COLORADO
Department of Transportation
Division of Transportation Development
Multimodal Planning Branch
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Denver, CO 80222

DATE: October 18, 2017
TO: Transportation Commission
FROM: Herman Stockinger, Acting Chief Financial Officer
Debra Perkins-Smith, Director, Division of Transportation Development
SUBJECT: 2045 Long-Range Revenue Projections

Purpose
To discuss proposed 2045 Long-Range Revenue Projections, which outline estimated revenues by source from 2018 to 2045.

Action
Transportation Commission input is requested on which scenario should be used for the establishment of fiscal constraint of long-range transportation plans and Transportation Improvement Programs (TIPs). The Transportation Commission will be asked to adopt a scenario for fiscal constraint in November.

Background
Long range revenue projections are developed in advance of each Statewide Transportation Plan (SWP), and provide the basis for the subsequent Program Distribution process. Program Distribution is the process by which long range estimates of revenues are assigned to programs, based on performance objectives and priorities established by the Transportation Commission with input from planning partners. Together, revenue projections and Program Distribution provide the financial framework for the development of the SWP, Metropolitan Planning Organization (MPO) and Transportation Planning Region (TPR) Regional Transportation Plans (RTPs), and Transportation Improvement Programs (TIPs) and the Statewide Transportation Improvement Program (STIP). Revenue projections and Program Distribution are developed cooperatively with input from planning partners, and adopted by the Transportation Commission. A work group of the Statewide Transportation Advisory Committee (STAC) met monthly between February and August to provide input on the development of the 2045 Long-Range Revenue Projections.

Details
Staff presented three proposed scenarios in September. The Current Revenue scenario represents an assessment of the most likely revenue outcome, based on current revenue sources, and recent revenue trends. The High and Low scenarios provide additional context, and help “bracket” the range of revenues we might see under different circumstances. Attachment A outlines key variables and assumptions behind each scenario. Attachment B provides a comparison of the scenarios and year by year revenue totals.

Current Revenue Scenario
- Assumes current revenue sources, including full Senate Bill (SB) 17-267 proceeds of $1.88 billion between fiscal year (FY) 2018-19 and FY 2021-22.
- Assumes continued shoring up of the federal Highway Trust Fund through federal General Fund transfers, representing a 0.5% annual increase in federal apportionments through FY 2044-45.
- FY 2020-21 Revenue: $1.94 billion ($1.44 billion excluding SB 17-267)
- FY 2044-45 Revenue: $1.66 billion

High Scenario (Additional $300 million per year) – 14.8% increase from Current Revenue Scenario
- Retains same assumptions as Current Revenue scenario, but assumes an increase in state Highway User Trust Fund (HUTF) revenues to CDOT of $300 million per year, beginning in FY 2023-2024.
- Increase could come as a result of a state sales tax increase for transportation, an increase in gas tax, or other equivalent mechanism.
- Roughly aligns with the revenue increase anticipated by CDOT under House Bill 17-1242.
- FY 2020-21 Revenue: $1.94 billion ($1.44 billion excluding SB 17-267)
- FY 2044-45 Revenue: $1.96 billion

Low Scenario (No Federal General Fund Transfers) – 6.0% decrease from Current Revenue Scenario

- Retains same assumptions as Current Revenue scenario, but assumes a federal rescission beginning in FY 2019-20 and continuing through FY 2044-45.
- Rescission effectively eliminates federal General Fund transfers, and as such, any growth in federal apportionments.
- FY 2020-21 Revenue: $1.84 billion ($1.34 billion excluding SB 17-267)
- FY 2044-45 Revenue: $1.56 billion

Fiscal Constraint

Long-range revenue projections are used to establish fiscal constraint for the MPO RTPs and TIPs, and the STIP. Through the Program Distribution process, projected revenues are assigned to programs. CDOT works with the MPOs to estimate the proportion of appropriate programs that can be reasonably assumed, for planning purposes, as being available in each MPO area. These estimates are then used as "constraint" in programming projects in the MPO TIPs, and the STIP, and in identifying projects in the RTPs. Constraint is updated annually to align with the new annual budget.

Traditionally, the Current Revenue scenario has been used in establishing fiscal constraint. However, in recent years other states and MPOs have assumed potential new revenue sources in the fiscal constraint of their plans. This allows more projects to be identified in a fiscally constrained plan so that they can proceed to a NEPA decision document. Federal regulations require that in order for a project to proceed to a NEPA decision document, it must be included in a fiscally constrained transportation plan. Since the additional revenue in the High scenario does not begin until FY 2023-2024, there is no impact on TIPs and the STIP (i.e. for the years of the TIPs and STIP the Current Revenue and High scenarios provide the same level of constraint).

Pros

- A higher level of fiscal constraint in the MPO RTPs will allow us to clear more projects through environmental processes. In the past, this has been a limiting factor when additional revenue suddenly becomes available and projects have not cleared through environmental processes and are consequently not sufficiently advanced to take advantage of available funding.
- By allowing more projects into the MPO RTPs, the need to go through time consuming amendment processes to add projects as funding becomes available is reduced.

Cons

- While not a funding commitment, the inclusion of a project in an MPO RTP may create expectations that are then not met if additional funding does not come to fruition.
- The assumption of additional revenue may send a mixed message about current funding levels and the need for additional revenue.
- The current administration has recently indicated that it may rescind the provision requiring projects to be included in an MPO RTP in order to proceed to a NEPA decision document.

Options available for Transportation Commission consideration include:

- Option #1 – Adopt the Current Revenue scenario
- Option #2 – Adopt the High scenario (Staff Recommendation)
- Option #3 – Adopt the Low scenario
- Option #4 – Consider other revenue scenarios or options

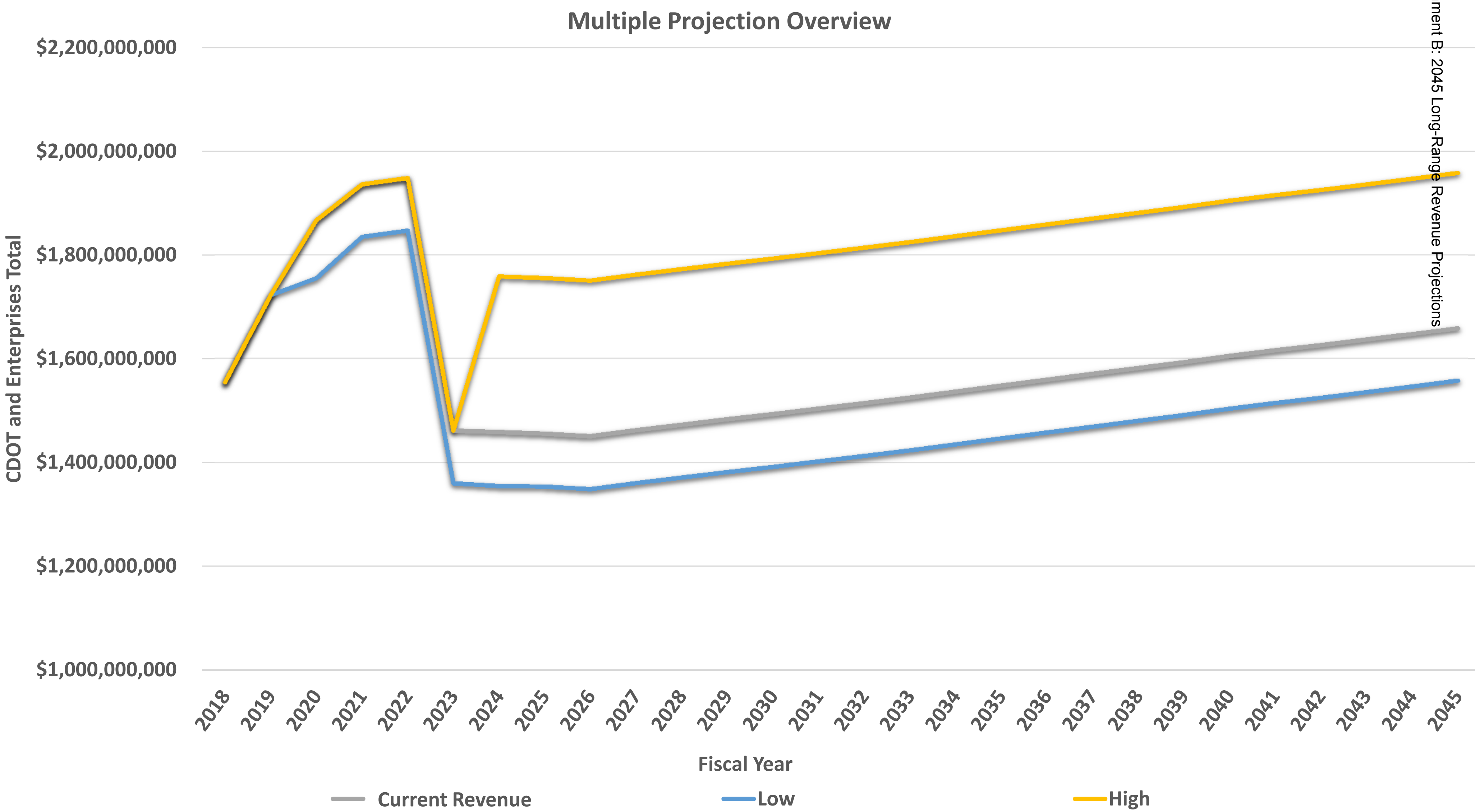
The staff recommendation is to adopt the High scenario for the establishment of fiscal constraint of long-range transportation plans, TIPs, and the STIP (as noted previously, the level of constraint in the years of the next TIP and STIP is the same under the High scenario and the Current Revenue scenario, since the additional revenue is not assumed until FY 2023-2024). By establishing a higher level of fiscal constraint, CDOT will be able to include more projects in long-range transportation plans, and consequently will be able to advance more projects to a NEPA decision document. This will enable us to be in a better position, with more projects on the shelf and ready to go, to compete for discretionary grants or to move quickly if significant additional revenue becomes available. It will, however, be important that in utilizing the High scenario for fiscal constraint CDOT and planning partners work closely and carefully to ensure that messaging is clear regarding current funding levels and needs, and assumptions of potential future revenue made for planning purposes.

Advisory Committee Input
At the August STAC meeting, the STAC recommended the identified scenarios to the Transportation Commission. The STAC did not render a recommendation on the specific scenario to be used for fiscal constraint. However, discussions at STAC have indicated general support for the use of the High scenario for fiscal constraint. The MPOs have also expressed support in monthly Statewide MPO Committee meetings and in meetings of the revenue projections working group.

Next Steps
- November – Transportation Commission adoption

Attachments
- Attachment A: 2045 Long-Range Revenue Projections Key Assumptions
- Attachment B: 2045 Long-Range Revenue Projections
- Attachment C: Draft Resolution

2045 Revenue Scenarios Scenario Variables and Assumptions			
Variable	**Assumption**		**Source**
CURRENT REVENUE SCENARIO			
Basic Assumptions			
VMT	1.40%	Colorado, 30-year annualized percent increase 2015-2045	CDOT, 2017
MPG	1.25%	Colorado, 30-year annualized percent increase 2015-2045	CDOT Revenue Model, 2017
Population	1.40%	Colorado, 30-year annualized percent increase 2015-2045	Colorado State Demography Office, 2017
Registered Vehicles	1.70%	Colorado, 30-year annualized percent increase 2015-2045	Colorado Department of Revenue, 2016
CPI (inflation)	2.30%	National, 30-year annualized percent increase 2015-2045	Moody's, 2017
Personal Income	4.00%	National, 30-year annualized percent increase 2015-2045	Bureau of Economic Analysis, 2017
Electric Vehicle (EV) Fleet Penetration	25.00%	Colorado, percent of fleet in 2045	Estimate, based on multiple forecasts
Revenue Assumptions - State			
State Gas Tax	$ 0.22		Current law
FASTER Fees	$112.5 M in FY 2017-18		Current law
General Fund Transfers (SB 09-228)	$79 M in FY 2017-18 from SB 09-228		Current law
Lease-Purchase Agreements (SB 17-267)	$1.88 B between FY 2018-19 and FY 2021-22 from SB 17-267		Current law
Revenue Assumptions - Federal			
Federal Gas Tax	$ 0.184		Current law
Growth in Federal Revenues	0.50%	Assume General Fund backfill based on historic trends, and 0.5% annual increase in federal apportionments through 2045.	Historical trends
LOW SCENARIO (No Federal General Fund Transfers)			
Retains the same assumptions as the Current Revenue scenario with the exception of assumptions for federal revenues. Instead assumes the cessation of Federal General Fund backfills to the Highway Trust Fund beginning in FY 2019-2020, resulting in declining federal revenues. Total revenues in 2045 are approximately 6.5% lower than Current Revenue scenario.			
HIGH SCENARIO (Additional $300 million per year)			
Retains the same assumptions as the Current Revenue scenario, but assumes a sales tax for transportation (or equivalent from gas tax increase or other source) resulting in $300 million per year to CDOT, beginning in FY 2023-2024 (similar to House Bill 17-1242). Total revenues in 2045 are approximately 17% higher than the Current Revenue scenario.			


Multiple Projection Overview
$2,200,000,000
$2,000,000,000
$1,800,000,000
$1,600,000,000
$1,400,000,000
$1,200,000,000
$1,000,000,000
CDOT and Enterprises Total
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044
2045
Fiscal Year
Current Revenue
Low
High

Attachment B: 2045 Long-Range Revenue Projections

Fiscal Year	Current Revenue	Low	High
2018	$ 1,554,434,453	$ 1,554,434,453	$ 1,554,434,453
2019	$ 1,722,830,112	$ 1,722,745,612	$ 1,722,830,112
2020	$ 1,867,335,451	$ 1,755,623,571	$ 1,867,335,451
2021	$ 1,936,761,698	$ 1,835,336,826	$ 1,936,761,698
2022	$ 1,948,963,300	$ 1,847,448,927	$ 1,948,963,300
2023	$ 1,461,738,610	$ 1,360,361,237	$ 1,461,738,610
2024	$ 1,458,860,845	$ 1,355,402,474	$ 1,758,860,845
2025	$ 1,455,818,584	$ 1,354,336,707	$ 1,755,818,584
2026	$ 1,451,012,345	$ 1,349,334,446	$ 1,751,012,345
2027	$ 1,462,489,737	$ 1,360,815,638	$ 1,762,489,737
2028	$ 1,473,028,917	$ 1,371,469,818	$ 1,773,028,917
2029	$ 1,483,598,122	$ 1,382,039,523	$ 1,783,598,122
2030	$ 1,493,435,815	$ 1,391,984,716	$ 1,793,435,815
2031	$ 1,504,005,521	$ 1,402,562,922	$ 1,804,005,521
2032	$ 1,514,525,591	$ 1,413,084,992	$ 1,814,525,591
2033	$ 1,525,173,775	$ 1,423,642,676	$ 1,825,173,775
2034	$ 1,536,689,033	$ 1,435,248,434	$ 1,836,689,033
2035	$ 1,548,116,669	$ 1,446,676,071	$ 1,848,116,669
2036	$ 1,559,448,256	$ 1,458,007,657	$ 1,859,448,256
2037	$ 1,570,756,524	$ 1,469,235,925	$ 1,870,756,524
2038	$ 1,581,905,571	$ 1,480,467,972	$ 1,881,905,571
2039	$ 1,593,028,763	$ 1,491,592,164	$ 1,893,028,763
2040	$ 1,605,246,406	$ 1,503,732,807	$ 1,905,246,406
2041	$ 1,615,957,815	$ 1,514,687,132	$ 1,915,957,815
2042	$ 1,625,846,966	$ 1,524,659,783	$ 1,925,846,966
2043	$ 1,636,698,134	$ 1,535,510,951	$ 1,936,698,134
2044	$ 1,647,603,808	$ 1,546,330,125	$ 1,947,603,808
2045	$ 1,658,859,422	$ 1,557,584,739	$ 1,958,859,422
Total	**$ 44,494,170,245**	**$ 41,844,358,299**	**$ 51,094,170,245**
% Difference from Current Revenue scenario	**-**	**-6.0%**	**14.8%**

Resolution #TC-17-10-XX

Adoption of 2045 Long-Range Revenue Projections.

Approved by the Transportation Commission on (Insert Date).

WHEREAS, long range revenue projections are developed in advance of each Statewide Transportation Plan, and form the basis for the subsequent program distribution process; and

WHEREAS, long-range revenue projections and program distribution provide the financial framework for the transportation planning process including the development of the Statewide Transportation Plan, Regional Transportation Plans, Transportation Improvement Programs, and Statewide Transportation Improvement Program; and

WHEREAS, long-range revenue projections and program distribution are used to establish fiscal constraint of Regional Transportation Plans, Transportation Improvement Programs, and the Statewide Transportation Improvement Program; and

WHEREAS, 23 CFR 450.324(g) requires the cooperative development of revenue estimates supporting Metropolitan Planning Organization Regional Transportation Plans; and

WHEREAS, planning partners, including representatives of Metropolitan Planning Organizations, cooperated in the development of the 2045 Long-Range Revenue Projections, and

WHEREAS, three scenarios were developed including a scenario based on current revenue, a high scenario assuming a new revenue source beginning in FY 2023-2024, and a low scenario assuming the elimination of federal General Fund Transfers; and

WHEREAS, the High scenario assumes an additional $300 million in additional revenue annually, beginning in FY 2023-2024 and projects total revenues of $51.1 billion between 2018 and 2045; and

WHEREAS, the assumption of additional revenue will allow more projects to be included in fiscally constrained transportation plans, and allow more projects to complete the National Environmental Policy Act (NEPA) process, better preparing the Colorado Department of Transportation (CDOT) for funding opportunities such as discretionary grants and for the possibility of new revenue; and

NOW THEREFORE BE IT RESOLVED, that the Commission adopts the High scenario for establishment of fiscal constraint for the 2045 transportation planning process including the Statewide Transportation Plan, Regional Transportation Plans, and Transportation Improvement Programs, and the Statewide Transportation Improvement Program.

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Herman Stockinger, Secretary | Date
Transportation Commission