



Policy Brief

COLORADO DEPARTMENT OF TRANSPORTATION
Office of Policy & Government Relations
4201 East Arkansas Avenue, Room 275
Denver, Colorado 80222
(303) 757-9772

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“RAMP” RESPONSIBLE ACCELERATION OF MAINTENANCE AND PARTNERSHIPS

Summary

The Colorado Department of Transportation (CDOT) is changing how it budgets and expends funds for transportation projects. Using sound business practices, this new effort, known as Responsible Acceleration of Maintenance and Partnerships (RAMP), will better coordinate project expenditures and available funding.

- ❖ **Current Practice.** Currently, CDOT does not advertise a project until all of the money is “in the bank,” which means the department is saving money for projects over multiple years before construction begins. In addition, some projects take several years to construct - so money often sits unspent when it could be utilized much sooner.
- ❖ **New Practice.** Under the RAMP program, CDOT will fund multi-year projects based on year of expenditure, rather than saving for the full amount of a project before construction begins.

Background

In 2006, CDOT instituted a new computer software system called SAP. One of the reasons for doing so was to improve CDOT business and financial practices, including the potential opportunity to change the way we budget and expend funds. Since that time, CDOT has not had the opportunity to change because both state and federal funds have fluctuated greatly. With the recent passage of MAP-21 and the four-year extension of the federal gas tax we have a bit more certainty in the federal funding picture than we have had over the last four years, allowing us to pursue this opportunity. In a time of reduced resources, CDOT is ready to move forward with this new approach to become more efficient and effective. CDOT joins several other DOTs around the nation who are now utilizing this method of project delivery, including North Carolina, who also utilizes the SAP system.

Increased Construction, NOT Increased Revenue

You may have heard that CDOT was “saving up money” because we were uncertain about federal funding, and now we are “releasing” the money. Not true. You may have also heard we dug through our rather large seat cushions and found a pile of cash without a current home. Also not true. It is taking better advantage of money in the year it is available and looking at all of our projects funds as a whole rather than each project as an individual silo that is allowing us to increase construction. As a result of CDOT altering its budget practices, we will be able to increase project construction by about \$300 million per year over the next five years. This increase in construction activity is one-time and is from existing, already encumbered dollars, not new funding sources or new transportation revenues.

Not a Solution to Our Transportation Needs

While this change in fiscal management will help to fill the gap for a little while, it isn't permanent- it isn't new money- and it isn't large enough to solve Colorado's transportation needs. This is a challenge that will require a much greater, statewide effort. Remember that in January, 2008 the "Colorado Transportation Finance & Implementation Panel" determined that Colorado needed an additional \$1.5 billion each year to help solve our transportation needs. In a very best case scenario, CDOT may be able, over the course of five years, to fill one year's gap.

Project Selection and Process

The projects implemented with this effort will be in addition to CDOT's planned construction program. Specific projects will be determined once selection criteria are determined by the Colorado Transportation Commission. However, the RAMP projects are proposed to fall into two main categories. Funding amounts for each category and specific goals and criteria will be determined by the Transportation Commission. A third potential category related to direct federal funding to larger metro areas is also being explored.

- ❖ ***Transportation Asset Management, Preservation and Operations.*** The first pool is proposed to provide funds dedicated to slowing the deterioration and improving the safety of the state's highways, bridges, and tunnels. The Transportation Commission has already authorized a portion of the funds by increasing the highway paving program by \$86 million to \$200 million total for paving in current fiscal year 2013.
- ❖ ***Transportation Partnerships.*** The second pool is proposed to leverage state transportation dollars by creating Public-Private Partnerships (P3s) with industry and Public-Public Partnerships with local governments to provide responsible improvements on corridors where partnership opportunities exist. This fund will provide an opportunity for local governments and CDOT to potentially move forward with projects that CDOT would not be able to fund alone.
- ❖ ***Large Metropolitan Area Federal Funding.*** Not included in the first two pools are the dedicated federal funds received by the larger metropolitan areas along the Front Range. In cooperation with these Metropolitan Planning Organizations- DRCOG, Pikes Peak, and North Front Range- and their local member governments, it may be possible to leverage the availability of those funds and increase spending on a one-time basis in those programs as well.

When Will the Additional Projects Begin?

CDOT will begin implementing RAMP in early 2013 with more money going to construction in the spring 2013. CDOT will continue to move forward with its planned construction program.

What Are the Economic Benefits?

RAMP provides an opportunity to increase funding to help preserve our transportation infrastructure and improve system operations around the state. It will also provide a critical boost to the state construction industry by directly sustaining or creating an estimated 10,550 jobs.

Frequently Asked Questions

Please see the attached list of Frequently Asked Questions (FAQs).

Responsible Acceleration of Maintenance and Partnerships (RAMP) Program

Frequently Asked Questions:

1. How will this actually work, and will it follow the current STIP?

First, it is important to note that all projects in the current Statewide Transportation Improvement Program (STIP- Colorado's list of "planned for" for projects over the next several years) will be honored, and in some cases the projects may be accelerated or even expanded in scope.

Second, the STIP reflects when funds will be budgeted to a project, and is not reflective of what year the project will actually be started or completed. By moving to an expenditure-based STIP, CDOT engineers and financial experts will predict how much each project in the STIP will spend each year. For instance, a \$10 million interchange project may currently be budgeted in the STIP like this:

FY 2013: \$5 million budgeted
FY 2014 \$5 million budgeted

That project may go to advertisement in late FY 2014 (and expend only a small amount of funds), be in full construction in FY 2015, and finish up the project in FY 2016. The new expenditure-based STIP will look like this for the project:

FY 2014: \$1 million expended
FY 2015: \$7 million expended
FY 2016: \$2 million expended

With a greater emphasis on planning for expenditures, the \$5 million that would have been budgeted, but not spent, in FY 2013 is "freed up" and can be utilized on projects ready for construction in FY 2013. An additional \$5 million can also be freed up in FY 2014. Only in FY 2015 does this project require its first \$1 million expenditure. That expenditure can be made from other projects that have been budgeted but are not ready for construction. Across hundreds of projects over a 5-8 year program period, the power of expenditure management will create a substantial one time investment in transportation.

2. Under what legal authority is this program being created and implemented?

CDOT's management and Transportation Commission have the authority to make these types of funding decisions. The objective is to improve our financial management to allow for the delivery of transportation improvements for the state of Colorado as expeditiously as possible. This concept simply rearranges the process by committing funds to the year in which expenditures will actually occur.

3. What other alias does this have?

This effort has been called by several different terms, including Cash Management, Accelerated Program Delivery, Advanced Budgeting, and Project Expenditure Forecasting. Each of those terms captures a piece of the entire issue.

4. Where do RAMP program resources come from?

CDOT is using existing funds to make this program possible. The funds to make this program possible are currently directed to projects that are not yet ready to utilize the available funds. CDOT will direct those funds to projects that are ready to go and fund projects in the year they are expected to expend the funds. This one-time permanent change in CDOT's process for budgeting and expending funds is what provides us the ability to temporarily expand our program.

5. Aren't the funds designated under RAMP already "spent"?

No. CDOT's finances are tightly controlled by both our Systems Applications and Products (SAP) accounting system and Colorado's statewide accounting system to ensure that funds cannot be spent twice. Before a contract can be advertised, there is a systematic check to ensure that there will be appropriate levels of funding to pay the contractor when the time comes. At the award of a contract, the funds will be "encumbered," or reserved, in the year that the payments will be made and cannot be used for any other purpose.

In addition, CDOT is in the process of developing a methodology to help project cash needs and usage plans before information is entered into the accounting system. This will ensure that we are looking ahead and managing funds in a proactive and responsible manner. If at any time reserves are projected to be below an acceptable level, project design and bidding can be slowed to maintain required reserves.

6. How can CDOT deliver 50% more with current staff resources?

CDOT will continue to contract with consultants, likely increasing their usage. We will also evaluate and adjust staff roles and responsibilities to meet this increased demand. Decisions related to these adjustments cannot be finalized until we've defined the program concretely. In the meantime, discussion will be ongoing among our staff to determine how best to accomplish the objectives.

7. Is there going to be equity in the distribution of funds across the state? Will Resource Allocation formulas apply to these funds?

Any funds allocated will be based on selection criteria to be approved by the Transportation Commission after review by the STAC. Existing Resource Allocation formulas help determine how much money in our base program will reach various parts of the state and in what form (surface treatment, safety projects, etc.). While

these existing formulas will not be rigidly applied to these accelerated funds, there are substantial needs across the state. Our expectation is that the benefits of these projects will touch all across Colorado.

8. Who will decide the criteria that the selection of projects will be based on? Who will choose the projects?

CDOT staff is developing a draft set of criteria for project selection. Those criteria will be reviewed by STAC and presented to the Transportation Commission for approval. Following approval, CDOT region staff will determine which projects meet the selection criteria and will work with CDOT management and regional planning and project partners to prioritize and select the projects. Projects will be provided to the Transportation Commission to ensure projects meet the established selection criteria. The Asset Management Fund will rely heavily on CDOT's objective to make capital investments that minimize long term life cycle costs and improve safety. For the Transportation Partnership Fund, potential public and private financing partners will work with CDOT staff to determine project eligibility after criteria has been finalized.

9. Are we going to honor the Statewide Long-Range Transportation Plan?

Candidate projects that are not currently in the STIP must be consistent with the Long-Range Transportation Plan and included in the STIP applicable at the time the project is ready.

10. How will this affect processes with TPRs and STAC?

Discussions with TPRs and STAC will continue to address the change in STIP format to reflect year of expenditure rather than budget year. This re-alignment of projects to year of expenditure will allow additional projects to be funded in the near term. Policies and program level allocations will be discussed with STAC to provide input to the Transportation Commission. Projects that require STIP amendments will follow the required public involvement processes and must be consistent with the Statewide Long-Range Transportation Plan. CDOT staff will continue to work with TPRs to prioritize local area transportation needs.

11. Does the "color" of money matter for this program?

Yes. Some state and federal funds, like the state gas tax going to CDOT, are flexible, while other funds, such as state FASTER Bridge funds have dedicated purposes that are not changed with this program. One initial check on project eligibility will be an analysis of the type of funds available for expenditure in each year, and whether a proposed project can utilize those particular available funds.

12. What types of projects are eligible for these funds?

A project that is in the current STIP can be accelerated to start in an earlier year if it is “ready to go”. Other projects that are not in the current STIP must meet minimum eligibility criteria to be considered as a candidate project for evaluation. The eligibility criteria are expected to include:

- Specific program criteria to be determined by the Transportation Commission
- Consistency with the Statewide Long-Range Transportation Plan
- Ability to complete construction within 5 years (December 2017), including applicable project development process (i.e. NEPA, TIP, STIP, etc.)

13. Is CDOT maintenance equipment eligible for RAMP program resources?

Yes. Because RAMP is focused on capital investment, CDOT’s maintenance equipment is currently being discussed for RAMP eligibility with the Transportation Commission. A small amount of additional investment in this area can yield great results. We are also revising our processes of specifying and ordering road equipment.

14. What happens when RAMP resources are expended?

RAMP is an accelerated construction program but does not create any additional or new spending authority. Once this period of accelerated construction ends -and the new processes stabilize- CDOT’s construction program will normalize. Since the TRANs bonds are scheduled for their final payment in FY2017 the program is expected to stabilize at a level somewhat higher than it is today. Construction program activities should also increase if the HPTE continues to identify and advance projects using innovative financing.

CDOT will continue to use this process to maximize the funding going into projects and keep the cash balance at a responsible level that allows for reaction to emergencies, the ability to take advantage of new opportunities, and assurance that CDOT will remain an exceptional steward of the transportation funding for the state of Colorado.

15. When will the RAMP program begin?

In some ways we already have. The Commission has approved advancement of future fiscal year funds in the Surface Treatment Program and for certain major projects such as I-25 near the Air Force Academy, a Diverging Diamond Interchange near Grand Junction and the Twin Tunnels in Idaho Springs. Additionally, the Transportation Commission has increased surface treatment funding in the current fiscal year by \$86 million, to a total of \$200 million this year. This new program is an exponential expansion of that concept and past practice. Definition of the process and identification of projects will occur in early 2013.

16. What does this do for maintenance?

Any improvements we make to the system affects future decisions on maintenance activities. Dedicating a large portion of this program to Asset Management projects is meant to upgrade the condition of our existing network. A larger investment in projects will help to reduce the burden we place on our maintenance professionals to keep our system safe and functional.

17. Is asset devolution a component to the RAMP program?

Yes, devolution projects are projects where the state transportation facilities are improved and then transferred to a local entity. Since the local entity will be responsible for future maintenance this is considered a form of public-public partnership and therefore the project is a potential candidate for funding under Program 2, the Transportation Partnership Fund.

18. Will RAMP affect current Memorandums of Understanding between CDOT and other entities?

The MOUs expire in June 2013, and continue to be evaluated. This approach to project acceleration and financing does not alter the manner in which CDOT works with all of its planning partners to ensure that a statewide perspective is in place to ensure state has the best transportation system possible.

This concept does not change the overall philosophy of ensuring that important projects are constructed throughout the state. CDOT is confident that this process will enhance, rather than detract from, the ability to meet the transportation needs of the state, both within and outside the metro areas.

19. What will the CDOT cash reserve be after RAMP is implemented?

CDOT will be conducting a risk analysis to determine the amount of cash reserve that the Department needs to keep on hand in order to cover all of its obligations. However; we are initially targeting a 120-day reserve based on experience gained by other state DOTs.

20. How will RAMP impact future resource allocations?

Resource allocation formulas and processes are set by the Transportation Commission. The RAMP program, in-and-of-itself, will have no effect on those processes. As part of the upcoming Statewide Plan Update, the Transportation Commission has begun early discussions of resource allocation and may decide to adjust resource allocation strategies that it feels make more effective use of the increased flexibility this concept could provide.

Once a project goes to advertisement under this process, the future year funding must be prioritized in the budget. The new financial planning tools being developed to support this effort will help to project cash needs and usages and

ensures that the funding is managed in a proactive and responsible manner to minimize programmatic disruptions.

If there is a sudden and unanticipated downturn in future year revenues new projects may be delayed to fund the previously advertised projects. Given the historical stability of CDOT's revenues this is a risk unlikely to arise so it makes sense to pursue this effort to accelerate the delivery of needed projects for the citizens of Colorado.

21. Is this just another way to spend more money in metro Denver?

Colorado has transportation needs across the entire state. By changing how we budget and expend funds, we hope to spend more money over the next five years in metro Denver and in all other areas of the state. Because this is a one-time boost, we want to do what we can to preserve and repair our most critical assets across the state and leverage some of the funds with the private sector and other governmental entities to grow the available funds beyond what the department has available on its own.