

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION
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MEMORANDUM

TO: Transportation Commission

FROM: Debra Perkins-Smith, Director, Division of Transportation Development
Scott Richrath, Chief Financial Officer, Division of Accounting & Finance

DATE: December 10, 2013

RE: Program Distribution

Purpose: This memo summarizes information regarding Program Distribution for the period of the next Statewide Transportation Plan and STIP.

Action Requested: Transportation Commission (TC) input on Program Distribution. Specifically input on 1) Program Distribution assumptions; and 2) scenarios for allocations of funds focusing on the first ten years.

Background: Program Distribution is a part of the Statewide Plan and outlines the assignment of projected revenues to various program areas for the time period of the Plan (FY 2016-FY 2040). Program Distribution also identifies the program fund levels that will be used in developing the next Statewide Transportation Improvement Program (STIP), which begins with FY 2016. In the past, Program Distribution was referred to as “Resource Allocation.” The new name reflects changes under MAP-21, including the consolidation of many federal programs into six core programs, development of a Risk-Based Asset Management Plan, and an emphasis on performance management of the transportation system. Revenues for Program Distribution are based on the Baseline Revenue Projection for the 2040 Statewide Plan adopted by the TC on April 18, 2013 (**Attachment A**). Federal revenues peak in 2025 and decline each year following.

Federal requirements state that the MPOs and the State “shall cooperatively develop estimates of funds that will be available to support metropolitan transportation plan implementation.....All necessary financial resources from public and private sources that are reasonably expected to be made available to carry out the transportation plan shall be identified.” Federal requirements also state that the metropolitan transportation plan include sufficient financial information to demonstrate that the projects in the plan can be implemented with reasonably available revenue sources, with assurance that the federally supported transportation system is being adequately operated and maintained. “For the outer years of the metropolitan transportation plan (i.e. beyond the first 10 years) the financial plan may reflect aggregate cost ranges/bands...”

State law requires that regional transportation plans state “what can be reasonably expected to be implemented with the estimated revenues which are likely to be available” and that “the statewide

plan integrate and consolidate regional plans into a comprehensive statewide plan.” Program Distribution for the 2016-2040 time period is necessary in order to demonstrate the level of services that are expected to be provided with anticipated revenues.

I. FY 15 Baseline Scenario Table (Attachment B)

Attachment B includes a table with year by year program estimates for the first ten years (FY 2016-2025), a total for the next fifteen years (FY 2026 – 2040), and a total for the full time horizon of FY 2016-2040. The table is organized into three categories of programs:

- Asset Management- Maintenance, Surface Treatment, and other Asset Management programs that are directed by the TC;
- Other TC Directed Programs- Other flexible programs that are directed by the TC;
- Restricted Programs- Federal or state required programs, Debt Service, or other programs over which the TC is restricted in terms of its ability to shift funds, increase or decrease funding.

Assumptions

Attachment B is based on the following assumptions:

- 1) Allocations to revenue-based programs (those programs with a dedicated one-to-one revenue source) are listed in “Restricted Programs” and based on projected revenues from the 2040 Revenue Projections adopted by the TC in April 2013.
- 2) All other programs are fixed at FY 15 Budget levels (excluding FY 15 Decision Items for Structures and TSM&O: Performance Programs and Services.)
- 3) The Commission last month provided direction to assign funds “freed up” by the retirement of debt service to Asset Management for purposes of Program Distribution. This amounts to approximately \$39 million in FY 2017 due to partial debt retirement, and a total of \$167 million starting in FY 18. These funds appear on the line labeled “Asset Management- To Be Assigned by TC.”
- 4) RPP is funded at \$50 million annually, with FASTER Safety reduced by \$40 million annually to provide for the increase from the original RPP funding level of \$10 million.

Variances

The above assumptions result in a deficit in FY 2016 and in surpluses in 2017-2025. The deficit in FY 16 is the result of a decrease in CDOT Miscellaneous Revenue, specifically the result of a decrease in interest earned as a result of a decreased cash balance. In aggregate, there is a surplus in years 2026 – 2040, although deficits appear in the last four years. These deficits result as revenues decline and are no longer sufficient to cover the \$167 million annually allocated in Attachment B to “Asset Management- To Be Assigned by TC.”

II. PD 14 Objectives (Attachment C)

Attachment C outlines additional amounts that are estimated to be needed for Maintenance, Surface Treatment, and Bridge in order to reach Policy Directive 14 (PD 14) Objectives, as well as total funds available for assignment to these or other programs. The funds available include the

TransBond funds (“Asset Management- To Be Assigned by TC”) and other fund variances. The objectives and associated funding levels are:

- Maintenance- 3% annual increase is a preliminary estimate of what is required to maintain a B- Level of Service for the first ten years of Program Distribution;
- Surface Treatment- \$240 million annually is estimated to achieve 80% High/Moderate Drivability Life (DL) by year 10 of Program Distribution (2025);
- Bridge (within structures)- \$46 million annually is a preliminary estimate of what may be needed in addition to BE funds to maintain at least a 90% non-structurally deficient deck area on CDOT owned bridges (bridge is a subset of “structures” in attachment B baseline).
- Available funds are sufficient to fund these 3 programs at the levels identified above through 2025. The other asset management program needs would be in addition to these funding amounts. Attachment C shows funds remaining for other programs at declining amounts from through 2025.
- By 2025, the available funds are absorbed by Maintenance, Surface Treatment and Bridge.
- For the combined years of 2026 to 2040 funding maintenance, surface treatment and bridge results in an overall deficit of \$1.749 billion.

III. Other Allocation Scenarios

Not every asset management category has objectives developed at this time. If most or all available funds are allocated to Maintenance, Surface Treatment and Bridge, there is little or no funding at the end of the 10 year time period to increase funding over the baseline in other areas including culverts, tunnels, and walls, (included in “structures”), Rockfall, Road Equipment, Property, ITS Maintenance, or other TC directed programs.

Another option is to assign TransBond funds and other fund variances to Asset Management programs at the same proportion as they are funded in the FY 15 budget. The result of this approach is that Maintenance is above the 3% annual amount in the first ten years, Surface Treatment funding peaks at about \$213 million during the first 10 years, and Bridge peaks at about \$43 million in the first ten years. Other programs would increase proportionately from their FY 15 levels. Under this option PD 14 objectives would be exceeded for maintenance, but not be met for Surface Treatment or Bridge.

Discussion: Staff requests TC input on possible scenarios to be prepared for further consideration in January. For the purposes of Program Distribution for the statewide plan and the demonstration of fiscal constraint, deficits and surpluses need to be eliminated.

Some possible scenarios include:

- Fund Maintenance, Surface Treatment, and Bridge to meet PD 14 objectives through 2025, assign remaining available funds to other asset management programs.
- Fund Maintenance, Surface Treatment, and Bridge to meet PD 14 objectives until 2025, assign remaining available funds to other programs including asset management or other TC directed programs.

- Identify different objectives and the resulting funding levels for asset management and for other TC directed programs and assign available funds accordingly.

Based on direction in December from the Commission, staff will prepare scenarios for discussion in January. Once funding levels to programs are established, staff will develop tables with planning estimates for MPOs per federal requirements. Funding levels to Regions for programs that are distributed based on formulas will also be identified using TC approved formula distribution methodology.

Next Steps: Transportation Commission workshop on Program Distribution for the time period 2016-2040 in January and Program Distribution adoption in February.