# COLORADO GENERAL ASSEMBLY
# JOINT BUDGET COMMITTEE

# FY 2013-14 STAFF BUDGET BRIEFING

# DEPARTMENT OF TRANSPORTATION

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


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# DEPARTMENT OF TRANSPORTATION

## Department Overview

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

- Operation of the 9,134 mile state highway system, which includes 3,406 bridges and handles over 28 billion miles of vehicle travel;

- Management of more than 150 highway construction projects statewide;

- Maintenance of the state highway system, including repairing road damage, filling potholes, plowing snow, and applying sand to icy roads.

- Assistance in the development of a statewide, multi-modal transportation system by providing assistance to local transit systems in the state.

- Development and implementation of the State's Highway Safety Plan, including efforts to combat drunk driving, encourage seatbelt use, enforce speed limits, and reduce traffic fatalities; and

- Maintenance of the statewide aviation system plan, which includes the provision of technical support to local airports regarding aviation safety and the administration of both entitlement reimbursement of aviation fuel tax revenues and discretionary grants to local airports.

# Department Budget: Recent Appropriations

| Funding Source | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 * |
|---|---|---|---|---|
| General Fund | $0 | $0 | $0 | $0 |
| Cash Funds | 658,329,628 | 699,088,197 | 706,181,582 | 759,829,076 |
| Reappropriated Funds | 4,986,153 | 4,886,656 | 3,763,059 | 19,788,816 |
| Federal Funds | 369,101,388 | 404,145,023 | 409,409,045 | 488,142,984 |
| **Total Funds** | **$1,032,417,169** | **$1,108,119,876** | **$1,119,353,686** | **$1,267,760,876** |
| Full Time Equiv. Staff | 3,307.5 | 3,315.5 | 3,308.8 | 3,317.5 |

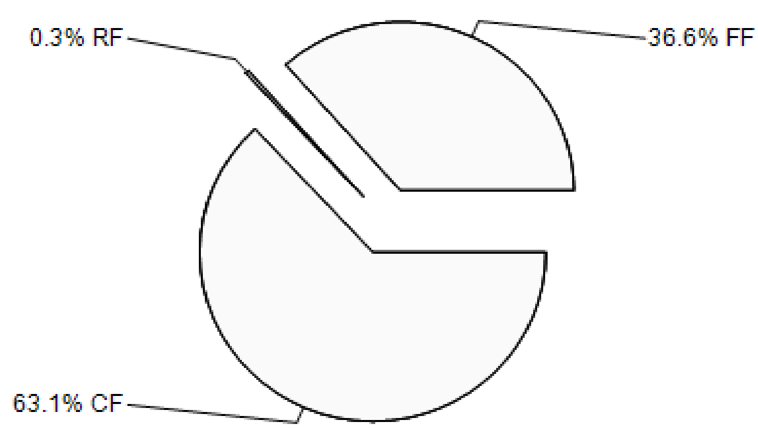
*Requested appropriation.

# Department Budget: Graphic Overview

**Department's Share of Statewide General Fund**

No Data Available

**Department Funding Sources**

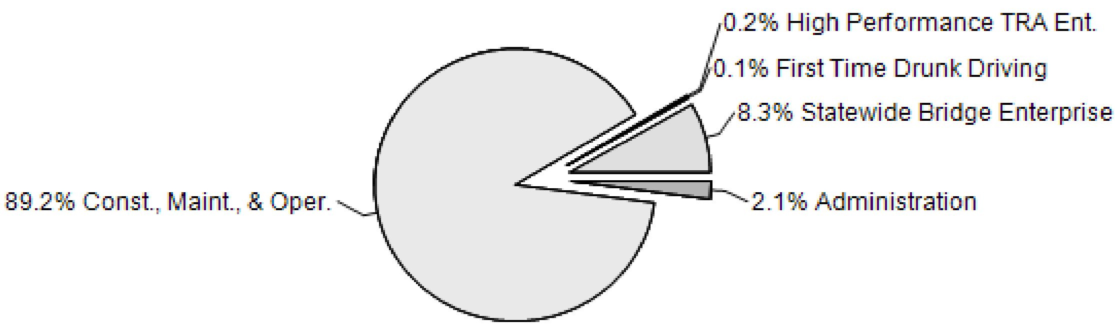



All charts are based on the FY 2012-13 appropriation.

**Distribution of General Fund by Division**

No Data Available

**Distribution of Total Funds by Division**

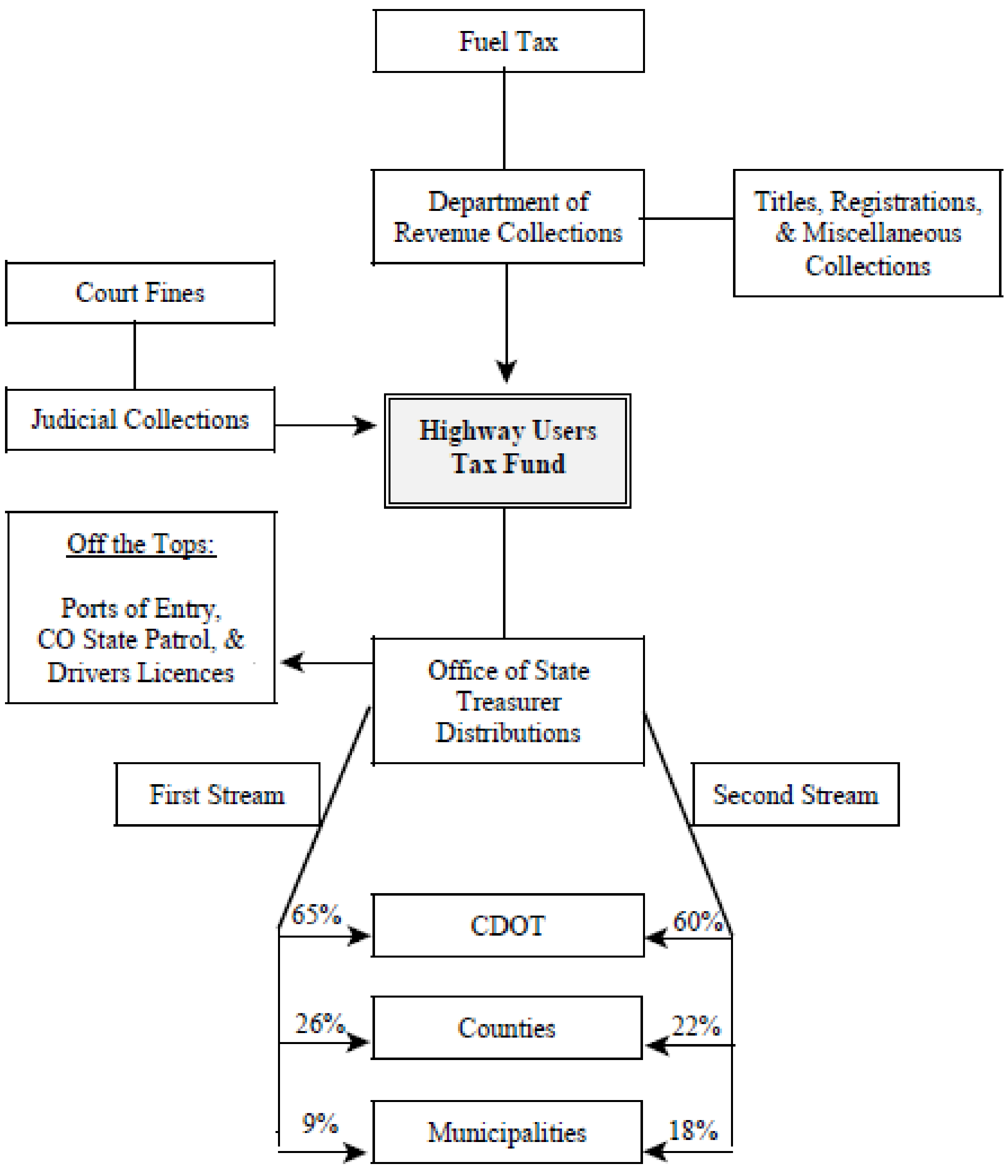



All charts are based on the FY 2012-13 appropriation.

# General Factors Driving the Budget

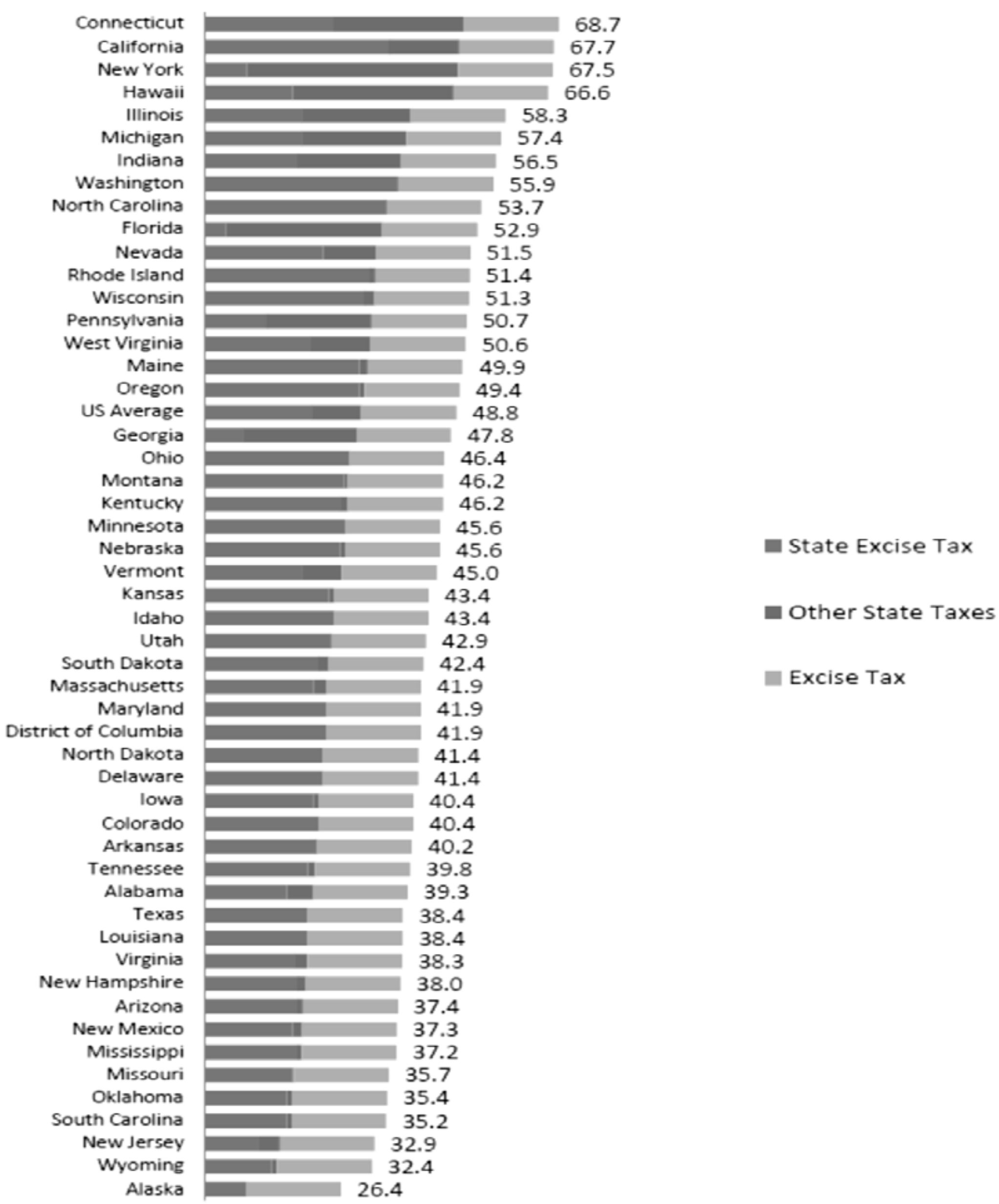
## State Transportation Revenues

The Department's main source of funding comes from the Highway Users Tax Fund (HUTF). The HUTF is supported by state and federal excise taxes on gasoline, diesel, and special fuels, registration fees, surcharges, and other miscellaneous sources of revenue. By statutory formula, CDOT receives approximately half of the State's monthly HUTF distributions. Please see the following flowchart for a visual overview of HUTF fund sources and distributions.

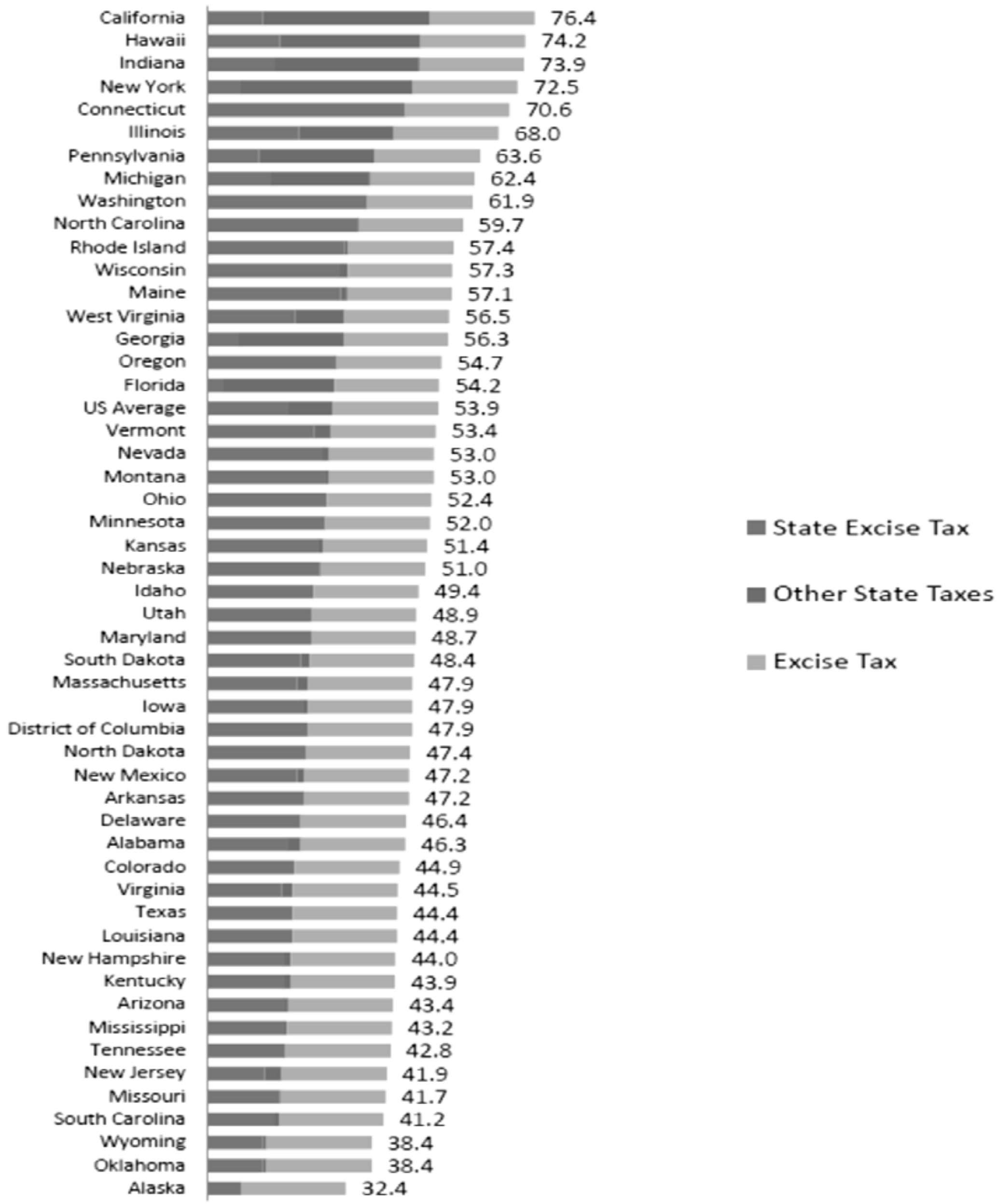


The Department's most significant source of State revenues is the excise tax on motor fuels, which has been set at $0.22 per gallon of gasoline and $0.205 per gallon of diesel fuel since 1991 and 1992 respectively. The major source of federal revenue is also an excise tax on motor fuels, which has been set at $.184 per gallon of gasoline and $.244 per gallon of diesel fuel since 1997. Please see Appendix F for a brief history of each of these excise taxes. Taken together, the total excise taxes for Colorado are $.404 per gallon of gas and $.449 per gallon of diesel. The average fuel taxes for all states are $.488 per gallon of gas and $.539 per gallon of diesel; leaving Colorado in the bottom half (Please see the following two charts for a State by State breakout of total gasoline and diesel fuel taxes).

**Gasoline Motor Fuel Taxes as of November 2012**



**Diesel Motor Fuel Taxes as of November 2012**




As fuel efficiency continues to increase, drivers have to pay less per mile driven each year that fuel excise taxes remain the same. Additionally, costs continue to rise because of the climbing price of construction, population growth, and increased vehicle size and weight. According to CDOT, increases in construction costs as measured by the Construction Cost Index, have outpaced both the Department's revenues and general inflation. Essentially, $1.00 in motor fuel tax revenue in 1991 would purchase less than $0.40 in 2012.

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

Vehicle size and weight are even more significant determinants in surface quality deterioration than population growth. Pavement thickness, for example, is a direct result of anticipated traffic volume and weight of vehicles. A stretch of highway that handles 80,000 cars per day but no trucks requires seven inches of pavement, while a stretch of highway that handles 8,000 cars and 4,000 trucks requires eight inches of pavement. Because HUTF distributions make up the majority of CDOT funding, fluctuations in revenues as a result of changes in behavior (e.g., increasing or decreasing vehicle miles of travel or changes in the size of vehicles) have a significant effect on the Department's budget.

## Senate Bill 09-108 (FASTER)

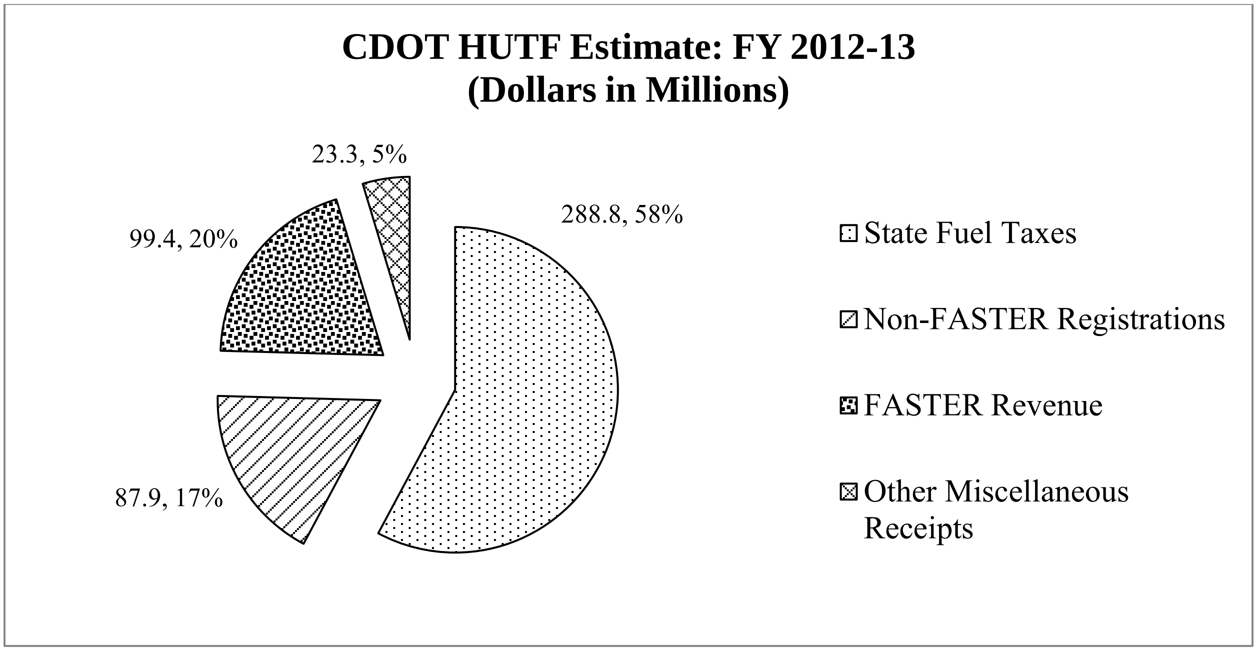
The FASTER legislation authorized the following new revenue sources:

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

*FASTER HUTF*

The bill increased overall HUTF revenues as well as the share of the Department's revenues coming from registration fees and surcharges. Prior to the enactment of FASTER, motor fuel taxes accounted for more than 70.0 percent of total HUTF revenues. FASTER-related HUTF revenues, which include the road safety surcharge, rented vehicle fee, oversize/overweight surcharge, and late registration fee, now account for about 17 percent of total HUTF revenues and have reduced the share attributed to motor fuel tax revenues to about 59 percent. By law, the proceeds of these revenue sources are distributed 60 percent to CDOT, 22 percent to counties, and 18 percent to municipalities, and are not subject to "off-the-top" appropriations.

The enactment of S.B. 09-108 increased the share of the Department's HUTF revenues coming from registration fees and surcharges. Prior to the enactment of FASTER, motor fuel taxes accounted for more than 70.0 percent of total HUTF revenues. FASTER-related revenues now account for about 20 percent of total HUTF revenues and have reduced the share attributed to motor fuel tax revenues to about 58 percent. The chart below displays the share of forecasted revenues for the current fiscal year that is attributable to each type of HUTF revenue source.




Source: CDOT

*FASTER Bridge Safety*

The implementation of FASTER has also increased other revenues for the Department because not all of the legislation's fees and surcharges are credited to the HUTF. Bridge safety surcharge revenues are credited to the Statewide Bridge Enterprise Special Revenue Fund for the repair and rehabilitation of bridges rated as "poor", i.e. functionally obsolete and structurally deficient. This dedicated fund is managed by the Statewide Bridge Enterprise. The board of the Enterprise consists of the members of the Transportation Commission. The following table shows actual FASTER-related bridge safety surcharge revenues for FY 2010-11 and CDOT estimates for FY 2011-12 and FY 2012-13.

**Bridge Safety Surcharge Revenues**

| | FY 2010-11 Actual | FY 2011-12 Estimate | FY 2012-13 Estimate |
|---|---|---|---|
| State Bridge Enterprise | $72.2 | $93.0 | $93.0 |

Source: CDOT

*FASTER Tolling*

Senate Bill 09-108 also reconstituted the former Statewide Tolling Enterprise with expanded authority to pursue innovative methods of financing the state's transportation system, including:

- Public-private partnerships;
- Operating concession agreements;

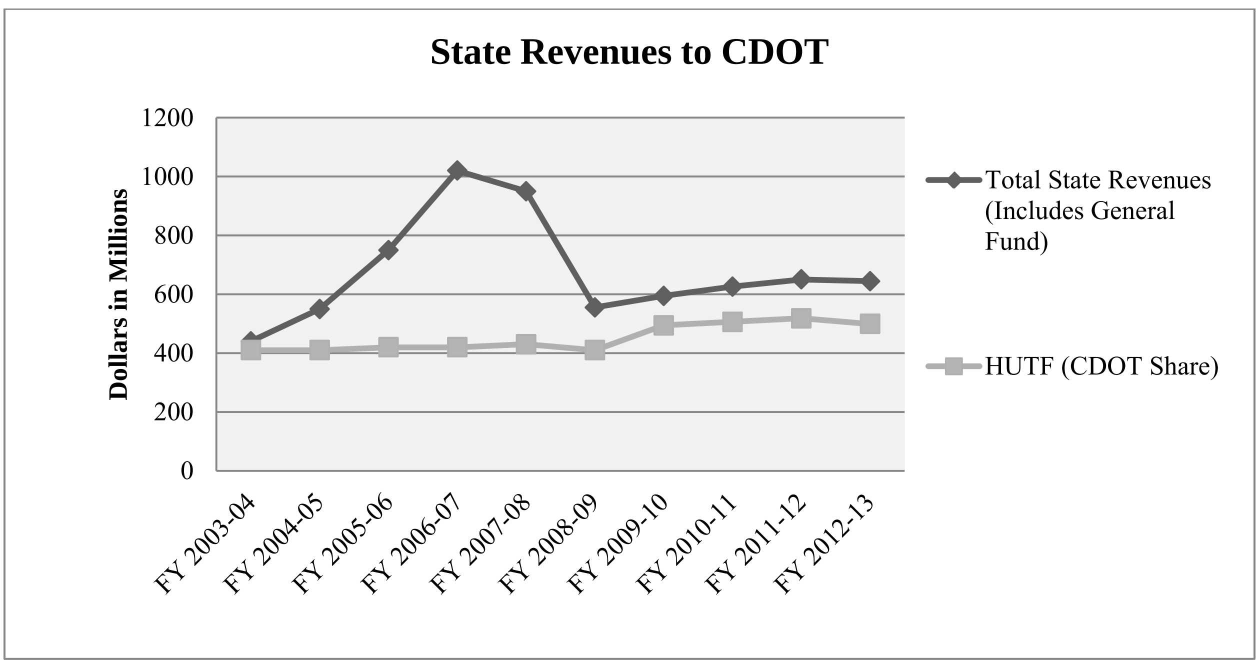
- User fee-based project financing;
- Availability payments; and
- Design-build contracting.

The bill authorizes the Enterprise 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 CDOT Enterprises are authorized to issue revenue bonds backed by their respective revenues.

*FASTER Transit*
Senate Bill 09-108 directed that $10.0 million per year of the Department's share of highway safety surcharges and fees be expended on transit-related activities. Eligible activities include: planning, design, engineering, acquisition, installation, construction, repair, reconstruction, maintenance, operation, and administration. In addition, the General Assembly directed that $5.0 million per year from the municipal and county shares of the S.B. 09-108 highway safety funds be credited to the State Transit and Rail Fund for grants to local governments for transit projects. These transit-dedicated funds are ineligible for alternative use.

## Total State Funding Levels and General Fund Expenditures

Total state funding for transportation has fluctuated substantially over the past ten years, primarily due to changes in the amount of General Fund transferred to the HUTF. Non-General Fund HUTF revenues have been more consistent. The following chart displays Non-General Fund HUTF revenues (cash funds) and total state funding for CDOT (including General Fund transfers as well as non-HUTF revenue sources) for each year since FY 2003-04.



The rise in HUTF and total revenues from FY 2008-09 to FY 2009-10 is largely a result of the implementation of FASTER, and the anticipated increase in total state revenues from FY 2009 10 to FY 2011-12 is largely the result of phasing in bridge safety surcharges under FASTER. However, the estimates for FY 2012-13 represent the fact that FASTER revenues are now fully phased in and are leveling off.

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

Transfers of General Fund dollars to the State Highway Fund under the legislation discussed above has fluctuated with the economy. For example, economic conditions precluded most such transfers from FY 2002-03 through FY 2004-05, although there were limited transfers under H.B. 02-1310 in FY 2003-04 and FY 2004-05. As shown in the chart above, transfers pursuant to S.B. 97-001 and H.B. 02-1310 increased in FY 2006-07 (to a total of $522 million), decreased to $407 million in FY 2007-08, and then decreased to $88 million in FY 2008-09.

Senate Bill 09-228 repeals the transfers of General Fund associated with S.B. 97-001 and H.B. 02-1310, making transfers from the General Fund to the HUTF subject to annual appropriation by the General Assembly. Senate Bill 09-228 requires transfers of 2.0 percent of General Fund revenues to the HUTF for FY 2013-14 through FY 2017-18 under certain conditions, but it does not require any General Fund transfers prior to FY 2013-14. The five-year block of transfers from FY 2013-14 through FY 2017-18 is subject to a trigger based on growth in statewide personal income. If personal income increases by less than 5.0 percent in calendar year 2012, the entire five-year block of transfers is postponed until the first fiscal year in which the personal income trigger is met. Neither the OSPB nor Legislative Council September revenue forecasts expect the trigger to be met in calendar year 2012.

## Availability of Federal Funds

The Department's total share of federal funds has fluctuated in recent years. Federal receipts increased to $586.6 million in FY 2010-11, with an infusion of funds as a result of the *American Recovery and Reinvestment Act* (ARRA). More recently, budgetary conditions, including the depletion of the surplus in the federal Highway Trust Fund, have resulted in "obligation limits" reducing each state's funding below the full amounts that were authorized in the federal *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) transportation authorization bill. The table below illustrates how much federal funding for CDOT has fluctuated.

**CDOT Federal Revenues**

| FY 2008-09 Act. | FY 2009-10 Act. | FY 2010-11 Est. | FY 2011-12 Est. | FY 2012-13 Est. |
|---|---|---|---|---|
| $497.1 | $586.6 | $541.5 | $404.1 | $517.9 |

Source: CDOT

CDOT receives federal funding for four purposes, including highways (Federal Highway Administration funds), safety (National Highway Traffic Safety Administration funds), transit (Federal Transit Administration funds), and aviation (Federal Aviation Administration funds). Federal funds provide a significant share of the CDOT's resources (41.7 percent of the Department's total appropriations for FY 2012-13), and fluctuations in federal funds, determined by multi-year authorization bills, affect the Department's annual budgetary outlook.

On July 6, 2012, President Obama signed the most recent authorization bill, the *Moving Ahead for Progress in the 21st Century Act* (MAP-21). The legislation updates and replaces SAFETEA-LU; specifically reauthorizing federal transportation programs, providing budget authority for federal transportation apportionments, and updating federal statutes governing the U.S. Department of Transportation (USDOT) and its various agencies and programs. A brief summary of the bill's provisions follows in the first issue brief below.

While the passage of MAP-21 has provided some clarity with regard to federal authorization levels, the appropriations outlook remains clouded due to the failure of the Congressional Deficit Supercommittee, a bipartisan group of 12 lawmakers that was tasked with agreeing to $1.2 trillion in spending cuts for the 2013 federal fiscal year (FFY). Failure by the bipartisan committee to agree on a budget blueprint means that $1.2 trillion in across-the-board cuts could kick in starting in FFY 2013, which begins Oct. 1, 2012.

A portion of that $1.2 trillion trigger will target defense and Medicare reimbursements, but a significant portion encompasses yet-to-be identified discretionary spending. The annual budget for the U.S. Department of Transportation could be on the chopping block in 2013 regardless of any reauthorization package. Preliminary estimates released by the White House indicate funding for highways, transit, and rail programs in FFY 2013 will be cut by about $3.2 billion. Therefore, the amount of federal dollars included in CDOT's FY 2012-13 budget request may change significantly based on Congressional action in the coming months.

## Transportation Revenue Anticipation Notes (TRANs)

In 1995, the Transportation Commission approved a 20-Year Transportation Plan which estimated that projected revenues would be $8 billion short of the amount required to complete priority state transportation projects. In 1996, the Strategic Corridor Projects plan identified 28 high priority projects of statewide significance needing to be expedited. These were called the "7th Pot" projects.

In 1999, the General Assembly enacted H.B. 99-1325, which was submitted to and approved by the voters (as Referendum A) under TABOR. The referendum authorized CDOT to borrow up to $1.7 billion against future federal and state funding as a "multiple-fiscal year obligation" by selling TRANs bonds. As a result, proceeds from TRANs are exempt from TABOR limitations, and TRANs debt service payments are exempt from TABOR spending limits. Other limits on the TRANs program include the following.

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

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

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

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

Section 43-4-713, C.R.S., requires CDOT to submit a TRANS report to the Joint Budget Committee each year by January 15. Below are two tables summarizing the 2012 report. The first summarizes the total debt service by fiscal year and the second lists the TRANS projects' funding and status.

**Total Debt Service by Fiscal Year**

| Fiscal Year | TRANS Debt Service (millions) |
|---|---:|
| 2000-01 through 2006-07 | $657.71 |
| 2007-08 | 167.99 |
| 2008-09 | 167.99 |
| 2009-10 | 167.99 |
| 2010-11 | 167.99 |
| 2011-12 | 166.67 |
| 2012-13 through 2016-17 | 800.23 |
| **Total** | **$2,296.57** |

**TRANS Project Funding and Status**

| Corridor | Description | TRANS Proceeds | Status |
|---|---|---|---|
| 01 | I-25, US50 to SH47 Interchange | $15,364,543 | Complete |
| 02 | I-25 S Academy to Briargate | 99,684,992 | Complete |
| 03 | I-25/US36/SH270 | 62,414,317 | Complete |
| 04 | I-225 & Parker | 51,517,612 | Complete |
| 05 | I-76 / 120th Ave | 20,514,156 | Complete |
| 06 | I-70 /I-25 Mousetrap Renovation | 33,376,281 | Complete |
| 07 | I-25 Owl Canyon Rd to Wyoming | 0 | Complete |
| 08 | I-70 East Tower Road to Kansas | 52,152,368 | Complete |
| 09 | North I-25 / SH7 - SH66 | 43,362,890 | Complete |
| 10 | US50 Grand Jct to Delta | 40,258,390 | Complete |
| 11 | US285 Goddard Ranch Court to Foxton Rd | 26,422,577 | Complete |
| 12 | South US287 Campo to Hugo | 41,350,183 | Ongoing |
| 13 | US160 Wolf Creek Pass | 47,481,468 | Complete |
| 14 | US40 Winter Park to Berthoud Pass | 26,685,101 | Complete |
| 15 | US550 New Mexico State Line to Durango | 18,798,104 | Complete |
| 16 | US160 Jct SH3 to Florida River | 25,787,152 | Complete |
| 17 | C-470 Extension | 181,656 | Complete |
| 18 | US34 & I-25 to US85 | 0 | Complete |
| 19 | US287 Broomfield to Loveland | 38,096,431 | Complete |
| 20 | Powers Blvd, Colorado Springs | 51,395,773 | Ongoing |
| 21 | SH82 Basalt to Aspen | 123,487,765 | Complete |
| 22 | Sante Fe Corridor | 0 | Complete |
| 23 | Southeast Corridor I-25, Broadway to Lincoln TREX | 477,384,690 | Complete |
| 24 | East Corridor MIS | 0 | Ongoing |
| 25 | West Corridor MIS | 4,423,139 | Ongoing |
| 26 | I-70 West EIS | 52,162,183 | Ongoing |
| 27 | I-25 South Corridor Denver to Colorado Springs | 91,293,660 | Ongoing |
| 28 | I-25 North Corridor Denver to Fort Collins | 45,389,569 | Ongoing |
| | **Total Issuance** | **$1,488,985,000** | |

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

# Summary: FY 2012-13 Appropriation & FY 2013-14 Request

| | Department of Transportation | | | | | |
|---|---|---|---|---|---|---|
| | **Total Funds** | **General Fund** | **Cash Funds** | **Reappropriated Funds** | **Federal Funds** | **FTE** |
| **FY 2012-13 Appropriation:** | | | | | | |
| HB 12-1335 (Long Bill) | $1,119,353,686 | $0 | $706,181,582 | $3,763,059 | $409,409,045 | 3,308.8 |
| **TOTAL** | **$1,119,353,686** | **$0** | **$706,181,582** | **$3,763,059** | **$409,409,045** | **3,308.8** |
| **FY 2013-14 Requested Appropriation:** | | | | | | |
| FY 2012-13 Appropriation | $1,119,353,686 | $0 | $706,181,582 | $3,763,059 | $409,409,045 | 3,308.8 |
| NPI-1 Employee Engagement Survey | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Updated Revenue Projections | 148,381,433 | 0 | 53,647,494 | 16,000,000 | 78,733,939 | 0.0 |
| COFRS Modernization | 107,310 | 0 | 107,310 | 0 | 0 | 0.0 |
| Centrally Appropriated Line Items | (81,553) | 0 | (107,310) | 25,757 | 0 | 0.0 |
| FTE Adjustment | 0 | 0 | 0 | 0 | 0 | 8.7 |
| **TOTAL** | **$1,267,760,876** | **$0** | **$759,829,076** | **$19,788,816** | **$488,142,984** | **3,317.5** |
| **Increase/(Decrease)** | $148,407,190 | $0 | $53,647,494 | $16,025,757 | $78,733,939 | 8.7 |
| Percentage Change | 13.3% | 0.0% | 7.6% | 425.9% | 19.2% | 0.3% |

## Issue Descriptions

**NPI-1 Employee Engagement Survey Adjustment:** The request includes an increase of total funds for FY 2013-14 to fund the Department's share of a survey to gauge employees' attitudes towards their work, their work environment, overall satisfaction, and trends developing within the workforce. *This request item will be addressed in a separate staff briefing for the Department of Personnel and Administration.*

**Updated Revenue Projections:** The request includes an increase in in the Department's cash fund revenues, including the State Highway Fund, the State Aviation Fund, MOST, LEAF, tolling revenues under the High Performance Transportation Enterprise, and Bridge Safety Surcharge revenues. The request also includes an increase in the Department's estimated apportionment of federal funds under MAP-21.

**COFRS Modernization:** The request includes an increase to fund the first two phases of a project to replace the statewide accounting system (COFRS) used by the Office of the State Controller to record all state revenues and expenditures.

**Centrally Appropriated Line Items:** The request includes 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; workers' compensation; legal services; payment to risk management and property funds; statewide indirect cost assessments; and services purchased from OIT. *This request item will be addressed in separate staff briefings for Compensation Common Policies, the Department of Personnel and Administration, and the Governor's Office of Information Technology*.

**FTE Adjustment:** The request includes a net increase of 8.7 FTE. This total reflects 18.0 FTE added by the Transportation Commission in the CM&O and Statewide Bridge Enterprise divisions as well as (9.3) FTE removed from the Administration division.

# Issue: Administration Line Overview

The Department of Transportation received $23,771,617 during fiscal year 2012-13 for programs funded out of its Administration line. This represented a decrease of ($716,937) and (14.2) FTE from the prior fiscal year. The appropriation includes increases for centrally appropriated line items, the State's PERA contribution, the first two phases of a five-phase project to replace the statewide accounting system (COFRS), and statewide IT common policy adjustments. It also includes a more than ten percent personal services reduction. This issue brief provides an overview of the Administration line as well as an update on the impact of this reduction.

## SUMMARY:

- For FY 2012-13, the Department requested an appropriation of $25,275,996 and 192.5 FTE for programs funded out of its Administration line.

- The Department received $23,771,617 for Administration in FY 2012-13. This represented a decrease of ($716,937) and (14.2) FTE from the prior fiscal year.

- The Administration line appropriation decreased from the prior fiscal year primarily due to a 10.5 percent personal services reduction (from $13,780,049 in FY 2011-12 to $12,332,539 in FY 2012-13) approved by the JBC.

- Based on information provided by CDOT, staff is concerned that the cuts to Administration, which are based on reversions in past year actuals, will negatively impact Administration staff's ability to support the Department's construction program.

## DISCUSSION:

### Background

The Administration line was created by Section 43-1-113 (2) (III), C.R.S., and includes the salaries and expenses for a variety of offices and programs. It is a "program" line, which gives CDOT discretion to move funds from personal services to operating (and vice versa) and also from one program to another without seeking approval from the General Assembly. Statute (Section 43-1-113 (6), C.R.S.) limits expenditures to no more than 5.0 percent of the total CDOT budget. The Administration section consists of several offices and divisions and provides administrative support for more than 3,000 FTE that work for the Department statewide.

The following tables show the Department's allocation of funding for personal services and operating expenses among the various organizations within Administration. Please note that because the Department includes common policy items and interagency payments in their reporting, the personal services and operating totals do not match those that are included in the numbers pages. Rather the numbers in the tables below match up with the total appropriations or expenditures for the line item. Additionally, because CDOT has the discretion to move funds from one program to another, the figures for FY 2012-13 and FY 2013-14 are only estimates.

**CDOT FY 2013-14 Request for Administration Personal Services Expenses**

| Administration Organization | FTE | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Estimate | FY 2013-14 Request |
|---|---|---|---|---|---|
| Transportation Commission | 1.0 | $72,764 | $79,425 | $93,604 | $94,846 |
| Office of Executive Director | 3.0 | 514,624 | 469,048 | 432,115 | 453,214 |
| Policy & Government Relations | 8.0 | 614,719 | 672,036 | 764,011 | 795,337 |
| Public Relations | 7.0 | 590,860 | 651,806 | 650,620 | 685,803 |
| Information Technology | 0.0 | 106,185 | 949,000 | 0 | 0 |
| Financial Management & Budget | 7.0 | 1,061,102 | 1,144,579 | 898,301 | 834,632 |
| Accounting Branch | 25.0 | 1,613,688 | 1,736,299 | 1,954,620 | 2,083,307 |
| Chief Eng. & Region Directors | 14.0 | 1,613,803 | 1,664,034 | 1,748,292 | 1,764,032 |
| Motor Pool Operations | 2.0 | 88,640 | 67,819 | 103,495 | 114,516 |
| Division of Human Resources & Administration | 77.0 | 5,812,981 | 5,416,720 | 5,513,321 | 5,876,605 |
| Print Shop | 11.0 | 605,576 | 428,209 | 591,324 | 606,060 |
| Office of Risk Management & Safety Education * *Established FY12* | 6.0 | 0* | 401,391 | 426,359 | 441,383 |
| Division of Audit | 8.0 | 544,377 | 692,702 | 864,672 | 855,070 |
| Interagency Payments and Common Policies and Contracts | 0.0 | 1,238,578 | 0 | 0 | 91,501 |
| **Total Personal Services** | **169.0** | **$14,477,897** | **$14,373,068** | **$14,040,734** | **$14,696,306** |

**CDOT FY 2013-14 Request for Administration Operating Expenses**

| Administration Organization | | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Estimate | FY 2013-14 Request |
|---|---|---|---|---|---|
| Transportation Commission | | $63,560 | $94,965 | $97,602 | $97,602 |
| Office of Executive Director | | 39,904 | 39,361 | 48,452 | 48,452 |
| Policy & Government Relations | | 37,582 | 27,001 | 61,514 | 61,514 |
| Public Relations | | 41,572 | 47,704 | 93,013 | 93,013 |
| Information Technology | | 3,966,964 | 3,676,904 | 2,933,192 | 3,435,249 |
| Financial Management & Budget | | 21,894 | 21,408 | 46,709 | 46,709 |
| Accounting Branch | | 33,624 | 33,945 | 75,869 | 75,869 |
| Chief Eng. & Region Directors | | 155,804 | 142,362 | 272,628 | 272,628 |
| Motor Pool Operations | | 129,191 | 107,498 | 247,616 | 247,616 |
| Division of Human Resources & Administration | | 859,491 | 777,734 | 897,123 | 897,123 |
| Print Shop | | 680,600 | 616,851 | 870,072 | 870,072 |
| Office of Risk Management & Safety Education * *Established FY12* | | * | 13,527 | 25,000 | 25,000 |
| Division of Audit | | 24,147 | 26,246 | 33,290 | 33,290 |
| Interagency Payments and Common Policies and Contracts | | 1,041,389 | 3,830,826 | 4,028,803 | 3,858,115 |
| **Total Operating** | | **$7,095,722** | **$9,456,332** | **$9,730,883** | **$10,062,252** |
| **TOTAL ADMIN** | | **$21,573,619** | **$23,829,400** | **$23,771,617** | **$24,758,558** |

## Department Request vs. Appropriation

For FY 2012-13, CDOT requested an appropriation of $25,275,996 and 192.5 FTE for Administration. This represented an increase of $787,332 (3.2 percent) above the FY 2011-12 appropriations, and was 2.3 percent of the Department's total request, well within the statutory requirement that the Administration line not exceed 5.0 percent of the Department's total budget. The General Assembly approved only $23,771,617 during FY 2012-13 for Administration. This represented a decrease of ($716,937) and (14.2) FTE from the prior fiscal year.

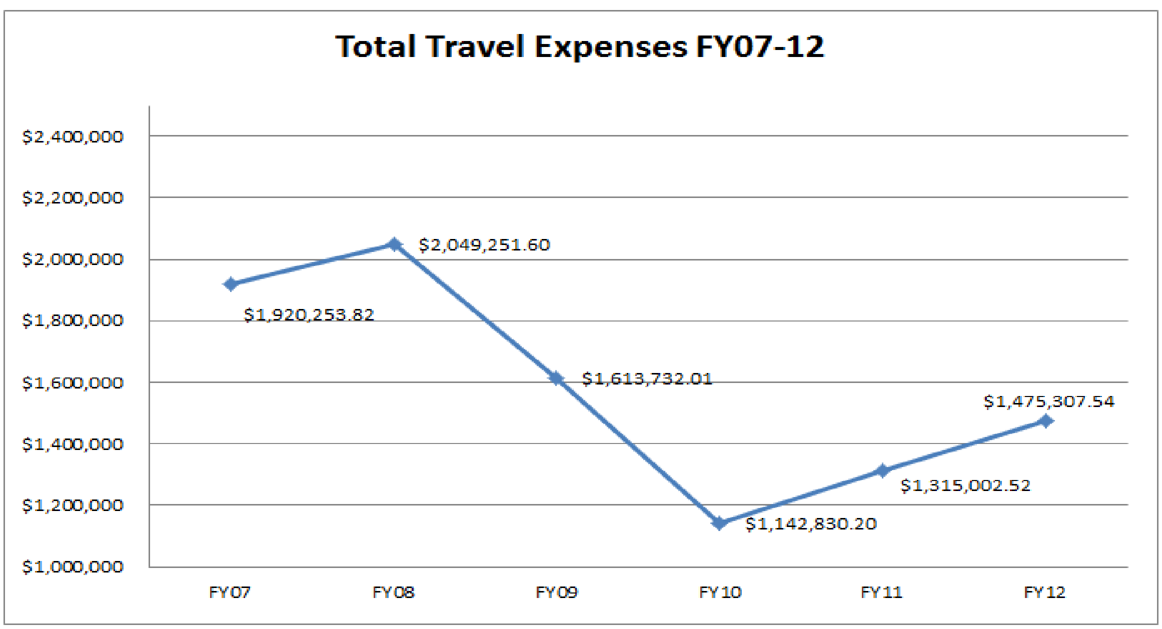
*Committee-approved Personal Services Reductions*

The JBC reduced CDOT's FY 2012-13 Administration personal services appropriation 10.5 percent from the prior fiscal year total—from $13,780,049 in FY 2011-12 to $12,332,539 in FY 2012-13. CDOT had reverted significant cash funds spending authority in each of the three most recent years where actual expenditures were available (FY 2008-09 through FY 2010-11). The Committee decided that there was a need to align the Department's annual appropriations with its actual expenditures. The Department's cash funds revert to the State Highway Fund and are available for construction projects the following year

**CDOT Administration Cash Fund Reversions**

| | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 |
|---|---|---|---|---|
| **Cash Funds** | $1,912,796 | $3,167,819 | $1,590,193 | $280,733 |
| **FTE** | 24.3 | 26.5 | 14.2 | 23.8 |

The reversions through FY 2009-10 were largely the result of hiring freezes at the Department and management changes to reduce operating expenses. For example, the Department strictly limited in-state travel beginning in FY 2008-09. As an organization with statewide obligations, the severe cutbacks in travel spending were not sustainable in the long term and more recent levels reflect a normal but conservative travel expense relative to the years just prior to the recession. The following chart illustrates the cost savings achieved in regards to travel.



Reversions decreased in FY 2010-11 as CDOT filled some staff vacancies after the hiring freeze expired. For FY 2011-12, the Committee approved a ($430,000) reduction for operating expenses as well as a 1.5 percent common policy personal services reduction of ($251,317). These cuts would limit cash fund reversions to $280,733 in FY 2011-12.

The JBC did not have FY 2011-12 actuals during figure setting for FY 2012-13. As a result, the Committee decided to reduce personal services based upon the actuals for FY 2010-11. The Department's FY 2012-13 Administration request was for $14,063,690. The Committee approved only $12,332,539, taking into account a reduction of ($1,590,194) and (14.2) FTE to better align with prior years' expenditures and a 1.0 percent common policy reduction of $140,958. The positions CDOT eliminated from its Administration Program were already vacant. These positions are listed in the following table.

| Organizational Unit | Class Code | Position Name | FTE |
|---|---|---|---|
| Division of Audit - External | H8D5XX | Auditor IV | 1 |
| Financial Management & Budget<br>A FA Reconciliation | H8A2XX | Accountant II | 1 |
| Financial Management & Budget<br>Budget Projects & Grants | H8A3XX | Accountant III | 1 |
| Financial Management & Budget<br>A FA Treasury/Grants | H8A2XX | Accountant II, A/P | 1 |
| Division of Human Resources & Administration<br>Org Learning and Dev | H4R1XX | Program Assistant I | 1 |
| Division of Human Resources & Administration<br>EO Fed State Civil Rights Programs | H6G6XX | Gen Prof VI, Civil Rights | 1 |
| Division of Human Resources & Administration<br>EO State Civil Rights Program | H6G5XX | Gen Prof V, Civil Rights | 1 |
| Division of Human Resources & Administration<br>AS PVC Bid Plans | G3A3XX | Admin Asst II | 1 |
| Division of Human Resources & Administration<br>AS M HQ Bldg Structure Mtc | D6D3XX | Structural Trades III | 1 |
| Division of Human Resources & Administration<br>Admin | H6G4XX | G Prof IV | 0.5 |
| Division of Human Resources & Administration<br>CHRM WS Tech Unit | G3A3XX | Admin Asst II | 1 |
| Division of Human Resources & Administration<br>AS PVC Bid Plans | G3A4XX | Admin Asst III | 1 |
| Division of Human Resources & Administration<br>Human Resources & Admin | H6G3XX | Gen Prof III, Bus Analy | 1 |
| Division of Human Resources & Administration<br>AS PVC Press Bindery | H3I2TX | Media Specialist I | 1 |
| Division of Human Resources & Administration<br>AS PVC Creative | H3U6XX | Arts Prof IV | 1 |
| **Total Cuts** | | | **14.5** |

## RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

The annual changes in the Department's Administration line appropriation are minimally correlated to annual changes in the CDOT's overall budget or actual revenues. In part because the Department has operated below the FTE levels authorized by the Transportation Commission for some time, significant changes in the Department's annual funding first affect the number and size of contracts let to CDOT's private sector partners for major rehabilitation and reconstruction projects on the state highway system.

However, appropriations for the Administration line can impact the Department's construction program because these dollars support the salaries for thirteen offices and organizations that in turn provide the support and management of a construction and maintenance program of more than $1.1 billion. There is some question whether this can be done effectively at current levels. Indeed, reductions to the Administration line over the past two fiscal years have limited the ability of the Department to be flexible in its design and scheduling of projects as well as in procurement. There will always be some vacancy savings because individuals leave the Department and it takes several months to refill those positions. In the past, CDOT has utilized the flexibility offered by vacant positions to move people around and achieve the most efficient use of Administration funding. The significant cuts to Administration have reduced flexibility and forced the Department to determine which positions to fill in a more reactive manner based on what positions become vacant rather than being proactive and strategic when hiring new staff.

JBC Staff also feels that the reversions, which reductions in the Administration line have been based upon, are largely tied to the mix of vacancy changes over time, a strict hiring freeze at the Department, and other restrictions on personal services and operating. CDOT leadership chose to institute these restrictions to achieve reversions when they were thought to be needed the most, in fiscal years 2008-09, 2009-10, and 2010-11. Because the Department's budget was reduced in the years following these reversions, there has been a more or less permanent change to the Administration service delivery level for programs housed in the Construction, Maintenance, and Operations line. This slows down the overall project pipeline and contributes to a long backlog of projects (Discussed in detail in the following issue brief).

Staff is concerned that if the JBC continues to cut savings every year (based on the reversions from past year actuals), CDOT managers will have a difficult time achieving the Department's stated goals for the percent of pavement in good/fair condition, the percent of bridge deck area in good/fair condition, or the annual maintenance level of service grade because of a reduction in service delivery level.

# Issue: CDOT Fund Balances

In recent years the Department of Transportation has experienced significant volatility in both its expenses and revenues. The uncertainty has resulted in significant fund balances for the Department. This issue brief provides detail on existing fund balances, discusses reasons for them, and outlines briefly efforts to expedite current construction projects and best utilize the cash available within CDOT's various funds.

## SUMMARY:

- The Department of Transportation's various accounts have a $1.38 billion fund balance, of which $1.28 billion is encumbered and about $98 million in unassigned.

- Three reasons for the growing fund balances are a more than 15 percent cut to the Department's Administration personal services and operating appropriations over the past two fiscal years, fluctuating state and federal revenues, and expenditure volatility—particularly with regard to materials costs.

- The Colorado Transportation Legislation Review Committee submitted a letter to the Department on September 14, 2012 for the purpose of "expediting current construction projects to best utilize the cash available within CDOT's various funds".

## DISCUSSION:

The Department has reported that there is a significant (and growing) fund balance in many of their accounts. In the following table, the fund balance is the difference between departmental revenues and expenditures accumulated over a given period of time. Encumbered fund balance represents moneys that CDOT has set aside and may use only for specific purposes and, therefore, these moneys are not available for the Department to use in any other manner. Unassigned fund balance represents uncommitted funds and may be used for cash flow purposes and unanticipated expenditures and/or revenue shortfalls.

### CDOT Fund Balances and Encumbrances for FY 2011-12

| Fund | Fund Name | Balance | Encumbered | Unassigned |
|---|---|---|---|---|
| 160 | Aviation | $0 | $30,250,16 | ($30,250,161) |
| 400 | Highway | 1,113,568,170 | 1,127,207,060 | (13,638,889) |
| 402 | Motorcycle License | 433,008 | 297,817 | 135,191 |
| 403 | LEAF | 790,859 | 0 | 790,859 |
| 438 | First Time Drunk Driving | 2,208,118 | 30,792 | 2,177,325 |
| 536 | HPTE Special Revenue | 11,189,657 | 440,043 | 10,749,614 |
| 537 | HPTE Operating | (761,991.48) | 503,807 | (1,265,798) |
| 538 | Bridge Enterprise | 222,106,840 | 119,581,945 | 102,524,895 |
| 606 | ICF | 577,067 | 35,870 | 541,196 |
| 715 | Infrastructure Bank | 26,061,860 | 0 | 26,061,860 |
| | **Total** | **$1,376,173,588** | **$1,248,127,600** | **$97,826,092** |

In addition to the encumbrance amounts listed above, CDOT also has money committed to expenses that are not accounted for in encumbrances. This includes right-of-way, personal services (payroll), and similar requirements. The Department does not have an estimate for this amount of "committed money"; however, along with encumbered dollars, these additional commitments tie up some of the remaining fund balance. The major concern is the growing amount of encumbered or committed funding that is not being spent in a timely manner.

## Causes for Large Fund Balances

*Operating and Personal Services Reductions*
As mentioned in the previous issue briefing, the Committee has approved large operating and personal services reductions for Administration over the past two fiscal years. CDOT had reverted significant cash funds spending authority. While the reversions were largely the result of hiring freezes at the Department and managerial changes to reduce operating expenses, the Committee decided that there was a need to further align CDOT's annual appropriations with actual expenditures. The total personal services and operating reduction over the last two fiscal years is ($2,128,827)—a more than 15 percent cut from FY 2010-11 levels.

The recovery of vacant FTE and associated funding has deteriorated CDOT's ability to keep staff in procurement, financial, and human resources positions critical to CM&O. The reductions have eliminated the Department's ability to utilize those funds to hire new employees in areas of need without eliminating other positions or pay above the minimum pay-range in an effort to keep effective and innovative employees. As an example, CDOT has been forced to combine two vacant half-time positions that had previously been used to support CM&O to fill a position for a human resources director. In the past, managers utilized the flexibility offered by vacancies to move people internally and achieve the most efficient use of Administration funding.

The large cuts are also having a negative impact on the procurement process and the length of time it takes to approve multi-modal grants to local governments. The funding that has been cut would otherwise have been utilized to pay for initiatives that help CDOT be more efficient, such as the software project Public Budget Formulation. Public Budget Formulation was instituted in FY 2011-12 and has allowed the Department to become more flexible in its budgeting and procurement process, has given management additional reporting options, and replaces a system that the vendor was going to cease to support in calendar year 2015. CDOT is in the early stages of a Procurement Improvement Project that will require consulting services, SAP software development work, and an FTE to maintain. The project will automate the Department's procurement process and streamline its contracting process—shortening the overall project pipeline and reducing the long backlog of construction projects in the CM&O Program. However, reductions have limited the Department's ability to complete this and other initiatives recommended through its strategic planning process because of lower funding levels.

*Revenue Volatility*
CDOT has experienced significant revenue volatility in recent years. Federal receipts increased to $586.6 million in FY 2009-10 and $541.5 in FY 2010-11, with an infusion of funds as a result of the *American Recovery and Reinvestment Act* (ARRA). More recently, budgetary conditions,

including the depletion of the surplus in the federal Highway Trust Fund, have resulted in "obligation limits" reducing each state's funding below the full amounts that were authorized in the federal *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) transportation authorization bill. The most recent authorization bill, the *Moving Ahead for Progress in the 21st Century Act* (MAP-21), updates and replaces SAFETEA-LU; specifically reauthorizing federal transportation programs, providing budget authority for federal transportation apportionments, and updating federal statutes governing the U.S. Department of Transportation (USDOT) and its various agencies and programs at current levels.

While the passage of MAP-21 has provided some clarity with regard to federal authorization levels, the appropriations outlook remains clouded due to federal budget sequestration scheduled for the 2013 federal fiscal year (FFY) and beyond. Preliminary estimates released by the White House indicate funding for highways, transit, and rail programs in FFY 2013 will be cut by about $1.5 billion nationally. JBC staff estimates that Colorado may lose more than $12 million. Because of this uncertainty, the Department has had to be overly conservative in its budgeting, often resulting in revenue estimates that are too low.

*Expenditure Volatility*
On the expenditure side, the Department has had to cope with unprecedented growth in materials prices—though this was somewhat mitigated by substantial S.B. 97-001 H.B.02-1310 transfers. Increases in construction costs as measured by the Construction Cost Index, outpaced general inflation throughout the 90s and latter half of the past decade. One dollar in revenues in 1991 would have purchased less than $0.40 in 2010. CDOT accounted for the rapid rate of inflation by including larger contingencies in multi-year construction contracts—essentially budgeting for unforeseen conditions that are not controlled by the Department.

More recently construction costs have stabilized or actually declined in conjunction with the economic downturn. At the same time, the State has received significant influxes of additional funding from ARRA and FASTER. Because it took some time for the Department to alter its practice of including large contingencies in multi-year projects, the unexpected revenue increase and declining construction costs resulted in contingency dollars not being expended. Further, the Department was forced to burn through its shovel-ready projects all at once in the wake of ARRA because of the requirement that the additional federal dollars go to shovel-ready projects throughout the state. This left only long range construction projects, compromised CDOT's ability to maintain the optimal number and mix of projects in the design pipeline, and contributed significantly to the large fund balances currently reported.

## Flexible and Efficient Project Pipeline

Revenue uncertainties such as CDOT has experienced in the past few years appear to be nationwide DOT challenges that will continue for the foreseeable future. Accordingly, CDOT should consider further refining its current business approach to best manage these uncertainties. More specifically, CDOT has to become more nimble in its designing and scheduling of projects in order to handle drastically fluctuating inflows and outflows. The Department has to work efficiently to ensure that there are ready-to-go projects that are consistent with corridor visions within the statewide long range transportation plan and that can quickly move forward should funds become available.

The Department has already taken steps toward this end with its project pipeline initiative. While still in its early stages, the Department is working with several consultants to design and deliver a project pipeline model to assist CDOT in scheduling the appropriate mix and timing of projects for design. Additionally, the Department is working on several alterations to its business practices in order to better spend down existing cash balances. These include advance budgeting and incremental encumbrances, which will allow for more construction projects to be in play at one time by removing the requirement that the Department (regions) wait to advertise individual portions of a project until the money for the project in its entirety is available. Finally, the CDOT budget software initiative called Public Budget Formulation completed in FY 2011-12 should allow for more accurate state and federal cash fund forecasting in the future.

## Transportation Legislation Review Committee Letter

In response to concerns over the growing CDOT cash fund balances the Colorado Transportation Legislation Review Committee (TLRC) submitted a letter to the Department on September 14, 2012 for the purpose of "expediting current construction projects to best utilize the cash available within CDOT's various funds." The letter asked that CDOT "evaluate its cash inflows and outflows, determine an appropriate range of cash on hand, and modify project commitments as appropriate." The letter contained several additional questions for CDOT as follows:

- "What is the Department's plan to accelerate currently funded projects into construction"?
- "Are there specific construction projects now planned that can be expedited"?
- "What additional resources might be necessary for engineering, project management, or other needs required to accelerate the construction schedule"?
- "How can the Legislature be a partner to help facilitate any related plans going forward"?

The TLRC asked that the Department be prepared to respond to the letter at a Joint House and Senate Transportation Committee Hearing early in the 2013 legislative session. Along these lines, JBC staff understands that the Department has almost completed a draft plan to spend down its fund balance and will forward the specifics to the Committee once complete.

## RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

In recent years CDOT has experienced significant volatility in state and federal revenues, annual appropriations, stimulus and grant opportunities, construction and material costs, legal and environmental issues, and the demands of local, statewide, and national politics. These uncertainties have led to significant fund balances in the Department's accounts.

If left unaddressed, the Department risks incurring substantial costs associated with hasty design or re-design work, selection of non-optimum or low priority projects, wasted right-of-way and environmental efforts, or lost federal dollars tied to programs such as ARRA. These impacts will severely limit the Department's ability to achieve its stated goals for the percent of pavement in good/fair condition, the percent of bridge deck area in good/fair condition, and the annual maintenance level of service grade. To date CDOT has managed these challenges with crisis management and program evaluation as each challenge has arisen, but not without undue stress in the absence of a more systematic tool or approach.

# Issue: Overview of MAP-21

On July 6, 2012, the President signed H.R. 4348, the *Moving Ahead for Progress in the 21st Century Act* (MAP-21). The legislation updates and replaces the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users Act of 2005* (SAFETEA-LU), specifically reauthorizing federal transportation programs, providing budget authority for federal transportation apportionments, and updating federal statutes governing the U.S. Department of Transportation (USDOT) and its various agencies and programs. This issue briefing provides a brief summary of the bill's provisions.

## SUMMARY:

- Duration: MAP-21 is a 27-month authorization bill, providing spending authority through September 30, 2014. The bill also reauthorizes the three federal motor fuel taxes that support the Highway Trust Fund through September 30, 2016.

- Federal Spending and Colorado Apportionments: The bill continues existing funding levels with a small inflationary adjustment. Colorado's federal highway apportionments are estimated to be $517.0 million in FY 2013 and $522.4 in FY 2014. By comparison, Colorado's federal apportionment for FY 2012 is $517.0 million.

- Program Consolidation: MAP-21 consolidates 90 federal transportation programs into 30 new and existing programs, providing state DOTs with more discretion.

- Performance Management: MAP-21 emphasizes performance management, imposing new performance measure reporting requirements on state DOTs.

- Innovative Financing: The bill increases funding for the Transportation Infrastructure Finance and Innovation Act (TIFIA) program from $122 million in the current fiscal year to $750 million and $1 billion in FY 2013 and FY 2014.

- Environmental Streamlining: The bill contains several provisions to accelerate project delivery in relation to the *National Environmental Policy Act* (NEPA). These provisions reduce approval time by allowing more federally funded projects to fall under categorical exclusions.

## DISCUSSION:

CDOT receives federal funding for four purposes, including highways (Federal Highway Administration funds), safety (National Highway Traffic Safety Administration funds), transit (Federal Transit Administration funds), and aviation (Federal Aviation Administration funds). Federal funds provide a significant share of the CDOT's resources (41.7 percent of the Department's total appropriations for FY 2012-13), and fluctuations in federal funds, determined by multi-year authorization bills, affect the Department's annual budgetary outlook.

On July 6, 2012, President Obama signed the most recent highway, transit, and highway safety authorization bill, the *Moving Ahead for Progress in the 21st Century Act* (MAP-21). The legislation updates and replaces SAFETEA-LU; specifically reauthorizing federal transportation programs, providing budget authority for federal transportation apportionments, and updating federal statutes governing the U.S. Department of Transportation (USDOT) and its various agencies and programs. Funding surface transportation programs at over $105 billion for 2013 and 2014, MAP-21 is the first long-term highway authorization enacted since 2005.

## Summary of Major Provisions

MAP-21 creates a streamlined, performance-based, and multimodal program to address the challenges facing the U.S. transportation system. These challenges include improving safety, maintaining infrastructure condition, reducing traffic congestion, improving efficiency of the system and freight movement, protecting the environment, and reducing delays in project delivery. MAP-21 builds on and refines many of the highway, transit, bike, and pedestrian programs and policies established in SAFETEA-LU.

*Total Investment*

The law authorizes the Highway and Transit programs at the same funding levels provided for FFY 2012 through FFY 2014, providing two years of stable funding. The bill does not provide for ongoing increases in funding, but rather, the law relies on some temporary shifts in funds and changes to pension structures that provide some savings that were directed to transportation.

**Highways (billions of dollars)**

| **Program** | **FFY 2012** | **FFY 2013** | **FFY 2014** |
|---|---|---|---|
| Federal-aid Highway (*NHPP, STP, HSIP, CMAQ, Metro Planning*) | $35.700 | $37.500 | $37.800 |
| TIFIA | 0.112 | 0.750 | 1.000 |
| Federal Lands | 1.019 | 1.000 | 1.000 |
| Federal Highway Admin | 0.424 | 0.454 | 0.440 |
| **Total** | **$37.255** | **$39.704** | **$40.240** |

MAP-21 extended SAFETEA-LU for the remainder of FFY 2012, with new provisions for FFY 2013 and beyond taking effect on October 1, 2012. As the table above illustrates, funding levels for highway programs were maintained at FFY 2012 levels, plus minor adjustments for inflation. FHWA administrative expenses associated with the Federal-aid highway program, Appalachian Regional Commission administration of the Appalachian Development Highway System (ADHS), and Office of the Inspector General audit costs are provided as a separate authorization of $454 million for FFY 2013 and $440 million for FFY 2014. However, more than $30 million of the administrative funds are designated for other purposes each year, as follows:

- On-the-job training supportive services ($10 million annually);
- DBE supportive services ($10 million annually);
- Highway use tax evasion projects ($10 million annually);

- Combined amount for Work Zone Safety Grants, safety clearinghouses, and Operation Lifesaver ($3 million annually); and

- Air quality and congestion mitigation measures outcomes assessment study (up to $1 million in FY 2013 only).

MAP-21 establishes an annual obligation limitation of $39.699 billion for FFY 2013 and $40.256 billion for FFY 2014 for the purpose of limiting highway spending each year. Distribution of the limitation is similar to current law. The current requirement to annually recover unused obligation limitation and distribute it as formula limitation to States that can use it before the end of the fiscal year is also continued.

**Mass Transit (billions of dollars)**

| **Program** | **FFY 2012** | **FFY 2013** | **FFY 2014** |
|---|---|---|---|
| Formula grants | $4.160 | $4.398 | $4.459 |
| Elderly and Disabled (includes old New Freedom) | 0.134 | 0.255 | 0.258 |
| Rural Area formula | 0.465 | 0.600 | 0.608 |
| Bus and Bus Facilities grants | 0.984 | 0.422 | 0.428 |
| State of Good Repair grants (former Rail Modernization) | N/A | 2.136 | 2.166 |
| High Density Formula | 0.465 | 0.519 | 0.526 |
| Transit - Planning Set-Aside (PL Funds) *in terms of allocation, 82.72% goes to metro planning and 17.28% goes to state planning | 0.114 | 0.127 | 0.129 |
| TOD Pilot Program | N/A | 0.010 | 0.010 |
| Capital Investment (New Starts) | 1.955 | 1.907 | 1.907 |
| **Total** | **$8.277** | **$10.374** | **$10.491** |

MAP-21 authorizes $10.6 billion in FFY 2013 and $10.7 billion in FFY 2014 for public transportation programs as outlined in the table above. Since the Reagan Administration, Congress has struck an 80/20 balance between highway and transit funding: 80 percent to highway funding; and 20 percent to mass transit funding. MAP-21 continues the 80/20 split and authorizes new FTA oversight over public transit systems safety measures. The bill leaves existing U.S. Federal Transit Administration (FTA) funding mechanisms intact.

*State Apportionments*
State apportionments continue to be set in federal law and distributed according to formula grant. Prior to MAP-21, each apportioned program had its own formula for distribution, and the total amount of Federal assistance a State received was the sum of the amounts it received for each program. MAP-21 instead provides a total apportionment for each State and then divides that State amount among individual apportioned programs.

Additionally, and of particular note for traditional "donor" states like Colorado, MAP-21 incorporates into the formula a requirement that all states receive at least a 95 percent return on revenue, a small increase over the previous return rate minimum. It is important to keep in mind, however, that as long as revenues from the various funding mechanisms such as the federal fuels tax do not meet appropriation levels, Congress will continue to shore up the difference with General Fund dollars–resulting in no "donor" states. The following table summarizes Colorado's apportionments under MAP-21 as estimated by the USDOT.

**Colorado Formula Apportionments**

| SAFETEA-LU | | MAP-21 | | |
|---|---|---|---|---|
| **Program** | **FFY 2012** | **Program** | **FFY 2013** | **FFY 2014** |
| Interstate Maintenance | $104,189,718 | National Highway Performance Program | $293,412,256 | $295,891,547 |
| National Highway System | 139,727,117 | Surface Transportation Program | 134,960,425 | 136,100,821 |
| Surface Transportation Program | 131,330,419 | Highway Safety Improvement Program | 32,243,105 | 32,515,555 |
| Bridge Replacement & Rehabilitation | 40,869,678 | CMAQ Program | 40,621,101 | 40,964,344 |
| Congestion Mitigation & Air Quality | 42,688,919 | Metropolitan Planning | 5,028,201 | 5,070,688 |
| Appalachian Development Highway System | - | Transportation Alternatives | 11,698,429 | 11,859,565 |
| Recreational Trails | 1,485,892 | | | |
| Metropolitan Planning | 4,528,357 | | | |
| Safety | 21,205,146 | | | |
| Rail-Hwy Crossings | 2,918,354 | | | |
| Border Infrastructure Program | - | | | |
| Safe Routes to School | 2,483,095 | | | |
| Equity Bonus | 26,536,822 | | | |
| **Total** | **$517,963,517** | **Total** | **$517,963,517** | **$522,402,519** |

*Program Restructuring*

MAP-21 restructures core highway formula programs. Activities carried out under some existing formula programs–the National Highway System Program, the Interstate Maintenance Program, the Highway Bridge Program, and the Appalachian Development Highway System Program–are incorporated into the following new core formula program structure:

- National Highway Performance Program (NHPP);
- Surface Transportation Program (STP);
- Congestion Mitigation and Air Quality Improvement Program (CMAQ);
- Highway Safety Improvement Program (HSIP);
- Railway-Highway Crossings (set-aside from HSIP); and
- Metropolitan Planning.

The bill also creates two new formula programs: the Construction of Ferry Boats and Ferry Terminal Facilities Program, and the Transportation Alternatives (TA) program. As the table above illustrates, Colorado will only receive funds from the TA Program. TA Program funding is derived from the NHPP, STP, HSIP, CMAQ and Metropolitan Planning programs, encompassing most activities funded under the Transportation Enhancements, Recreational Trails, and Safe Routes to School programs under SAFETEA-LU.

MAP-21 creates a new discretionary program – Tribal High Priority Projects (THPP), and continues the following current discretionary programs: Projects of National and Regional Significance (PNRS), On-the-Job Training Supportive Services, Disadvantaged Business Enterprise (DBE) Supportive Services, Highway Use Tax Evasion (Intergovernmental enforcement projects), and Work Zone Safety Grants. The bill eliminates most current discretionary programs, but many of the eligibilities are covered in other programs.

Essentially, MAP-21 sets out some major changes from SAFETEA-LU in the structure of the highway and transit programs, consolidating many different funding programs and items into larger and fewer funding categories. The law was designed to give states more flexibility in how they spend federal dollars in exchange for requiring that states track and report on how they are doing in meeting specific performance measures for their transportation systems.

*Innovative Financing/Tolling*

The federal program authorized by the *Transportation Infrastructure Finance and Innovation Act* (TIFIA) provides loans, loan guarantees, and lines of credit for surface transportation projects. Under SAFETEA-LU, TIFIA's maximum share of project costs was capped at 33 percent. MAP-21 raises this cap to a 49 percent federal share. MAP-21 also provides $750 million and $1 billion in FFY 2013 and FFY 2014 respectively for the TIFIA credit assistance program–a significant increase over annual SAFETEA-LU funding levels of approximately $122 million per year. Finally, MAP-21 changes the TIFIA competitive application process to a rolling application basis with no competitive criteria.

MAP-21 also provides several updates regarding the tolling of federal highways. The bill specifically allows states to toll existing non-Interstate highways, toll new lanes on Interstates, and convert an existing facility to a toll facility if capacity is expanded, and eliminates priority for toll revenue for projects providing alternatives to single-occupant vehicle travel. The bill provides no expansions of existing tolling pilot programs.

*Performance Management*

MAP-21 establishes performance-based planning requirements that align Federal funding with key goals and tracks progress towards these goals. This is done by refocusing on national transportation goals, increasing the accountability and transparency of the federal-aid highway program and improving project decision making through performance-based planning and programming.

In general, the Secretary, in consultation with States, MPOs, and other stakeholders, will establish performance measures for pavement conditions and performance for the Interstate and National Highway Systems (NHS), bridge conditions on the NHS, injuries and fatalities on all public roadways, traffic congestion and on-road mobile source emissions in areas with population over one million, and freight movement on the Interstate System. States (and MPOs, where applicable) will set performance targets in support of those measures, and State and metropolitan plans (both long range plans and S/TIPS) will describe how program and project selection will help achieve the targets.

The National Goal Areas for Performance Management are as follows.

- Safety: To achieve reduction in fatalities and serious injuries on all public roads.

- Infrastructure Condition: To maintain highway infrastructure assets in state of good repair.

- Congestion Reduction: To achieve reduction in congestion on the National Highway System.

- System Reliability: To improve the efficiency of the surface transportation system.

- Freight Movement and Economic Vitality: To improve freight networks, strengthen the ability of rural communities to access national and international trade markets, and support regional economic development.

- Environmental Sustainability: To enhance the performance of the transportation system while protecting and enhancing the environment.

- Reduced Project Delivery Delays: To reduce project costs, promote jobs and the economy, and expedite the movement of people and goods by accelerating project completion through eliminating delays in the project development and delivery process, including reducing regulatory burdens and improving agencies' work practices.

The U.S. DOT is also required to establish criteria for the evaluation of the new performance-based planning processes. The process will consider whether States developed appropriate performance targets and made progress toward achieving the targets. Five years after enactment of MAP-21, the Secretary is to provide to the Congress reports evaluating the overall effectiveness of performance-based planning and the effectiveness of the process in each State and for each MPO.

*Accelerating Project Delivery/Environmental Streamlining*

The MAP-21 legislation implements policy reforms in the area of project delivery that are intended to speed up the construction process by removing administrative barriers and allowing states more responsibility with regard to environmental regulations. Some MAP-21 provisions are designed to improve efficiency in project delivery, broadening the ability for States to acquire or preserve right-of-way for a transportation facility prior to completion of the review process required under the *National Environmental Policy Act of 1969* (NEPA), providing for a demonstration program to streamline the relocation process by permitting a lump sum payment for the acquisition and relocation if elected by the displaced person, enhancing contracting efficiencies, and encouraging the use of innovative technologies and practices.

Other changes target the environmental review process, providing for earlier coordination, greater linkage between the planning and environmental review processes, using a programmatic approach where possible, and consolidating environmental documents. MAP-21 establishes a framework for setting deadlines for decision-making in the environmental review process, with a process for issue resolution and referral, and penalties for agencies that fail to make a decision. Projects stalled in the environmental review process can get technical assistance to speed completion within four years.

One area in particular that MAP-21 focuses on to speed up project delivery is expanded authority for use of categorical exclusions (CEs). "Categorical exclusion" describes a category of actions that do not typically result in individual or cumulative significant environmental impacts. CEs, when appropriate, allow Federal agencies to expedite the environmental review process for proposals that typically do not require more resource-intensive Environmental Assessments (EAs) or Environmental Impact Statements (EISs). In addition to those currently allowed, MAP-21 expands the usage of CEs to a variety of other types of projects, including multi-modal projects, projects to repair roads damaged in a declared disaster, projects within existing operational right-of-way, and projects receiving limited Federal assistance. To assess the impact of the above changes, the Secretary will compare completion times of CEs, EAs and EISs before and after implementation.

## RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

Federal funds provide a significant share of the CDOT's resources (41.7 percent of total appropriations for FY 2012-13), and fluctuations, determined by multi-year authorization bills such as MAP-21, affect the Department's annual budgetary outlook. The Department's total share of federal funds has fluctuated in recent years (See table below). Federal receipts increased to $586.6 million in FY 2009-10 and $541.5 in FY 2010-11 because of the *American Recovery and Reinvestment Act*. In FY 2011-12, budgetary conditions, including the depletion of the surplus in the federal Highway Trust Fund, resulted in "obligation limits" reducing CDOT's federal allocations below the full amounts that were authorized in SAFETEA-LU. Because MAP-21 includes $20 billion in transfers from the General Fund to the federal Highway Trust Fund over two years, federal revenues increase to $517.9 million in FY 2012-13.

**CDOT Federal Revenues**

| FY 2008-09 Act. | FY 2009-10 Act. | FY 2010-11 Est. | FY 2011-12 Est. | FY 2012-13 Est. |
|---|---|---|---|---|
| $497.1 | $586.6 | $541.5 | $404.1 | $517.9 |

Source: CDOT

CDOT receives federal funding for four purposes, including highways (Federal Highway Administration funds), safety (National Highway Traffic Safety Administration funds), transit (Federal Transit Administration funds), and aviation (Federal Aviation Administration funds). These funds are critical for the Department to achieve excellence in its four functional categories—safety, system quality, mobility, and program delivery.

# Issue: Federal Budget Sequestration

In August 2011, bipartisan majorities in both the U.S. House of Representatives and Senate voted for the *Budget Control Act of 2011* (BCA). The legislation would order budget sequestration for federal fiscal year (FFY) 2013 (January through September 2013) on January 2, 2013, pursuant to section 251A of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended (BBEDCA). This sequestration, should it occur, is the result of the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, legislation reducing the deficit by $1.2 trillion, as required by the BCA.

The threat of sequestration was utilized to force Congress to act on further deficit reduction. The specter of harmful across-the-board cuts to defense and nondefense programs was intended to drive both sides to compromise. However, there is growing pessimism that Congress will be able to reach an agreement by January 2. This issue brief provides a breakdown of non-exempt Transportation accounts, an estimate of the funding reductions that would be required across these accounts, and an explanation of the calculations behind these numbers.

## SUMMARY:

- The estimates and classifications in the report are preliminary–if the sequestration were to occur, the actual results would differ based on changes in law and ongoing legal, budgetary, and technical analysis.

- However, the sequestration would potentially be deeply destructive to some of CDOT's federally funded programs.

- Sequestration would result in a 9.4 percent reduction in non-exempt defense discretionary funding and an 8.2 percent reduction in non-exempt nondefense discretionary funding. It would also impose cuts of 2.0 percent to Medicare, 7.6 percent to other non-exempt nondefense programs, and 10.0 percent to non-exempt defense mandatory programs.

- Colorado could experience a reduction in federal funding of at least $67.9 million in federal fiscal year 2013. These amounts are estimates based on a survey of state departments conducted in June 2012.

- While CDOT has not put together its own approximation, JBC staff estimates that the Department's federally funded programs may lose more than $12 million in fiscal years 2012-13 and 2013-14.

## DISCUSSION:

### Background

The BCA established the Joint Select Committee on Deficit Reduction to identify $1.5 trillion in deficit reduction over the period of federal fiscal years (FFYs) 2012-2021. The joint committee was charged with achieving deficit reduction with no restrictions on how they accomplish the net reductions in the deficit. Because the joint committee was unable to reach agreement on $1.5 trillion in deficit reduction, a sequestration process will be triggered to cut spending by $1.2 trillion if no deficit reduction is achieved by Congress before January 2, 2013.

Sequestration is not new as there have been five times where a sequestration has been triggered (three under the Gramm-Rudman-Hollings deficit targets and two under the statutory discretionary spending caps). However, it has not been used for spending cuts of this magnitude.

The sequestration process is one where across-the-board spending cuts are applied to government programs in order to meet a budgetary goal. There are a number of programs exempt from sequestration by statute. Those programs not specifically exempted constitute what is considered to be the sequester base. The Office of Management and Budget is required by law to apply the spending cuts uniformly to all programs, projects, and activities within a budget account in the sequester base.

Because the joint committee and Congress have failed to produce any deficit reduction, the amount of the sequestration will be calculated by taking $1.2 trillion and discounting it by 18% for the interest savings that would be achieved from the deficit reduction. That leaves approximately $984 billion. The law then divides that amount by nine so there is an equal amount of deficit reduction achieved each year in the budget window, which equates to about $109 billion over each year from FFY 2013 to FFY 2021. As seen in the table below, the annual reduction is split evenly between defense and all other functions (non-defense), so that each function would be reduced by about $54.67 billion.

**Calculation of Total Annual Reduction by Function (In billions of dollars)**

| Joint Committee savings target | $1,200.00 |
|---|---:|
| Deduct debt service savings (18%) | (216.00) |
| Net programmatic reductions | 984.00 |
| Divide by nine to calculate annual reduction | 109.33 |
| Split 50/50 between defense and non-defense functions | $54.67 |

For mandatory spending programs, the cuts will be done automatically. For discretionary spending programs, the cuts will be done automatically in FFY 2013 to programs in the sequester base. For FFY 2014-2021, the discretionary sequester is achieved by lowering the discretionary spending caps by the sequester amount. That will allow Congressional Appropriations Committees to make the choices about how to achieve those spending cuts on a program-by-program basis rather than via an across-the-board spending cut.

## Anticipated Impacts of Sequestration Nationally

Preliminary estimates released by the White House on September 20, 2012 indicate funding for transportation-related programs in FFY 2013 will be cut by about $3.2 billion if automatic budget cuts take place as scheduled. The report, which was required by Congress, details spending cuts in all areas of government and was highly anticipated by transportation stakeholders because it signals whether the White House's interpretation of sequestration would include or exclude exempted transportation programs.

Highway programs were expected to be mostly protected from the cuts, because the relevant law exempted programs funded through trust funds. While the Administration was given no leeway in determining which programs would be cut, or by how much, a provision in the law allowed the White House to apply the cuts to transportation programs, if desired. At the current time, the White House has stated that the trust-fund transportation programs will be exempted from the cuts. However, the non-exempt transportation programs will be subjected to a 7.6 to 8.2% cut, depending on the program. The general fund transfers that supplement the highway trust fund are subject to the automatic cuts, as is a portion of highway contract authority. The preliminary estimates are as follows.

- Federal Aviation: $1,051 million
    - $377 million from operations
    - $415 million from Airport and Airway Trust Fund
    - $229 million from Facilities and Equipment
    - $14 million from Research, Engineering and Development
    - $4 million from Essential Air Service, Rural Airport Improvement Fund
    - $12 million from Payments to Air Carriers

- Federal Highways: $673 million
    - $471 million of General Fund transfer to Highway Trust Fund
    - $56 million from the roughly $700 million of annual highway contract authority that is typically exempt from the obligation limitation)
    - $136 million from Emergency Relief Program

- Federal Transit: $176 million
    - $156 million from Capital Grants
    - $8 million from Administrative
    - $12 million from Wash. Metropolitan Transit Authority

- Amtrak: $131 million
    - $38 million from operations
    - $78 million from capital grants
    - $15 million from safety & operations

- TIGER: $41 million

- Federal Rail: $3 million
    - $3 million from Research and Development

- National Highway Traffic Administration: $11 million
    - $11 million from Operations and Research

- The Coast Guard would lose $577 million from operations, acquisitions and other programs.
- Transportation Security Administration cuts total around $508 million.
- Maritime Administration: $41 million
- USDOT's Office of Inspector General would lose $8 million.
- USDOT Salaries and Expenses would lose $8 million.

## Anticipated Impacts of Sequestration for Colorado

The mandatory January 1, 2012 sequestration will not impact those CDOT programs which are funded through contract authority from the Highway or Airport Trust Funds. However, the Federal Transit Authority New Starts/Small Starts program, Amtrak, and FAA Operations, will be hit with the automatic 8.2 percent cuts. In addition, the FFY 2013 installment of General Funds which the new MAP-21 law transfers to the Highway Trust Fund (about $10 billion) are also covered by the sequestration process and will be cut by 7.6 percent.

The Department is getting conflicting information from different authorities and is unsure exactly what the impact will be. However, JBC staff estimates that CDOT may lose more than $12 million in federal funds for FFY 2012-13. The total cut in federal transportation funding to the State would likely be significantly higher; though, as more than two-thirds of the federal transportation funding eliminated by sequestration is distributed directly in the form of grants and loans to local and regional governments. The breakdown for CDOT is as follows.

- Federal Highways: $11.0 million
    - $8.1 million of General Fund transfer to Highway Trust Fund
    - $0.8 million from the annual highway contract authority that is typically exempt from the obligation limitation)
    - $2.1 million from Emergency Relief Program

- Federal Transit: $1.1 million
    - $2.3 million from Capital Grants
    - $0.1 million from Administrative
    - $0.2 million from Wash. Metropolitan Transit Authority

- Federal Rail: $0.05 million

- Federal Aviation: $0.03 million

## RELEVANCE OF BRIEFING ISSUE TO THE DEPARTMENT'S STRATEGIC PLAN:

As mentioned in the previous issue briefing, federal funds are critical for the Department to achieve excellence in its four functional categories—safety, system quality, mobility, and program delivery. While the passage of MAP-21 has provided some clarity with regard to federal authorization levels, the appropriations outlook remains clouded due to the specter of federal budget sequestration.

CDOT could lose more than $13 million in FFY 2012-13 if Congress fails to agree on a budget blueprint prior to January 1, 2012. Additionally, local and regional governments within the state could lose more than $40 million in federal grants and loans that are distributed directly to local and regional governments. Loss of this grant and loan funding would put additional strain on existing CDOT programs to fill in the gap.

## Appendix A: Number Pages

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

**DEPARTMENT OF TRANSPORTATION**
**Donald Hunt, Executive Director**

### (1) ADMINISTRATION

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

### (A) Administration

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Personal Services | 13,057,759 | 12,821,269 | 12,332,539 | 12,372,271 * | |
| FTE | 178.3 | 168.7 | 178.3 | 169.0 | |
| Cash Funds | 12,434,825 | 12,381,006 | 11,678,350 | 11,718,082 | |
| Reappropriated Funds | 622,934 | 440,263 | 654,189 | 654,189 | |
| Operating Expenses | 2,638,921 | 3,413,175 | 2,851,805 | 2,851,805 | |
| Cash Funds | 1,829,380 | 2,689,286 | 1,783,946 | 1,783,946 | |
| Reappropriated Funds | 809,541 | 723,889 | 1,067,859 | 1,067,859 | |
| **SUBTOTAL - (A) Administration** | 15,696,680 | 16,234,444 | 15,184,344 | 15,224,076 | 0.3% |
| *FTE* | 178.3 | 168.7 | 178.3 | 169.0 | (5.2%) |
| Cash Funds | 14,264,205 | 15,070,292 | 13,462,296 | 13,502,028 | 0.3% |
| Reappropriated Funds | 1,432,475 | 1,164,152 | 1,722,048 | 1,722,048 | 0.0% |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **(B) Centrally Appropriated Personal Services** | | | | | |
| Health, Life, and Dental | 937,810 | 952,974 | 1,207,564 | 1,294,989 | |
| Cash Funds | 889,162 | 919,186 | 1,148,907 | 1,229,507 | |
| Reappropriated Funds | 48,648 | 33,788 | 58,657 | 65,482 | |
| Short-term Disability | 17,790 | 18,412 | 20,116 | 22,030 | |
| Cash Funds | 16,942 | 17,798 | 19,294 | 21,131 | |
| Reappropriated Funds | 848 | 614 | 822 | 899 | |
| S.B. 04-257 Amortization Equalization Disbursement | 252,809 | 306,550 | 405,057 | 457,342 | |
| Cash Funds | 240,383 | 294,587 | 388,539 | 438,851 | |
| Reappropriated Funds | 12,426 | 11,963 | 16,518 | 18,491 | |
| S.B. 06-235 Supplemental Amortization Equalization Disbursement | 184,340 | 246,335 | 348,096 | 409,725 | |
| Cash Funds | 175,279 | 236,722 | 333,901 | 393,172 | |
| Reappropriated Funds | 9,061 | 9,613 | 14,195 | 16,553 | |
| Salary Survey | 0 | 0 | 0 | 268,388 | |
| Cash Funds | 0 | 0 | 0 | 261,517 | |
| Reappropriated Funds | 0 | 0 | 0 | 6,871 | |
| Merit Pay | 0 | 0 | 0 | 178,679 | |
| Cash Funds | 0 | 0 | 0 | 171,247 | |
| Reappropriated Funds | 0 | 0 | 0 | 7,432 | |
| Shift Differential | 27,389 | 27,528 | 24,453 | 29,704 | |
| Cash Funds | 27,090 | 27,281 | 24,186 | 29,216 | |
| Reappropriated Funds | 299 | 247 | 267 | 488 | |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **SUBTOTAL - (B) Centrally Appropriated Personal Services** | 1,420,138 | 1,551,799 | 2,005,286 | 2,660,857 | 32.7% |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Cash Funds | 1,348,856 | 1,495,574 | 1,914,827 | 2,544,641 | 32.9% |
| Reappropriated Funds | 71,282 | 56,225 | 90,459 | 116,216 | 28.5% |
| **(C) Miscellaneous Administration Accounts** | | | | | |
| Statewide Indirect Costs State Highway Funds | 123,805 | 385,553 | 125,319 | 123,760 | |
| Cash Funds | 123,805 | 385,553 | 125,319 | 123,760 | |
| Legal Services | 416,206 | 498,858 | 508,305 | 508,305 | |
| Cash Funds | 416,206 | 498,858 | 508,305 | 508,305 | |
| General Insurance - Property & Liability | 1,042,310 | 2,533,779 | 2,900,725 | 2,748,987 | |
| Cash Funds | 1,042,310 | 2,533,779 | 2,900,725 | 2,748,987 | |
| Workers' Compensation | 428,136 | 412,636 | 493,770 | 437,180 | |
| Cash Funds | 428,136 | 412,636 | 493,770 | 437,180 | |
| COFRS Modernization | 0 | 0 | 107,310 | 214,620 | |
| Cash Funds | 0 | 0 | 107,310 | 214,620 | |
| Reappropriated Funds | 0 | 0 | 0 | 0 | |
| OIT Services | 2,446,344 | 2,212,331 | 2,446,558 | 2,840,773 | |
| Cash Funds | 2,446,344 | 2,212,331 | 2,446,558 | 2,840,773 | |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| **SUBTOTAL - (C) Miscellaneous Administration Accounts** | 4,456,801 | 6,043,157 | 6,581,987 | 6,873,625 | 4.4% |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Cash Funds | 4,456,801 | 6,043,157 | 6,581,987 | 6,873,625 | 4.4% |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0.0% |
| **TOTAL - (1) Administration** | 21,573,619 | 23,829,400 | 23,771,617 | 24,758,558 | 4.2% |
| *FTE* | 178.3 | 168.7 | 178.3 | 169.0 | (5.2%) |
| Cash Funds | 20,069,862 | 22,609,023 | 21,959,110 | 22,920,294 | 4.4% |
| Reappropriated Funds | 1,503,757 | 1,220,377 | 1,812,507 | 1,838,264 | 1.4% |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

**(2) CONSTRUCTION, MAINTENANCE, AND OPERATIONS**

This line item includes non-appropriated revenues to the Transportation Commission as well as the Division of Aeronautics. Totals in this line item represent non-appropriated funds.

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Construction Maintenance, And Operations | 1,425,775,296 | 1,457,708,884 | 998,555,592 | 1,092,520,418 * | |
| FTE | 2,645.7 | 2,959.3 | 3,126.5 | 3,142.5 | |
| Cash Funds | 741,528,655 | 868,776,369 | 587,195,995 | 602,426,882 | |
| Reappropriated Funds | 1,805,735 | 1,775,387 | 1,950,552 | 1,950,552 | |
| Federal Funds | 682,440,906 | 587,157,128 | 409,409,045 | 488,142,984 | |
| **TOTAL - (2) Construction, Maintenance, and Operations** | 1,425,775,296 | 1,457,708,884 | 998,555,592 | 1,092,520,418 | 9.4% |
| *FTE* | 2,645.7 | 2,959.3 | 3,126.5 | 3,142.5 | 0.5% |
| Cash Funds | 741,528,655 | 868,776,369 | 587,195,995 | 602,426,882 | 2.6% |
| Reappropriated Funds | 1,805,735 | 1,775,387 | 1,950,552 | 1,950,552 | 0.0% |
| Federal Funds | 682,440,906 | 587,157,128 | 409,409,045 | 488,142,984 | 19.2% |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

**(3) HIGH PERFORMANCE TRANSPORTATION ENTERPRISE**

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

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| High Performance Transportation Enterprise | 2,898,843 | 3,231,376 | 2,500,000 | 33,500,000 | |
| FTE | 0.3 | 1.5 | 4.0 | 4.0 | |
| Cash Funds | 2,898,843 | 3,231,376 | 2,500,000 | 32,500,000 | |
| Reappropriated Funds | 0 | 0 | 0 | 1,000,000 | |
| **TOTAL - (3) High Performance Transportation Enterprise** | 2,898,843 | 3,231,376 | 2,500,000 | 33,500,000 | 1240.0% |
| *FTE* | 0.3 | 1.5 | 4.0 | 4.0 | 0.0% |
| Cash Funds | 2,898,843 | 3,231,376 | 2,500,000 | 32,500,000 | 1200.0% |
| Reappropriated Funds | 0 | 0 | 0 | 1,000,000 | 0.0% |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

## (4) FIRST TIME DRUNK DRIVING OFFENDERS ACCOUNT

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

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| First Time Drunk Driving Offenders Account | 967,183 | 934,952 | 1,500,000 | 1,500,000 | |
| Cash Funds | 967,183 | 934,952 | 1,500,000 | 1,500,000 | |
| **TOTAL - (4) First Time Drunk Driving Offenders Account** | 967,183 | 934,952 | 1,500,000 | 1,500,000 | 0.0% |
| *FTE* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Cash Funds | 967,183 | 934,952 | 1,500,000 | 1,500,000 | 0.0% |

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|

### (5) STATEWIDE BRIDGE ENTERPRISE

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

| | FY 2010-11 Actual | FY 2011-12 Actual | FY 2012-13 Appropriation | FY 2013-14 Request | Request vs. Appropriation |
|---|---|---|---|---|---|
| Statewide Bridge Enterprise | 11,179,750 | 57,912,871 | 93,026,477 | 115,481,900 2.0 | |
| Cash Funds | 11,179,750 | 57,912,871 | 93,026,477 | 100,481,900 | |
| Reappropriated Funds | 0 | 0 | 0 | 15,000,000 | |
| **TOTAL - (5) Statewide Bridge Enterprise** | 11,179,750 | 57,912,871 | 93,026,477 | 115,481,900 | 24.1% |
| *FTE* | 0.0 | 0.0 | 0.0 | 2.0 | 0.0% |
| Cash Funds | 11,179,750 | 57,912,871 | 93,026,477 | 100,481,900 | 8.0% |
| Reappropriated Funds | 0 | 0 | 0 | 15,000,000 | 0.0% |
| **TOTAL - Department of Transportation** | 1,462,394,691 | 1,543,617,483 | 1,119,353,686 | 1,267,760,876 | 13.3% |
| *FTE* | 2,824.3 | 3,129.5 | 3,308.8 | 3,317.5 | 0.3% |
| Cash Funds | 776,644,293 | 953,464,591 | 706,181,582 | 759,829,076 | 7.6% |
| Reappropriated Funds | 3,309,492 | 2,995,764 | 3,763,059 | 19,788,816 | 425.9% |
| Federal Funds | 682,440,906 | 587,157,128 | 409,409,045 | 488,142,984 | 19.2% |

# Appendix B: Recent Legislation Affecting Department Budget

## 2011 Session Bills

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

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

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

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

## 2012 Session Bills

**H.B. 12-1012:** Increases from $10,000 to $50,000 the amount of expenses CDOT can pay to reestablish a farm, nonprofit organization, or small business that has been displaced by a highway program or project funded through the Federal Highway Administration. Increases state expenditures from the State Highway Fund by $200,000 in FY 2012-13 and future years. Funds are continuously appropriated to the Department.

**H.B. 12-1108:** Allows CDOT to post directional signs for tourist attractions and advertising signs for food, fuel, and lodging in urban areas on the interstate highways in urbanized areas. Increases State Highway Fund revenues by $200,000 per year through fees paid to CDOT for each additional sign. Funds are continuously appropriated to the Department.

**H.B. 12-1222:** Recreates the CDOT Renovation Fund and specifies that it consist of moneys remaining in the original account when it was repealed on July 1, 2007. Provides continuous spending authority to CDOT to pay for the renovation of real property and to make payments under any lease-purchase agreement authorized pursuant to H.B. 04-1456.

**H.B. 12-1335:** General appropriations act for FY 2012-13.

**H.B. 12-1343:** Requires the transfer of any unexpended and unencumbered moneys remaining in the State Rail Bank Fund to the General Fund on June 30, 2012.

# Appendix C: Update on Long Bill Footnotes & Requests for Information

## Long Bill Footnotes

The Department did not have any Long Bill footnotes in FY 2012-13.

## Requests for Information

1 **All Departments, Totals --** Every department is requested to submit to the Joint Budget Committee, by November 1, 2012 information on the number of additional federal and cash funds FTE associated with any federal grants or private donations that were received in FY 2011-12. The Departments are also requested to identify the number of additional federal and cash funds FTE associated with any federal grants or private donations that are anticipated to be received during FY 2012-13.

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

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

Comment: The Department complied with this request for information. While it was not supplied with the November 1, 2012 budget submission, the Department provided it upon staff's request.

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

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

# Appendix D: Indirect Cost Assessment Methodology

## Description of Indirect Cost Assessment Methodology

The Department's indirect cost assessment methodology is calculated based on three components: an "*Indirect Cost Pool*", an "*Indirect Cost Base*", and an "*Indirect Cost Rate*".

The *Indirect Cost Pool* is comprised of accumulated costs for activities chargeable to highway projects but not attributable to a single project that fall under the purview of the Construction, Maintenance and Operations line. The Department incurs these indirect costs in Indirect Cost Centers that are established for each CDOT Region Program Engineering Unit. Total indirect costs accumulated in these centers for the 12 month period beginning on July 01 of the previous year and ending on June 30 of the current year make up the *Indirect Cost Pool.* For FY 2013-14 the Department's *Indirect Cost Pool* as requested is **$82,325,006**. Table 1 outlines what is included in the department's *Indirect Cost Pool* (i.e. the total indirect cost center costs).

**Table 1**
**CDOT Indirect Costs Pool**

| Item | FY 2013-14 |
|---|---|
| Project Support Activities | $21,757,912 |
| Staff Branches | 16,846,240 |
| Engineering Region Offices | 38,550,903 |
| Maintenance | 1,027,641 |
| DTD - Environmental | 2,463,015 |
| Special Allocations - Operations | 982,674 |
| Travel | 113,585 |
| H&L Insurance Adjustment for Contribution Increase | 583,036 |
| **Total Indirect Costs** | **$82,325,006** |

The *Indirect Cost Base* is comprised of all Indirect Eligible Expenditures for participating CDOT projects for the 12 month period beginning on July 01 of the previous year and ending on June 30 of the current year. For FY 2013-14 the Department's *Indirect Cost Base* as requested is **$415,866,661**. Table 2 outlines what is included in the department's *Indirect Cost Base* (i.e. the total indirect eligible expenditures within the highway construction program).

**Table 2**
**CDOT Indirect Cost Base**

| Item | FY 2013-14 |
|---|---|
| Surface Treatment | $129,965,856 |
| Bridge On-System | 26,730,521 |
| Rockfall Mitigation | 4,259,058 |
| Highway Safety Improvement Program (HSIP) | 24,433,838 |
| Railway-Highway Crossings Program | 2,421,297 |

| Table 2<br>CDOT Indirect Cost Base | |
|---|---|
| **Item** | **FY 2013-14** |
| Hot Spots | 1,783,870 |
| Traffic Signals | 1,212,339 |
| FASTER - Safety Projects | 71,530,807 |
| Tunnel Inspection | 146,869 |
| Safety Education | 3,695,896 |
| ITS Maintenance | 7,725,219 |
| Congestion Relief | 3,292,557 |
| Regional Priority Program | 8,231,393 |
| Bridge Enterprise | 99,085,000 |
| High Performance Transportation Enterprise | 31,352,143 |
| **Total Indirect Cost Base** | **$ 415,866,661** |

The *Indirect Cost Rate* is calculated by dividing the total indirect costs accumulated in all of CDOT's Indirect Cost Centers for the 12 month period beginning on July 01 of the previous year and ending on June 30 of the current year by the total Indirect Eligible Expenditures from the same 12 month period. Cost recoveries come from charging a fixed percentage (*Indirect Cost Rate*) of the Construction Engineering rate to a project, with the offset charged to the appropriate Indirect Cost Center. Projects which are not administered by CDOT are exempt from the allocation, and the *Indirect Cost Rate* in effect on the date of project award does not change for the life of that project. Table 3 illustrates how the *Indirect Cost Rate* is calculated.

| Table 3<br>CDOT Cost Rate | |
|---|---|
| Total Indirect Costs Pool | $82,325,006 |
| Total Indirect Cost Base | $415,866,661 |
| **Indirect Cost Rate (Base/Pool)** | **19.8%** |

## FY 2013-14 Indirect Cost Assessment Request

The Department does not include indirect cost assessment lines in its budget request. All departmental indirect costs are recovered from and allocated back to programs housed within the "non-appropriated" portion of the CDOT budget. Most policy and budget authority for CDOT rests with the Transportation Commission, pursuant to Section 43-1-113 (1), C.R.S. 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 (created by S.B. 09-108); and the Statewide Bridge Enterprise (created by S.B. 09-108). These line items are included in the Long Bill as estimates of the anticipated revenues available to the Commission. Because all departmental indirects fall within this category, staff does not recommend separating out indirect cost assessment lines at this time.

# Appendix E: Change Requests' Relationship to Performance Measures

This appendix will show how the Department of Transportation indicates each change request ranks in relation to the Department's top priorities and what performance measures the Department is using to measure success of the request.

| Change Requests' Relationship to Performance Measures | | | |
|---|---|---|---|
| | **Change Request Description** | **Goals / Objectives** | **Performance Measures** |
| ***Prioritized Items*** | | | |
| -- | -- | -- | -- |
| ***Non-prioritized Items*** | | | |
| NPI-1 | Employee Engagement Survey Adjustment | N/A | N/A |

# Appendix F: Motor Fuel Tax History

### Colorado Motor Fuel Tax Rates

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

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

## Federal Fuel Tax Rates

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

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

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

# Appendix G: Composition and Distribution of HUTF and FASTER Revenues

**HUTF Revenue [Section 43-4-201, C.R.S.]**
The HUTF is the principal fund in which state-levied fees and taxes associated with the operation of motor vehicles are deposited. The General Assembly annually appropriates HUTF moneys to the Department of Public Safety for motor vehicle-related programs, and the State Treasurer distributes the remaining HUTF proceeds among the Department of Transportation and county and municipal governments in Colorado according to statutory formulas.

*Specific Funding Sources*
The principal funding sources to the Highway Users Tax Fund are:

- Motor fuel excise taxes;
- Licensing and registration fees;
- Motor vehicle penalty assessments;
- S.B. 09-108 road safety surcharges;
- S.B. 09-108 daily vehicle rental fees;
- S.B. 09-108 late vehicle registration fees; and
- S.B. 09-108 oversize/overweight surcharges.

*Appropriation/Distribution Methodology*
The General Assembly funds the Colorado State Patrol through annual "off-the-top" appropriations before proceeds are transferred into the HUTF [Section 43-4-201 (3)(a)(I), C.R.S.]. Remaining revenues are then statutorily divided into three separate funding streams.

First stream revenues include the first seven cents of the gasoline, diesel, and special fuel taxes; vehicle license plate, identification plate, and placard fees; driver's license, motor vehicle title and registration, and motorist insurance identification fees; proceeds of the passenger-mile tax levied on operators of commercial bus services; and interest earnings. These dollars are distributed 65 percent to CDOT, 26 percent to counties, and 9 percent to municipalities.

Second stream revenues include motor fuel taxes in excess of the first seven cents per gallon of gasoline, diesel, and special fuels. These dollars are distributed 60 percent to CDOT, 22 percent to counties, and 18 percent to municipalities.

Third stream revenues include all fees, surcharges, and fines authorized by FASTER. Apart from a provision that redirects $5.0 million from the county and municipal shares to the State Transit and Rail Fund, the third stream revenues are distributed in the same proportions as the second stream revenues. This $5.0 million is then granted by CDOT to local government transit and rail projects. Pursuant to Section 43-4-804 (1), C.R.S., FASTER proceeds may not be tapped as part of the "off-the-top" appropriation to the Colorado State Patrol.

**Senate Bill 09-108 (FASTER) Overview [Section 43-4-801, et seq., C.R.S.]**
Senate Bill 09-108 authorized the following new revenue sources:

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

*FASTER HUTF*
The bill increased overall HUTF revenues as well as the share of the Department's revenues coming from registration fees and surcharges. Prior to the enactment of FASTER, motor fuel taxes accounted for more than 70.0 percent of total HUTF revenues. FASTER-related HUTF revenues, which include the road safety surcharge, rented vehicle fee, oversize / overweight surcharge, and late registration fee, now account for about 17 percent of total HUTF revenues and have reduced the share attributed to motor fuel tax revenues to about 59 percent. As mentioned previously, by law, the proceeds of these revenue sources are distributed 60 percent to CDOT, 22 percent to counties, and 18 percent to municipalities, and are not subject to "off-the-top" appropriations.

*FASTER Bridge Safety and Tolling*
The implementation of FASTER has also increased other revenues for the Department because not all of the legislation's fees and surcharges are credited to the HUTF. Bridge safety surcharge revenues are credited to the Statewide Bridge Enterprise Special Revenue Fund for the repair and rehabilitation of bridges rated as "poor", i.e. functionally obsolete and structurally deficient. This dedicated fund is managed by the Statewide Bridge Enterprise. The board of the Enterprise consists of the members of the Transportation Commission.

The FASTER bill also reconstituted the former Statewide Tolling Enterprise with 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.

The bill authorizes the Enterprise 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 CDOT Enterprises are authorized to issue revenue bonds backed by their respective revenues.

*FASTER Transit*

Senate Bill 09-108 directed that $10.0 million per year of the Department of Transportation's share of highway safety surcharges and fees be expended on transit-related activities. Eligible activities include:

- Planning;
- Design;
- Engineering;
- Acquisition;
- Installation;
- Construction;
- Repair;
- Reconstruction;
- Maintenance;
- Operation; and
- Administration.

In addition, the General Assembly directed that $5.0 million per year from the municipal and county shares of the S.B. 09-108 highway safety funds be credited to the State Transit and Rail Fund for grants to local governments for transit projects. These transit-dedicated funds are ineligible for alternative use.