DEPARTMENT OF TRANSPORTATION
FY 2020-21 JOINT BUDGET COMMITTEE HEARING AGENDA

Friday, November 22, 2019
1:30 pm – 3:00 pm

QUESTIONS ARISING FROM FACTORS DRIVING THE BUDGET

1. Who makes decisions about the allocation of funds other than the Transportation Commission? What direction does the Governor's office provide? What direction does the General Assembly provide, if any? Did the Transportation Commission decide where funding available through S.B. 17-267 is allocated? Did it simply approve CDOT staff recommendations?

Response:

Ultimately, the Transportation Commission approves all CDOT revenue allocations. However, allocation decisions are established in various ways. For example, state or federally required programs have predetermined allocations. For asset management programs, the Transportation Commission establishes performance objectives and a target level of funding annually. The Department uses these performance objectives and management systems to develop an optimized allocation within this targeted amount. This plan is reviewed and approved by the Transportation Commission.

For other programs, such as the Regional Priority Program, Safe Routes to Schools, Strategic Safety, and Hot Spots, the Transportation Commission approves the program allocation and an ongoing level of funding that is carried forward year to year.

The Department may make budget recommendations to support or advance administration priorities, which the Commission has the power to approve or deny. For most ongoing programs, such as asset management programs, the Transportation Commission doesn't select and approve individual projects, but has developed and approved project selection criteria and processes. With respect to new revenue, such as legislatively directed funds, the Transportation Commission makes individual project selections based on staff and stakeholder recommendations.

For SB 17-267, the Transportation Commission first provided high level policy direction, and then more specific criteria. CDOT prepared a proposed list of projects based on stakeholder input and an assessment of projects based on the Commission criteria. Finally, CDOT reviewed draft project lists with the Transportation Commission and planning partners, incorporating feedback, before finalizing the list for Commission approval in November.

The General Assembly provides direction through the legislation it passes. An example of this direction is the rural spending requirements for funding in SB 17-267. The Transportation Commission allocates General Fund transfers through the framework outlined by the General Assembly.

2. How does the Department decide which projects get delayed, resulting in a carryforward of funding into subsequent years?

Response:

The Department plans projects several years in advance, and those projects are reflected in the Statewide Transportation Improvement Program (STIP). This is a federally required, fiscally constrained program of transportation projects. Historically, the STIP has been a 4-year plan. However, the Department is currently working to create a 10-year planned pipeline of projects. Under this initiative, the department will look to provide modal plan integration, bringing together both the Statewide Transit Plan and the overall 2045 Statewide Transportation Plan to effectively engage the public and stakeholders and accurately inform the 10-year strategic pipeline of projects across all transportation modes.

As projects move toward advertisement, the Department validates revenue and spending authority to ensure the availability of funding before the project goes to advertisement. Generally, projects are not delayed purposefully. However, to the extent there are delays, they are not an elective decision, but are associated with a myriad of factors that could cause a project delay, such as securing environmental clearances, delays in right of way (ROW) acquisition, delays in pre-construction or design, etc.

At the end of each fiscal year, the Department's budget has either been spent directly on administrative and operations costs, or has been budgeted to a project. Funds that have not been budgeted to a project and unspent operations funds remaining at the end of the fiscal year "roll forward" and are amended into the budget for the new fiscal year. A delay in a project may result in budget rolling forward.

3. Why did federal funding decline from FY 2017-18 to FY 2018-19?

Response:

Federal funding increased between FY 2013-14 and FY 2017-18 due to Emergency Relief funding from the Federal Highway Administration (FHWA) related to the 2013 floods. The table below shows Emergency Relief Funding to CDOT. The corresponding decrease that occurred in FY 2018-19 is due to the end of emergency relief funding.

FHWA Funding to CDOT

(millions)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
FHWA Funding	$475.3	$543.9	$584.5	$539.1	$591.4	$536.4
Emergency Relief Funding	$132.0	$185.0	$174.5	$124.2	$131.7	$0.0
Total Funding	**$607.3**	**$728.9**	**$759.0**	**$663.2**	**$723.1**	**$536.4**

4. Has revenue from late registration fees declined?

Response:

In Colorado, motor vehicles must be registered annually. At the end of each registration period, motor vehicle owners have a one-month grace period to renew their registration. The FASTER late registration fee is charged when a motor vehicle is registered after the grace period. The fee is $25 for each month the vehicle registration is late, and up to $100 total. The county office that collects the late registration fee retains $10 of the fee.

Total FASTER late registration fee collections have gradually increased over time, as shown in the table below.

FASTER Late Registration Fee Revenue

FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
$17,292,469	$17,745,399	$17,947,066	$18,725,799	$20,096,927	$20,903,333	$21,814,060

QUESTIONS ARISING FROM ISSUES

R1 ADMINISTRATION EFFICIENCY SAVINGS

5. The Department proposes $25 million of savings redirected for construction, maintenance, and operations programs. Are these savings cuts to other CDOT programs? If they are cuts, what is the purpose of the cuts? Are the savings from efficiencies? How do we know what the $25 million of savings will be spent on? Will it go to specific projects?

Response:

Over the summer, the Department reviewed with the Transportation Commission a series of opportunities to find efficiencies and reprioritize funds, many of which were incorporated into the final Governor's Budget. For CDOT, the Governor's Budget includes more than $25 million resulting from these efforts.

Source of Funds	Amount	Reallocated to (Category)	Reallocated to (Program)	Amount	Completed
Connected Vehicle Ecosystem Project	$11,361,130	Maintenance and Operations	Strategic Safety	$11,361,130	June 2019
TSM&O Performance Programs and Services	$2,794,488	Maintenance and Operations	Real-Time Traffic Operations	$2,028,488	June 2019
			Maintenance Operations	$700,000	June 2019
			Innovative Mobility Program	$66,000	June 2019
State Planning and Research	$2,929,300	Program Reserve	Program Reserve	$2,929,300	Nov 2019
Administration	$1,124,675	Program Reserve	Capital Construction	$1,124,675	Nov 2019
Agency Operations	$2,000,000	Program Reserve	Capital Construction	$2,000,000	Feb 2020
Indirect Budget	$5,000,000	Capital Construction	Capital Construction Programs	$5,000,000	Feb 2020
Total	**$25,209,593**			$25,209,593	

Connected Vehicle Ecosystem Project - As part of the RoadX Program, the Department and the Transportation Commission initiated a significant multi-year program of investment in connected and automated vehicle technology. This included an annual commitment of approximately $11.4 million of Highway Safety Improvement Program (HSIP) funds, which were reallocated from the HSIP program to the RoadX Program. As part of the reassessment and reprioritization of investments in advanced technology, the Department is reallocating these funds to core construction and maintenance programs through a newly created Strategic Safety Program. Initiated in April 2019 in the FY 2019-20 budget, this reallocation of funds is being carried forward in FY 2020-21.

TSM&O Performance Programs and Services - In spring 2019, an internal reorganization resulted in the dissolution of the Division of Mobility Operations (formerly Division of TSM&O). The majority of functions were absorbed into the Division of Highway Maintenance, which was reconstituted as the Division of Maintenance and Operations, with some functions moved to the newly created Office of Innovative Mobility. The reorganization also entailed a reassessment and refocusing of the Department's efforts related to advanced technologies. As a result of the reorganization and reassessment, approximately $2.8 million previously dedicated to a variety of initiatives related to advanced technology (TSMO Performance Programs and Services) was reallocated to core maintenance and operations programs, with the majority of those funds going to Real-Time Traffic Operations.

State Planning and Research - State Planning and Research (SPR) funds support statewide planning and research activities, and these funds are used to establish a cooperative, continuous, and comprehensive framework for making transportation investment decisions and support transportation research activities throughout the state. Expenditures in this program have typically lagged, resulting in remaining budget at the end of each fiscal year. The Department will utilize toll credits to eliminate the state matching requirement to this federal funding program. Toll credits are earned when the state, toll authority, or private entity funds a capital transportation investment with toll revenues. Federal regulations allow the state's share of a project's cost to be funded through a "soft match" of toll credits. This will reduce total funding for the program by 20% and make $2.9 million in state matching funds available for reallocation to core construction and maintenance and operations programs. The Department will assess expenditures going forward to determine if/when to restore state matching funds in the future.

Indirect Budget - Indirect budgets support a variety of construction program related costs that support the delivery of the construction program, but are impractical to fund within individual project budgets. As a result of a thorough review of indirect costs, and updates to business processes, it is anticipated that the FY 2020-21 indirect cost budgets can be reduced from FY 2019-20 levels. A reduction in indirect costs results in savings internal to the capital construction program (i.e. more of the capital construction program is available for contractor payments for construction).

Administration and Agency Operations - Using an updated and accelerated budget development process, the Department has conducted a detailed assessment of internal Region/Division and Office budgets. It is anticipated that through this process and a more thorough prioritization of funding requests, reductions can be made to the Administration and Agency Operations budgets from FY 2019-20 levels.

6. What encompasses the Property Management Program, which this request would reduce? Does it include right of way? If so, some JBC members have serious concerns about the proposed reduction and would like more information.

Response:

These expenditures are solely related to facilities management, and do not include expenditures related to asset management or right of way.

The Property Management program in CDOT manages project-related land improvements and properties owned by CDOT for the Department's use. This includes the necessary services to develop, maintain, lease, and dispose of property when it is no longer needed by the Department. The portion of the Property Management budget that is being examined for reduction is the facilities management budget, which is entirely funded under the Department's Administration line item. The budget for this program was increased due to uncertainty related to how the facilities budget would change in the new Headquarters building. Now that the Department has more data on actual expenditures, the budget for this program is being reduced to reflect actual expenditures.

7. Please provide data concerning vacancies, turnover rates, etc., before CDOT reduces new employee salaries. Can CDOT really hire at the minimum of salary ranges in Colorado's current job market?

Response:

To clarify, while the department is adjusting how it will budget for vacant decisions, the department does not intend to change current hiring practices or reduce new employee salaries.

When considering new candidates, the department often needs to offer an initial salary that is above the minimum of the range. Actual salaries for hired positions vary for each position, and are based on an analysis completed by Human Resources using a variety of justified factors such as experience, education, etc.

For FY 2018-19, the department had a turnover rate of 12.5 percent and an average vacancy rate of 11 percent, which is slightly below the state's overall rate. The table below shows the percentage of employees in each salary range quartile for the Department's Administration line.

Employees in Quartile of Class Salary range	1st	2nd	3rd	4th
Percentage of Employees	34%	40%	17%	9%

8. Please provide in a solely written response, more complete information on indirect cost adjustments the Department proposes, and explain how they will produce savings.

Response:

Project delivery costs that are not project-specific are classified as project indirect costs. Examples of indirect costs include personal services charges for supervisory engineering positions, materials testing, and engineering information technology costs. The Department intends for these funds to stay within each of their respective programs (for example, Surface Treatment), but rather than paying for indirect costs, they will instead be available for additional direct construction costs, right-of-way, design, and contractor payments. The Department has set a target to make a minimum reduction of $5 million to the FY 2020-21 Indirect Budget, as compared to FY 2019-20.

The department is examining opportunities to reduce indirect costs through various means. Strategies to achieve this goal include:

- finding the optimal mix of staff and consultants to support project delivery;
- ensuring that costs that can be directly attributable to projects are charged to projects and not as indirect costs;
- finding opportunities to increase efficiency in project delivery support services; and
- better aligning the Department's budget with anticipated expenditures.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED. PLEASE RETAIN THE NUMBERING IN ORDER TO MAINTAIN CONSISTENT LABELING FOR COMMON QUESTIONS ACROSS DEPARTMENTS.

The Department will separately submit answers to these questions after receiving them.