6.0 FUNDING AND FINANCIAL OUTLOOK

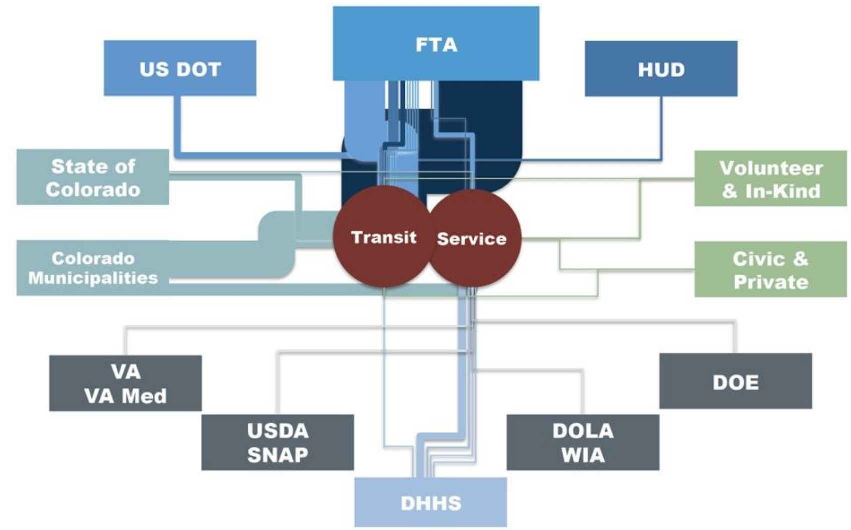
6.1 Transit Funding in Colorado

Funding for transit and transportation services in Colorado is a complex partnership among federal, state, and local agencies. **Figure 6-1** illustrates the flow of funds from major federal, state, and local sources to Colorado's transit agencies and human services transportation providers. The width of lines in the figure represents the estimated value of transit funds from each major source.

The Federal Transit Administration (FTA) provides funding directly to larger transit providers. FTA grants to smaller transit providers pass through the Colorado Department of Transportation (CDOT). Other federal agencies, state programs, local governments, and civic organizations also provide funding directly to transit providers. Transit agencies also generate a portion of revenues directly from fares, advertising, contract services, and other miscellaneous revenue sources.

The result is a complicated patchwork of annual grants, one-time competitive awards, and reimbursement payments for services. Funding sources are often dedicated for a specific project or purpose or may be used to provide services to only certain populations. Relatively few funds are flexible, and many cannot be applied to ongoing operating and maintenance expenses or used to cover unexpected opportunities or costs that may arise. As a result, transit providers are faced with annual financial challenges to budget for expected expenses, adjust services to match revenues, secure additional local match funding, and compete for federal awards.

Figure 6-1 Flow of Major Funding Services to Colorado's Transit and Human Service Providers



LEGEND

US DOT	= US Department of Transportation	DHHS	= Department of Health and Human Services
FTA	= Federal Transit Administration	USDA SNAP	= US Department of Agriculture Supplemental Nutrition Assistance Program
HUD	= US Department of Housing and Urban Development	VA VA Med	= US Department of Veteran Affairs Veteran Affairs Medical
DOE	= Department of Energy		
DOLA WIA	= Department of Local Affairs Workforce Investment Act		

Transit services are costly to operate and maintain, whether in rural areas with extensive routes covering large geographic areas and less developed infrastructure, in resort economies with high costs of labor and supplies, or in major metropolitan areas with significant fleet maintenance needs. The costs of providing services in these areas continue to increase with rising fuel prices, labor and benefits, and other inflationary pressures. Colorado continues to experience some of the highest population growth rates in the nation. Transit ridership is increasing as more and more people demand transportation choices and need options to travel to and from workforce centers, medical appointments, schools, shops, or workplaces. Yet, the revenues available to cover rising costs and meet increasing demand are already stretched and likely to remain stagnant or even decrease in the future based on current policy.

This chapter details the major federal, state, and local funding sources for transit and rail in Colorado. It examines current funding levels and trends and provides estimates of future transit operating investment needs and potential alternative revenue sources. The State Rail Plan describes rail funding sources in greater detail.

6.2 Sources of Transit Funding

Transit funding is generally dedicated to fulfilling capital needs (purchasing new equipment, vehicles, facilities, or construction services) or supporting ongoing operating and maintenance expenses (labor, fuel, vehicle maintenance, and other supporting services). Rural and urban transit providers have access to different funding sources through federal grants or local governments. As a result, funding sources can be very different depending on whether a transit provider operates in a rural or an urban area, or whether the source of funds is dedicated to capital or operating expenses.

Figure 6-2 compares the proportion of operating and capital revenues supported by federal, state, local, fare and other funding sources for all providers across the U.S. and Colorado. The National Transit Database is the primary source for financial information of transit agencies across the country. However, this database does not cover all providers operating in Colorado and includes unverified, self-reported data. These data were supplemented by a self-reported transit provider survey conducted on behalf of CDOT in fall 2013.

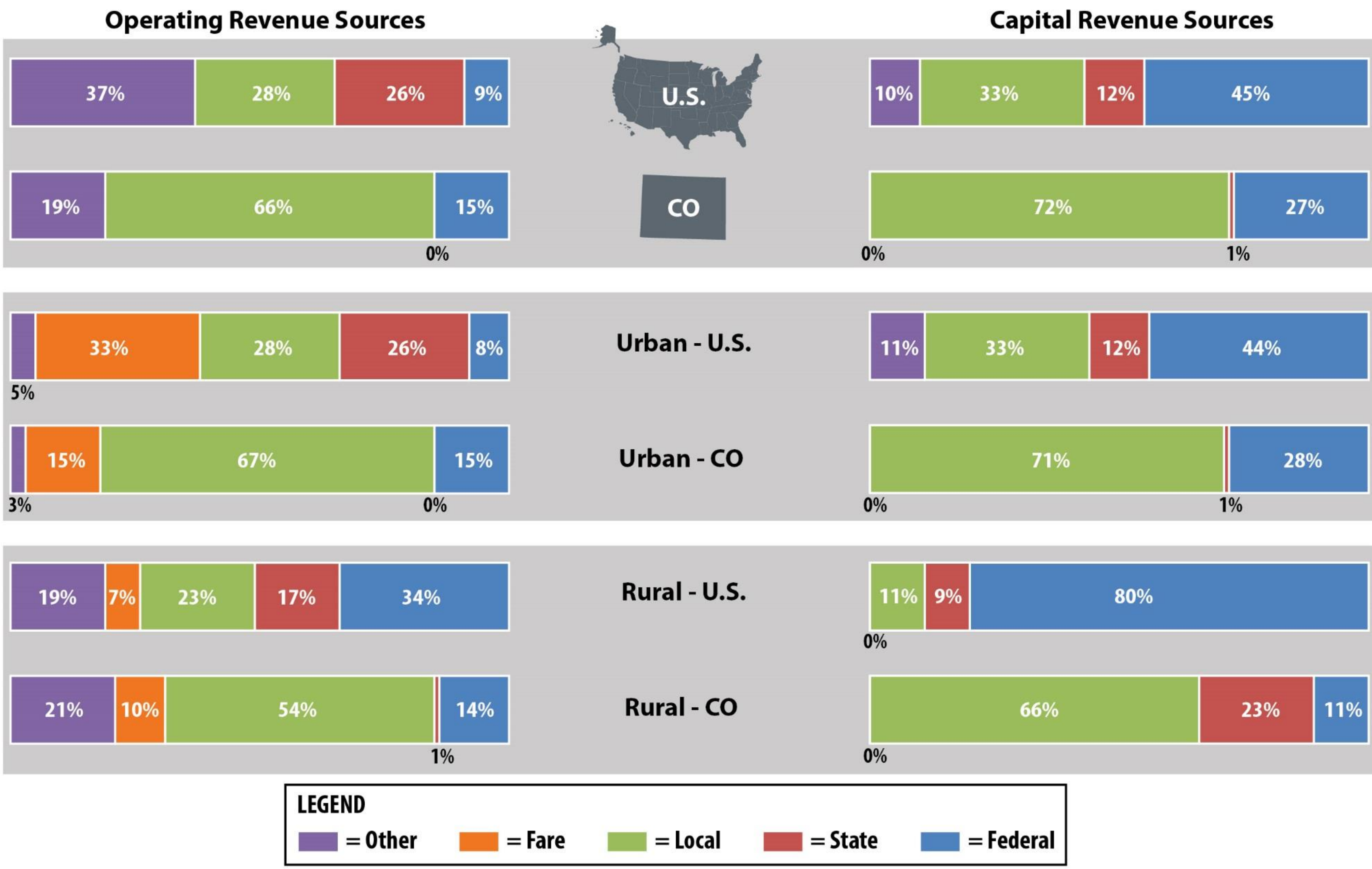
Operating Revenue Sources

Operating revenues across the U.S. are, on average, derived primarily from other revenues (37 percent), including fares, contracts, advertising and other agency-generated funds. Local governments (28 percent) and state funds (26 percent) also provide significant revenues, while federal sources account for only 9 percent. However, in Colorado, local government sources (66 percent) are more often used for funding ongoing operating and maintenance needs. Little state funding for operating costs has been available, although the state will provide operating assistance beginning in fiscal year (FY) 2016 for select regional and interregional services. No local agency assistance for operating expenses is available through CDOT. Total operating, administrative, and maintenance costs of Colorado's transit agencies (both rural and urban) are estimated at over $530 million annually. CDOT administers some state funding through the Funding Advancement for Surface Transportation & Economic Recovery (FASTER) program and some FTA pass-through grants. However, the total value of funding that CDOT may direct is the equivalent of less than 2 percent of total operating expenses.

Capital Revenue Sources

Capital revenues across the U.S. are, on average, primarily provided through FTA grants supplemented by local governments providing matching dollars. Colorado is less reliant on federal sources than the national average. However, this pattern may change from year to year because large federal discretionary awards for major capital investments, such as New Starts, Small Starts, Transportation Investment Generating Economic Recovery (TIGER), and American Recovery and Reinvestment Act (ARRA) economic-recovery grants, can skew averages. In Colorado, urban providers tend to depend heavily on local revenue sources to fund capital projects, while rural providers depend heavily on state funding. Colorado implemented the FASTER program in 2009-2010, which provides up to $15 million annually to support local and statewide transit investments. State and local funding is critical to support capital investments by Colorado's transit providers.

Figure 6-2 Comparison of U.S. and Colorado Operating and Capital Funding Sources



Source: National Transit Database, 2012/CDOT Transit Agency Provider Survey, 2013

6.2.1 Sources of Transit Funds - Federal

An array of federal agencies provide grants or continuing financial assistance to support the transit and transportation needs of residents, seniors, military veterans, unemployed workers, and other populations. These agencies include FTA, Department of Health and Human Services, Department of Veterans Affairs, Department of Labor, Department of Education, and others. A 2011 Government Accountability Office report found that over 80 federal programs may be used for some type of transit and transportation assistance. **Table 6-1** lists the most significant federal programs to Colorado's transit providers.

Most federal human services-related funding assistance flows through state agencies or community organizations and is used to cover a wide range of services, including transit and transportation assistance. Federal programs often fund contracted transportation services, offer reimbursement for transportation services provided to covered individuals, may be applied as "non-federal" matches for federal Department of Transportation (DOT) grants, or support transportation assistance and coordination staff positions at community organizations.

FTA-administered grant programs provide the most significant source of federal funds to support transit services. FTA funds are derived from the U.S. DOT Highway and Mass Transit Account and are divided into different programs or "section" grants, named for the legislative sections of the U.S. Code of Federal Regulations. A portion of FTA funding is allocated to states and transit providers in urban areas by formula, while other funds are made available through discretionary and competitive awards. FTA funds are complex, governed by varying requirements and provisions for use, and require local matching funds (at least 20 percent for capital projects and 50 percent for operating).

Table 6-1 Significant Federal Transit Funding Sources in Colorado

Federal Funding Source	Use of Funds	Type of Funds	Estimated Colorado Revenues
Federal Transit Administration	Assistance for public transportation services	Capital and operating grants to providers and community organizations	**$254.4 million** in 2012
Medicaid Non-Emergency Medical Transportation (NEMT)	Medical transportation for Medicare and Medicaid recipients	Reimbursement to providers	**$4.4 million** in reimbursements to providers in FY 2011–2012
Veterans Transportation Services	Support for medical-related transportation needs of veterans	Grants to providers and community organizations and reimbursements to individuals	**$1.3 million** in one-time Veterans Transportation and Community Living Initiative grants awarded in 2013. Other Veteran Affairs payments unknown.
Older Americans Act (OAA), Title III	Transportation needs of older residents	Block grants to community organizations	**$985,855** in assisted transportation services in FY 2010
Workforce Investment Act (WIA) and Temporary Assistance to Needy Families (TANF)	Transportation needs for public assistance recipients	Block grants to states and community organizations and reimbursements to individuals	**$2.9 million** in 2012/13 went to transportation; approximately 2.15%

Federal Funding Source	Use of Funds	Type of Funds	Estimated Colorado Revenues
Community Development Block Grants (CDBG) and Community Services Block Grants (CSBG)	Purchased transportation services or equipment to meet needs of specific populations	Block grants to states and community organizations	**$399,722** went to transportation in 2013; approximately 15%

Colorado received approximately $260 million in total FTA funding in 2014. **Figure 6-3** shows Colorado's total FTA funding levels and share of total funding between 2000 and 2014. As Colorado's population, transit ridership, and capital investment needs have grown over the last decade, so has the state's share of FTA funding. Total FTA funding increased 116 percent between 2000 and 2012 in inflation adjusted constant 2000 dollars.

CDOT conducts a statewide competitive application process to determine awards of FTA grants and to ensure that federal laws and regulations are followed. CDOT contracts with the local grantees once funding recipients are selected and acts as the fiscal agent and distributor of FTA funds for approximately 5 percent, or $13 million, of total FTA funding that flows into the state.

FTA funds are distributed through section grants that are either formula-based or discretionary awards. The purposes, requirements, and funding levels of each section are determined through federal transportation authorization legislation. MAP-21 consolidated several FTA grants and created new section programs but largely held transit funding stable through FY 2014. At least 20 major FTA grant programs are funded today. Those programs can be grouped, as shown in **Figure 6-4**, into four major categories. Most FTA funding flows to Colorado to support major capital investments, followed by formula funds to urbanized areas.

Other Federal Sources and Programs

The Passenger Rail Investment and Improvement Act (PRIIA) is the federal authorization that focuses on intercity passenger rail and authorizes the appropriation of funds to Amtrak, and supports state-sponsored corridors and the development of high-speed rail corridors. PRIIA authorized more than $13 billion between 2009 and 2013. PRIIA, last authorized in 2008, expired in 2013 and is awaiting reauthorization.

The Federal Railroad Administration (FRA) in the lead agency in supporting passenger and freight rail services through a variety of competitive grant, dedicated grant, and loan programs to develop safety improvements, relieve congestion, and encourage the expansion and upgrade of passenger and freight rail infrastructure and services. FRA also provides training and technical assistance to grantees and stakeholders. For more detailed information on FRA and rail funding in general, please see the State Freight and Passenger Rail Plan on CDOT's website.

FRA Competitive Discretionary Grant programs include:

- High-Speed Intercity Passenger Rail Program (HSIPR) – addresses long-term high and higher speed passenger transport needs in key corridors thought the country. HSIPR grants were mostly allocated through American Recovery and Reinvestment Act (ARRA) funds, with the intention of building new high-speed rail corridors, upgrading existing intercity passenger rail corridors, and laying the groundwork for future high-speed rail services. The FRA is currently not accepting applications for this program.
- Transportation Investment Generating Economic Recovery (TIGER) –invests in critical road, rail, transit, and port projects across the nation and provided over $300 million during FRA's 2009-2012 funding cycles.

Figure 6-3 Federal Transit Administration Funding Levels, 2000-2014 (in 2000 dollars)

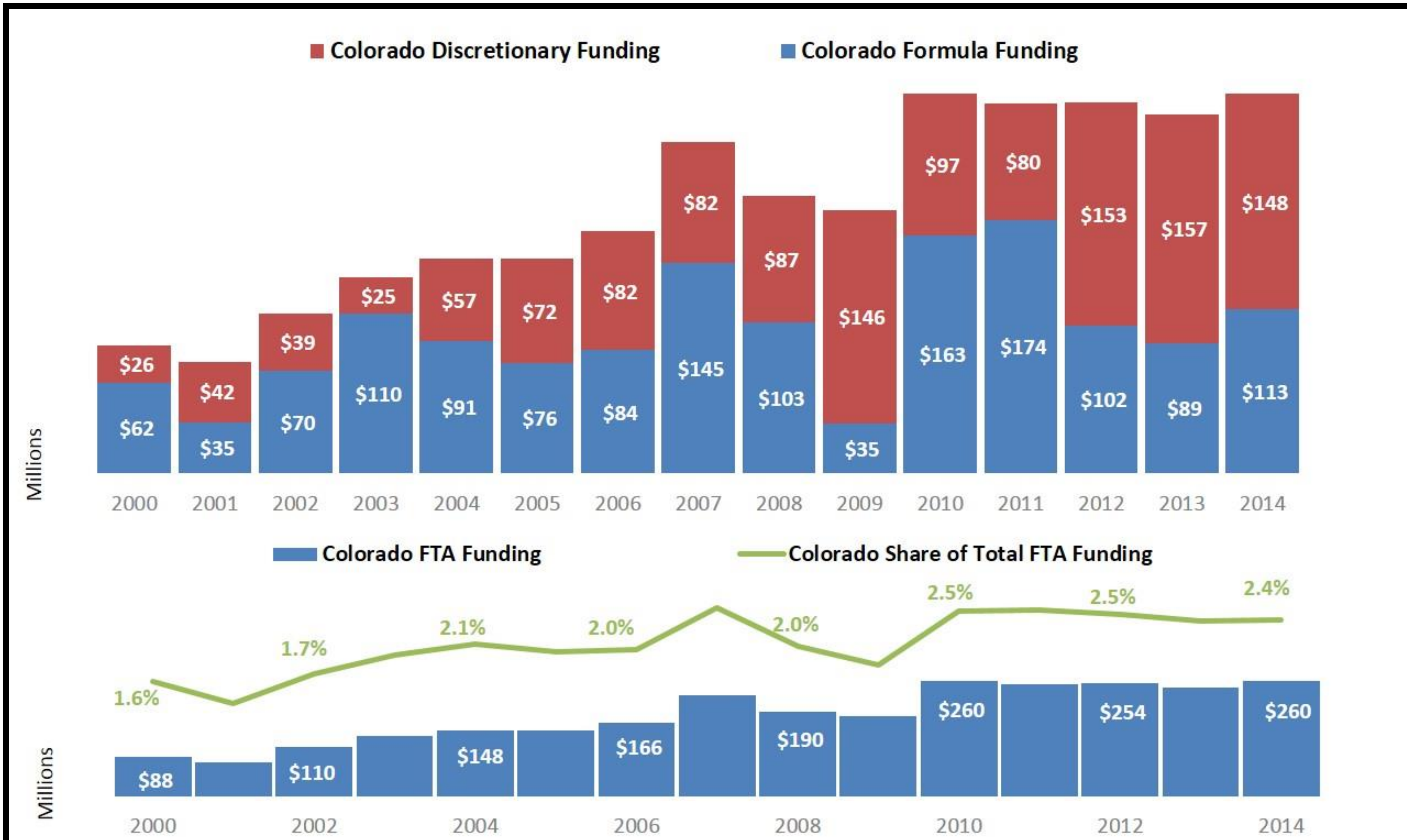
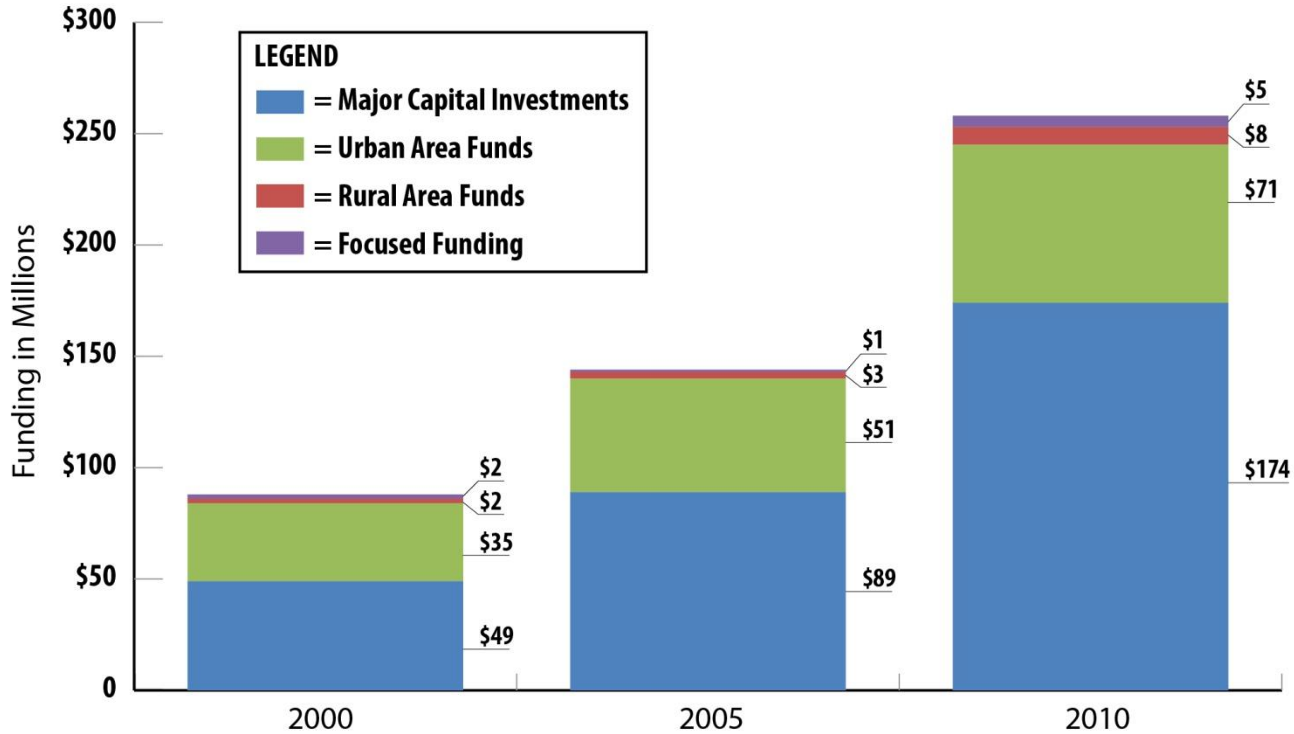


Figure 6-4 FTA Funding to Colorado by Major Program Area



Focused Funding: *Section 5310 Elderly & Disabled / Section 5316 JARC / Section 5317 New Freedom / Section 5308 Clean Fuels*

Rural Area Funds: *Section 5311 Rural Areas / Section 5311(b)(2) RTAP*

Urban Area Funds: *Section 5307 Urbanized Area Formula / Section 5303 Metropolitan Planning / Section 5313(b) & Section 5304 Statewide Planning*

Major Capital Investment: *Section 5309(b)(1) New Starts / Section 5309 Fixed Guideway / Section 5337 State of Good Repair / Section 5339 Bus and Bus Facilities / Section 5309 Bus Allocation*

- Rail Line Relocation and Improvement Program (RLR) – provides financial assistance for local rail line relocation and improvement projects that mitigate the adverse effects of rail traffic on safety, motor vehicle traffic flow, community quality of life, or economic development. The FRA is currently not accepting applications for this program.
- Railroad Rehabilitation and Repair (Disaster Assistance) – provides funding assistance to repair and rehabilitate Class II and Class III railroad infrastructure damaged by natural disasters in areas for which the President has declared a major disaster. Colorado received one grant through this program following the 2013 floods.
- Railroad Safety Technology Grant Program – provides financial assistance to passenger and freight rail carriers, railroad suppliers and state and local governments for the deployment of positive train control (PTC) collision avoidance systems and complementary advanced technologies. The FRA is currently not accepting applications for this program.
- Railway-Highway Crossing Hazard Elimination Program – provides funding for safety improvements at both public and private highway-rail grade crossings along federally designated high-speed rail corridors. This program is jointly administered by FRA and FHWA, however authorization expired in 2012.

FRA's Dedicated Grant Programs include:

- Amtrak Capital Grants – Funding for the National Railroad Passenger Corporation(Amtrak), which the Corporation uses to fund operating and capital expenditures, is requested annually both by the Administration through the Department of Transportation (DOT) budget request and directly by Amtrak through its Federal Grant and Legislative Request to Congress. Some states also provide funding for Amtrak, however, at present, Colorado does not provide any funding. Federal grants to Amtrak are administered through the FRA. The FRA monitors Amtrak's grant monies on a monthly basis through designated operating and capital expense accounts. Federal grants to these accounts are disbursed quarterly rather than in a lump sum; and Amtrak must submit a detailed business plan, updated as necessary, for approval by the Secretary of Transportation. In conjunction with operating revenues and funds from state and local governments, Amtrak uses its federal appropriations to cover its operating expenses and to maintain and improve its rolling stock (e.g. locomotives and passenger cars) and fixed capital assets (e.g. stations, track, and signals).
- Operation Lifesaver, Inc (OLI) is a national not-for-profit rail safety organization. OLI uses FRA funding to support public education efforts to reduce collisions between trains and motor vehicles at railroad crossings, and to discourage illegal trespassing on railroads.

In addition to the FRA and FTA grant programs, there are also DOT loan programs. Two primary loan programs are:

- Transportation Infrastructure Finance and Innovation Act (TIFIA) – this is a DOT program which makes three forms of credit assistance available for surface transportation projects of national or regional significance: secured (direct) loans, loan guarantees and standby lines of credit.
- Railroad Rehabilitation & Improvement Financing (RRIF) Program – provides direct loans and loan guarantees to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, bridges, yards, buildings and shops; refinance outstanding debt incurred for the purposes listed above; and develop or establish new intermodal or railroad facilities.

These two loan programs were used to complete the Denver Union Station project, which received a $145.6 million TIFIA loan and a $155 million RRIF loan.

6.2.2 Sources of Transit Funds – State

CDOT primarily provides state funding for transit services in Colorado through the FASTER program. The Colorado Department of Military and Veteran Affairs and other state agencies also provide limited funds to support the transportation needs of specific populations within the state.

Nationally, state governments provide more funding for transit providers than the federal government. According to the *2013 Survey of State Funding for Public Transportation,* states provided nearly $14 billion compared to $10 billion from the federal government in FY 2011. As mentioned previously, Colorado's FASTER program dedicates approximately $15 million annually in state funding to transit; however, the state still ranks 25th in the nation in terms of state support for transit. Colorado's investment in transit is similar to nearby states such as Iowa or New Mexico, but below the hundreds of millions that similarly populated states such as Wisconsin or Minnesota invest.

Across the U.S., the most common state funding sources used to support transit include:

- General funds (15 states)
- Gas taxes (14 states)
- Bond proceeds (12 states)
- Registration or license fees (8 states)
- Vehicle or rental vehicle fees (7 states)
- Sales tax (6 states)
- Trust funds (4 states)

Nationally, 37 states and 51 percent of funding are directed toward operating expenditures, and 17 states and 20 percent of total funding are not restricted to a specific use.

Funding Advancement for Surface Transportation & Economic Recovery (FASTER) - Transit Program

Colorado's FASTER program provides direct support for bridge, safety and transit projects. FASTER transit funds provide $15 million annually for statewide and local transit projects, such as new bus stops, bike parking, transit maintenance facilities, vehicle replacements, multimodal transportation centers, and other capital projects. FASTER transit funds are split between local transit grants ($5 million per year) and statewide projects ($10 million per year). CDOT competitively awards $5 million in local transit grants, and $10 million for statewide, interregional, and regional projects. Local recipients are required to provide a minimum 20 percent local match. From FY 2010 to FY 2013, over $52 million in FASTER funds have been invested in transit projects throughout the state. However, while total revenues collected under the overall FASTER program ($252 million FY 2013) are projected to increase over time, the allocation for transit remains at a flat $15 million per year.

> FASTER funding provides a fixed $15 million a year for DTR operations and statewide and regional transit projects.

In 2013, the Colorado Transportation Commission directed staff in all portions of CDOT to move CDOT's financial management systems toward goal-based performance budgeting in congruence with federal-level MAP-21 law. This also included direction to the Division to enhance and improve the distribution of FASTER transit funds through performance planning. From June 2013 through summer 2014, DTR engaged transit partners in a process of examining this change in policy. The result was a new FASTER Transit distribution method, designed to implement performance-based allocation of funds, to fulfill federal requirements of performance-based planning and administration of federal funds alongside state FASTER funds, and to guide decisions for at least a three-year period from FY 2016 to FY 2018 prior to reevaluation. Most transit partners felt that the reduction in the flexibility of FASTER fund distribution before this policy change should be more than made up through increased certainty and reliability of funding, as well as the "opening" of CDOT funding for selected operating purposes. **Table 6-2** shows the changes in the distribution policy.

Table 6-2 CDOT FASTER Program Distribution Policy

	FY 2010–2015 Distribution Policy	FY 2016+ Distribution Policy
$5 million local pool	$5 million in competitive awards to all local agencies, including Mountain Metro, RTD, and TransFort	$4.1 million small agency capital (all except MMT, TransFort, RTD)
		$0.9 million large urban capital (MMT & TransFort)
$10 million statewide pool	$1.0 million for DTR administration, planning, tech. assistance	$1.0 million for DTR administration, planning, tech. assistance
	$9.0 million in competitive awards for projects of statewide significance	$3.0 million for CDOT Interregional Express (IX) Bus Service
		$1.0 million operating assistance for other regional / interregional bus service
		$3.0 million for large urban capital (RTD)
		$2.0 million statewide competitive capital pool

Source: CDOT Division of Transit & Rail, 2014.

Other State Funding

The state of Colorado also periodically implements legislative mechanisms that transfer general fund revenues to CDOT. Senate Bill (SB) 97-1 was in place from 1997 to 2009 (when it was repealed) and resulted in annual transfers to CDOT for investment in strategic transportation corridors.

In 2009, SB 09-228 was enacted to transfer 2 percent of general fund revenues to CDOT when certain revenue conditions were met. Initially estimates indicated that up to $160 million annually in additional transportation funding could be available between FY 2016 and FY 2020 under SB 09-228. The legislation directed that, of these funds, "no less than 10 percent may be used for transit purposes or transit capital improvements." The Colorado Transportation Commission will set priorities for projects under the Strategic Transportation Project Investment Program. If at least 10 percent of funds are devoted to transit projects, up to and potentially more than $80 million could be available over the next five years to fund strategic transit capital improvements. If the Colorado economy grows too slowly, then these funds may be reduced or not available. If the Colorado economy grows too quickly, then Taxpayer Bill Of Rights (TABOR) triggers for taxpayer refunds may also reduce the availability of these funds. More recent forecasts of revenue suggest that these funds may be substantially reduced or eliminated with the latest forecast calling for only a little over a total of $100 million to CDOT, of which there would $10 million for transit.

The Colorado Department of Military and Veteran Affairs administers the Colorado Veterans Trust Fund to support organizations providing transit and transportation assistance to veterans. The state supports Veterans Service Offices in each county and awards grants to non-profit organizations providing transportation and other services to veterans. An estimated $200,000 a year is directed to supporting the transportation needs of veterans through this program. The Colorado Veterans Transportation Task Force helps coordinate and direct transportation services for veterans throughout the state.

6.2.3 Sources of Transit Funds – Local

Funding by local governments is critical to urban and rural transit providers and provides the most funding for ongoing operating and maintenance expenses. Local funding accounts for an average of two-thirds of Colorado operating revenues and nearly three-quarters of capital revenues.

Local city and county governments typically enter into long-term agreements to fund transit agencies operating in their areas. Funding levels often remain stable over time and are not adjusted to account for inflation or cost increases in labor or fuel costs. Local transit funds are commonly drawn from general funds, which in Colorado primarily depend on local sales and property taxes. Other local government funds may include transfers from local gaming taxes, tourism bed taxes, or local vehicle registration fees.

Of the 41 rural transit providers responding to the CDOT 2013 Transit Provider Survey, 37 percent reported receiving local funds in support of capital expenditures. All 8 of Colorado's urban area transit providers receive local support for capital expenses. Together, Colorado's local governments funded over $500 million in capital improvements in 2012–2013. Over 39 of Colorado's rural transit providers reported receiving local funds to cover ongoing operating and maintenance expenses. Local governments in rural areas provided over $56 million in operating support in 2012; most of these funds were generated in the Intermountain region in counties with high tourism numbers and well-developed transit networks. Colorado's urban transit providers received over $418 million from local sources.

Many home-rule cities and counties may elect to dedicate local tax revenues to transportation funds. Special districts and dedicated sales taxes generate the highest levels of local funding. In 1990, Colorado provided legal authority to counties outside the Denver-area Regional Transportation District (RTD) to impose a sales tax for the purpose of funding a mass transportation system. Eagle, Summit, and Pitkin counties currently employ this Mass Transit District mechanism to support transit services. Unlike a rural transportation authority or RTA, this option does not require a geographic boundary separate from the county and does not require the creation of a legal authority.

In 1997, Colorado created the "Rural Transportation Authority Law" to enable local governments to create transportation authorities in rural areas. These authorities are empowered to develop and operate a transit system and may construct and maintain roadways. They are also allowed to impose dedicated taxes to fund investments and services. There are currently five active RTAs in Colorado: Roaring Fork, Gunnison Valley, Pikes Peak, Baptist Road, and South Platte Valley.

> Up to 15% in local HUTF funds may be used for transit-related projects, providing local agencies another source of funding to provide needed transit services.

Colorado counties also receive a share of the state Highway Users Tax Fund (HUTF), which is funded through revenues raised from statewide gas taxes, vehicle registration fees, license fees, and other user fees. As of 2013, SB 13-048 reinterpreted restrictions on this fund to enable local governments to flex HUTF dollars to transit-related projects. Transit and other multimodal projects now eligible for this funding include bus purchases, transit and rail station construction, transfer facilities, maintenance facilities for transit, bus rapid transit lanes, bus stops and pull-outs along roadways, and bicycle and pedestrian overpasses, lanes, and bridges. Local governments may expend no more than 15 percent of HUTF allocations for transit-related purposes. HUTF distributions to counties and municipalities totaled $264 million in 2013. If 10 percent of these funds were flexed to transit projects, this could result in 10 times the amount of local funding currently available for capital projects (excluding the Denver-area RTD).

6.2.4 Sources of Transit Funds – Other

Colorado's transit agencies also generate revenues directly, which help offset ongoing operating expenses. Examples of agency-generated revenues include fares, contracts, advertising, contributions, investment income, or sale or rental of tangible assets.

> In Colorado, fares account for 0 to 20% of annual revenues with many transit agencies offering free or reduced fares.

Fare recovery varies by agency but rarely do passenger fares cover more than half of total operating and maintenance expenses. Among Colorado's providers, fares account for between 0 and 20 percent of annual operating revenues, and some individual routes see fare revenue as high as 40 percent among urban providers. Many of Colorado's rural transit and transportation service providers offer free or reduced fare services and do not generate a significant return from fares. Most transit agencies must support operations with federal, state, and local revenues.

Service contracts are also a mechanism for transit providers to fund operations for specific economic or employment centers, such as universities or campuses of major employers or major tourist destinations. For example, Aspen Skiing Company contracts with the Roaring Fork Transportation Authority to provide transit services and routes to resort areas. The City of Durango provides transit services to Fort Lewis College students under an annual contract agreement. RTD's corporate and community passes are also an example of service contracts to provide transit services to a certain area or to employees of a business. Transit providers may also contract directly with another provider to fulfill some services, such as NEMT, demand-responsive, or shuttle services.

Charitable contributions are a revenue source for some rural transit and transportation service providers. Community or private foundations may provide ongoing operating support or one-time grants for operating positions or even capital investments. Direct contributions from individuals are uncommon, though some community organizations and transportation providers do fundraise directly. In-kind contributions from volunteer drivers and other workers, as well as in-kind services and maintenance, are significant to many rural providers. These in-kind contributions are not often quantified or tracked.

6.3 Transit Revenue Projections

Estimating future transit revenues presents unique challenges. Complete data are not available on all current revenues for all transit providers in the state, and the information that is available is most often self-reported through surveys and subject to reporting errors. Any forecast is subject to uncertainty; but with a multitude of diverse revenue streams, unpredictable future federal funding levels, and state and local revenues that depend on changing economic conditions, forecasts of transit revenues in particular are highly uncertain. The revenue projections presented in this chapter are intended to estimate the general range of future revenues available and the magnitude of future resource needs. These estimates may help guide state, regional, and local/municipal actions and indicate the need for future coordination, collaboration, or alternative revenue strategies.

6.3.1 Future Federal Transit Revenues

FTA grants account for most federal funding for transit services and investments in Colorado. These grants are funded through the Mass Transit Account of the Highway Trust Fund. Under current revenue sources, which are primarily derived from fuel taxes, the Highway Trust Fund cannot continue to support spending at current levels. According to the Congressional Budget Office, from 2015 to 2024, the transit and highway accounts are projected to face a total cumulative shortfall of $157 billion. Projections for future FTA funding levels are included within this section.

CDOT estimates future revenues from the FTA through 2040. Total FTA funding to Colorado's urban and rural areas is estimated to peak at $280 million in 2025 and then to decline annually to approximately $230 million by 2040. As shown in **Figure 6-5,** FTA funding could decline 12 percent by 2040.

Federal funds provide a significant source of capital investment funds for urban and rural providers. Fewer federal funds will likely make discretionary programs more competitive, require greater match commitments from state and local governments, and make it more challenging for transit providers to maintain and upgrade aging infrastructure and fleets.

> Federal and State Transit funds are expected to decline over the next 20 years.

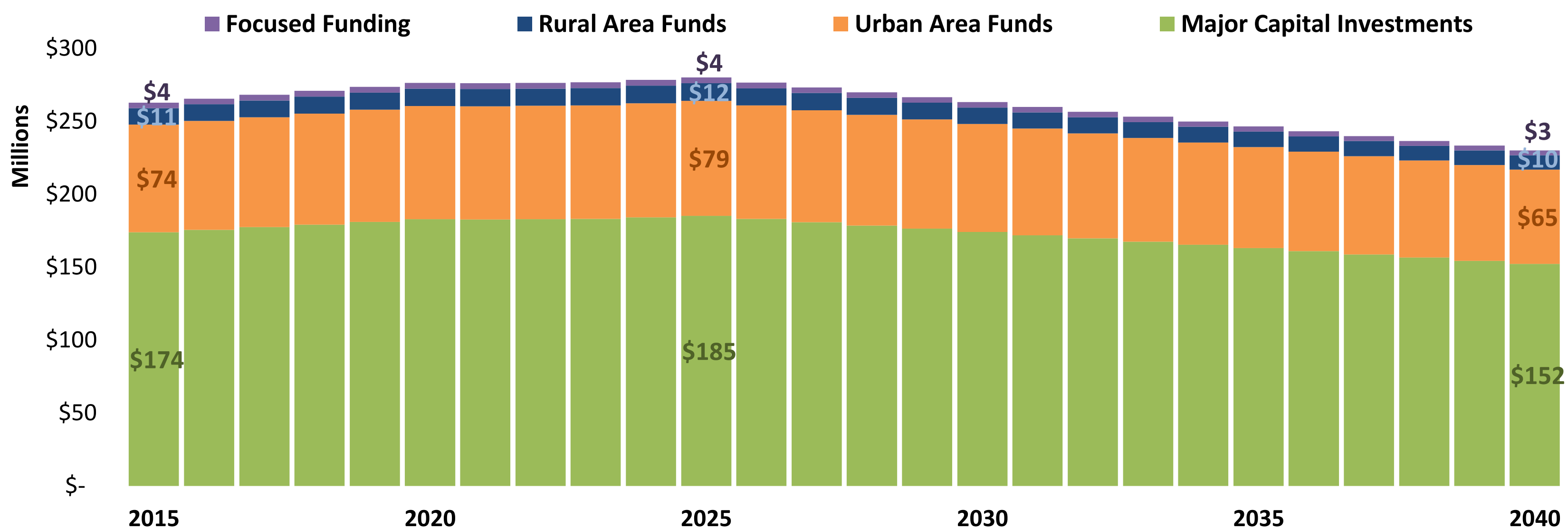
Other federal funding sources are also insolvent or unstable over the long run. For example, the Older American Act (OAA) funds supportive services for the elderly and is subject to reauthorization every five years. Funding for this program has grown over the past decade, but according to the Office of Management and Budget, is expected to decline in the future. For FY 2013, Colorado's OAA Title III funding allotment for home and community based care fell by 15 percent from the previous year. Other federal programs are also variable, including NEMT funding through Medicaid and grants such as CSBGs. Federal budget deficits or other changes in federal programs will have an impact on the revenues available through these and other important programs in the near term. Over the long run, the revenues available for discretionary spending within these programs, such as transportation assistance, are also likely to decline as funding shifts to direct care.

6.3.2 Future State Transit Revenues

CDOT funds local transit capital and operating expenses through the FASTER program and from one-time transfers from the state's general fund. A set amount of $15 million annually from FASTER revenues supports statewide and local transit improvements. However, current legislation does not enable this cap to be raised or adjusted for inflation or project cost escalations. While FASTER revenues available for highways will continue to grow into the future, the funds devoted to transit will remain fixed and lose purchasing power. After adjusting for inflation over the next 25 years, that $15 million funding provided now may only be able to purchase $7 million worth of transit investments in the future. General fund transfers from mechanisms such as SB 09-228 are not capped; however, these revenues are available for only a limited time and are not guaranteed. As stated previously, approximately $80 million could be available for transit through SB 228 transfers.

The Colorado State Veterans Trust Fund also supports Veteran Services Offices throughout the state and awards grants directly to community organizations providing transportation assistance to veterans. The trust fund is funded through the Tobacco Master Settlement Agreement of 1998. These funds will no longer be available sometime after 2025, and payments have declined in recent years.

Figure 6-5 Projected FTA Revenues –2015–2040 (Year of Expenditure Dollars)



Focused Funding: Section 5310 Elderly & Disabled | Section 5316 JARC | Section 5317 New Freedom | Section 5308 Clean Fuels

Rural Area Funds: Section 5311 Nonurbanized | Section 5311(b)(2) RTAP

Urban Area Funds: Section 5307 Urbanized Area Formula | Section 5303 Metropolitan Planning |Section 5313(b) & Section 5304 Statewide Planning

Major Capital Investments: Section 5309(b)(1) New Starts| Section 5309 Fixed Guideway | Section 5337 - State of Good Repair | Section 5339 - Bus and Bus Facilities | Section 5309 Bus Allocation
***** Capital investment programs such as New Starts are not guaranteed and funding levels will vary in the future. Estimates presented here for illustrative purposes only.***

6.3.3 Future Local Transit Revenues

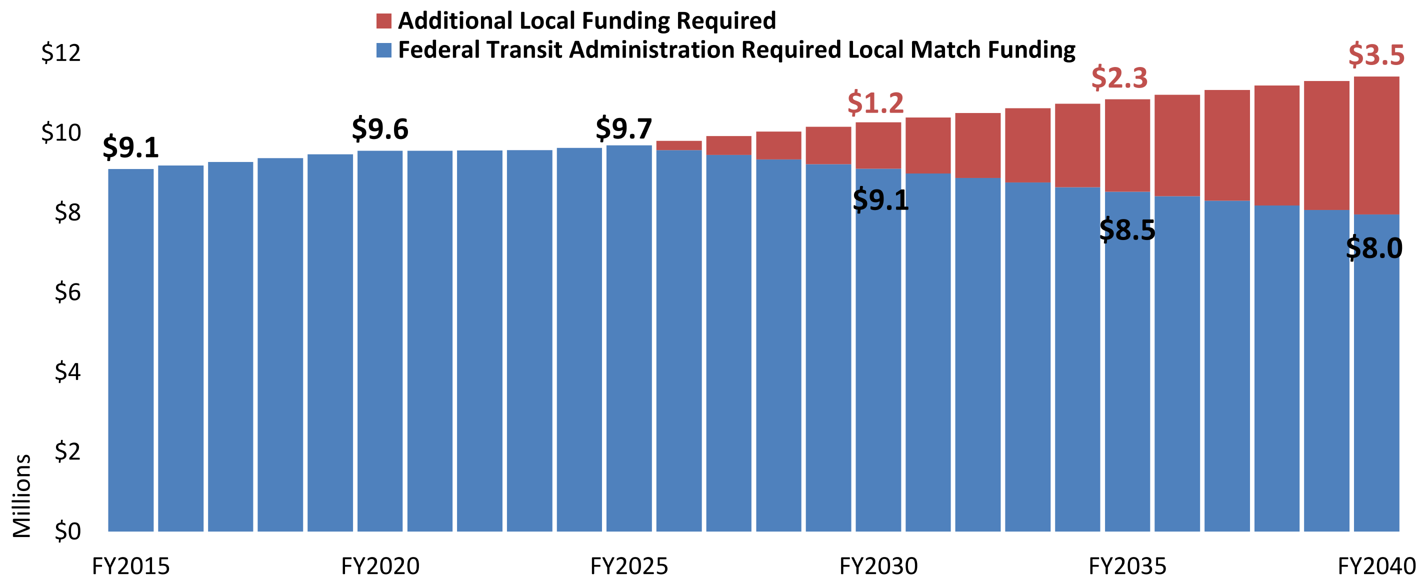
Funding from local governments is critical to support the ongoing operating and maintenance needs for Colorado's transit providers. Local funds provide matching funds as required for federal grant awards and may also provide direct support for local agencies as required by intergovernmental agreements. Most local funds are derived from sales or property tax collections with supplemental revenues from vehicle registration or title fees, lodging taxes, gaming fees, and other miscellaneous sources. As of 2013, local governments may also flex up to 15 percent of their local HUTF funds to transit-related projects.

Local tax revenues vary with the fiscal health of governments and the state of the economy. Local governments currently face increasing fiscal pressures and declining or stable revenues. For example, the total assessed value of property in Colorado peaked in 2007 and declined between 2010 and 2013, resulting in reduced property tax collections and increasingly stretched local government budgets. Local sales and use tax collections fund a significant portion of transit operations in many municipalities, particularly those with independent taxing districts or dedicated sales taxes. Total sales and use tax collections in Colorado have only recently returned to pre-recession levels. Growth in sales tax revenue is expected to slow in the future as consumer spending shifts from durable goods to non-taxable services, such as healthcare. RTD estimates that sales tax revenues will grow an average of 4.8 percent from 2011 through 2020. Between 2020 and 2040, growth will slow to 3.1 percent. CDOT estimated future inflation rates at 3 percent annually through 2040. This means sales tax revenues may only keep pace with inflation.

Local governments directly fund annual operating expenses of transit providers and may also provide matching funds required by FTA awards and grants. Many FTA programs require a 50 percent match to receive operating grant funding, and a 20 percent match for capital funding.

Figure 6-6 shows the total amount of local match dollars required by future FTA funding levels based on CDOT forecasts of future FTA revenues. As federal revenues are expected to decline, so may local match requirements, shown in blue. However, the decreased availability of federal funds will also make FTA grants more competitive and local matching funding more important. Local governments may have to increase matching funds and provide additional funds to make up the difference in reduced federal support. Local funding levels are based only on matching fund requirements and do not include ongoing local support or other direct financial assistance to transit agencies.

Figure 6-6 Estimated Local Funding Required by FTA Grants



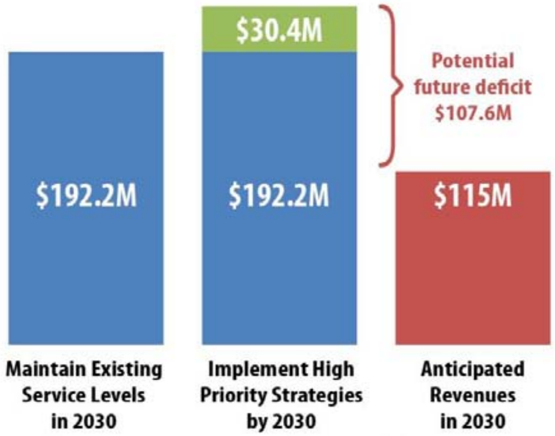
6.3.4 Future Transit Funding Needs

Current transit funding levels are expected to grow more slowly or even decline in the future. Federal funds are subject to legislative or program changes. Federal gas tax revenues are not keeping pace with inflation and are not expected to increase in the future. State funding for transit is likely to remain stable over the long run. However, FASTER transit funds are set at a fixed amount of total FASTER revenues. Without adjustments for inflation or cost escalation, the purchasing power of state funds will decline over time. Local government funding is not guaranteed and may fluctuate with changes in economic or political conditions. With decreased future funding, Colorado's transit providers may respond by reducing service, raising fares, eliminating staff positions, delaying system expansions, or postponing maintenance activities.

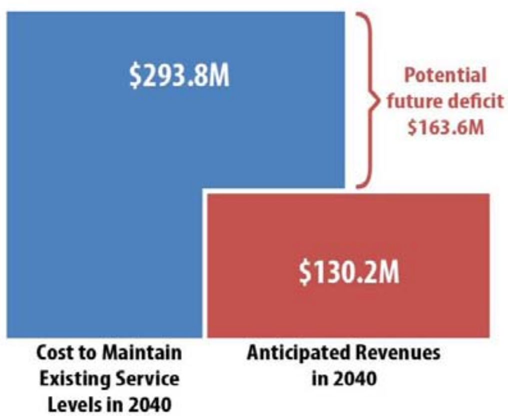
Rural Transit Funding Needs

The rural Regional Transit Plans document the anticipated gap between forecasted operating revenues in 2030 and anticipated operating expenses needed to maintain current systems and services as shown in **Figure 6-7**. More than $192 million may be needed in 2030 for rural transit providers to maintain existing service levels. High priority investments and strategies identified by regional agencies could be implemented at an additional cost of $30 million between now and 2030. However, revenues are projected to fall short of these future needs resulting in a potential funding gap of over $107 million in 2030. That gap could grow to over $163 million by 2040.

Figure 6-7 Forecast Operating Revenues and Expenses for Rural Providers – 2030 & 2040



Order of magnitude estimates based on projected operating and administrative expenses and revenues to 2040. Reference regional TPR plans for complete estimates and methodology.



Order of magnitude estimates based on projected operating and administrative expenses and revenues to 2040. Reference regional TPR plans for complete estimates and methodology.

Urban Transit Funding Needs

For the urban areas, the MPO plans are in various stages of development and the information on funding needs presented below was obtained from the most recent plans available.

The DRCOG MPO forecasts a $23 billion transit deficit by 2040 to implement the region's future transit vision. Most of the deficit is for rapid and intercity transit capacity projects. In addition, the region's rapidly aging population will result in additional human service transportation needs beyond anticipated revenues. DRCOG anticipates total available transit revenues and expenditures of $26 billion through 2040, and total transit capacity and operating needs of $49 billion; this results in a $23 billion deficit through 2040.

The North Front Range MPO estimates its annual deficit at approximately $1.2 million for bare minimum costs of maintaining existing transit systems. If the region pursues all transit projects in the high level alternative, the annual deficit will be approximately $13.8 million. Projected out through 2040, the total transit system deficit could be in excess of $30 million in 2011 dollars. When accounting for inflation and using 2040 dollars, these transit system deficits could be greater than $37.5 million by 2040. This information is based on data in the NFRMPO 2035 Plan (2011).

The Pikes Peak Area (PPACG) has projected its future costs through 2040 based on available future revenue. The PPACG region's future revenue through 2040 will be $808 million. This allows for $581 million of System Maintenance, and $226 million in future projects through 2040. However, this fiscally constrained approach does not allow Mountain Metro Transit to expand its system in any way. If the cost of expansion projects were to be factored in, the PPACG region would have many millions of dollars' worth of a deficit through 2040. This information is based on transit data from the draft 2040 Regional Transportation Plan.

The Pueblo Area MPO (PACOG) is projected to have a $126 million transit deficit through 2035. Pueblo Transit's system maintenance costs will be $134 million and its project costs will be $50 million, while the PACOG region's transit funding revenues through 2035 will only total $58 million. This information is based on data from the 2035 Regional Transportation Plan.

The Grand Valley MPO is projected to have a $244 million transit deficit through 2040. Grand Valley Transit's system maintenance costs will be $152 million and its project costs will be $205 million, while transit funding revenues through 2040 will only total $113 million. This information is based on data from the 2040 Transit Plan.

6.3.5 Potential Revenue Sources

Given the magnitude of potential future funding shortfalls throughout the state, alternative revenue sources will more than likely be necessary to continue to fund improvements and to meet the growing needs of seasonal visitors, businesses, elderly, veterans, low-income, and other transit-dependent populations, as well as choice riders. Colorado's transit agencies, municipal governments, and state policymakers could consider alternative revenue sources to help meet these future needs.

Figure 6-8 presents sketch-level estimates of the potential revenues that could be generated by enabling alternative revenue sources. These estimates are intended to provide an approximate gauge of the potential value of alternative revenue sources in closing future funding gaps. The exact amount of revenues that could become available depends on voter approval, implementation of the particular funding mechanism, and local limitations and policy choices. These estimates are intended to portray the approximate value of a potential funding sources and do not constitute an endorsement or recommendation by CDOT.

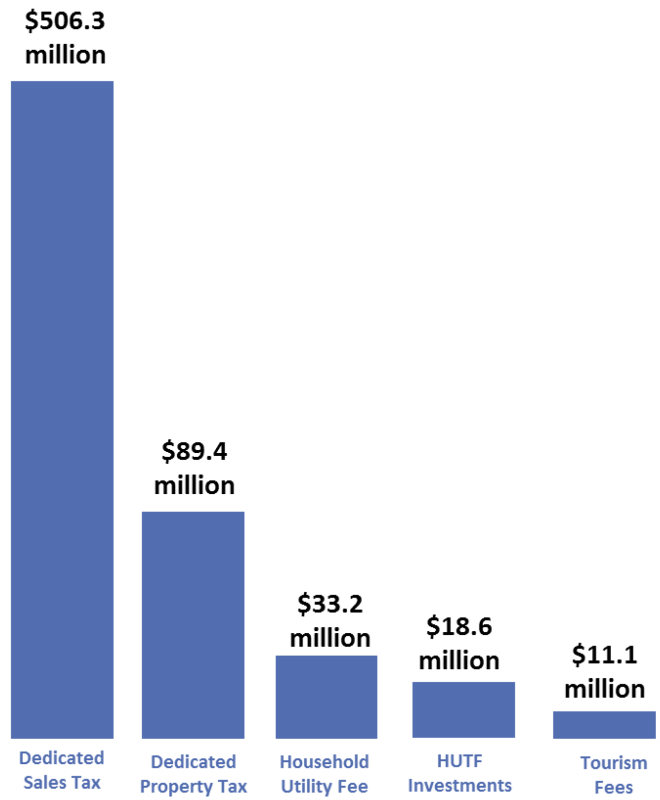
- **Dedicated Sales Tax Increase**: If each county in Colorado enacted a levy of 0.7 percent of net taxable sales, annual revenues could have reached approximately $506 million in 2012. An increase in sales taxes would require voter approval and would be collected by either a dedicated regional transportation authority or local governments and then transferred to support transit services. Several counties and state transportation authorities currently levy dedicated mass transit sales taxes ranging from 0.4 percent to 0.8 percent, varying by city and county.
- **Property Tax Increase**: If property taxes were increased by 1.0 mill (or $1 per $1,000 of assessed value), the potential revenue generated in 2012 could have reached approximately $89 million. A tax increase would require voter approval, and local cities and counties may be limited by existing TABOR limits.
- **Utility Fee Enactment:** If a $15 per housing unit annual utility fee were enacted to provide transportation and transit services, potential revenue could have reached approximately $33 million in 2012. Housing units account for single and multi-family residences, including those for seasonal use or second-home ownership. Housing units do not account for lodging (hotel/motel) or rental units.
- **Transfer of HUTF:** If 10 percent of HUTF receipts were used to fund transit, approximately $18 million could become available for transit-related investments. Some counties in the state do use these funds to support transit infrastructure.
- **Tourism Tax Enactment:** Tourists generate over $550 million in local taxes statewide. If each county were to enact a fee or daily tax on lodging equivalent to 2 percent of all local tourism-based tax receipts, approximately $11 million in annual revenues could have been generated.

States and communities across the country have enabled and enacted a wide variety of revenue mechanisms to directly or indirectly support transit services. Available options for any given community are dependent on state and local regulations. Generally, those states with more robust local transit operations or with state policies that are more supportive of public transit allow for more innovative revenue options. In Colorado, the constitutional TABOR amendment restricts state and local governments from implementing new taxes without voter approval and from raising revenues collected under existing tax rates in excess of the rate of inflation and population growth, without voter approval. Additional constitutional restrictions in Colorado limit the ability of local governments to creatively finance transit services.

In addition to those listed above, other potential funding options used across the country that could be considered by Colorado agencies to fund transit services include:

- Motor fuel taxes
- Vehicle fees
- Parking fees
- Employee or payroll-based taxes
- Value capture
- Lottery or limited gaming taxes
- Vehicle-miles traveled fees
- Corporate sponsorship
- Public-private partnerships

Figure 6-8 Estimates of Potential Funds Generated Through Alternative Revenue Mechanisms



Order of magnitude estimates based on 2012 statewide revenue . Reference regional TPR plans for complete estimates and methodology.