 6 percent increase in General Fund appropriations. It was repealed by S.B. 09-228.

[3] H.B. 02-1310 transferred to the HUTF two thirds of the excess General Fund reserve remaining after TABOR refunds, the statutory reserve, a 6 percent increase in General Fund appropriations, and the SB 97-1 diversion. It was repealed by S.B. 09-228.

issue TRANs bonds (Tax Revenue Anticipation Notes) to accelerate projects and to use future federal and state revenues to pay back note holders over time.

The capital construction portion of the Long Bill has also included appropriations to CDOT from the Capital Construction Fund. These appropriations trace ultimately to the General Fund. The FY 2017-18 Long Bill included a $500,000 Capital Construction appropriation for highway construction projects and Long Bills back to at least FY 2010-11 have contained identical appropriations. In earlier years, these appropriations were sometimes larger: $15 million for FY 2006-07 and $20 million in FY 07-08.

SENATE BILL 09-228, H.B. 16-1416, AND S.B. 17-262

In 2009, the General Assembly enacted S.B. 09-228 (Flexibility to Use State Revenues), which repealed the General Fund transfers associated with S.B. 97-001 and H.B. 02-1310. The bill required that five annual transfers[4] be made from the General Fund to the HUTF beginning one year after state personal income first grew at a rate of five percent or higher in a calendar year (but not before FY 2012-13). Colorado achieved this growth rate in 2014, triggering the five transfers beginning in FY 2015-16. The transfers, which equaled two percent of total General Fund revenue, would continue even if personal income growth fell beneath five percent, but could be reduced by half or eliminated if state revenues grew by more than the rate of population growth plus inflation and created a sufficiently large TABOR surplus. More specifically, transfers to the HUTF in a given fiscal year were to be cut in half if the TABOR surplus during that fiscal year was between 1.0 and 3.0 percent of General Fund revenue and were to be eliminated if the surplus exceeded 3.0 percent of General Fund revenue. A TABOR surplus less than 1.0 percent of General Fund revenue would not affect the transfers.

TABOR REFUND (AS PERCENTAGE OF STATE GF REVENUE)	S.B. 09-228 HUTF TRANSFER (AS PERCENTAGE OF STATE GF REVENUE)
< 1.0%	2.0%
1.0% - 3.0%	1.0%
> 3.0%	No Transfer

House Bill 16-1416 (State Infrastructure General Fund Transfers, a JBC bill) replaced the S.B. 09-228 HUTF transfer formulas with specified transfers for the first two years: $199.2 million for FY 2015-16 and $158.0 million for FY 2016-17. House Bill 16-1416 did not alter the FY 2017-18, FY 2018-19, or FY 2019-20 transfer formulas in S.B. 09-228.

Senate Bill 17-262 (HUTF and Capital Construction Fund Transfers, a JBC bill) modified the HUTF transfers for FY 2016-17 and subsequent years, reducing the FY 2016-17 transfer from $158.0 million to $79.0 million. For FY 2017-18 the transfer remained $79.0 million but in FY 2018-19 and FY 2019-20 it equaled $160.0 million.

SENATE BILL 17-267

Senate Bill 17-267 (Sustainability of Rural Colorado) further modified the transfers from the General Fund to the HUTF by eliminating the $160.0 million FY 2018-19 and FY 2019-20 transfers.

[4] The transfers could not begin before FY 2012-13. Transferred HUTF funds were required to be expended for the implementation of the Strategic Transportation Project Investment Program (a collection of projects selected by the Transportation Commission) with no more than 90 percent spent for highway purposes and at least 10 percent for transit purposes.

In combination, S.B. 09-228, H.B. 16-1416, S.B. 17-262, and S.B. 17-267 have created the following General Fund to HUTF transfers (which are contained in Section 24-75-219):

S.B. 09-228, H.B. 16-1416, S.B. 17-262, and S.B. 17-267 TRANSFERS TO HUTF IN $ MILLIONS				
FY 2015-16 Transfer already made	FY 2016-17 Transfer already made	FY 2017-18 Transfer to be made	FY 2018-19 Transfer	FY 2019-20 Transfer
$199.2	$79.0	$79.0	$0	$0

General Fund transfers of $60 million to the *Capital Construction Fund* still occur in Fiscal Years 2018-19 and 2019-20; they were not altered by S.B. 17-267.

Other provisions of S.B. 17=267 are discussed in the Second Issue.

SENATE BILL 18-001

Senate Bill 18-001 (Transportation Infrastructure Funding) provided additional funding for transportation and may alter the lease-purchase provisions of S.B. 17-267.

On July 1 of FY 2018-19 the bill transfers $495.0 million from the General Fund to funds that support state and local transportation projects, with 70 percent ($346.5 million) going to the State Highway Fund, 15 percent ($74.25 million) to a new Multimodal Transportation Options Fund ("Multimodal Fund"), and 15 percent to the Highway Users Tax Fund (HUTF) for distribution to counties and municipalities. Of the $74.25 million transferred to the Multimodal Fund, $2.5 million is subsequently transferred to the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund.

On July 1 of FY 2019-20 the bill transfers an additional $150.0 million from the General Fund, with $105.0 million going to the State Highway Fund, $22.5 million to the Multimodal Fund, and $22.5 million to the HUTF for counties and municipalities.

Other provisions in the bill were contingent on passage of Propositions 109 and/or 110 at the 2018 election. These provisions are discussed at more length in the second Issue.

SUMMARY: FY 2018-19 APPROPRIATION & FY 2019-20 REQUEST

DEPARTMENT OF TRANSPORTATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION:						
HB 18-1322 (Long Bill)	$1,753,538,544	0	$1,134,947,195	$6,672,645	$611,918,704	3,326.8
TOTAL	**$1,753,538,544**	**$0**	**$1,134,947,195**	**$6,672,645**	**$611,918,704**	**3,326.8**
FY 2019-20 REQUESTED APPROPRIATION:						
FY 2018-19 Appropriation	$1,753,538,544	0	$1,134,947,195	$6,672,645	$611,918,704	3,326.8
Adjustments in Administration Division						
A. Non prioritized common policies	3,989,391	0	3,989,391	0	0	0.0
B. Annualize Administration share of prior budget actions	339,690	0	339,690	0	0	0.0
C. Annualize Administration share of prior legislation	29,952	0	29,952	0	0	0.0
D. Administration share of centrally appropriated line items	(1,985,916)	0	(1,985,867)	(49)	0	0.0
Adjustments in CM&O and the Enterprises*						
E. Revenue adjustments for CM&O Division	335,386,702	0	325,838,582	0	9,548,120	0.0
F. Revenue adjustments for enterprises	(729,887)	0	(729,887)	0	0	0.0
G. Adjust CM&O expenditure to reflect Administration and Enterprise changes	(2,394,609)	0	(2,394,609)	0	0	0.0
H. Increase fees CM&O pays HPTE* for services	405,500	0	0	405,500	0	0.0
I. Annualize prior legislation for the enterprises	18,185	0	18,185	0	0	0.0
Adjustments elsewhere						
J. R2 Southwest Chief and Front Range Rail Commission	1,380,447	0	1,380,447	0	0	0.6
K. R1 First time drunk driver program stability	0	0	0	0	0	0.0
TOTAL	**$2,089,977,999**	**$0**	**$1,461,433,079**	**$7,078,096**	**$621,466,824**	**3,327.4**
INCREASE/(DECREASE)	$336,439,455	$0	$326,485,884	$405,451	$9,548,120	0.6
Percentage Change	19.2%	0.0%	28.8%	6.1%	1.6%	0.0%

* CM&O = Construction, Maintenance, and Operations Division,
The Enterprises are the High Performance Transportation Enterprise Division and the Bridge Enterprise Division,
HPTE = High Performance Transportation Enterprise Division.

DESCRIPTION OF REQUESTED CHANGES

The CDOT *Summary of Appropriation and Request* table works differently from the summary tables that the Committee sees for other departments. In the CDOT table, the appropriation in the FY 2019-20 TOTAL row is largely determined by the revenue that CDOT will receive during FY 2019-20 from fuel taxes, federal grants, and other sources. This revenue will not be altered by an increase or decrease of many of the adjustments listed in the table. If one of the adjustment factors increases, another will usually decrease by an offsetting amount, leaving the 2019-20 TOTAL unchanged. In the *Summary of Appropriation and Request* tables for most other Departments, when one adjustment factor rises, the FY 2019-20 TOTAL increases by the same amount. Not so with CDOT. Suppose, for example, that the Committee decided to decrease item A in the above table (the OIT common

policy requests) by $1 million. This would free $1 million that the Department would almost surely use to increase item F in the Construction, Maintenance, and Operations (CM&O) Division by $1 million. The FY 2019-20 TOTAL would be unchanged.

However, a few of the adjustment factors in the CDOT table will, if changed, increase or decrease the FY 2019-20 TOTAL. For example, if the General Assembly approved a $10 million General Fund transfer to the Department to be used for state highways, then adjustment factor E (Revenue) would increase by $10 million and the FY 2019-20 TOTAL would rise by the same amount. The same thing would occur if the Department increased its forecast of fuel tax revenue by $10 million. If the Committee reduced request R2 by $1 million (i.e. reduced adjustment factor G, Southwest Chief and Front Range Rail Commission, which has its own fund source) the FY 2019-20 TOTAL would decline by $1 million.

NON PRIORITIZED COMMON POLICIES. The request includes the following adjustments for non-prioritized OIT common policies:

Item	CF	Total	FTE
NP-1 OIT Essential database support	$124,416	$124,416	0.0
NP-2 OIT Securing IT operations	1,316,275	1,316,275	0.0
NP-4 OIT Application refresh and consolidation	151,047	151,047	0.0
NP-5 OIT Optimize self-service capabilities	37,013	37,013	0.0
NP-6 OIT Enterprise Data Integration Services	2,216,298	2,216,298	0.0
NP-7 OIT Agency IT Staff Technical Adjustments	144,342	144,342	0.0
Total	$3,989,391	$3,989,391	0.0

ANNUALIZE ADMINISTRATION SHARE OF PRIOR BUDGET ACTIONS: The request includes $339,690 cash funds to annualize the Administration Division's share of CDOT's FY 2018-19 salary survey.

ANNUALIZE ADMINISTRATION SHARE OF PRIOR LEGISLATION: The request includes $29,952 to annualize the Administration Division's share of the additional PERA employer contributions required by S.B. 18-200.

ADMINISTRATION SHARE OF CENTRALLY APPROPRIATED LINE ITEMS: The appropriation includes the *Administration Division's* share of the adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; merit pay; shift differential; workers' compensation; legal services; indirect cost assessment; PERA Direct Distribution; payments to the Governor's Office of Information Technology (OIT), payment to risk management and property funds; and CORE operations.[5] There are also adjustments for most of these items in the CM&O Division (Construction, Maintenance, and Operations) and the two "enterprise" divisions (the High Performance Transportation Enterprise [HTPE] and the Bridge Enterprise Division), however the Department's budget request does not include information about these adjustments so they are not separately stated in the Appendix-A numbers pages or in the CDOT Appropriation and Request table. Instead these

[5] The Administration Division pays 100 percent of the payment to risk management and property funds 100% of the CORE operations appropriation. Other central appropriations are partly or mostly paid by other divisions.

adjustments are part of consolidated adjustments E and F in the Appropriation and Request table that are labeled "Revenue adjustments".

REVENUE ADJUSTMENTS FOR CM&O AND THE ENTERPRISES: Each year the amount of state and federal revenue that CDOT expects to receive to support the activities of the CM&O division and the two enterprises changes. As revenues change, the Department adjusts the expenditures of CM&O and the Enterprises. The Department's budget request could provide detail about expenditure adjustments plans for these divisions in FY 2019-20, perhaps revealing shifting expenditure priorities. However, the Department does not offer this sort of (purely informational) detail, which may reflect the fact that the Transportation Commission will not approve a final FY 2019-20 budget until next spring. (Section 43-1-113(9)(c)(I), C.R.S. requires that a final budget be adopted by April 15). Instead the request provides a projected expenditure adjustment for each of the three divisions, here titled "Revenue adjustments" to emphasize the fact that spending by these divisions is driven by the amount of available revenue.

It's tempting, but incorrect, to describe these revenue adjustments as forecasts of the amount that the revenue of each division will change next year relative to this year. In reality, revenue adjustment factors equal the revenue projected for next year relative to the revenue for this year that was predicted a year ago.[6] Since this is seldom a useful number, staff has not provided detail on these revenue adjustments.

In reality, revenue adjustment factors equal the revenue projected for next year relative to the revenue for this year that was predicted a year ago, *minus* the revenue forecasting errors that occurred last year when this year's appropriation was formulated

[6] To see why revenue adjustment factors equal the revenue changes projected for next year, minus the revenue forecasting errors that occurred last year when this year's appropriation was formulated, imagine a simpler CDOT with a single revenue source, the fuel tax. Also imagine that in year 1 of this example, the CDOT revenue forecast on which the appropriation was built was spot on; forecasters predicted that CDOT would receive $100m (million) of fuel-tax revenue, the appropriation equaled $100m, and the forecast was perfect. Before year 2 begins, forecasters predict fuel-tax revenue will equal $110m during year 2. Thus the Appropriation and Request table prepared before year 2 begins shows a $100m base appropriation carried from year 1, a $10m adjustment factor for the projected revenue increase, and a total appropriation of $110m for year 2. The $10m adjustment for revenue in the Appropriation and Request table, in this case, equals the forecasters' estimate that fuel-tax revenue in year 2 will be $10m higher than in year 1. Unfortunately, it turns out that fuel-tax revenue in year 2 only equals $105m.

For year 3, forecasters project $112m of revenue, i.e. they project that revenue will grow by $7m from $105m. The Appropriation and Request table shows a base appropriation for year 3 of $110m carried from year 2, a $2m adjustment factor for revenue, and a total appropriation for year 3 of $112m. The $2m revenue adjustment factor does not mean that forecasters are predicting that revenue will increase by $2m, it means that, as year 3 begins, forecasters are predicting that revenue in year 3 will be $2m higher than the overly optimistic revenue forecast for year 2 that was built into the Appropriation and Request table that was formulated before year 2 began. The $2m revenue adjustment factor is the sum of the $7m revenue increase predicted for year 3 minus the $5m revenue-forecasting error that occurred in year 2. When revenue growth slows more sharply, the effect can be even more startling. Altering the prior example, suppose forecasters predict that revenue in year 3 will be $108m, an increase of $3m over the $105 of revenue received in year 2. The adjustment factor for revenue in the year-3 Appropriation and Request table would then equal negative $2, the sum of the predicted revenue increase of $3m minus the $5 revenue-forecasting mistake for year 2. The forecasters were far too optimistic in year 2, which led to an appropriation of $110m. Revenue grew in year 2, but it only grew to $106, and for year 3 forecasters project growth to $108m, which is less than the year-2 appropriation. A negative revenue adjustment factor is needed to lower the base appropriation from $110m (carried from year 2) to $108m for year 3.

REDUCED FUNDING FOR CONSTRUCTION, MAINTENANCE, AND OPERATIONS TO PAY FOR ADMINISTRATION DIVISION INCREASES: The amount of revenue that CDOT has available to support the activities of the Construction, Maintenance, and Operations division depends on the amount spent by the Administration Division. Increased expenditures in the Administration Division for centrally appropriated items, prior budget actions, and non-prioritized requests translate into less available funding for CM&O.

INCREASE FEES CM&O (THE CONSTRUCTION, MAINTENANCE, AND OPERATIONS DIVISION) PAYS HPTE (THE HIGH PERFORMANCE TRANSPORTATION ENTERPRISE) FOR SERVICES: The request includes a $405,500 reappropriation to the HPTE for services the HPTE performs for the CM&O. The HPTE provides a number of services to the CM&O, many of them related to express lanes on roads that the CM&O is involved in building or operating. Payments for the services are set at levels that let HTPE recoup the fair market value of its services.

ANNUALIZE PRIOR LEGISLATION IN THE ENTERPRISES: The request includes $18,185 to annualize the Enterprise Divisions' share of the additional PERA employer contributions required by S.B. 18-200.

R2 SOUTHWEST CHIEF AND FRONT RANGE RAIL COMMISSION: The request includes $1,380,447 cash funds from the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund and 0.6 FTE to facilitate the future of Front Range passenger rail.

R1 FIRST TIME DRUNK DRIVER PROGRAM STABILITY: The request includes $500,000 from the Marijuana Tax Cash Fund for the Department's impaired driving enforcement program, through which the Department allocates funding to local law enforcement agencies to conduct high visibility enforcement efforts aimed at reducing accidents and fatalities involving the use of alcohol and marijuana. The Department's existing appropriation of $1.5 million for this purpose is from the First Time Drunk Driving Offender Account within the Highway Users Tax Fund. The Department anticipates that the amount available from this account will decline, and is thus requesting this appropriation from the MTCF to refinance $500,000 of the existing appropriation. The Department indicates that it will submit a budget amendment that will increase the amount refinanced to $1,000,000 if, at a later time, it is determined that $1 million is available from the Marijuana Tax Cash Fund.

ISSUE: THE SW CHIEF REQUEST (R2) AND THE MISSING MULTIMODAL REQUEST

Senate Bill 18-01 transfers almost $100 million of General Fund to a new Multimodal Transportation Options Fund and to another fund that facilitates the development of Front Range passenger rail. Statute provides limited guidance concerning the expenditure of these funds. Senate Bill 18-01 also refers a 2019 ballot measure to voters that could provide another $350 million for the Multimodal Fund. Staff recommends that the Department explain its plans for these programs.

SUMMARY

- Senate Bill 18-01 transfers almost $100 million of General Fund to a new Multimodal Transportation Options Fund and to another fund that supports the development of Front Range rail. It could provide another $350 million multimodal transportation.

- Statute provides limited guidance concerning these funds and the related programs.

- Staff recommends that the Department explain its plans for these programs.

RECOMMENDATION

Staff recommends that the Committee ask CDOT, at its hearing, to

- Explain its plans for the multimodal portions of S.B. 18-001.

- Propose reasonable levels of annual appropriations from the Multimodal Fund, based on the Department's plans for multimodal transportation and the Multimodal Fund's future funding prospects.

- Explain its plans for the Southwest-Chief portions of S.B. 18-001.

- Talk about continuous appropriations from the Southwest Chief Fund and the Multimodal Fund.

DISCUSSION

In FY 2018-19 and FY 2019-20, S.B. 18-001 transfers a net of $94.25 million General Fund (= $74.25m + $22.5m - $2.5m) into a cash fund that supports multimodal transportation projects and $2.5 million into a fund that supports the development of Front Range passenger rail. If voters approve a 2019 ballot measure that S.B. 18-001 contains, another $350.6 million will become available for multimodal projects. During the interim, CDOT received permission to expend $931 thousand of the Front Range passenger rail money during FY 19 and it has requested appropriation of the remainder for FY 20. It is likely that during the 2019 session CDOT will request appropriations from its multimodal funding for both FY 19 and FY 20.

Background on the multimodal and front-range-rail transfers in S.B. 18-001. At the beginning of FY 2018-19, S.B. 18-001 transferred $74.25 million from the General Fund to a new Multimodal Transportation Options Fund created by the bill (the "Multimodal Fund") and then retransferred $2.5 million from the Multimodal Fund to the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund (the "Southwest Chief fund"). Both of these funds are subject to annual appropriation by the General Assembly, which means that the funds cannot be expended without an appropriation.

The Transportation Commission is in charge of the Multimodal Fund; statute requires it to expend 15 percent of Multimodal Fund appropriations on state multimodal projects and 85 percent on local multimodal projects. The Commission selects the state multimodal projects to fund and must establish a formula "based on population and transit ridership" for distribution of the local multimodal funds. Matching funding will usually be required from recipients of local awards.

In FY 2019-20 S.B. 18-001 transfers an additional $22.5 million from the General Fund to the Multimodal Fund, however, there are no further transfers to the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund; the $2.5 million transfer in FY 2018-19 is a one-time event.

Senate Bill 18-001 refers a ballot measure to voters in November 2019. If the measure succeeds at the polls, CDOT will be able to issue up to $2.337 billion of Transportation Revenue Anticipation Notes (TRANs), with some notes possibly issued in FY 2019-20. Fifteen percent of this revenue will be distributed to the Multimodal Fund, which means that the Multimodal Fund could receive $350,550,000 (= $2,337,000,000 * 15%) to fund multimodal transportation projects, with 15 percent expended on state multimodal projects and 85 percent on local multimodal projects. Statute directs the multimodal portion of TRANs revenue to a special account within the Multimodal Fund and continuously appropriates that account to the Transportation Commission. (In contrast, expenditures of money transferred from the General Fund to the Multimodal Fund require an appropriation.) The Commission selects the state multimodal projects to be funded from the special account and it is again required to use a distribution formula for local projects. None of the TRANs revenue is directed to the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund.

Senate Bill 18-001 did not define multimodal transportation projects, but it did give some hints regarding the types of expenditures that qualify as multimodal:

- Section 43-3-1103 (2)(c), C.R.S., requires the Transportation Commission to establish a formula for disbursement of local multimodal funds based on "transit ridership." The formula must be developed in consultation with CDOT's "transit and rail advisory committee" and with "bicycle and pedestrian advocacy organizations." These provisions suggest that bicycles, walking, rail, and bus can all qualify for funding.
- The non-statutory legislative declaration of Section 1 (1) (d) of S.B. 18-001 mentions "a modern, efficient, and cost-effective multimodal transportation system that can move people, goods, and information without undue delays or environmental consequences," which suggests that qualifying projects can transport things, in addition to (or perhaps rather than) people.

- Section 43-3-1102 (5)(a), C.R.S., refers to "multi-modal transportation considerations, including the connectivity between modes of transportation," which suggests that projects allowing people to transition from one form of transportation to another can qualify for funding.

However, S.B. 18-001 does not expressly state whether the Multimodal Fund can be used to fund operating costs or capital costs. Silence presumably means both qualify.

Senate Bill 18-001 says nothing about the purpose of the $2.5 million transfer to the Southwest Chief Fund. Section 43-4-1002 (1), C.R.S., establishes this fund and specifies that it is to be used to support the two key activities of the Southwest Chief and Front Range Passenger Rail Commission:

- Encouraging Amtrak to continue and expand Southwest Chief rail line service, and
- Facilitating the development of passenger rail along the I-25 corridor.

Since Senate Bill 18-001 says nothing about the use of the $2.5 million transfer, one must look to these provisions for guidance. Staff believes that the only reasonable interpretation is that the S.B. 18-001 transfer is intended to facilitate the development of Front Range passenger rail.

In September, CDOT requested an interim appropriation of 2.0 FTE and $2.5 million cash funds from the Southwest Chief Fund, which equaled the entire amount transferred to the Fund by S.B. 18-001. The Department did not plan to spend the entire $2.5 million in FY 2018-19. It instead sought authority to spread the $2.5 million over FY 2018-19, FY 2019-20, and possibly FY 2020-21 if funds remain. The Department's request thus sought to effectively provide a continuous appropriation for the $2.5 million transfer that S.B. 18-001 makes to the Southwest Chief fund, which appears contrary to the concept of "annual" appropriation and can only be achieved in the Long Bill with a roll forward. The Committee decided instead to appropriate $931,409 and 1.4 FTE for FY 2018-19. The Department is using the appropriation to hire a Program Director and a Planning Specialist.

Senate Bill 18-001 did not include a FY 2018-19 appropriation from either fund. Staff believes that the omission of these appropriations was inadvertent. The appropriations were probably overlooked because of the bill's complexity, because several strike-below amendments made it difficult to track bill changes, and because these are the only two transfers in the bill that require an appropriation (the bill's other transfers placed money in continuously appropriated cash funds that can be expended without additional spending authority). Had these omissions been recognized during passage, staff believes suitable appropriations would have been added to the bill; there was no reason to transfer money to the Multimodal Fund or to the Southwest Chief Fund without making some of the money available for expenditure in FY 2018-19.

Staff recommends that the Committee ask CDOT, at its hearing, to

- Explain its plans for the multimodal portions of S.B. 18-001.

- Propose reasonable levels of annual appropriations from the Multimodal Fund, based on the Department's plans for multimodal transportation and the Multimodal Fund's future funding prospects.

- Explain its plans for the Southwest-Chief portions of S.B. 18-001.

- Talk about continuous appropriations from the Southwest Chief Fund and the Multimodal Fund. CDOT's September request for spending authority from the Southwest Chief Fund attempted to convert an annual appropriation into a continuous appropriation. Was that a good idea?

ISSUE: SENATE BILL 17-267 UPDATE

Senate Bill 17-067 permits the State to enter into $2 billion of lease-purchase agreements over the four years that begin in FY 2018-19. Colorado entered into the first set of agreements in September, when it collateralized 25 buildings and received $545,457,455 in return, almost 10 percent more than expected. The bill may provide the Colorado Department of Transportation (CDOT) with more than $2 billion of transportation funding over 4 years if a referred measure in S.B. 18-001 does not cancel the last three years of agreements.

SUMMARY

- Senate Bill 17-067 is likely to provide CDOT with $2 billion of transportation funding over the next four years unless it is cancelled by a referred measure contained in S.B. 18-001. This is more than was expected.

RECOMMENDATION

This is an informational issue; it updates the Committee on the ongoing implementation of the provisions of Senate Bill 17-267 ("S.B. 267"). It also shows the importance of analyzing the statutory repayment provisions that govern borrowing.

DISCUSSION

Senate Bill 17-267 affected several areas of state government, but this issue focuses on the lease-purchase agreements the bill permits the state to execute on existing state facilities in an amount up to $500 million during each of the four years FY 2018-19 through FY 2021-22. These agreements can last no more than 20 years, and thus will result in up to 20 years of repayments.

The bill states that payments for these agreements may not exceed $150 million annually. The first $9 million of interest and principal payments are to come from the General Fund or another legally available source of state money. The next $50 million of payments will be paid from money under the control of the Transportation Commission that would otherwise be used for the construction, supervision, and maintenance of state highways. Remaining payments will be paid from the General Fund or from another legally available source of state money.

Fiscal Year 2018-19 proceeds from the lease purchase agreements are to be used as follows:

- The first $120 million for Controlled Maintenance
- The remainder, which was expected to be $380 million, is deposited in the State Highway Fund, to be used by CDOT. At least a quarter of the proceeds must be expended for projects in counties with populations of 50,000 or less.

In subsequent years, CDOT receives all the proceeds from the agreements, i.e. up to $500 million annually for three years.

CDOT's share of the proceeds from the lease-purchase agreements will be credited to the State Highway Fund, the main fund out of which CDOT makes expenditures for the construction, maintenance and operation of highways. CDOT must use its share of the proceeds for projects in the Strategic Transportation Project Investment Program that are designated for Tier 1 funding as ten-year development program projects. Tier 1 projects are high priority projects identified by the transportation planning regions and the Transportation Commission. In addition

- At least twenty-five percent of the highway-project expenditures from the proceeds must be in counties with populations of fifty thousand or less as of July 2015,
- No more than ninety percent of the proceeds can be expended for highway purposes or highway-related capital improvements, and
- At least ten percent of the proceeds must be used for transit projects.

During FY 2017-18 the State Architect, working with OSPB and the Treasury, compiled the following list of 25 state buildings to be offered for collateralized in FY 2018-19. The building values are current replacement costs as determined by the Office of Risk Management at DPA.

Building	Location	Department	Current replacement value
State Fair Event Center	Pueblo	Agriculture	$13,101,550
Denver Reception and Diagnostic Center, Administration/Support Bldg A-F	Denver	DOC	$54,548,180
Denver Reception and Diagnostic Center, Bldg G/H, Living Units 1 & 2, and Support	Denver	DOC	$19,368,875
Denver Reception and Diagnostic Center, Bldgs J/K, Living Units 3/4, and Support	Denver	DOC	$19,302,817
San Carlos Correctional Facility, Support/Food	Pueblo	DOC	$22,225,825
Colorado State Patrol Camp George West Training Academy	Golden	CDPS	$10,465,250
Division of Central Services, 1881 Pierce St.	Lakewood	DPA	$16,774,125
Division of Central Services, State Office Building, 1530 Sherman St.	Denver	DPA	$26,752,500
Fort Lyon, Housing/Library/Programs	Bent County	DPA	$15,806,525
Fort Lyon, Housing/Medical/Osmi/Lab/X-Ray/Clinic	Bent County	DPA	$27,935,350
Fort Lyon, Housing	Bent County	DPA	$11,280,093
Fort Lyon, Housing/Programs	Bent County	DPA	$15,215,100
Colorado Mental Health Institute Fort Logan, Bldg H	Denver	CDHS	$21,871,450
Denver Women's Correctional Facility, Close/Special Needs Housing	Denver	DOC	$19,977,225
Denver Women's Correctional Facility, Support	Denver	DOC	$19,661,525
Denver Women's Correctional Facility, Medium Housing Building #3	Denver	DOC	$13,552,650
Denver Women's Correctional Facility, Visiting/Ad-Seg	Denver	DOC	$13,469,602
Denver Women's Correctional Facility, Central Plant/Maintenance	Denver	DOC	$10,711,425
Denver Headquarters Saa- Office/Warehouse- Main Headquarters	Denver	DNR	$13,190,725
Division of Central Services, Dale Tooley St. Office	Lakewood	DPA	$13,452,100
Division of Central Services, Resources Park West	Lakewood	DPA	$11,012,600
CDPHE Office & Laboratories, Lowry	Denver	CDPHE	$17,185,150
Colorado State Penitentiary (this is not Centennial South)	Cañon City	DOC	$141,100,725
Fremont Correctional Facility, Cellhouse 6	Cañon City	DOC	$11,700,703

Building	Location	Department	Current replacement value
Fremont Correctional Facility, Kitchen/Medical/Laundry Building	Cañon City	DOC	$11,385,350
TOTAL		25 Bldgs	**$571,047,420**
DOC buildings		12	$357,004,902

Perhaps surprisingly, 12 of the 25 buildings on this list are correctional facilities and they together account for 63 percent of the value offered for collateralization. Why would lenders be willing to accept prisons as collateral? Three of the prisons on the list are in Canon City; the remainder are in Denver or Pueblo. If the State defaults, it would be difficult for the lender to take possession of a prison and then sell or lease it, though a Denver prison would be easier to sell or lease than one in Cañon City. The purchase agreement for the S.B. 17-267 Certificates of Participation suggests the answer. It allows the State to substitute other property for the leased property, provided the substituted property is at least as valuable, has a useful life beyond the maturity of the COP's, and is "*at least as essential to the state as the property for which it was substituted.*" Lenders don't want to take possession of state buildings. They want buildings that Colorado would be very unlikely to give up, even in very challenging economic times. Prisons fall into that category. The fact that the collective replacement cost of the collateralized buildings exceeds the amount borrowed provides additional security; it would cost Colorado less to pay off the amount it has borrowed than it would cost to replace essential collateralized buildings.

Colorado offered its certificates of participation for sale in September 2018. (Issuance documents for S.B. 267 Securities) Working within the limits defined by S.B. 267, Colorado offered $500 million of lease purchase agreements, i.e. it offered securities with an aggregate "par" value (value at redemption) of $500,000,000. S.B. 267 limited total payments on four years of $500-million-per-year borrowing to $150 million annually, which meant that annual payments on the first $500 million offered could not exceed $37.5 million (= $150 million/4) per year for 20 years. With the help of its investment advisors, Colorado assembled an offering of 100,000 securities, each with a par value of $5,000.

The 100,000 securities had twenty different maturities dates, ranging from 2.5 months to 19.2 years after the September sale. Each of the securities promised an annual "coupon" payment that pays the owner a stated percentage of the par value of the security each year until maturity, when the owner will receive the par value plus a final coupon. Most securities had a 4 or 5 percent coupon, meaning they would pay the owner 4 or 5 percent of the par value each year. In total, Colorado offered securities with 26 different combinations of maturity dates and coupons. The securities with redemption dates after 2028 also allow Colorado to redeem them early with no penalty. Thus if interest rates decline a decade from now, the remaining bonds could be redeemed and refinanced (which may require additional legislation at that time). The combination of maturities and coupons that Colorado offered for sale resulted in annual debt service payments that each year are within a few thousand dollars of the $37.5 million limit imposed by S.B. 267.

Standard & Poor's Global and Moody's Investor Service rated the S.B. 267 securities before they were issued. Standard & Poor's assigned an AA- rating, three notches below the highest AAA rating while Moody's assigned an Aa2 rating, two notches below the highest Aaa rating. Borrowers with higher credit ratings pay lower interest rates; the rate on a 10 year AAA tax-free muni bond has

recently been about 0.15 percent lower than on an AA bond. On $500 million borrowed, this amounts to $750,000 less interest annually.

Also affecting the sale price was the fact that interest on the S.B. 267 securities is not subject to federal income tax or Colorado income tax.

The securities were sold on September 26, 2018. The net sales price after payments to the underwriters equaled $545,457,455, almost 10 percent more than the $500,000,000 that most assumed the offering would raise.

In retrospect it was not surprising that the S.B. 267 securities sold at a premium over par (i.e. redemption) value. The coupon payments associated with the securities were generous relative to their redemption value. Had the bonds sold for $500 million, they would have produced a tax-free average rate of return of 4.57 percent[7] for investors. Most of the historical bond indexes at

https://emma.msrb.org/ToolsAndResources/SNPIndices

show municipal bond rates below 4.57 percent on September 26. Thus Colorado's S.B. 267 securities offering was worth more than $500 million to investors. An analysis of the data shows that due to the higher price at which the securities sold, Colorado is actually paying investors an average interest rate of 3.5 percent. If an additional offering occurs in FY 2019-20, it will also raise more than $500 million if the average market rate on comparable municipal offerings remains below 4.57 percent, the inherent rate in an offering based on the maximums permitted by S.B. 267. This assumes that the credit worthiness of the securities does not decline.

Who gets to keep the extra revenue? S.B. 267 directs the first $120 million of proceeds from the FY 2018-19 lease-purchase agreements to controlled maintenance and capital construction projects and directs "the remainder of the proceeds…to the State Highway Fund." This means that CDOT will receive $425,457,455 (= $545,457,455 - $120,000,000) from the FY 2018-19 offering.

S.B. 18-001 and S.B. 17-167

The failure of Propositions 109 and 110 at the polls in November triggered a contingency in S.B. 18-001 that refers a ballot measure to voters at the 2019 election, asking for approval of a debt issue by CDOT of $2.337 billion of Transportation Revenue Anticipation Notes (TRANs) with 85 percent of the net proceeds allocated to the State Highway Fund and 15 percent to the Multimodal Fund. The notes have a maximum repayment cost of $3.250 billion over 20 years with debt service payments come from CDOT funds. At least a quarter of the amount deposited in the State Highway Fund must be spent on projects in counties with populations of 50,000 or less and a list of qualified transportation projects must be published in the Blue Book before the election.

- If the 2019 ballot measure fails:

[7] This "average" equals the internal rate of return on the net cash flows associated with Colorado's entire lease-purchase offering. Since Colorado sold 26 different securities, there were in fact 26 different internal rates of return or yields. The 4.57 percent "average" is meant to be representative of all the returns. Also note that the selling price was increased by a delayed issue. If the securities had been sold in July or August, as originally planned, with the same dates for redemptions and interest payments, the proceeds of the sale would have been less because the present value of debt service payments would have been lower at the issue date.

- There is no change to the four years of lease-purchase borrowing authorized by S.B. 17-267. However, CDOT gets to keep all $500 million of the revenue each year.
- $50.0 million is annually transferred from the General Fund to the State Highway Fund for 20 years beginning June 30 of FY 2019-20.

- If the 2019 ballot measure passes:

  - The S.B. 17-267 lease-purchase borrowing scheduled to occur in FY 2019-20, FY 2020-21, and FY 2021-22 is cancelled. The FY 2018-19 lease-purchase borrowing that occurred in September 2018 is unaltered.
  - $122.6 million is annually transferred from the General Fund to the State Highway Fund for 20 years beginning June 30 of FY 2019-20. The FY 2019-20 transfer is in addition to $105.0 million transfer to the State Highway Fund under other provisions in the bill.

So if voters approve the 2019 referred measure, CDOT will apparently lose the $1.5 billion (= 3 * $500 million per year) cash infusion it would get from S.B. 267 but in return it apparently receives a $2.337 billion infusion, an increase of $837 million (= $2.337 billion - $1.5 billion).

However, this analysis is incorrect because it only focuses on the principal amount involved in the borrowing; it ignores the repayment limits that are an important consideration. Comparing the bills shows that repayments are relatively higher under S.B. 267:

- For each $500 million borrowed under S.B. 267, $750 million is repaid over 20 years, a repayment ratio of 1.5 to 1.
- For the $2.337 billion of TRANs bonds issued under the referred measure, $3.250 billion is repaid over 20 year, a repayment ratio of 1.39 to 1.

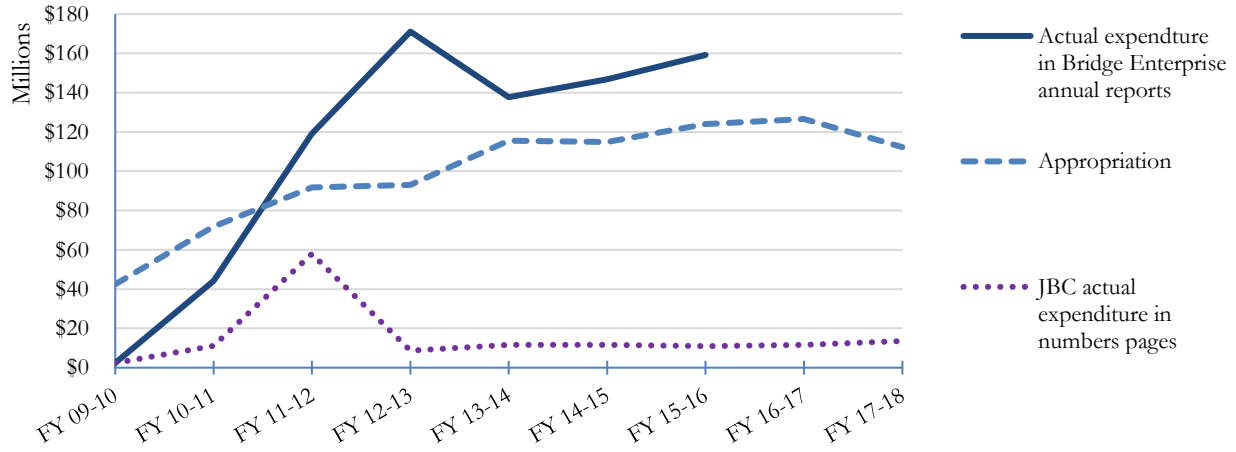
The September 2018 securities issue brought in $545,457,455, which means that Colorado is paying investors a 3.5 percent rate of return. If the rate of return on Colorado debt remains equal to 3.5 percent, three sales of securities over the next year will bring in substantially more than $1.5 billion.

In contrast, if interest rates on Colorado securities remain equal to 3.5 percent, the lower repayment ratio of 1.39 to 1 under the referred measure implies that the TRANs bonds will sell for less than $2.337 billion, probably about $30 million less.

APPENDIX A1: LIMITS OF CDOT NUMBERS PAGES

The numbers pages in Appendix A2 should be interpreted with caution because, even though they are largely informational, they may not provide the information that users expect. An example comes from Division (5), the Statewide Bridge Enterprise, which repairs and rehabilitates bridges and builds replacements. The following chart shows three measures of Enterprise activity since FY 09-10 when operations began. The dashed line shows the (informational) appropriations for the Enterprise that have appeared in the Long Bill over the last 8 years. The line with alternating dashes and dots shows actual Bridge-Enterprise expenditures as reported to the JBC in November budget requests and included in numbers pages. With the exception of FY 2011-12, the actual expenditures that CDOT reported to the JBC were about 10 percent of the appropriations that CDOT requested. Until FY 2015-16, the Bridge Enterprise also produced annual reports that showed actual expenditures. From FY 2011-12 to FY 2012-13, actual expenditures in these annual reports were larger than appropriations.

(5) Statewide Bridge Enterprise (BE) Appropriations and Actual Expenditures

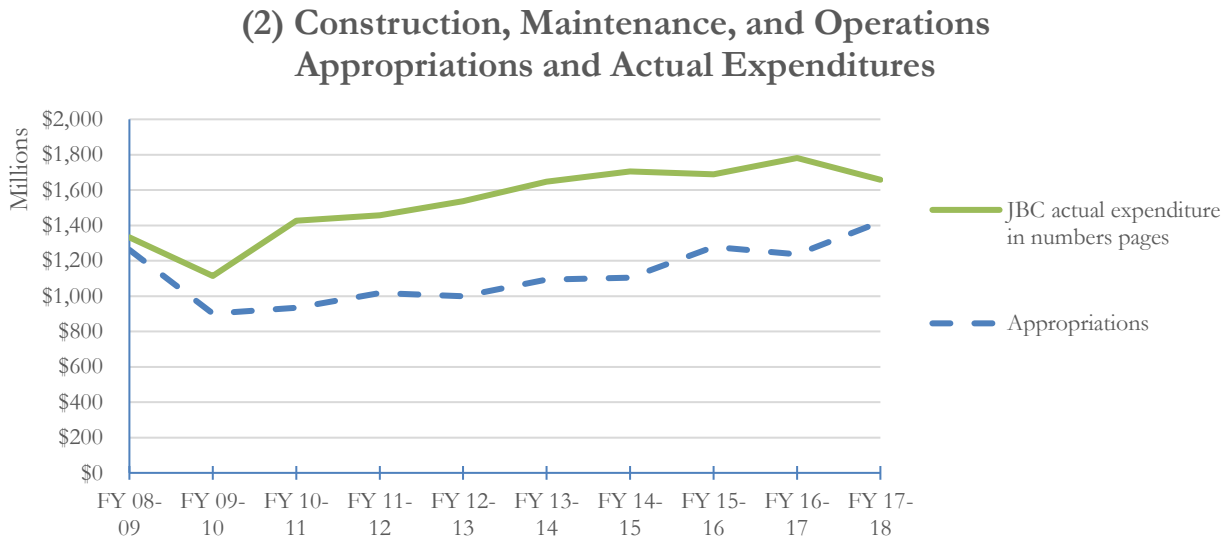


What is happening? Staff does not know the full story, but an important part of the difference between numbers-pages actuals and appropriations for the Bridge Enterprise is the way that CDOT treats expenditures on bridge projects. When a project is under construction and when it is later completed, CDOT does not treat it as an expenditure. Instead, it treats the outlay as an accountant would in an income statement. In income statements, the acquisition of a durable physical asset like a factory or a bridge is not considered an expense because the entity is trading one asset (cash) for another (a new factory, a repaired bridge, etc.). Operating outlays, on the other hand, are typically treated as expenses. CDOT seems to include outlays for items like bridge repair and replacement in its requested appropriations, but not in its reported actual expenditures.

Staff suspects that at least some the difference between actual expenditures in the Bridge Enterprise's annual reports and CDOT's requested appropriations is due to Enterprise borrowing. The Enterprise borrowed $300 million in 2010 and used the proceeds to repair, rehabilitate, and replace a substantial number of bridges over the next 6 years. Staff believes that CDOT did not

include the borrowing or the expenditures financed with the borrowing in its informational appropriations or in the actual expenditures that it reported to the JBC. The Bridge Enterprise Annual Report, however, probably did count bridges built and repaired as actual expenditures, no matter what the source of funding.

An additional example of the divergence between appropriations and reported actual expentures comes from Division (2), Construction, Maintenance, and Operations, which is CDOT's largest division by far. In this case reported actual expenditures have exceeded appropriations for the last decade.



	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation

DEPARTMENT OF TRANSPORTATION
Michael Lewis, Executive Director

(1) ADMINISTRATION

This division includes personal services, operating expenses, and related central appropriations for the offices that perform the Department of Transportation's administrative functions. Though these numbers pages show some detail for this division, they are included for figure setting purposes only; the Long Bill contains a single appropriation for the entire division, which leaves the Transportation Commission with discretionary flexibility over allocation of the one-line appropriation. The Transportation Commission has appropriations authority over both the Administration Division appropriation and the Construction, Maintenance, and Operations Division appropriation. 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

Personal Services	13,277,298	14,750,130	14,840,407	15,210,049		
FTE	183.5	183.5	183.5	183.5		
Cash Funds	12,938,736	14,829,975	14,790,407	15,160,049		
Reappropriated Funds	338,562	(79,845)	50,000	50,000		
Federal Funds	0	0	0	0		
Operating Expenses	10,244,363	8,439,642	11,314,806	13,032,038	*	
Cash Funds	9,846,062	8,379,414	11,302,078	13,019,310		
Reappropriated Funds	398,301	60,228	12,728	12,728		
SUBTOTAL - (A) Administration	23,521,661	23,189,772	26,155,213	28,242,087		8.0%
FTE	183.5	183.5	183.5	183.5		0.0%
Cash Funds	22,784,798	23,209,389	26,092,485	28,179,359		8.0%
Reappropriated Funds	736,863	(19,617)	62,728	62,728		0.0%
Federal Funds	0	0	0	0		0.0%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
(B) Centrally Appropriated Personal Services					
Health, Life, and Dental	1,207,810	1,332,162	1,320,728	1,313,359	
Cash Funds	1,127,886	1,271,155	1,320,728	1,313,359	
Reappropriated Funds	79,924	61,007	0	0	
Short-term Disability	19,153	20,425	17,765	18,123	
Cash Funds	18,171	19,722	17,765	18,123	
Reappropriated Funds	982	703	0	0	
S.B. 04-257 Amortization Equalization Disbursement	485,311	538,703	523,742	533,729	
Cash Funds	460,498	520,152	523,742	533,729	
Reappropriated Funds	24,813	18,551	0	0	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	480,737	538,703	523,742	533,729	
Cash Funds	456,182	520,152	523,742	533,729	
Reappropriated Funds	24,555	18,551	0	0	
Salary Survey	937	204,885	339,690	0	
Cash Funds	790	197,830	339,690	0	
Reappropriated Funds	147	7,055	0	0	
Merit Pay	0	84,507	0	347,649	
Cash Funds	0	81,283	0	347,649	
Reappropriated Funds	0	3,224	0	0	
Shift Differential	24,440	14,046	27,275	15,711	
Cash Funds	24,440	14,046	27,275	15,711	
Reappropriated Funds	0	0	0	0	

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
PERA Direct Distribution	0	0	0	303,364	
Cash Funds	0	0	0	303,364	
SUBTOTAL - (B) Centrally Appropriated Personal Services	2,218,388	2,733,431	2,752,942	3,065,664	11.4%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	2,087,967	2,624,340	2,752,942	3,065,664	11.4%
Reappropriated Funds	130,421	109,091	0	0	0.0%
(C) Miscellaneous Administration Accounts					
Statewide Indirect Costs State Highway Funds	85,127	92,660	100,723	91,268	
Cash Funds	82,619	92,124	100,179	90,773	
Reappropriated Funds	2,508	536	544	495	
Legal Services	763,622	979,177	1,014,654	998,837	
Cash Funds	763,622	979,177	1,014,654	998,837	
Payment to Risk Management and Property Funds	3,803,411	3,944,744	5,546,345	5,586,331	
Cash Funds	3,803,411	3,944,744	5,546,345	5,586,331	
Workers' Compensation	340,969	334,185	338,513	297,320	
Cash Funds	340,969	334,185	338,513	297,320	
SUBTOTAL - (C) Miscellaneous Administration Accounts	4,993,129	5,350,766	7,000,235	6,973,756	(0.4%)
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	4,990,621	5,350,230	6,999,691	6,973,261	(0.4%)
Reappropriated Funds	2,508	536	544	495	(9.0%)

Appendix A: Number Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
TOTAL - (1) Administration	30,733,178	31,273,969	35,908,390	38,281,507	6.6%
FTE	183.5	183.5	183.5	183.5	0.0%
Cash Funds	29,863,386	31,183,959	35,845,118	38,218,284	6.6%
Reappropriated Funds	869,792	90,010	63,272	63,223	(0.1%)
Federal Funds	0	0	0	0	0.0%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
(2) CONSTRUCTION, MAINTENANCE, AND OPERATIONS					
The single informational appropriation for this division reflects the revenues that are continuously appropriated to the Transportation Commission.					
Construction Maintenance, And Operations	1,781,272,358	1,658,910,443	1,579,691,304	1,912,683,397 *	
FTE	3,136.3	3,136.3	3,132.3	3,132.3	
Cash Funds	1,049,339,783	955,809,219	966,357,727	1,289,801,700	
Reappropriated Funds	1,055,523	1,341,731	1,414,873	1,414,873	
Federal Funds	730,877,052	701,759,493	611,918,704	621,466,824	
TOTAL - (2) Construction, Maintenance, and Operations	1,781,272,358	1,658,910,443	1,579,691,304	1,912,683,397	21.1%
FTE	3,136.3	3,136.3	3,132.3	3,132.3	0.0%
Cash Funds	1,049,339,783	955,809,219	966,357,727	1,289,801,700	33.5%
Reappropriated Funds	1,055,523	1,341,731	1,414,873	1,414,873	0.0%
Federal Funds	730,877,052	701,759,493	611,918,704	621,466,824	1.6%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
(3) HIGH PERFORMANCE TRANSPORTATION ENTERPRISE					
The High Performance Transportation Enterprise, created in S.B. 09-108, pursues public-private partnerships and other means of completing surface transportation projects, including collecting tolls on existing roadways (with approval by local transportation entities). The appropriations are included for informational purposes only and reflect anticipated Enterprise revenue.					
High Performance Transportation Enterprise	14,306,766	12,946,998	19,148,850	16,942,648	
FTE	5.0	5.0	9.0	9.0	
Cash Funds	14,007,329	11,787,781	13,954,350	11,342,648	
Reappropriated Funds	299,437	1,159,217	5,194,500	5,600,000	
TOTAL - (3) High Performance Transportation Enterprise	14,306,766	12,946,998	19,148,850	16,942,648	(11.5%)
FTE	5.0	5.0	9.0	9.0	0.0%
Cash Funds	14,007,329	11,787,781	13,954,350	11,342,648	(18.7%)
Reappropriated Funds	299,437	1,159,217	5,194,500	5,600,000	7.8%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
(4) FIRST TIME DRUNK DRIVING OFFENDERS ACCOUNT					
The single line item for this division 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. The appropriation is not informational.					
First Time Drunk Driving Offenders Account	1,820,368	1,251,978	1,500,000	1,500,000 *	
Cash Funds	1,820,368	1,251,978	1,500,000	1,500,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (4) First Time Drunk Driving Offenders Account	1,820,368	1,251,978	1,500,000	1,500,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	1,820,368	1,251,978	1,500,000	1,500,000	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 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 facilitate the repair or replacement of bridges rated as in poor condition and either structurally deficient or functionally obsolete. The appropriation is for informational purposes only and reflects anticipated Enterprise revenues.					
Statewide Bridge Enterprise	11,645,102	13,613,987	116,240,000	118,140,000	
FTE	2.0	2.0	2.0	2.0	
Cash Funds	11,645,102	13,613,987	116,240,000	118,140,000	
Reappropriated Funds	0	0	0	0	
TOTAL - (5) Statewide Bridge Enterprise	11,645,102	13,613,987	116,240,000	118,140,000	1.6%
FTE	2.0	2.0	2.0	2.0	0.0%
Cash Funds	11,645,102	13,613,987	116,240,000	118,140,000	1.6%
Reappropriated Funds	0	0	0	0	0.0%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation
(6) MARIJUANA IMPAIRED DRIVING PROGRAM					
The Marijuana Impaired Driving Program aims to educate the public through marketing and partnerships about the risks of driving while marijuana impaired and helps to supply the Colorado State Patrol and local law enforcement agencies with the resources necessary to keep Colorado's roads safe from impaired drivers.					
Marijuana Impaired Driving Program	444,462	947,505	950,000 0.0	950,000 0.0	
Cash Funds	444,462	947,505	950,000	950,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (6) Marijuana Impaired Driving Program	444,462	947,505	950,000	950,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	444,462	947,505	950,000	950,000	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	Request vs. Appropriation

(7) SOUTHWEST CHIEF RAIL COMMISSION

The Southwest Chief and Front Range Passenger Rail Commission, which administers the appropriation for this division, encourages Amtrak to continue the existing Southwest Chief rail line service and to expand service to include a stop in Pueblo, Colorado, and potentially in Walsenburg, Colorado. It also facilitates the development and operation of a Front Range passenger rail system that provides passenger rail service along the Interstate 25 corridor.

Southwest Chief Rail Commission	6,000	13,095	100,000	1,480,447 *	
FTE	0.0	0.0	0.0	0.6	
Cash Funds	6,000	13,095	100,000	1,480,447	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (7) Southwest Chief Rail Commission	6,000	13,095	100,000	1,480,447	1380.4%
FTE	0.0	0.0	0.0	0.6	0.0%
Cash Funds	6,000	13,095	100,000	1,480,447	1380.4%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
TOTAL - Department of Transportation	1,840,228,234	1,718,957,975	1,753,538,544	2,089,977,999	19.2%
FTE	3,326.8	3,326.8	3,326.8	3,327.4	0.0%
Cash Funds	1,107,126,430	1,014,607,524	1,134,947,195	1,461,433,079	28.8%
Reappropriated Funds	2,224,752	2,590,958	6,672,645	7,078,096	6.1%
Federal Funds	730,877,052	701,759,493	611,918,704	621,466,824	1.6%

APPENDIX B
RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2017 SESSION BILLS

S.B. 17-254 (LONG BILL): General appropriations act for FY 2017-18. Contains largely informational operating appropriations to CDOT and a $500,000 appropriation from the Capital Construction Fund for highway construction projects.

S.B. 17-262 (HUTF AND CAPITAL CONSTRUCTION FUND TRANSFERS): Alters S.B. 09-228 and H.B. 16-1416 General Fund transfers to the Highway Users Tax Fund (HUTF) and the Capital Construction Fund for FY 2016-17 through FY 2019-20. Specifically, this JBC bill makes the following changes:

- Reduces the transfer for FY 2016-17 to the HUTF from $158.0 million to $79.0 million but does not change the Capital Construction transfer.
- Eliminates the Capital Construction transfer for FY 2017-18, replacing it with transfers made in the Capital Construction transfer bill (S.B. 17-263).
- Replaces the remaining transfers in the last three years with specific dollar amounts.

All transfers are on June 30 of the fiscal year. The result is the following set of transfers:

MODIFIED TRANSFERS FROM THE GENERAL FUND				
Transfer to:	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
HUTF	$79,000,000	$79,000,000	$160,000,000	$160,000,000
Capital Construction	No change	0	60,000,000	60,000,000

The FY 2018-19 and FY 2019-20 HUTF transfers were subsequently eliminated by S.B. 17-267.

S.B. 17-267 (SUSTAINABILITY OF RURAL COLORADO): Contains provisions affecting several areas of state government, as summarized in this Legislative Council Staff Issue Brief. The transportation-related provisions require the state to execute lease-purchase agreements for state buildings for up to $500 million per year for the four fiscal years 2018-19 through 2021-22 (up to $2 billion in total). These agreements generate funding for transportation and capital construction projects.

- The first $120 million in proceeds must be used for controlled maintenance and capital construction projects and the remaining proceeds for tier 1 transportation projects.
- Of the transportation money, 25 percent must be expended for projects in rural counties and 10 percent must be expended for transit.
- The maximum term of the lease-purchase agreements is 20 years and the maximum total annual payment is $150 million.
- Of the annual payment the first $9 million is from the General Fund (or other legal sources designated by the General Assembly), the next $50 million is from funds under the control of the Transportation Commission, and the remaining $91 million is from the General Fund (or other legal sources designated by the General Assembly).

- Eliminates transfers required by S.B. 17-262 from the General Fund to the Highway Users Tax Fund of $160 million that were scheduled to occur on June 30, 2019 and June 30, 2020.

2018 SESSION BILLS

S.B. 18-001 (TRANSPORTATION INFRASTRUCTURE FUNDING): Provides additional funding for transportation and conditionally modifies the lease-purchase provisions of S.B. 17-267.

On July 1 of FY 2018-19 transfers $495.0 million from the General Fund to funds that support state and local transportation projects, with 70 percent ($346.5 million) going to the State Highway Fund, 15 percent ($74.25 million) to a new Multimodal Transportation Options Fund ("Multimodal Fund"), and 15 percent to the Highway Users Tax Fund (HUTF) for distribution to counties and municipalities. Of the $74.25 million transferred to the Multimodal Fund, $2.5 million is subsequently transferred to the Southwest Chief Rail Line Economic Development, Rural Tourism, and Infrastructure Repair and Maintenance Fund.

On July 1 of FY 2019-20 transfers an additional $150.0 million from the General Fund, with $105.0 million going to the State Highway Fund, $22.5 million to the Multimodal Fund, and $22.5 million to the HUTF for counties and municipalities.

Other provisions in the bill were contingent on passage of Propositions 109 and/or 110 at the 2018 election. The failure of both propositions triggered another contingency in the bill that refers a ballot measure to voters at the 2019 election, asking for approval of a debt issue by CDOT of $2.337 billion of Transportation Revenue Anticipation Notes (TRANs) with 85 percent of the net proceeds allocated to the State Highway Fund and 15 percent to the Multimodal Fund. The notes have a maximum repayment cost of $3.250 billion over 20 years with debt service payments come from CDOT funds. At least a quarter of the amount deposited in the State Highway Fund must be spent on projects in counties with populations of 50,000 or less and a list of qualified transportation projects must be published in the Blue Book before the election.

- If the 2019 ballot measure fails:
  - There is no change to the four years of lease-purchase borrowing authorized by S.B. 17-267, under which lease-purchase agreements last up to 20 years.
  - $50.0 million is annually transferred from the General Fund to the State Highway Fund for 20 years beginning June 30 of FY 2019-20.
- If the 2019 ballot measure passes:
  - The S.B. 17-267 lease-purchase borrowing scheduled to occur in FY 2019-20, FY 2020-21, and FY 2021-22 is cancelled. The FY 2018-19 lease-purchase borrowing that occurred in September 2018 is unaltered.
  - $122.6 million is annually transferred from the General Fund to the State Highway Fund for 20 years beginning June 30 of FY 2019-20. The FY 2019-20 transfer is in addition to $105.0 million transfer to the State Highway Fund under other provisions in the bill.
  - From the first two transfers of $122.6 million to the State Highway Fund, $75,952,500 is deposited annually in a TRANs Reserve Account created in the State Highway Fund. Money in this Reserve Account may be expended by the Transportation Commission, in consultation with the Govenor, to service TRANs debt in years when there is a statewide

General Fund shortfall. If this occurs, the $122.6 million transfer from the General Fund to the State Highway Fund is reduced by the amount expended from the Reserve Account.

H.B. 18-1351 (SIGNAGE FOR THE OLD SPANISH NATIONAL HISTORIC TRAIL): Subject to the availability of gifts, grants, or donations, requires the Colorado Department of Transportation to mark significant route segments and sites associated with the Old Spanish Trail.

H.B. 18-1349 (DEPARTMENT OF TRANSPORTATION WAIVER VALUATIONS): Allows the Department to substitute a waiver valuation for a real estate appraisal when disposing of property with a value less than $25,000. Reduces expenditures on an ongoing basis but requires no appropriation because the expenditures are continuously appropriated.

H.B. 18-1322 (LONG BILL): General appropriations act for FY 2018-19. Contains largely informational operating appropriations to CDOT and, in the capital construction part of the bill, a $500,000 appropriation from the Capital Construction Fund for highway construction projects.

APPENDIX C
FOOTNOTES AND INFORMATION REQUESTS

The Department of Transportation does not have any footnotes or requests for information.

APPENDIX D
DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(a)(I), C.R.S., by November 1 of each year, the Office of State Planning and Budgeting is required to publish an **Annual Performance Report** for the *previous fiscal year* for the Department of Transportation. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department of Transportation is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2019-20 budget request, the FY 2017-18 Annual Performance Report dated November 2018 and the FY 2018-19 Performance Plan dated July 1, 2018 and prior performance documents can be found at the following link:

https://www.colorado.gov/performancemanagement/department-performance-plans

APPENDIX E
HISTORY OF COLORADO MOTOR FUEL TAX RATES

Colorado Motor Fuel Tax Rates

TAX RATE (¢ PER GALLON)	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.

Federal Fuel Tax Rates

TAX RATE (¢ PER GALLON)	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.

APPENDIX F
2016 STATE GAS TAX RATES

This table shows the tax rates for motor fuel as of December 31 2016. Tax rates include inspection fees and environmental cleanup fees when these fees are targeted at highway fuel use, and include local taxes when these taxes are uniform across all the counties in the state. *State Average* is a weighted average based on gallons taxed.

STATE	DEC. 2015 TAX (¢ PER GALLON)	STATE	DEC. 2015 TAX (¢ PER GALLON)
Alabama	18.0	Montana	27.8
Alaska	8.0	Nebraska	26.7
Arizona	18.0	Nevada	24.0
Arkansas	21.5	New Hampshire	23.8
California	30.0	New Jersey	37.5
Colorado	22.0	New Mexico	17.0
Connecticut	25.0	New York	25.1
Delaware	23.0	North Carolina	34.3
Dist. of Col.	23.5	North Dakota	23.0
Florida	17.3	Ohio	28.0
Georgia	26.0	Oklahoma	17.0
Hawaii	16.0	Oregon	30.0
Idaho	33.0	Pennsylvania	50.3
Illinois	19.0	Rhode Island	33.0
Indiana	18.0	South Carolina	16.0
Iowa	31.7	South Dakota	28.0
Kansas	24.0	Tennessee	20.0
Kentucky	24.6	Texas	20.0
Louisiana	20.0	Utah	29.4
Maine	30.0	Vermont	30.7
Maryland	33.5	Virginia	16.2
Massachusetts	24.0	Washington	49.4
Michigan	19.0	West Virginia	33.2
Minnesota	28.5	Wisconsin	30.9
Mississippi	18.4	Wyoming	24.0
Missouri	17.0		
		State Average	25.0

Source: Federal Highway Administration.