

MEMORANDUM

DIVISION OF ACCOUNTING AND FINANCE

Office of Financial Management and Budget

4201 East Arkansas Avenue, Room 240
Denver, Colorado 80222
(303) 757-9262



DATE: 12 March 2013

TO: Transportation Commission

FROM: Ben Stein, Chief Financial Officer

SUBJECT: Additional Revenue Scenario

Last month's commission mailing included a packet of information describing the revenue planning process and providing some initial scenarios for the 2040 plan. Last month a presentation was made to the STAC as well as to the Statewide Plan Committee to discuss the process, outcomes, and the pros and cons associated with the scenarios presented.

An outcome of the meeting with the Statewide Plan Committee was a request for the development of one additional scenario: specifically use the projections used in developing the "baseline" for the state level revenue projections and use the Congressional Budget Office forecast to adjust the federal level revenue projections.

This additional scenario is attached to this memo on a graph that also includes, for purposes of comparison, two of the scenarios presented last month. These two scenarios are the "baseline current law" scenario absent state general fund transfers and the "pessimistic" scenario which has no state or federal general fund transfers and presumes full 6% "off the top" appropriations to the Colorado State Patrol and Ports of Entry until those entities are receiving funding to their statutory limit. For your reference I have also included the graphs of the scenarios presented last month and a sheet detailing the assumptions on which each line on the graphs is based.

A few items to consider while reviewing these scenarios:

1. Should the Commission presume SB9-228 transfers (General Fund) will occur?
2. What, if any level of Federal general fund transfers should the Commission presume will occur? At present, the baseline scenarios presume the Federal government will honor MAP-21 commitment levels through the normal 6 year period of an authorization bill by continuing to make substantial annual general fund transfers. The base line then further presumes that the federal government will continue to make a general fund at that amount through 2040.
3. What level to presume annual increases in the "Off the Top" for State Patrol and Ports of Entry? The base line forecast presumes less than 6% (around 4.5% per year) annual increases.
4. What levels of behavioral changes in driving habits should be presumed? The CBO forecast projects fundamental shifts in the vehicle fleet mix and VMT declines well beyond those used for the "baseline." In the OFMB model the presumption is that for both Colorado and for the nation the current driving patterns and vehicle ownership rates will remain relatively constant (rather than growing robustly as in past modeling). CBO, on the other hand, is presuming that people's driving habits will change very significantly from current norms without any material impact upon economic growth or population growth.

The plan is to present the new additional scenario at the Statewide Plan Committee meeting and have it consider referring either the staff recommendation (provided below) or a different recommendation to the full Commission. In addition, there will be a brief summary discussion with the entire Commission on Thursday morning with the intent to present a final scenario to the Commission to formally adopt in April.

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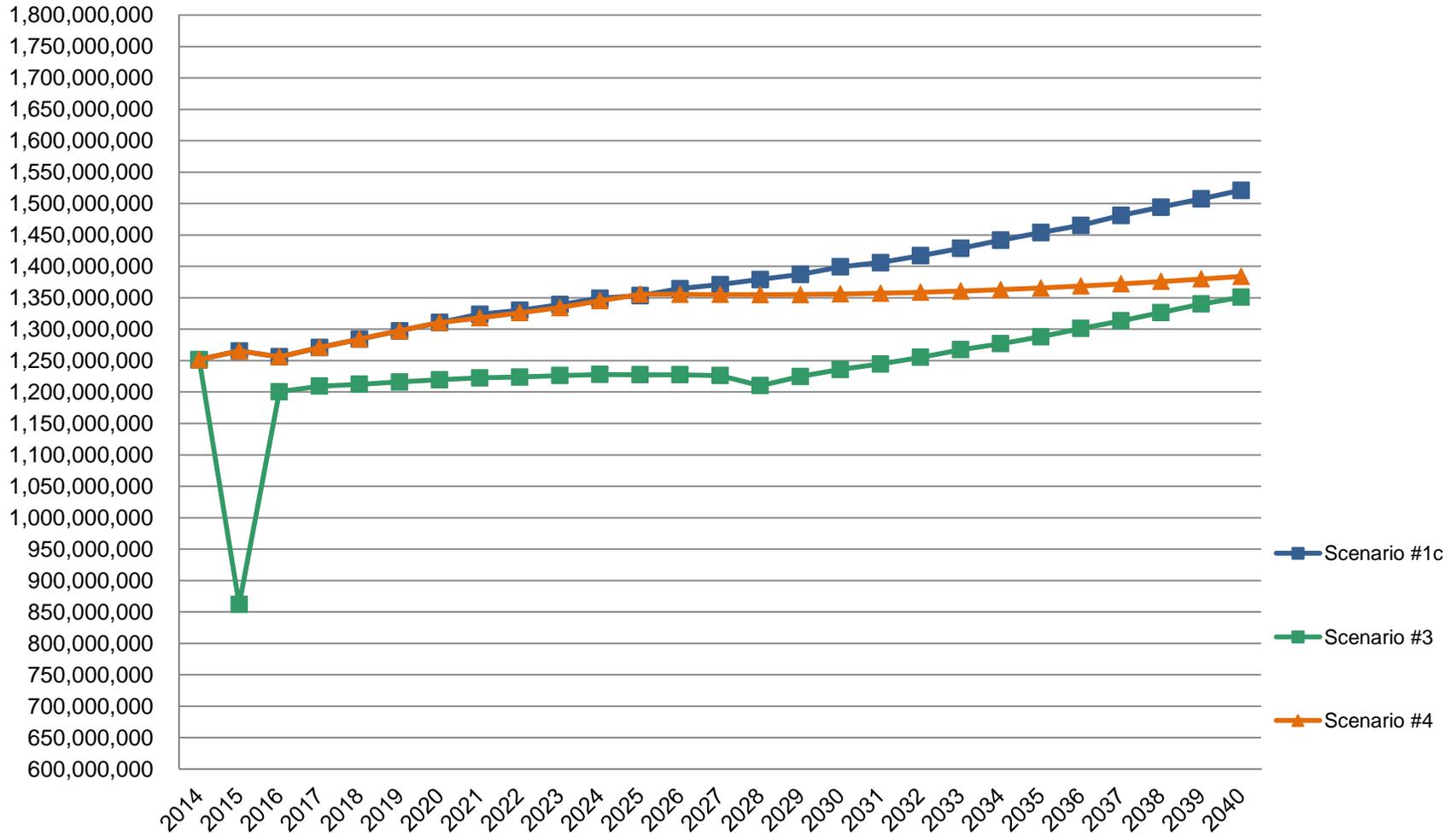


STAFF RECOMMENDATION: The new scenario (scenario #4 on the attached graphs) with the addition of a presumption that the department will receive SB09-228 transfers commencing in FY2016 is the staff recommendation.

If you have any questions on either what was presented last month or the additional information provided, please do not hesitate to contact me.

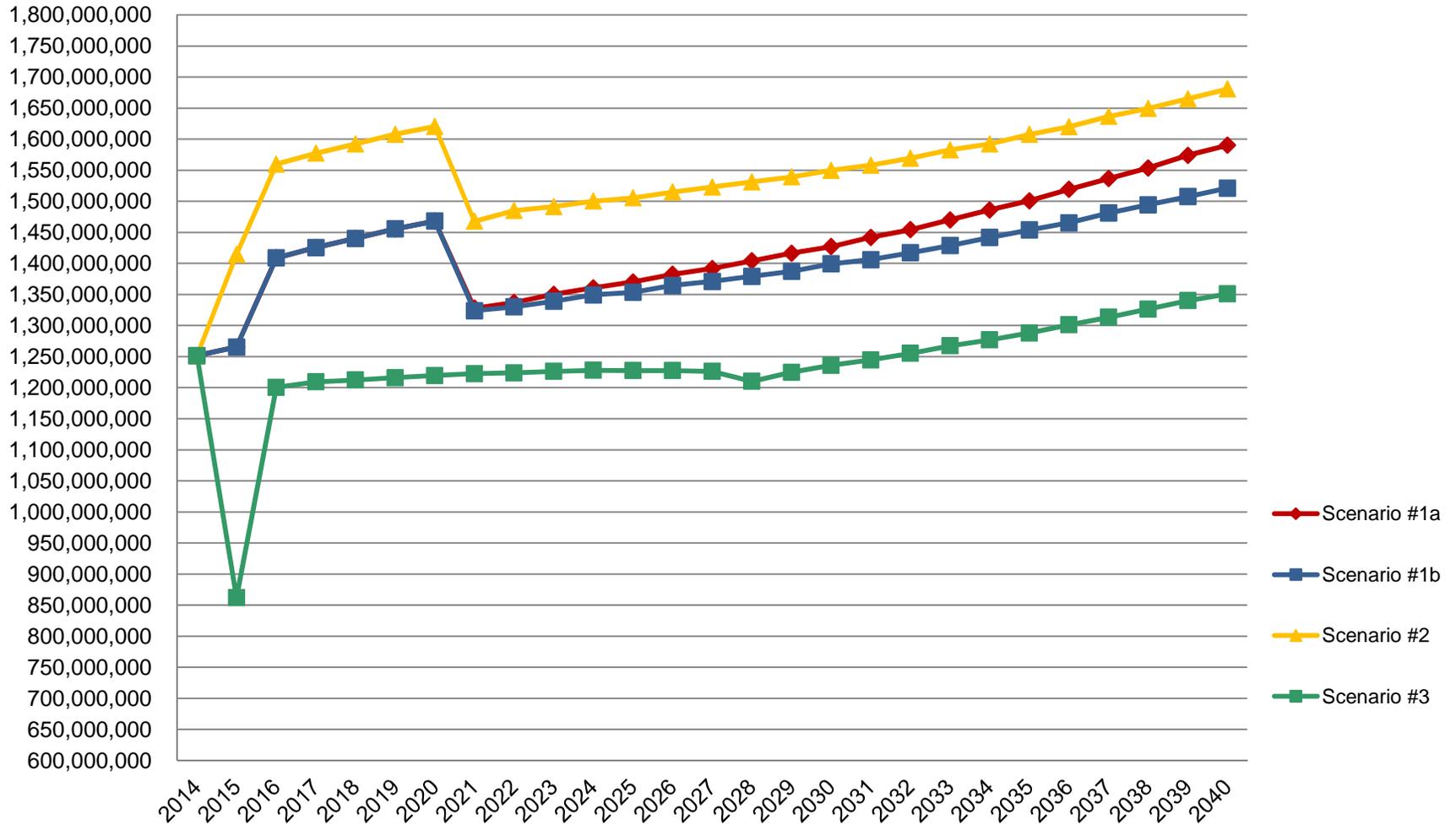


Comparison of Budget Scenarios Fiscal Years 2014-2040



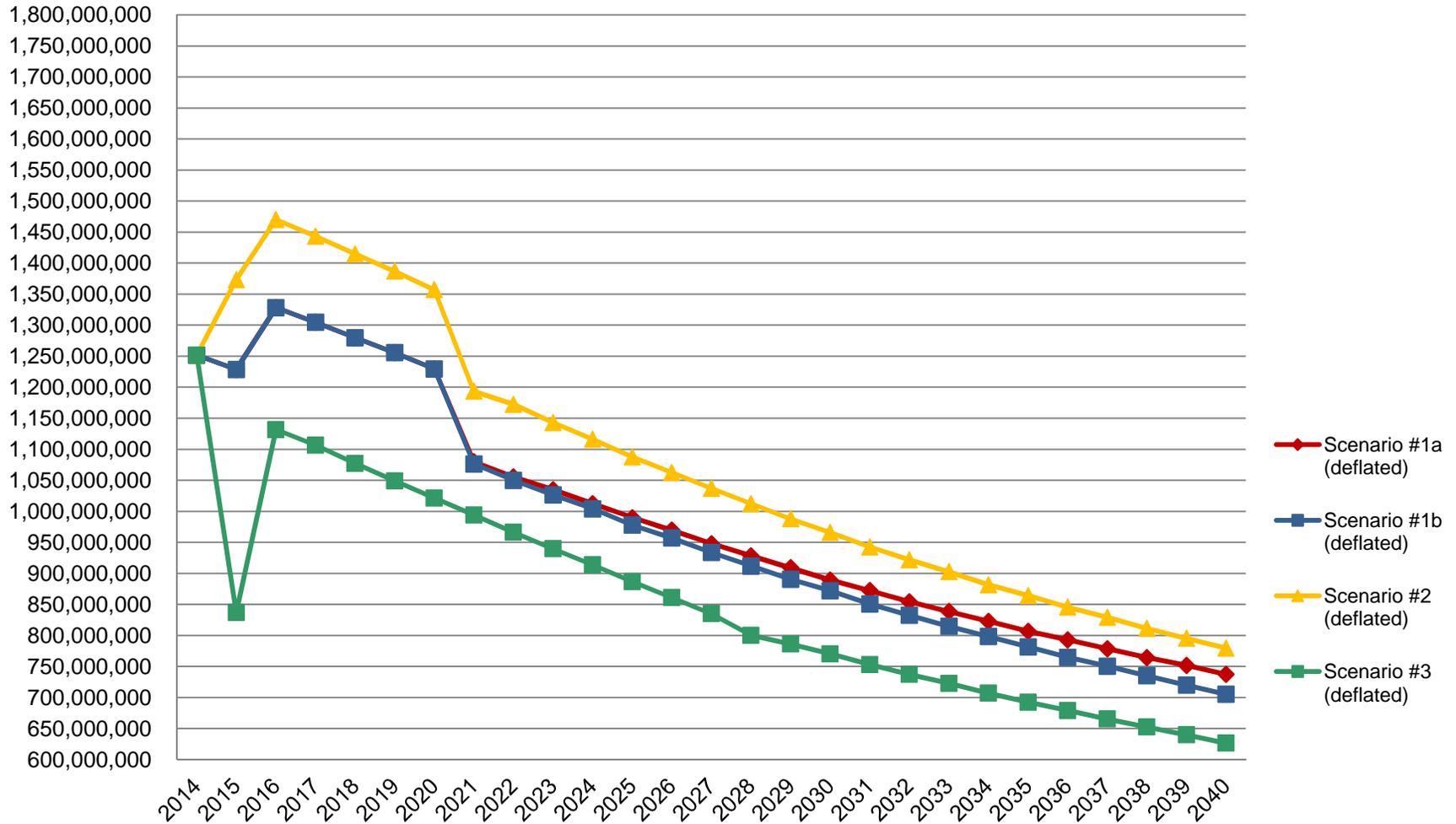


Comparison of Budget Scenarios (Original) Fiscal Years 2014-2040





Comparison of Budget Scenarios (Deflated), 2014 Dollars Fiscal Years 2014-2040





Budget Scenarios Detail

Baseline scenario detail:

- Based on current law and current economic assumptions
- Average annual GDP increase of 2.5%
- MAP-21 levels of funding will be continued through General Fund transfers (federal transfer is held constant, rather than adjusting for inflation, using 2020 amount)
- Off-the-top transfers based on CDOT projections

Scenario #1a

- Baseline scenario from revenue model
- MAP-21 Revenue (1% increase) 2016-2020
- 3% General Fund increase per year 2021-2040
- Includes SB-228

Scenario #1b

- Baseline scenario from revenue model
- MAP-21 Revenue (1% increase) 2016-2020
- No General Fund increase 2021-2040, stays constant at 2020 amount
- Includes SB-228

Scenario #1c

- Baseline scenario from revenue model
- MAP-21 Revenue (1% increase) 2016-2020
- No General Fund increase 2021-2040, stays constant at 2020 amount
- Does not include SB-228

Scenario #2

- Additional .10 state gas tax increase
- MAP-21 Revenue (1% increase) through 2020
- 3% General Fund increase 2021-2040
- Includes SB-228

Scenario #3

- No General Fund transfers (including SB-228)
- All unpaid obligations paid off in 2015
- Max 6% off-the-top deductions, up to 23% of HUTF
- Revenues adjusted as needed to balance HTF



Budget Scenarios Detail

Scenario #4

- Baseline scenario from revenue model for years 2016-2020
- MAP-21 Revenue (1% increase) 2016-2020
- Federal revenues and General Fund transfers adjusted 2021-2040 to reflect CBO forecast
- Does not include SB-228