MEMORANDUM

DEPARTMENT OF TRANSPORTATION
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DATE: October 12, 2012

TO: Statewide Transportation Advisory Committee

FROM: Laurie Freedle, Budget Director

SUBJECT: Revenue Forecasting and Resource Allocation for the Long Range Transportation Plan (LRTP) Schedule

CDOT is starting to work on policies and forecasts for revenues for the Statewide Long Range Plan. The schedule is as follows:

- October 2012: STAC discussion of revenue forecasting/resource allocation process logistics and RF/RA STAC Representative working group concept
- November 2012:
  - STAC discussion on revenue projection policies
  - First meeting of RF/RA STAC Representative working group*, **
  - Staff recommendation on revenue projection policies to the TC LRTP Committee
- December 2012:
  - STAC discussion on revenue forecast scenarios
  - STAC recommendation of revenue projection policy to TC
  - Get guidance from TC LRTP on revenue forecast scenarios needed
  - TC adopt revenue projection policy
- February 2013:
  - Discussion of revenue forecast scenarios with STAC
  - Discussion of revenue forecast scenarios with TC LRTP Committee
- March 2013:
  - STAC revenue projection workshop and discussion
  - TC revenue projection workshop and discussion
- April 2013:
  - STAC revenue projection recommendation to TC
  - STAC initial resource allocation discussion*
  - Introduce resource allocation to TC LRTP Committee
  - TC adopt revenue projections for the LRTP

*CDOT would like to use any STAC representatives who have an interest in the RF/RA process, along with CDOT staff, to form the RF/RA STAC Representative working group. This would be instead of the RA technical groups in the past where certain people were selected to be a part of the group. We would like a commitment from those who choose to join this group to attend meetings, as it would be hard having different people coming to each monthly meeting. We will be meeting on STAC day, either right after STAC, or after lunch. We can discuss details with the STAC. The full STAC group would be updated on the outcomes of these working group meetings every month at STAC.

**There will be resource allocation discussions, as well as STAC Representative working group meetings, each month until the process is complete. The planned TC adoption date of resource allocation is December 2013.

Attached, you will find the revenue projection policy information from the 2035 Long Range Plan. This is the document we will be modifying to fit your desires and current conditions.

This memo is for information only. If you have any questions regarding the information provided prior to the meeting next week, please feel free to call me at (303) 757-9171 or email at laurie.freedle@dot.state.co.us.

2035 Long Range Plan Revenue Policies and Assumptions

"This section outlines the policies and assumptions used in the 28-year forecast. No new revenue sources are assumed in the forecast and for existing sources only what CDOT expects to be generated under current law and economic conditions are considered. For example an increase to the 22 cent per gallon motor fuel tax would require a change in law and therefore is not included in the forecast.

***Motor Fuel Tax (MFT)** related revenue estimates for the HUTF are determined in the following manner: short-term MFT growth rates are generated by using a 6-year regression model and a 15-year regression model is used to determine the long-term MFT growth rates. The model assumes that the short-term MFT growth rates are applied in fiscal years 2008 through 2015 and the long term rates are applied in fiscal years after 2015.*

***Motor Vehicle Registrations (MVR)** related revenue estimates for the HUTF are determined in the following manner: short-term MVR growth rates are generated by using a 5-year regression model. A 15-year regression model is used to determine the long-term MVR growth rates. The model assumes that the short-term MVR growth rates are applied in fiscal years 2008 through 2015 and the long term rates are applied in fiscal years after 2015.*

***The Off-the Top (OTT)** growth rates for this resource allocation plan are based on 5-year trend analysis of actual off-the-top appropriations. This is a departure from the customary growth rate of six percent per year the maximum increase in annual general fund appropriations allowed by State statue.*

***General Fund (GF)** related revenue estimates uses the June, 2006 general fund forecasts from OSPB for fiscal years 2008 through 2011 for SB97-001 and in all years of the planning period for HB02-1310. In fiscal year after 2011, SB97-001 estimates are assumed to be equal to 10.355% of the State sales & use tax projected estimate based on an 8year trend analysis*

***Federal Revenue** estimates for both FHWA and FTA are determined by generating short-term federal growth rates using trend analysis based on the TEA-21 reauthorization bill. The model assumes SAFTEA-LU funding levels for fiscal years 2008 and 2009. In fiscal years 2010 through 2015, the model assumes the short-term federal growth rates are applied based on the fiscal year 2003 TEA-21 estimate and that the long term MFT growth rates are applied in fiscal years after 2015.*

***Interest-on-Deposit (IOD)** growth rates are generated by using a four-year rolling average of actual and estimated interest deposited into the State Highway fund. The model assumes that the annual interest-on-deposit growth rates are applied to the fiscal year 2006 actual amounts for all revenue source estimates within the CDOT Miscellaneous category, interest on bond proceeds and interest on deposits from the SIB fund.*

***Interest on Loans** from the SIB is based on the loan repayment schedules. The model assumes the estimates to be equal to all unpaid scheduled payments by fiscal year.*

***Safety Education** estimates are determined by using four-year rolling average of actual and estimated funding for each NHTSA grant source. State estimates are determined by using five year trend analysis on each State revenue source.*

***Consumer Price Index (CPI)** is the price index that tracks the prices of a specified basket of consumer goods and services from the "Denver, Boulder, Greeley" area. The CPI growth rates are generated from a 10-year trend analysis of this index.*

The model assumes that these growth rates are applied to all fiscal years in the planning period. CPI related revenue includes other HUTF revenue (not classified as MFT or MVR) and Aviation Fund revenue.

***Construction Cost Index (CCI)** is composed of six indicator items based on bid prices relative to the unit prices of 1987 (unit index = 100). The indicator items are Earthwork (Excavation and Embankment), Hot Mix Asphalt, Concrete Pavement, Structural Steel, Structural Concrete, and Reinforcing Steel. CCI growth-rates are generated from a trend analysis of the annual intersect points between 1999 and 2005 of this index.*

The model assumes the annual appropriation for the construction component of the Limited Gaming Fund will grow by the construction cost index growth rates based on the fiscal year 2009 estimate. The estimated amount for construction in fiscal year 2009 is equal to the average appropriation requests in fiscal years 2007 and 2008 rounded down to the nearest 100,000. In fiscal year 2008, the estimated amount for the construction component of the Limited Gaming Fund is equal to the 2008 appropriation request. The assumption for the rock-fall mitigation and maintenance portion of the Limited Gaming Fund is that it will grow at a rate of five percent based on fiscal year 2006 appropriation request."