



MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: MARIA SOBOTA, CHIEF FINANCIAL OFFICER
DATE: MARCH 16, 2016
SUBJECT: FY 2015-16 AMENDED ANNUAL BUDGET

Purpose

This memorandum presents to the Transportation Commission (TC) a Fiscal Year (FY) 2015-16 Amended Annual Budget and summarizes line item changes that have occurred since November 2015 (see Attachment A) due to the Fixing America's Surface Transportation (FAST) Act, updated economic forecasts, and an updated Division of Aeronautics revenue estimate.

Last month, the Division of Accounting and Finance (DAF) presented the TC with an update based on FAST Act provisions distributed in December 2015. Since last month, Department staff received additional notifications specifically for: 1) Bridge Off-System - Federal Program, which now has minimal changes in federal funding for FY 2015-16 from the Adopted Budget, and 2) Transportation Alternatives Program (TAP), which will see a minor allocation increase for FY 2015-16. Although there was discussion during the TC Workshop in February 2016 regarding funding for the Bridge Off-System - Federal Program, the provision has changed and is updated accordingly on the FY 2015-16 Amended Annual Budget.

Action

This month, the TC is being asked to review and approve changes to the FY 2015-16 Annual Budget.

Background & Details

The FY 2015-16 Annual Budget was adopted in March 2015 and approved by the Governor in June 2015. However, DAF finds the results of the FAST Act to be substantial enough to provide the TC with an update to the FY 2015-16 Annual Budget. This update includes the new FAST revenues, the updated SB 09-228 General Fund transfer projection, and an updated Division of Aeronautics revenue forecast. The FY 2015-16 Amended Annual Budget:

- Balances the budget;
- Takes into account new allocation formulas created via passage of the federal FAST Act, signed by President Obama on December 4, 2015. The FAST Act is the first federal law in over ten years to provide long-term funding certainty for surface transportation. The FAST Act authorizes \$305.0 billion over fiscal years 2016 through 2020 for the Department's highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, and rail, along with research, technology, and statistics programs;



- Includes a 100% General Fund transfer from Senate Bill (SB) 09-228. CDOT anticipates receiving \$200.2 million in FY 2015-16, which is reflected in the strategic projects (line 55) and transit projects (line 86) line items within the Amended Budget. The FY 2015-16 Annual Budget as adopted by the TC in March 2015 included a 50% SB 09-228 projected General Fund transfer of \$102.6 million. As outlined in the bill, 10% of the anticipated funds are allocated to transit projects. The updated transfer scenario was presented to the TC in January 2016 in the “Information Only” section of the TC packet;
- Was updated after a new revenue estimate for the Division of Aeronautics, which will see a reduction in its FY 2015-16 budget allocation. DAF will continue to review forecasted revenue on a regular basis, updating the TC on budget allocations as needed throughout the remainder of FY 2015-16.

FY 2015-16 Amended Annual Budget

As a result of the FAST Act, the most recent SB 09-228 forecast, and updated revenue projections, the following line items have been significantly amended on the FY 2015-16 Annual Budget:

- **Highway Safety Improvement Program (HSIP) (Line 18):** Updated funding formulas stemming from the newly signed FAST Act have decreased estimated HSIP allocations in the FY 2015-16 Amended Annual Budget by \$732,278 from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 HSIP allocations are projected to be \$28.4 million.
- **Railway-Highway Crossing Program (Line 19):** Updated funding formulas stemming from the newly signed FAST Act have increased estimated Railway-Highway Crossing Program allocations in the FY 2015-16 Amended Annual Budget by \$1.9 million from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 allocations for the program are projected to be \$5.1 million.
- **Strategic Projects (Line 55):** The Office of State Planning and Budget (OSPb) released updated SB 09-228 forecasts in December 2015. This new forecast calls for a 100% SB 09-228 General Fund transfer for FY 2015-16 of \$200.2 million, an increase from the 50% General Fund transfer in the prior forecast. Legislative Council Services (LCS) also released a new forecast that projects a full General Fund transfer for FY 2015-16. Due to the full SB 09-228 General Fund transfer that is now expected for FY 2015-16, the Strategic Projects line item has increased from \$92.3 million to \$180.2 million (90% of the total amount of the transfer). Per statute, 10% of the transfer will be allocated toward DTR (line 86) in the Department’s FY 2015-16 budget.
- **National Freight Program (Line 56):** The FAST Act, passed in December 2015, places additional emphasis on freight planning and movement. The legislation created a new freight initiative that CDOT plans to take advantage of. In FY 2015-16, DAF estimates National Freight Program allocations to Colorado of \$18.1 million.
- **Division of Transportation Development (DTD) Planning and Research - SPR (Line 64):** Updated funding formulas stemming from the newly signed FAST Act have increased estimated DTD Planning and Research - SPR allocations in the FY 2015-16 Amended Annual Budget by \$203,020 from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 allocations are now projected to be \$12.9 million.



- **HPTE Fee for Service (Line 66):** A new addition to the FY 2015-16 Annual Budget is the HPTE Fee for Service line item. This line item was not originally reflected in the Adopted FY 2015-16 Annual Budget, however CDOT did pay HPTE a \$2.0 million Fee for Service in FY 2015-16. When the FY 2015-16 Annual Budget was adopted by the TC in March 2015, the Fee for Service was allocated as an “off the top” deduction in CDOT revenue, creating a double counting after the Fee for Service line item was added to the FY 2015-16 Amended Annual Budget. The additional \$2.0 million in revenue that resulted from this correction has been allocated to the TCCRF (Line 103). HPTE and CDOT are currently evaluating the existing Fee for Service model,
- **Division of Aeronautics (Line 73):** An updated Division of Aeronautics revenue forecast estimated expected FY 2015-16 Aviation Fund revenue at a total of \$19.4 million, a decrease from \$30.0 million in the Adopted FY 2015-16 Annual Budget. CDOT’s long-term and short-term models forecast the volume of jet fuel sold as a function of jet fuel prices. The fall in forecasted gas tax revenue, due to an unprecedented fall in oil prices, is reflected in the Division of Aeronautics updated budget allocation.
- **Transportation Alternatives Program (TAP) (Line 77):** The FAST Act has moved TAP from a standalone program to a set-aside within the STP Block Grant Program. The move increases local funding from the current 50% to 55% by 2020. The FAST Act also allows 50% of funding for local-initiated projects to be used as flexible funds. Updated funding formulas stemming from the newly signed FAST Act have increased estimated TAP allocations in the FY 2015-16 Amended Annual Budget by \$335,638 from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 allocations are now projected to be \$12.4 million.
- **Surface Transportation Program (STP) - Metro (Line 78):** Under the FAST Act, STP-Metro allocations are expected to increase significantly from the Adopted FY 2015-16 Annual Budget. The FY 2015-16 Amended Annual Budget has new allocations totaling \$51.4 million, an increase of \$4.5 million from previous estimates.
- **Congestion Mitigation/Air Quality (CMAQ) (Line 79):** Updated funding formulas stemming from the newly signed FAST Act have increased estimated CMAQ allocations in the FY 2015-16 Amended Annual Budget by \$1.8 million from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 CMAQ allocations are \$47.3 million.
- **Metropolitan Planning (Line 80):** Updated funding formulas stemming from the newly signed FAST Act have increased estimated Metropolitan Planning allocations in the FY 2015-16 Amended Annual Budget by \$386,528 from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 allocations are now projected to be \$8.2 million.
- **Bridge Off-System - Federal Program (Line 82):** Under the FAST Act, the Bridge Off-System - Federal Program becomes a set-aside within the STP Block Grant Program. Updated funding formulas stemming from the newly signed FAST Act have increased estimated Bridge Off-System allocations in the FY 2015-16 Amended Annual Budget by \$135,276 from the Adopted FY 2015-16 Annual Budget. Estimated FY 2015-16 allocations are now projected to be \$6.4 million.
- **Federal Transit (Line 85):** Due to changes via the FAST Act, federal transit revenue allocated toward CDOT is expected to decrease (with direct allocations toward local municipalities



expected to increase). The FY 2015-16 Amended Annual Budget shows total allocations of \$28.1 million, a \$1.1 million decrease from previous estimates.

- **Division of Transit and Rail (DTR) (Line 86):** Per statute, the Strategic Projects line item in DTR receives 10% of any SB 09-228 General Fund transfer. An increase from \$10.3 million to \$20.0 million has been included in the FY 2015-16 Amended Annual Budget.
- **Transportation Commission Contingency Reserve Fund (TCCRF) (Line 103):** TCCRF allocations for FY 2015-16 are increasing to \$6.5 million in the FY 2015-16 Amended Annual Budget, from \$2.0 million in the Adopted FY 2015-16 Annual Budget. \$2.0 million of the increase is due to the double counting from the HPTE Fee for Service allocation. The additional increase of \$2.5 million is due to an increase in flexible federal revenues from the FAST Act that were not allocated in formulaic apportionments. The March 2016 TCCRF balance (pending March items) is \$76.2 million. Staff projects the TCCRF will end FY 2015-16 with a balance between \$40.0 and \$53.2 million.

Key Benefits

TC approval of the FY 2015-16 Amended Annual Budget will allow the major changes in the budget described above to have proper authorization as the fiscal year progresses.

Options and Recommendations

1. Approve the FY 2015-16 Amended Annual Budget by resolution (see Consent Agenda tab for both documents). Staff sees approval as a step forward for the Department. In previous years, the Department would only balance actual revenue with the Adopted Budget at the close of the fiscal year. By making these changes mid-year, approval allows staff to move forward on projects with additional funds - (Staff Recommendation);
2. Request additional changes to FY 2015-16 Amended Annual Budget prior to review and approval. Because the FY 2015-16 changes are budget forecasting changes, there is little flexibility for the Department or TC to make additional changes unless the TC chooses to analyze the forecasting mechanisms of specific line-item changes;
3. Do not approve the FY 2015-16 Amended Annual Budget. By not adopting the changes and instead waiting until the account reconciliation process at the end of the fiscal year, the TC would remain consistent with the process from previous fiscal years. This option is a very low-risk option, but does not allow staff to expend available funds as quickly as the other options.

Next Steps

The FY 2015-16 Amended Annual Budget may be updated further to include revised state and federal revenue forecasts. In addition, toward the end of March 2016, OSPB and the Legislative Council will release forecasts for SB 09-228, which will detail the likelihood of TABOR refunds and expected General Fund transfers to CDOT. If necessary, the budget will be updated to reflect new information provided by these forecasts. At the end of the fiscal year, a revenue reconciliation will take place which will finalize FY 2015-16 revenue.

Attachments

Attachment A: Fiscal Year 2015-16 Comparison of Adopted Budget to FAST Act Amended Budget



**Attachment A: Colorado Department of Transportation
Fiscal Year 2015-16 Comparison of Adopted Budget to FAST Act Amended Budget**

	Budget Category	Program Area	Directed by	TC Adopted FY 2015 -16 Budget Allocations (MAP-21)	Amended FY 2015-16 Budget Allocations (FAST Act)	MAP-21 vs FAST Act Increase/(Decrease)	Funding Source
				A	B	B-A	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Roadway Surface	TC	39,075,453	39,075,453		SH
4		Roadside Facilities	TC	20,162,777	20,162,777		SH
5		Roadside Appearance	TC	7,805,488	7,805,488		SH
6		Structure Maintenance	TC	8,556,025	8,556,025		SH
7		Tunnel Activities	TC	6,908,508	6,908,508		SH
8		Snow and Ice Control	TC	73,350,077	73,350,077		SH
9		Traffic Services	TC	67,707,695	67,707,695		SH
10		Planning and Scheduling	TC	14,870,563	14,870,563		SH
11		Material, Equipment and Buildings	TC	15,963,414	15,963,414		SH
12				254,400,000	254,400,000		
13		Contracted Out Work					
14		Surface Treatment /1 /2	TC	149,500,000	149,500,000		FHWA/ SH/
15		Structures On-System Construction /1 /2	TC	22,300,000	22,300,000		FHWA/ SH/ 09-108
16		Structures Inspection and Management /1 /2	TC	8,400,000	8,400,000		SH/09-108
17		Geohazards Mitigation /1	TC	5,100,000	5,100,000		09-108
18		Highway Safety Improvement Program	FR	29,154,151	28,421,873	(732,278)	FHWA / SH
19		Railway-Highway Crossings Program	FR	3,150,245	5,091,054	1,940,809	FHWA / SH
20		Hot Spots	TC	2,167,154	2,167,154		FHWA / SH
21		Traffic Signals /1 /2	TC	1,472,823	1,472,823		FHWA/ SH/ 09-108
22		FASTER - Safety Projects	TC	56,300,000	56,300,000		09-108
23		Permanent Water Quality Mitigation	TC	-	-		FHWA / SH
24		Maintain-Related Indirects/Overhead /2					
25		Maintain-Related CDOT Construction Engineering /2					
26				277,544,373	278,752,904	1,208,531	
27		Capital Expenditure					
28		Road Equipment /1 /2	TC	11,500,000	11,500,000		SH
29		Capitalized Operating Equipment	TC	3,448,525	3,448,525		SH
30		Property /1 /2	TC	1,011,722	1,011,722		SH
31				15,960,247	15,960,247		
32			Total:	547,904,620	549,113,151	1,208,531	
33	Maximize - Safely Making the Most of What We Have						
34		CDOT Performed Work					
35		TSM&O: Performance Programs and Services	TC	6,107,619	6,107,619		SH
36		TSM&O Traffic Incident Management	TC	-	-		SH
37		TSM&O: ITS Maintenance /1	TC	14,400,000	14,400,000		SH / 09-108
38				20,507,619	20,507,619		
39		Contracted Out Work					
40		Safety Education	Comb	11,090,000	11,090,000		NHTSA / SSE
41		TSM&O: Congestion Relief	TC	4,000,000	4,000,000		FHWA / SH
42		Regional Priority Program	TC	50,000,000	50,000,000		FHWA / SH
43		Road X	TC	-	-		
44		Maximize-Related Indirect/Overhead /2					
45		Maximize-Related CDOT Construction Engineering /2					
46				65,090,000	65,090,000		
47		Capital Expenditure					
48		TSM&O: ITS Investments	TC	10,000,000	10,000,000		FHWA / SH
49				10,000,000	10,000,000		
50			Total:	95,597,619	95,597,619		
51	Expand - Increasing Capacity						
52		CDOT Performed Work					
53							
54		Contracted Out Work					
55		Strategic Projects	SL	92,340,000	180,180,000	87,840,000	09-228
56		Freight Program	FR	-	18,060,169	18,060,169	FHWA / SH
57		Expand-Related Indirect /2					
58		Expand-Related CDOT Construction Engineering /2					
59				92,340,000	198,240,169	105,900,169	
60			Total:	92,340,000	198,240,169	105,900,169	
61	Deliver - Program Delivery/Administration						
62		Operations [including maintenance support]	TC	31,123,151	31,123,151		SH
63		Projects Initiatives	TC	1,855,000	1,855,000		FHWA / SH
64		DTD Planning and Research - SPR	FR	12,711,092	12,914,112	203,020	FHWA / SH
65		Administration (Appropriated)	SL	29,037,385	29,037,385		SH
66		HPTE Fee for Service	TC	-	2,000,000	2,000,000	SH
67		FY2016 Common Policy Anticipated Salary Increase		2,005,647	2,005,647		
68			Total:	76,732,275	78,935,295	2,203,020	
69	Pass-Through Funds/Multi-modal Grants						
70		Aeronautics					
71		Division of Aeronautics to Airports	AB	29,100,000	18,544,747	(10,555,253)	SA
72		Division of Aeronautics Administration	AB	900,000	900,000		SA
73				30,000,000	19,444,747	(10,555,253)	
74		Highway					
75		Recreational Trails	FR	1,591,652	1,591,652		FHWA
76		Safe Routes to School	TC	-	-		FHWA
77		Transportation Alternatives Program	FR	12,045,642	12,381,280	335,638	FHWA / LOC
78		STP-Metro	FR	46,972,177	51,440,739	4,468,562	FHWA / LOC
79		Congestion Mitigation/Air Quality	FR	45,539,598	47,294,545	1,754,947	FHWA / LOC
80		Metropolitan Planning	FR	7,829,342	8,215,870	386,528	FHWA / FTA / LOC
81		Bridge Off-System - TC Directed	TC	3,164,139	3,164,139		FHWA / SH / LOC
82		Bridge Off-System - Federal Program	FR	6,285,272	6,420,548	135,276	FHWA / SH / LOC
83				123,427,822	130,508,773	7,080,951	
84		Transit					
85		Federal Transit	FR	29,236,280	28,139,127	(1,097,153)	FTA / LOC
86		Strategic Projects -Transit	SL	10,260,000	20,020,000	9,760,000	09-228
87		Transit and Rail Local Grants	SL	5,000,000	5,000,000		09-108
88		Transit and Rail Statewide Grants	TC	5,800,000	5,800,000		09-108
89		Bustang	TC	3,000,000	3,000,000		09-108
90		Transit Administration and Operations	TC	1,200,000	1,200,000		FTA / 09-108
91				54,496,280	63,159,127	8,662,847	
92		Infrastructure Bank					
93		Infrastructure Bank	TC	500,000	500,000		SIB
94			Total:	208,424,102	213,612,647	5,188,545	
95	Transportation Commission Contingency / Debt Service						
96		Permanent Recovery					
97		Permanent Recovery		174,500,000	174,500,000		FHWA
98		Recovery-Related Indirect/Overhead /2					
99		Recovery-Related CDOT Construction Engineering /2					
100				174,500,000	174,500,000		
101							
102		Contingency					
103		TC Contingency	TC	1,972,914	6,513,935	4,541,021	FHWA / SH
104		Snow & Ice Reserve	TC	10,000,000	10,000,000		SH
105				11,972,914	16,513,935	4,541,021	
106		Debt Service					
107		Strategic Projects - Debt Service	DS	167,840,075	167,840,075		FHWA / SH
108		Certificates of Participation-Property	DS	2,362,200	2,362,200		SH
109		Certificates of Participation-Energy	DS	1,041,850	1,041,850		SH
110				171,244,125	171,244,125		
111			Total:	357,717,039	362,258,060	4,541,021	
				1,378,715,655	1,497,756,941	119,041,286	

Revenue **1,378,715,655** **1,497,756,941** **119,041,286**

/1 FASTER Safety funds (\$40.0M) were substituted for flexible funds in appropriate Asset Management Programs. Resulting available flexible funds were then added to Regional Priority Program.

/2 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Flexible Funds

Key to acronyms:

LOC=Local Matching Funds DS= Debt Service Covenants SH=State Highway funding SL=State Legislation
SIB=St. Infrastructure Bank Interest AB=Aeronautics Board FHWA=Federal Highway Administration Comb=Combination
TC=Transportation Commission FR=Federal Requirements FTA=Federal Transit Administration SSE=State Safety Education

**State Bridge Enterprise
Fiscal Year 2015-16 Comparison of Adopted Budget to FAST Act Amended Budget**

	Budget Category	Program Area	Directed by	TC Adopted FY 2015 -16 Budget Allocations (MAP-21)	Amended FY 2015-16 Budget Allocations (FAST Act)	Over (Under) MAP-21 vs FAST Act	Funding Source
				A	B	A - B	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Contracted Out Work					
4		Maintenance	BEB	250,000	250,000	-	09-108
5		Scoping Pools	BEB	750,000	750,000	-	09-108
6				1,000,000	1,000,000	-	
7		Contracted Out Work					
8		Bridge Enterprise Projects	BEB	102,954,096	102,954,096	-	09-108
9		Maintain-Related Indirects/Overhead /1					
10		Maintain-Related CDOT Construction Engineering /1					
11				102,954,096	102,954,096	-	
			Total	103,954,096	103,954,096	-	
12	Maximize - Safely Making the Most of What We Have						
13		CDOT Performed Work					
14		Contracted Out Work					
15			Total	-	-	-	
16	Expand - Increasing Capacity						
17		CDOT Performed Work					
18		Contracted Out Work					
19			Total	-	-	-	
20	Deliver - Program Delivery/Administration						
21		Administration and Legal Fees		1,911,904	1,911,904	-	09-108
22			Total:	1,911,904	1,911,904	-	
23	Pass-Through Funds/Multi-modal Grants						
24		Highway					
25			Total:	-	-	-	
26	Transportation Commission Contingency / Debt Service						
27		Contingency					
28		Bridge Enterprise - Contingency	BEB	-	-	-	09-108
29							
30		Debt Service					
31		Bridge Enterprise - Debt Service	DS	18,234,000	18,234,000	-	FHWA / SH
32				18,234,000	18,234,000	-	
33			Total:	18,234,000	18,234,000	-	
				124,100,000	124,100,000	-	

/1 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Revenue **124,100,000** **124,100,000** **-**

Key to acronyms:

BEB= Bridge Enterprise Board
DS= Debt Service Covenants

**High Performance Transportation Enterprise
Fiscal Year 2015-16 Comparison of Adopted Budget to FAST Act Amended Budget**

	Budget Category	Program Area	Directed by	TC Adopted FY 2015 -16 Budget Allocations (MAP-21)	Amended FY 2015-16 Budget Allocations (FAST Act)	Over (Under) MAP-21 vs FAST Act	Funding Source
				A	B	A - B	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Contracted Out Work					
4			Total	-	-	-	
5	Maximize - Safely Making the Most of What We Have						
6		CDOT Performed Work					
7		Contracted Out Work					
8			Total	-	-	-	
9	Expand - Increasing Capacity						
10		CDOT Performed Work					
11		High Performance Transportation Enterprise--Maintenance	HPTEB	-	-	-	Tolls/Managed Lanes Revenue
12							Tolls/Managed Lanes
13		Contracted Out Work					
14		High Performance Transportation Enterprise--Projects	HPTEB	575,000	575,000	-	Tolls/Managed Lanes
15		Expand-Related Indirect /1					
16		Expand-Related CDOT Construction Engineering /1					
17				575,000	575,000	-	Tolls/Managed Lanes Revenue
18			Total	575,000	575,000	-	
19	Deliver - Program Delivery/Administration						
20		High Performance Transportation Enterprise--Administration and Legal Fees		1,249,148	1,249,148	-	Fee for Service
21			Total:	1,249,148	1,249,148	-	
22	Pass-Through Funds/Multi-modal Grants						
23		Highway					
24			Total:	-	-	-	
25	Transportation Commission Contingency / Debt Service						
26		Contingency					
27		Debt Service		750,852	750,852	-	Fee for Service
28			Total:	750,852	750,852	-	
				2,575,000	2,575,000	-	

/1 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Revenue **2,575,000** **2,575,000** **-**

Key to acronyms:

HPTEB=High Performance Transportation Enterprise Board

HPTE Fee For Service Revenue & Allocation Adjustment

Total Consolidated Allocations	1,505,390,655	1,624,431,941	119,041,286
Total Consolidated Revenue	1,505,390,655	1,624,431,941	119,041,286