

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

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DATE: September 20, 2012

TO: Transportation Commission

FROM: Laurie Freedle, Budget Director

SUBJECT: FY2014 Budget Preparation

There are several topics to discuss with the FY2014 budget. The first is the normal decision items that staff presents to TC at this time every year. Second, we have reformatted the budget slightly to take into consideration changes coming from the new MAP-21 legislation, as well as minor changes to simplify the budget document. The final item is the presentation of the FY14 Draft budget itself.

Decision Items

There are a number of Decision Item requests for your review and decision for the FY2014 budget. They are attached to this memo. The total request is \$2.72M, of which \$2.59M is for items that are really ongoing, so this year we are asking you to consider approving them as continuation items added to the base budget. Most of the \$2.59 M items have been shown to you each year in the past. Then they will be automatically included in the FY15 budget and each budget thereafter unless there is a change in that program. If there are any of these items that you feel deserve annual scrutiny, please advise staff and we will flag these to be approved each year instead of becoming a part of the base.

Budget Simplified and Aligned with MAP-21

MAP-21 eliminated some programs, made others optional, and removed the barriers between others. TC gave direction that staff maximize the use of flexibility created by the new legislation, while maintaining the details that the TC wants to see. Staff has created a budget document that attempts to balance these desires for your comments and feedback. Following are descriptions of the changes made:

Changes not due to MAP-21

- Maintenance subcategories rolled up into one “Maintenance” line. Note that the Maintenance Program Areas (MPAs) are still utilized, and the TC will still set goals and budgets at that level, but MPAs will not be shown in order to simplify the budget.
- Surface Treatment and Safety Surface Treatment have been combined. The details of how these two categories work together can be managed without two programs. Since these funds are always used together, eliminating the extra program eliminates additional work of coordinating usage of the two programs, additional work for regions in budgeting from two different programs, six fewer pools to manage in the STIP, and six fewer pools to collect funds.

- As illustrated in the revenue projections you saw last month, Bridge Enterprise and High Performance Transportation Enterprise will each have a separate budget to more easily illustrate how money flows from one budget to another. This shows a more accurate and fund-accounting appropriate picture of the budget. For instance, the \$15M in federal funds that the TC allocates to Bridge Enterprise each year is appropriately shown as a revenue source and use in CDOT's budget, and then flowing into BE as a revenue source and use. If we include both in CDOT's budget, the funds are then double-counted. Previously, they had not been shown and therefore, the BE budget in the CDOT document did not match the BE budget, which created problems.

Changes to Align with MAP-21

- MAP-21 eliminated the Bridge On-System program, allowing states more flexibility in usage of funds, while mandating that they meet performance levels on the system. Although we are not required to have a bridge on-system program, we do have the ability to spend funding in that area as necessary. It is important to note that in no way does this mean CDOT will cease to repair or replace bridges simply because MAP-21 no longer has a dedicated funding for bridges.
 - Bridge On-System is now Bridge Administration. This program will contain:
 - \$15 million to be transferred to the Bridge Enterprise.
 - Funding for any Bridge activities performed by the CDOT Staff Bridge unit, such as inspections, culvert repairs, and scour activities. These activities have traditionally been funded as Bridge On-System TC-directed because they are necessary activities that do not qualify for federal bridge funds.
- MAP-21 eliminated Enhancement and Safe Routes to School as separate programs, and replaced them with Transportation Alternatives Program, which has eligibility that includes both programs. The budget contains only the Transportation Alternatives Program, and Recreational Trails remains a program within TAP. Recreational Trails will still be administered separately, since the funding goes to Department of Natural Resources. DTD will present their recommendations on administration of the CDOT portion of the Transportation Alternatives program.
- MAP-21 eliminated Hazard Elimination and Railroad Crossing as separate programs within the Highway Safety Improvement Program, with performance goals for safety being managed by CDOT. Staff Safety is required to create a safety plan and this plan will set priorities for managing the funding within the overall HSIP, maximizing the flexibility of this funding source.

FY2014 Budget

The FY2014 budget uses revenue projections and allocations based on the MAP-21 Federal Authorization Bill, and is illustrated on the same form as the simplified budget. MAP-21 keeps revenues at a similar level as SAFETEA-LU, but distributes them in different ways. The FY2014 budget has revenues of \$1.09M, as discussed with TC at the August meeting. The current FY2013 budget was put into the proposed format for your comparison. Funding all mandated federal programs at the MAP-21 amount, and keeping programs at the FY2013 budget base for TC-directed

programs, the total allocated becomes \$1.026M, leaving \$73.5M variance of flexible funds for your budgeting decisions.

In the last few months, there has been a tremendous drag on TC contingency fund, so staff is recommending that contingency allocation be set at \$28M. This would allow for contingency to be at \$60M provided all current plans to utilize contingency are approved, and allowing for an additional \$6M draw during FY2013. For illustration purposes, the remainder has been added to Surface Treatment program, funding that program at \$175M.

The Asset Management system has developed sufficiently for TC use in setting priorities, and the Asset Management Committee has begun to meet. This will be a much more robust look at the management of our system, and the committee will likely want to see some of the results of that work to determine exactly how to allocate funds. This will include looking at how best to fund pavement, fleet, maintenance and bridge, including those bridges that must be funded outside the Bridge Enterprise.

As the asset management discussion will commence in September, your time to make these decisions for the November draft budget submission to the General Assembly will be limited but you will have an opportunity to readjust these numbers for the final budget in the spring, as well as to add or delete programs as you see fit. Alternatively, you may choose to leave them in the contingency for the draft budget while you work through the asset management process and allocate them for the final budget.

If you have any questions regarding the information provided prior to the meeting next week, please feel free to call me at (303) 757-9171 or email at laurie.freedle@dot.state.co.us, or to contact Ben Stein at (303)757-9168 or ben.stein@dot.state.co.us .