



# Multimodal Transportation & Mitigation Options Fund (MMOF) Program Funding Reductions

## Spring 2026 Guidance & Frequently Asked Questions

The following guidance is intended for Local MMOF awarding agencies, MMOF awardees, and CDOT staff in response to the MMOF program funding reductions implemented in the Spring of 2026.

### Background

Facing a significant budget shortfall for Fiscal Year 2027 (FY2027) and beyond, the State Legislature made necessary budget cuts that impacted most state agencies. Balancing the FY2027 State budget included passage of the following related House Bills impacting the Multimodal Transportation and Mitigation Options Fund (MMOF):

- House Bill 2026-1399 (HB1399) eliminates three years of the \$10.5 million annual General Fund transfers to MMOF previously committed FY2027-FY2029.
- House Bill 2026-1398 (HB1398) modifies the statutory split of MMOF funding by reducing the proportional allocation to Local MMOF projects from 85% to 70% and increasing State MMOF project allocations from 15% to 30% for program revenues in FY2027 and beyond.

Commitment of other MMOF program revenues, including the annual Retail Delivery Fee Revenues and the \$10.5 Million annual General Fund transfers committed in FY2030-FY2032, remain unchanged.

The combined effect of these changes significantly reduces the Local MMOF allocations to Transportation Planning Regions (TPR) in FY2027-FY2029 and creates a deficit to the amounts previously awarded to local projects. The following guidance considers the impacts of these funding cuts and how CDOT will minimize the impact on projects in progress while managing and utilizing existing revenues most effectively.

### Revenue Reconciliation

In addition to the General Fund transfers eliminated in HB1399, CDOT staff also considered several other factors affecting the overall program funding projections. This includes slight reductions to actual and projected annual Retail Delivery Fee revenues, and additional previously unrealized interest earnings. All factors considered, the net result to the overall program budget is a 36.6% reduction to the combined total MMOF revenues expected in the affected three-year period from FY2027-2029.



## Program Administrative Set-asides

Throughout the MMOF program, varying percentages of the annual Local MMOF budget have been set aside to recover the costs CDOT incurs to administer the Local program and to support and oversee its funded local projects. These costs are shared directly among program & project management, finance, contracting and specialty unit staff. Beginning in FY2027, CDOT's new cost allocation plan will also account for the indirect costs related to the program, thereby increasing the rate of administrative expenditures.

Rates of set-asides have varied annually based on need, including 5% set aside in 2020 and 2% in 2022-2024. In May of 2025 a sum of \$3.0 million unspent set-aside funds was returned to the Local MMOF pool to offset the impact of the State's FY2026 budget cuts. The current balance of set-aside funds is nearly depleted, however, while administrative costs are expected to exceed \$1.0 million in FY2027 due to the large number of stimulus-funded MMOF projects still being implemented statewide.

Adjustments to the current set-aside rate are again necessary to ensure adequate administrative funding. To prepare for the large amount of project activity in the coming year, CDOT Staff recommend a flat \$900,000 set-aside in FY2027, and an increase to 3% for sustainable annual set-aside beginning in FY2028.

## Local MMOF Allocations

These combined statutory, revenue and administrative adjustments result in a net **48.3% reduction** to Local MMOF allocations in the three-year, FY2027-2029 period from the previous allocations published in May 2025. Reductions were applied to each TPR using the most recent MMOF distribution formula approved by the Transportation Commission. **Table 1** below shows the new **updated total allocations** of Local MMOF funds for the affected FY2027-FY2029 period, and a budget shortfall analysis compared to the amounts awarded to projects in this period.

## Program Response & Impact on Awarded Projects

Current MMOF project awards in FY2027-FY2029 exceed the expected revenues in this period by over \$25.3 million - a shortfall that could potentially impact 83 active or pending projects statewide.

Contrary to the award reconciliations made a year ago following the sizable FY2026 budget loss, **CDOT does not recommend** that the awarding agencies in each Transportation Planning Region conduct a similar process to modify and reduce current MMOF awards. Instead, it is recommended that the revenues projected in FY2030 and FY2031 be used to backfill all funding shortfalls for current project awards.

What this means is that the existing projects awarded in the three-year period between FY2027-2029 will be implemented instead across the five-year period of



FY2027-2031, using all the allocated revenues through FY2030, plus almost half of revenues in FY2031. **Table 1**, below, shows a combined total of \$37.2 million in expected FY2030-2031 revenues. Backfilling all current award shortfalls would consume all but approximately \$11.8 million of FY2031 Local MMOF TPR allocations.

### **Cash Management**

Since the FY2026 budget cuts experienced last year, MMOF has utilized a Cash Management strategy that allows projects that are ready to begin a phase of work (i.e., design, utilities, construction, etc.) to advance up to two future years' awards by obligating funds currently available to CDOT. This strategy has two primary objectives:

- Alleviates the need to delay most projects in response to the current budget cuts by no longer requiring projects to start work only when all of a project's awards are accumulated. When projects are allowed to begin on an earlier date, they also avoid additional inflation costs.
- Accelerates the expenditure (drawdown) of MMOF's large unexpended fund balance by maximizing spending in the current year.

Advancing future years awards prioritizes available MMOF funding for the local agencies' projects that are "ready" the soonest (i.e., "first to the trough"). Likewise, project phases starting later during a particular year will have access to awarded funds only when adequate current funding exists, and therefore access to funds could be delayed until the start of a subsequent fiscal year if current funding is depleted (Note that FY2031, for example, begins July 1, 2030).



**Table 1. Local MMOF Program - Summary Funding Analysis**

TPR	Formula Allocation	FY2027-FY2029 Reduction			FY2030-FY2031 Backfill		
		Total Project Awards	Total 3yr Allocation	Shortfall	FY2030	FY2031	Remaining thru FY2031
Pikes Peak Area	9.66%	\$5,685,149	\$2,937,347	\$(2,747,802)	\$1,738,228	\$1,855,513	\$845,939
Denver Area	58.14%	\$31,830,676	\$17,674,314	\$(14,156,362)	\$10,459,091	\$11,164,808	\$7,467,537
North Front Range	7.70%	\$4,376,384	\$2,339,810	\$(2,036,574)	\$1,384,624	\$1,478,050	\$826,100
Pueblo Area	2.96%	\$1,710,746	\$898,458	\$(812,288)	\$531,678	\$567,553	\$286,943
Grand Valley	2.55%	\$1,501,118	\$775,583	\$(725,535)	\$458,965	\$489,933	\$223,363
Eastern	1.56%	\$693,987	\$474,757	\$(219,230)	\$280,946	\$299,902	\$361,618
Southeast	1.23%	\$724,597	\$374,377	\$(350,220)	\$221,544	\$236,493	\$107,818
San Luis Valley	1.58%	\$929,007	\$479,990	\$(449,017)	\$284,043	\$303,208	\$138,233
Gunnison Valley	2.98%	\$1,752,274	\$905,348	\$(846,926)	\$535,756	\$571,905	\$260,735
Southwest	1.79%	\$1,052,747	\$543,923	\$(508,824)	\$321,876	\$343,595	\$156,647
Intermountain	4.24%	\$2,492,374	\$1,287,736	\$(1,204,638)	\$762,041	\$813,459	\$370,861
Northwest	1.14%	\$407,500	\$345,999	\$(61,501)	\$204,751	\$218,567	\$361,817
Upper Front Range	1.91%	\$1,122,415	\$579,918	\$(542,497)	\$343,177	\$366,332	\$167,013
Central Front Range	1.95%	\$1,145,312	\$591,749	\$(553,563)	\$350,178	\$373,806	\$170,420
South Central	0.63%	\$372,689	\$192,557	\$(180,132)	\$113,949	\$121,638	\$55,455
<b>Total</b>	<b>100.00%</b>	<b>\$55,796,975</b>	<b>\$30,401,865</b>	<b>\$(25,395,110)</b>	<b>\$17,990,847</b>	<b>\$19,204,763</b>	<b>\$11,800,500</b>



## Frequently Asked Questions (FAQs)

**Are the future funds that were previously allocated to a particular TPR being lost to backfill funding shortfalls in other Regions?**

- No. Future funding as allocated by the approved allocation formula for each TPR will be kept whole for FY27-31. However, funds for all regions will be maintained in a statewide pool to allow projects from any region to access funding when they are ready to proceed.

**When will funding be available to award new projects?**

- Any FY30 or FY31 amounts not required to backfill a TPR's award shortfalls can be awarded to new projects beginning in calendar year 2027. This allows new awards to be identified in the FY28-FY31 Statewide Transportation Improvement Program (STIP).

**What actions do TPRs need to take to address the funding reduction?**

- TPRs do not need to take any action to reduce or reconcile awards to match the updated funding allocations. MPOs, at their own discretion, may choose to reconcile MMOF awards by fiscal year for more accurate representation of awarded funding in their Transportation Improvement Program (TIP), but this too is not mandatory.

**Does this affect MMOF awards of federal ARPA/SLFRF funds?**

- No. ARPA/SLFRF funds allocated to the MMOF program must be used for the projects to which they are currently awarded, and cannot be repurposed to any other uses. The state budget cut does not affect any TPR allocations of ARPA or awards of ARPA to projects, including those ARPA funds that were refinanced under HB24-1466.



**Will there be a pause on new IGAs or Grant Agreements to account for the reduced budgets?**

- No. Progress on all current MMOF award agreements (i.e., IGAs/Grants) may continue accordingly. However, access to the funds for a particular phase of a project with an IGA is only made available shortly before kickoff by the execution of an Option Letter that budgets and encumbers those funds to that phase of the project. Grant agreements, which fully budget and encumber all its funding at the time of execution, will be drafted and executed once access to all or a portion of awarded funds are made available.

**How do I know when my project's funding will be available?**

- CDOT's MMOF Program Management team will be compiling schedule and funding information on each project. This information will be used to produce a Project Financing Schedule that predicts when and how much funding will be available to each project throughout the FY27-FY31 years.

**Where does CDOT obtain the anticipated project schedules and budgets?**

- CDOT's Local Agency project managers coordinate and negotiate directly with Local Agencies to determine the project's likely phase schedules based on the necessary preparations and clearances needed to get projects ready to start. Project phase schedules and the resulting Project Financing Schedule will be updated periodically to represent