

## **Multimodal Transportation & Mitigation Options Fund (MMOF) Budget Reductions & Award Reconciliation Spring 2025**

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 2025.

### **Background**

Facing a \$1.2 Billion budget shortfall for Fiscal Year 2026 (FY26), which spans July 1, 2025 - June 30, 2026, the State Legislature made necessary budget cuts that impact every state agency. The adopted FY26 state budget and related Senate Bill 2025-264 included the following specific impact to the Multimodal Transportation and Mitigation Options Fund (MMOF):

- The return (“sweep”) of \$71,400,000 from previously appropriated MMOF revenues.

Ongoing revenues to the MMOF program, including the dedicated Retail Delivery Fee Revenues and the \$10.5 Million annual statutory General Fund transfers in FY26 and beyond, remain unchanged.

The reduced program revenues translate to cuts to the Transportation Planning Region’s (TPR) Local MMOF allocations, most of which have already been awarded to local projects. In response, the awarding agencies in these regions must now reduce, delay or cancel certain awards of MMOF funds to constrain to the new, reduced allocations.

### **Revenue Reconciliation**

Prior publications of Local MMOF allocations to the TPRs identified actual revenues collected in FY19-23 and estimated revenues for FY24-32. In preparing the updated TPR allocations based on this budget cut, CDOT staff has reconciled current actual revenues while also realizing increased future projections and other previously unallocated revenues. This reconciliation identified a total of \$18.2 million, which offsets the \$71.4 million budget cut resulting in a net reduction of \$53.2 million to the Local MMOF program.

## Local MMOF Reductions

The full revenue adjustments above result in a net **\$53.2 million reduction** from previous allocations of state MMOF funds through FY25. 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 Allocations** of state funds for the combined FY2020-2025 period as a result of this reduction.

## Award Adjustments

In addition to the new FY20-25 allocations, the next column in Table 1 shows the **Amount Awarded** (aka, “programmed”) to local projects by the TPR in this period, and in the next column, the resulting amount (in red) that these awards are over-programmed beyond the new updated allocations. The combined existing project awards in this period must be reduced to the new fiscal year allocations. Utilizing FY26-29 allocations, TPRs may choose to keep existing FY20-25 award amounts whole by delaying all or a portion to a later fiscal year. However, depending on how much of a TPR’s FY26-29 allocations are already awarded, the net **FY26-29 Amount Remaining** may be insufficient to backfill all previous awards.

The last column in Table 1 shows the combined **Amount Remaining or Over-programmed** throughout the entire FY20-29 period. Amounts shown over-programmed (in red) indicate the net amount of existing FY20-29 awards that TPRs must rescind, either through reduced awards or cancelled awards.

The Metropolitan Planning Organizations (MPO) and Region Planning Commissions (RPC) that award MMOF in each TPR are requested to complete award modifications and fully constrain awards to each fiscal year allocation by October 2025. Depending on the timelines and potential impact on individual projects, awarding agencies, with the support of CDOT staff, may need to make award update decisions sooner in order to mitigate that impact.

An Excel-based Award Reconciliation workbook has been provided to the awarding agencies in each TPR that details their updated annual allocations, a summary of allocations versus current awards, and information on current awarded projects. The workbook is set up as an active tool for TPRs and CDOT staff to use in coordinating award-making decisions by the TPR.

Table 1. Summary Analysis of Updated Local MMOF Allocations and Awards through Fiscal Year 2029

(June 2025)

	2020-2025 State Funds			2026-2029 State Funds			Total, 2020-2029
TPR	Updated Allocations	Amount Awarded*	Amt <b>Over</b> <b>-programmed</b>	Updated Allocations	Amount Awarded	Amount Remaining	Amount Remaining or <b>Over-programmed</b>
Pikes Peak Area	\$13,048,793	\$17,824,288	<b>-\$4,775,495</b>	\$7,344,099	\$5,926,518	\$1,417,581	<b>-\$3,357,914</b>
Denver Area	\$91,904,925	\$120,400,485	<b>-\$28,495,560</b>	\$44,190,179	\$20,593,000	\$23,597,179	<b>-\$4,898,381</b>
North Front Range	\$10,968,097	\$14,908,666	<b>-\$3,940,569</b>	\$5,850,105	\$4,171,741	\$1,678,364	<b>-\$2,262,205</b>
Pueblo Area	\$3,870,691	\$5,441,707	<b>-\$1,571,016</b>	\$2,246,367	\$23,926	\$2,222,441	\$651,425
Grand Valley	\$3,272,588	\$4,040,176	<b>-\$767,588</b>	\$1,939,150	\$0	\$1,939,150	\$1,171,562
Eastern	\$2,152,827	\$2,424,776	<b>-\$271,949</b>	\$1,187,010	\$0	\$1,187,010	\$915,061
Southeast	\$1,627,465	\$2,089,624	<b>-\$462,159</b>	\$936,037	\$0	\$936,037	\$473,878
San Luis Valley	\$2,121,351	\$2,591,248	<b>-\$469,897</b>	\$1,200,095	\$0	\$1,200,095	\$730,198
Gunnison Valley	\$4,510,418	\$6,094,489	<b>-\$1,584,071</b>	\$2,263,595	\$1,614,182	\$649,413	<b>-\$934,658</b>
Southwest	\$2,788,601	\$3,235,728	<b>-\$447,127</b>	\$1,359,943	\$0	\$1,359,943	\$912,816
Intermountain	\$6,661,335	\$8,914,465	<b>-\$2,253,130</b>	\$3,219,659	\$1,336,839	\$1,882,820	<b>-\$370,310</b>
Northwest	\$1,873,892	\$2,216,682	<b>-\$342,790</b>	\$865,085	\$0	\$865,085	\$522,295
Upper Front Range	\$3,150,124	\$4,164,797	<b>-\$1,014,673</b>	\$1,449,940	\$1,033,959	\$415,981	<b>-\$598,692</b>
Central Front Range	\$3,151,984	\$3,391,630	<b>-\$239,646</b>	\$1,479,519	\$0	\$1,479,519	\$1,239,873
South Central	\$856,147	\$1,046,919	<b>-\$190,772</b>	\$481,441	\$0	\$481,441	\$290,669

\*Total awarded to projects, less completed project savings

### **Impact to Existing Projects: Award Delays**

Any portion of awarded state MMOF funds may be delayed to a later fiscal year, as necessary, regardless of the status of project agreements. In most cases this will have no impact on the project schedule.

CDOT is implementing a cash management process for MMOF that will minimize schedule delays on projects whose awards are pushed out to FY27 or later. In this process, projects that are ready to initiate a phase of their project *may be allowed* to advance up to two years of future year's awards. CDOT's ability to do this is entirely dependent upon the amount of unencumbered funds available in the current fiscal year, and award advances will be considered and approved by CDOT on a case-by-case basis only. Currently, CDOT anticipates projects that had planned to initiate phases with the execution of an Option Letter or grant in FY26 but whose awards are delayed to FY27 or FY28, will be able to stay on schedule and access those funds in FY26.

However, awards that are delayed to FY29 may in fact require a delay to the intended initiation of the affected project phase(s).

### **Impact to Existing Projects: Award Reductions and Cancellations**

Any portions of awards budgeted to project phases that have not yet gone to advertisement or been given a notice-to-proceed may be reduced or cancelled altogether, even if an IGA is executed. These decisions are the authority of the TPR organization alone. Project sponsors are strongly encouraged to stay engaged with their TPR organizations to be apprised of their regions' individual award-making schedules and to participate in those award-making discussions as needed.

Generally, projects that have made less progress toward implementation are more likely to see delays, reductions or cancellation of awards, especially those that have not yet executed an IGA or grant agreement. However, projects with an executed IGA or grant agreement whose awards are reduced or cancelled will require a contract amendment signed by the local agency.

TPR organizations (TPRs, MPOs), with the support of CDOT staff, are seeking to make the award modifications that minimize contractual risk or financial impact, while still balancing that with a goal of maintaining a competitive basis to its decisions, as much as possible.

## **FAQs:**

### **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.

### **If I have an executed IGA or Grant Agreement, are the MMOF awards safe from changes?**

- No. Any portions of project awards that are in an executed agreement but not yet encumbered in an option letter or grant may have award quantities reduced or cancelled by the TPR, subject to an agreement amendment. As mentioned above, projects without an executed agreement are more likely to be affected. However, many TPRs must make a significant amount of reductions and cancellations and may therefore need to reduce or cancel awards to projects with executed agreements.

### **If my project has already begun implementation and expenditures, can my MMOF award still be reduced or cancelled?**

- CDOT does not anticipate any award decisions by TPRs to affect the availability of funds for phases of projects that have already been encumbered in an Option Letter or grant and received a notice to proceed. In some rare cases, however, it's possible that a project that has initiated an earlier phase may experience an impact to the remaining award for a latter phase that has not been encumbered or given a notice to proceed.

### **Is there a pause on new IGAs & Grant Agreements?**

- Generally, no. Progress on all current MMOF award agreements (i.e., IGAs/Grants) should continue accordingly. However, CDOT staff may identify particular projects in regions that could potentially be impacted by award changes and therefore may recommend to pause an agreement action or phase initiation until the TPR completes its award-making. In these cases, the TPR, the local agencies and CDOT program staff will coordinate decisions that are more urgent - with the ultimate goal of minimizing risk and impact to the program or project.

### **How will TPRs determine which awards to delay, reduce, or cancel?**

- Generally, TPRs should approach the identification of potential award modifications starting with the path of least resistance, considering decisions

that will have the least contractual, financial and schedule impact. This includes identifying those awards that are not yet committed in an agreement and those that are not yet encumbered in an Option Letter or grant agreement and have been issued a notice to proceed on the phase. When modifying these awards, consider first delaying all or a portion of the award to the earliest fiscal year possible based on the local agency's anticipated implementation schedule.

- When reductions or cancellations are unavoidably required, the TPR should balance their decisions based on the competitive merits of the projects themselves and the contractual risk or financial impact of doing so.
- TPRs are advised to make its award modification decisions in a transparent and cooperative manner, with the involvement of local agencies and CDOT staff, in order to arrive at a solution that's mutually acceptable to the affected Local Agencies.
- When a TPR anticipates having to make award modifications that will impact project budgets or schedules, it is recommended that TPRs consider first requesting local agencies to voluntarily delay, reduce, or cancel their award. When or if the TPR must ultimately decide on impacting award changes, the project implementation status and the contractual status of the funding should be considered prior in addition to the competitive merits of the projects.
- CDOT is providing TPRs with Excel-based Award Reconciliation workbooks that identify updated annual allocations, a summary of allocations versus current awards, and information on current project awards. CDOT program staff and those familiar with the projects will advise on project status and may also make suggestions for the TPR to consider in its award modifications.

**Should TPRs be awarding all allocations through FY29, considering there could be risk of losing additional program revenues in the future?**

- Yes - TPRs are encouraged to award all allocations through FY29. While it might seem sensible to be conservative in awarding funds too far in the future given the possibility that revenue could again be reduced, postponing the award of those future funds will likely result in more funds remaining unspent when awardees have less time to prepare for project implementation. It is because the MMOF program has significant unspent balances that the legislature took the opportunity to draw back funding to balance the state budget. Programming (awarding) and spending MMOF funds more quickly means there will be reduced risk of losing future funding.