Statewide Transit Plan

Financial Summary

Colorado
Department of Transportation

March 2020

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Section 1
Purpose

This financial summary identifies the statewide financial projections of Colorado's transit system prepared by High Street Consulting Group (HSCG) staff, with input from Felsburg Holt & Ullevig (FHU) and the Colorado Department of Transportation (CDOT) Division of Transit & Rail (DTR) staff. These projections are an element of the 2045 Statewide Transit Plan update, a component of CDOT's 2045 Statewide Transportation Plan.

Section 2
Data

The financial forecast uses data from three sources: Federal Transit Administration (FTA) National Transit Database (NTD)[1], the 2019 Statewide Transit Plan Provider Survey, and data from CDOT, including fleet inventory of transit vehicles with a state or federal interest.

2.1 The National Transit Database

The NTD provides annual data on revenues, operating expenditures, capital expenditures, and operational metrics with granularity at the mode and service level. The NTD is authorized in 49 U.S.C. 5335(a).

From the NTD website:

> *Congress established the NTD to be the Nation's primary source for information and statistics on the transit systems of the United States. Statute requires that recipients or beneficiaries of grants from the Federal Transit Administration (FTA) under the Urbanized Area Formula Program (§5307) or Other than Urbanized Area (Rural) Formula Program (§5311) submit data to the NTD.*
>
> *Approximately 850 transit providers in urbanized areas (UZAs) currently report to the NTD through the Internet-based reporting system. Each year, NTD performance data are used to apportion over $5 billion of FTA funds to transit agencies in UZAs. FTA submits annual NTD reports to Congress summarizing transit service and safety data.*[2]

Thirty-two agencies located in Colorado's rural transportation planning regions reported to NTD in 2018.

2.2 Colorado Transit Provider Survey

In October 2019, Fehr & Peers staff conducted a web-based survey of transit providers in Colorado. Fifty-five agencies across Colorado in the rural Transportation Planning Regions (TPRs) responded. In addition to information about location, services provided, and operating metrics, survey respondents provided information about their 2019 and 2020 operating budgets. These figures were incorporated into the financial projections.

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[1] Federal Transit Administration (2019). *The National Transit Database (NTD)*. Retrieved from https://www.transit.dot.gov/ntd

[2] Federal Transit Administration (2019). *What is the National Transit Database (NTD) Program?* Retrieved from https://www.transit.dot.gov/ntd/what-national-transit-database-ntd-program

2.3 CDOT DTR Transit Vehicle Fleet Inventory

DTR staff maintains a comprehensive inventory of more than 3,200 transit vehicles across Colorado. The database contains several data fields relevant to the financial forecast, including:

- Agency Name
- TPR
- Manufacturer/Model
- Current Mileage
- Revenue Vehicle Type
- Average Replacement Cost
- Type
- Expected Life; and
- Birthdate (Date entered into service)

The information in this database informs estimates of the State of Good Repair (SGR) backlog, which is the aggregate replacement cost of all vehicles presently operating beyond their planned service lives.

The 2018 Group Transit Asset Management (TAM) Plan has additional information about the inventory and condition of transit vehicles and facilities used by Colorado transit agencies.[3] The Group TAM Plan inventoried 1,086 revenue vehicles, 60 service vehicles, 254 facilities, and 23 non-vehicle equipment assets.

The Group TAM Plan did not include major urban agencies that formulated their own TAM plans, and therefore there is not perfect overlap between the transit agencies included in the Group TAM plan and in this analysis.

2.4 Revenues

HSCG staff used the 2018 NTD data to populate a spreadsheet tab with the consolidated capital and operating revenue sources of each reporting agency. Capital revenue sources are broken down into Federal, State, Local, and Other, while operating revenues are broken down by Federal, State, Local, Fares, and Other.

For those agencies not reporting to the NTD, HSCG staff used the budgetary information provided by survey respondents to establish their 2020 operating revenues.

2.5 Operating Expenditures

HSCG staff created a spreadsheet tab of detailed expenditure information with granularity down to the modal level (Motor Bus, Demand Response, Demand Response Taxi, etc.). For full reporters to NTD, operating expenditures are broken down into Vehicle Operations, Vehicle Maintenance, Facility Maintenance, and General Administration.

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[3] Colorado Department of Transportation (2018). *Group Transit Asset Management Plan*. Retrieved from https://www.codot.gov/programs/transitandrail/plans-studies-reports/2018-TAMplan.

Rural and reduced reporters to NTD provide a less granular level of data; for these agencies, the model relies on total operating expenditures in 2018 to establish a baseline for projecting the future cost of providing the current level of service.

2.6 Capital Expenditures

Full reporters to NTD provide disaggregated data related to their annual capital expenditures. The model contains 2018 data on rolling stock, facilities, and other capital expenditures. For rural and reduced reporters, the forecast model contains data on the 2018 total capital expenditures by agency. Survey respondents were not asked about sources of capital expenditures. Rather, the forecast relies on data provided by DTR regarding the magnitude and allocation of state and federal revenues dedicated to transit. These revenues include:

- Colorado's apportionment of federal transit funds that are administered by CDOT, such as funding authorized by 49 U.S.C. Sections 5304, 5310, 5311, and 5339 – projected by DTR to be a combined $22.2 million in FY 2020;
- Senate Bill 09-108 (Funding Advancements for Surface Transportation and Economic Recovery or "FASTER") - $15 million per year generated by vehicle registration surcharges;[4]
- Senate Bill 17-267 (Sustainability of Rural Colorado) - $50 million per year through 2022 generated by the proceeds of lease-purchase agreements on state facilities;[5]
- $14.0 million from the Multimodal Options Fund per Senate Bill 18-001 (Transportation Infrastructure Funding;[6] and
- $30.0 million from a settlement from the Volkswagen Group of America.

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[4]Colorado Legislative Council (2009). *Final Fiscal Note to Senate Bill 09-108*. Retrieved from http://www.leg.state.co.us/clics/clics2009a/csl.nsf/fsbillcont3/636E40D6A83E4DE987257537001F8AD6?Open&file=SB108_f1.pdf

[5] Colorado General Assembly (2017). *SB 17-267 – Sustainability of Rural Colorado*. Retrieved from https://leg.colorado.gov/bills/sb17-267

[6] Colorado General Assembly (2018). *SB 18-001 – Transportation Infrastructure Funding*. Retrieved from https://leg.colorado.gov/bills/sb18-001

Section 3

Forecast Methodology

3.1 Calibrating the Forecast to the 2020 Level of Service

As its baseline, the forecast takes three snapshots of the existing level of service by agency:

1. 2020 estimated revenue and operating expenditure data for NTD reporters based on 2018 data;
2. 2020 budgetary information for survey respondents; and
3. An estimate of fleet capital investment in 2020 that, if maintained annually, would bring all transit vehicles to a state of good repair over a period of time defined by the model user.

Using data-driven assumptions around annual growth of the various revenue streams, plus operating and capital cost inflation, the forecast model projects future annual funding levels and the future annual cost of providing the 2020 level of service. The annual projected difference between the revenue sources available to each TPR and the cost of providing the 2020 level of service constitutes a funding surplus or deficit, and those annual surpluses and/or deficits are added together to generate aggregate surplus/deficit figures for operating and capital, both statewide and for each TPR.

3.2 Forecasting Fleet Expenditures

In addition, the model uses the transit vehicle fleet database maintained by DTR staff to project the average level of annual capital investment (at the level of a TPR) to ensure that all vehicles are replaced at the end of their planned service lives. As actual fleet expenditures vary greatly from year to year, and due to data limitations in NTD and the survey, this approach provides an order-of-magnitude estimate that is accurate over a longer time horizon.

For example, if a hypothetical TPR's fleet is a single transit vehicle that costs $100,000 to replace and has an expected service life of five years, the model projects that the TPR's average annual capital expenditure to ensure a state of good repair is:

$100,000 / 5 years = $20,000 per year.

3.3 Addressing the State of Good Repair Backlog

While the annual average figures calculated as described above are sufficient to ensure that vehicles coming to the end of their service lives are replaced timely, this level of investment will not address the existing SGR backlog. In 2019, this backlog stood at $163.6 million statewide, of which $76.7 million corresponds to non-major-urban providers.

The model calculates how much of this backlog belongs to each TPR and adds an amount to projected annual capital expenditure needed to retire the backlog within a timeframe specified by the model user.

3.4 Allocations of SB 17-267 and Potential Future Funding

SB 17-267 revenue and other potential state funding is allocated to TPRs *pro rata* in the model by the percentages corresponding to the Total column of the table presented on page 66 of the December 2019 Statewide Transportation Advisory Committee (STAC) packet[7]. For years 2020 to 2022, it is assumed that SB 17-267 funding in each TPR is allocated to a project, so every dollar in allocated revenue is matched by a dollar in forecasted expenditure. Match provisions attached to SB 17-267 funding allocated to partner projects aim to generate a total of $300.0 million in projects from the $192.0 million in total SB 17-267 funds allocated to transit purposes through CDOT.

Various scenarios in the model show the impact if the $50 million in annual transit revenue generated by SB 17-267 is continued beyond 2022 by subsequent actions of the Colorado General Assembly. These future unspecified general-purpose revenues are allocated in the model as revenue to each of the TPRs in the same percentages as for SB 17-267 funding; however, there is no corresponding expenditure. Therefore, every dollar that is assumed to come from future actions of the General Assembly adds a dollar to the surplus (or reduces a dollar from the deficit) of an individual TPR.

The model user can specify what statewide percentage of potential future funding is allocated to capital and to operating; at present, it is assumed that future general-purpose funding is allocated 50% to operating and 50% to capital investment in each TPR. Furthermore, the model assumes that future general-purpose revenues may be invested in all types of transit service vehicles.

3.5 Limitations

Due to data limitations, the forecast of capital expenditures pertains only to the vehicle fleet and does not project the level of investment required to maintain facilities. Therefore, it should be understood as one major part—but not the totality—of capital investment required to maintain the current level of service.

3.6 Projections for the Regional Transportation District (RTD)

RTD staff provided HSCG staff the RTD Board-approved medium and long-range revenue and expenditure forecast figures to 2040. This model adopts all RTD Board-approved figures and extrapolates them to 2045 using the TREND function in Microsoft Excel.

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[7] Colorado Department of Transportation (2019). *December 6, 2019 STAC Agenda*. Retrieved from https://www.codot.gov/programs/planning/documents/stac-archives/2019_stac/december_2019/december_2019

Section 4

Important User-defined Model Assumptions and Parameters

Model dynamics are controlled by a relatively small set of assumptions around the annual percentage growth of revenue sources and annual operating and capital cost inflation. Based on discussions with FHU and DTR staff, it was agreed to set the model assumptions as follows:

1. Annual growth in major Federal Transit Administration (FTA) revenue sources: 2.0%
2. Statewide annual growth in farebox revenues: 2.0%
3. Annual growth in revenues generated by RFTA and SMART mill levies: 3.0%
4. Annual operational cost inflation: 2.8%
5. Annual capital cost inflation: 2.8%
6. Number of years to eliminate State of Good Repair (SGR) backlog: 10
7. SB 17-267 revenue split 25%/75% to CDOT and TPRs, respectively
8. 100% of SB 17-267 allocated to TPRs is for capital improvements
9. Other potential state funding split 10%/90% to CDOT and TPRs, respectively
10. Future general-purpose revenue allocated to TPRs is split 50% Operating / 50% Capital

With respect to annual operating and capital cost inflation, 2.8% is the median annual increase in the Denver-Aurora-Lakewood Consumer Price Index for Urban Consumers (CPI-U)[8]. The assumptions listed above can be changed easily in the financial model underpinning these projections. Surplus and gap figures in the later years of this analysis are especially sensitive to assumptions around compounding cost inflation.

[8] Colorado Legislative Council (2019). December 2019 Economic & Revenue Forecast. Retrieved from https://leg.colorado.gov/sites/default/files/images/cpi_december_2019_lcs_forecast.pdf

Section 5

Agencies Included and Excluded

In the 'Source of Funds Forecast' tab of the forecast model, there is an on/off switch for each of the agencies captured in the NTD data and the 2019 Statewide Transit Plan Survey responses. This allows the user to focus the analysis on any subset of the agencies whose data is captured in the model.

Several agencies are both NTD reporters and survey respondents; generally, in these instances the NTD data is turned on and the survey response is turned off because the NTD data provides greater granularity.

To focus the analysis, HSCG staff was directed by DTR staff to exclude the following major urban providers due to the fact that planning, and most transit funding, is coordinated by the Metropolitan Planning Organization (MPO) in each of the urban areas of the state:

- Regional Transportation District
- Mountain Metro Transit
- Pueblo Transit
- Greeley-Evans Transit
- Transfort
- City of Loveland Transit; and
- Grand Valley Transit.

Section 6
Findings

The process of creating this forecast shed light on recent statewide trends in funding for those transit providers who report to the NTD. The forecast supports several scenarios that highlight the magnitude of the challenge before Coloradans to find sustainable funding sources for their transit systems.

6.1 Variation in Per-Capita Transit Funding Across TPRs

Per-capita transit funding as measured from NTD reporting varies significantly across TPRs. Generally, the urban TPRs and TPRs containing mountain resort communities report significantly higher per-capita funding. Urban areas have the population density and tax bases to make comprehensive fixed-route transit service possible, either through municipal transportation departments, regional transit authorities, or other subdivisions of state government, such as the Regional Transportation District in the Greater Denver Area TPR. Similarly, mountain resort areas fund municipal and regional transit agencies through their sales and property tax bases.

Table 6-1 shows estimated per-capita funding for each TPR and includes funding data from the seven major urban providers listed in Section 5.

Table 6-1
2018 NTD-reported Per Capita Transit Funding by TPR

TPR	Local Funding	State Funding	Federal Funding	Total 2018 Funding	2018 Population Estimate	2018 Funding Per Capita
Central Front Range	$220,818	$13,855	$390,612	$625,285	96,459	$6.48
Eastern	$108,666	$17,721	$106,086	$232,473	83,975	$2.76
Grand Valley	$2,750,985	$132,068	$2,929,577	$5,812,630	153,629	$37.84
Greater Denver Area	$1,010,855,010	$9,960,278	$130,935,952	$1,151,751,240	3,213,640	$358.39
Gunnison Valley	$10,886,257	$1,111,448	$2,709,175	$14,706,879	104,159	$141.20
Intermountain	$73,639,114	$2,469,537	$4,850,755	$80,959,406	171,295	$472.63
North Front Range	$22,195,477	$1,466,142	$8,859,729	$32,521,348	576,240	$56.44
Northwest	$5,427,233	$957,366	$744,916	$7,129,515	62,039	$114.92
Pike's Peak Area	$22,847,946	$1,643,043	$8,570,610	$33,061,599	714,398	$46.28
Pueblo Area	$3,926,386	$173,116	$2,686,157	$6,785,659	167,117	$40.60
San Luis Valley	$57,663	$100,312	$136,309	$294,284	66,988	$4.39
South Central	$394,191	$61,568	$302,440	$758,199	21,337	$35.53
Southeast	$368,823	$155,925	$398,640	$923,388	47,042	$19.63
Southwest	$2,189,368	$143,394	$2,215,209	$4,547,971	99,117	$45.88
Upper Front Range	$480,062	$0	$1,272,321	$1,752,383	116,876	$14.99
Statewide	**$1,156,347,998**	**$18,405,773**	**$167,108,487**	**$1,341,862,260**	**5,694,311**	**$235.65**

Source: Federal Transit Administration (2019); Colorado Department of Local Affairs (2019). Includes federal, state, and local sources.

6.2 How Colorado Compares to Other States in Funding Transit

According to the 2018 NTD data, Colorado ranks 29th among the states in per-capita state transit funding at $3.23. Across all states, the weighted average state transit funding per capita is $45.97; in this respect, transit in Colorado is supported financially far less by state government than in the rest of the country.

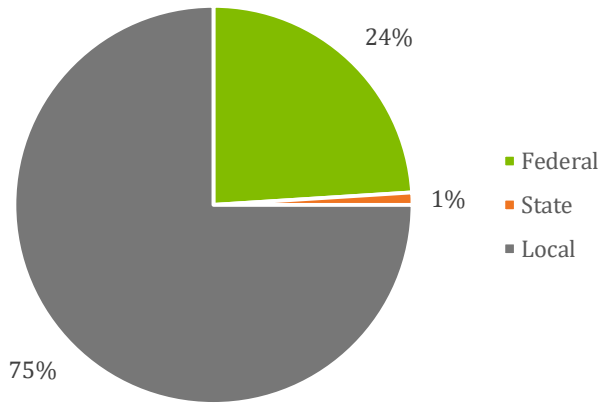
However, the national average is heavily skewed by populous states in the Northeast portion of the U.S. where transportation agencies operate extensive commuter rail systems. The median state funding per capita reported to NTD in 2018 was $5.10. While Colorado's per-capita state funding for transit is below the median, it is less of an outlier in this respect.

Colorado's peer states in per capita state funding for NTD reporters are Texas ($3.15), Kansas ($3.15), Nevada ($4.01), and Maine ($4.63). To contrast these figures with those of states that make transit funding a priority, the District of Columbia, Maryland, Pennsylvania, Delaware, New Jersey, New York, Massachusetts, and Hawaii each invested more than $100.00 per capita in state funds into their transit systems in 2018. Alabama, Arizona, Idaho, Kentucky, Mississippi, Missouri, Montana, New Mexico, and Ohio all invested less than $1.00 per capita in state funds in their NTD-reporting transit agencies.

6.3 Recent Trends in the Colorado NTD Funding Data

Among the NTD reporters in Colorado, local funding is the predominant source of capital revenue. **Figure 6-1** shows the statewide average share of capital funding as reported to NTD. Note that the typical transit agency in Colorado's capital funding will be more weighted towards federal funding and less towards local funding; however, the Regional Transportation District (RTD)'s $2.5 billion in reported capital revenue from local sources from 2014-2018 significantly impacts statewide totals.

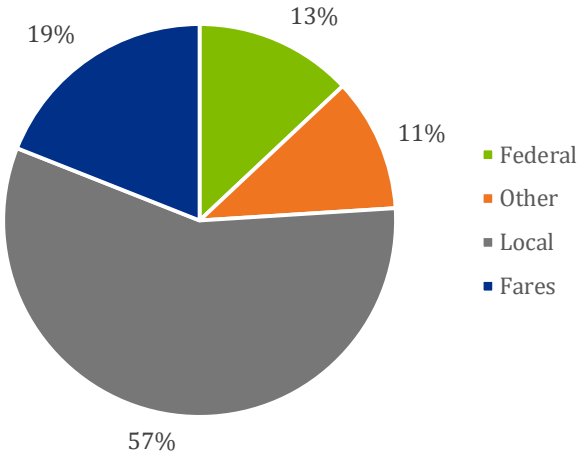
Figure 6-1
2014-2018 Capital Revenue by Type for NTD Reporters



Source: Federal Transit Administration (2019). National Transit Database 2018 dataset. Retrieved from https://www.transit.dot.gov/ntd/ntd-data

Similarly, the statewide averages for 2014-2018 operating revenue by source in **Figure 6-2** are heavily impacted by RTD's reported $1.8 billion in local revenue and $662 million in reported farebox revenue.

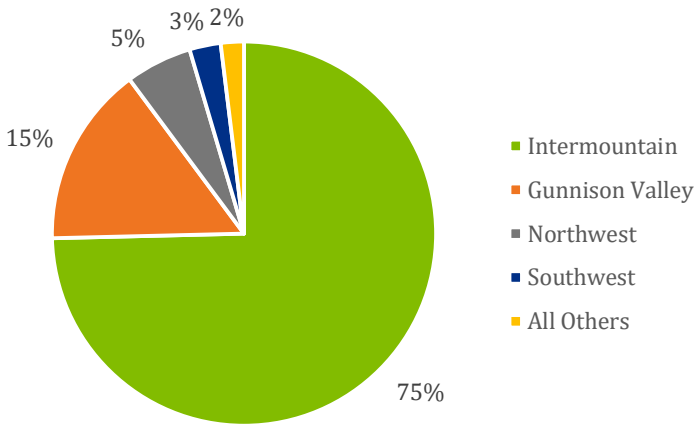
Figure 6-2
2014-2018 Operating Revenue by Type for NTD Reporters



Source: Federal Transit Administration (2019). National Transit Database 2018 dataset. Retrieved from https://www.transit.dot.gov/ntd/ntd-data

Outside the major urban areas, capital revenue identified by NTD reporters, as shown in **Figure 6-3**, is dominated by transit agencies located in TPRs containing mountain resort communities. Of the $91.4 million in capital revenue reported to NTD by agencies in rural TPRs between 2014 and 2018, $68.2 million or 75% was for agencies in the Intermountain TPR. The Gunnison Valley, Northwest, and Southwest TPRs account for 15%, 5%, and 3% respectively, while the six other rural TPRs accounted for a cumulative 2%.

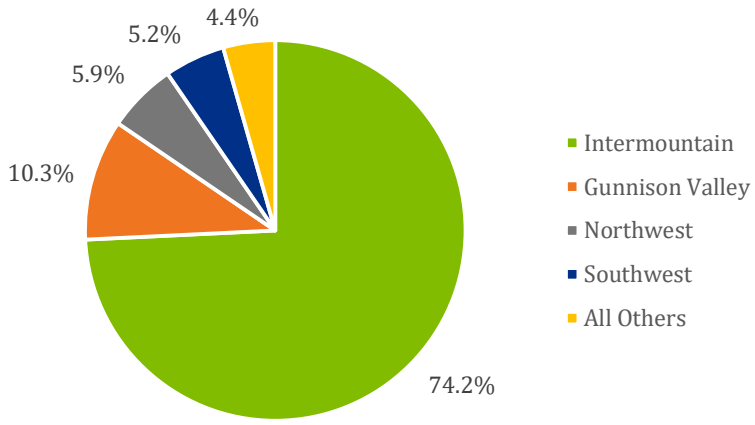
Figure 6-3
2014-2018 Rural TPR Capital Revenue for NTD Reporters



Source: Federal Transit Administration (2019). National Transit Database 2018 dataset. Retrieved from https://www.transit.dot.gov/ntd/ntd-data

Figure 6-4 tells a similar story for operating revenues reported to NTD. Among the rural TPRs, more than 95% of operating funding was reported by agencies in the TPRs containing mountain resort communities.

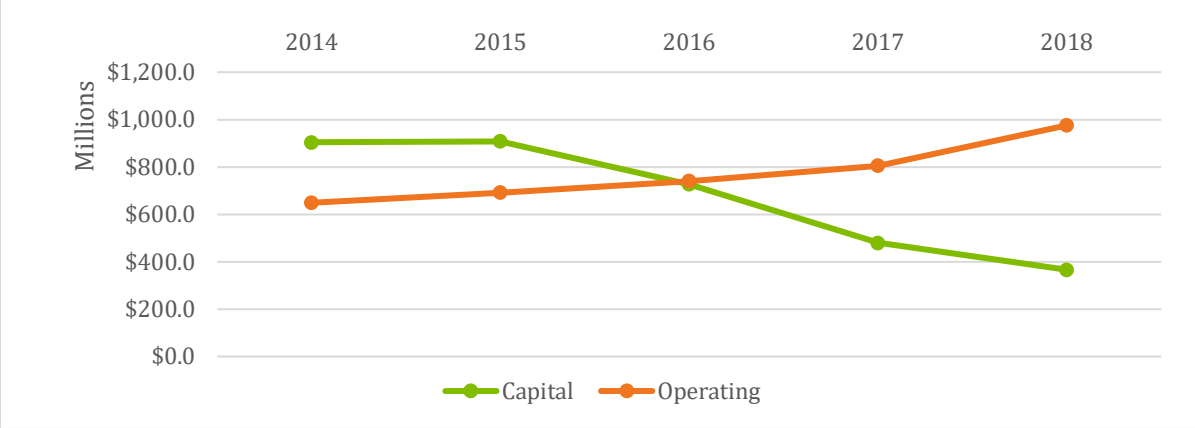
Figure 6-4
2014-2018 Rural TPR Operating Revenue for NTD Reporters



Source: Federal Transit Administration (2019). National Transit Database 2018 dataset. Retrieved from https://www.transit.dot.gov/ntd/ntd-data.

Figure 6-5 shows statewide totals for capital and operating revenues reported to NTD including major urban providers and indicates divergent trends between 2014 and 2018. This largely reflects the completion of major RTD FasTracks light rail and commuter rail projects in urbanized areas.

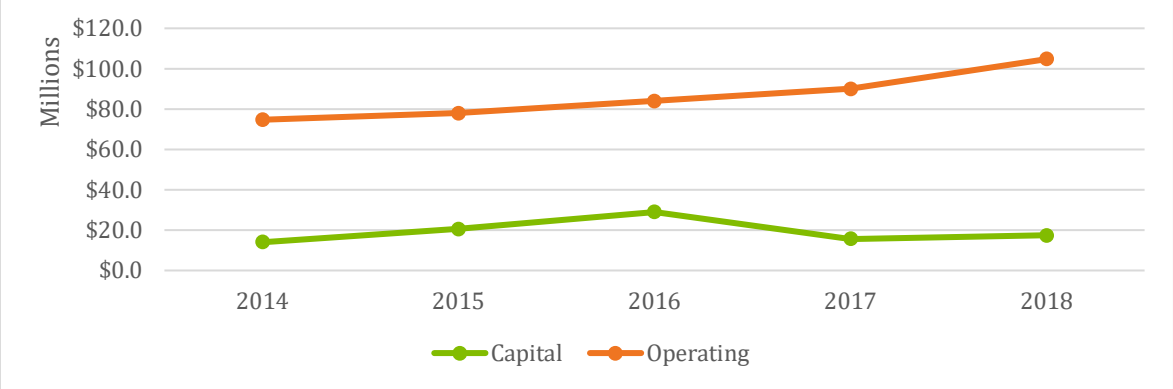
Figure 6-5
Recent Trends in Statewide Capital and Operating Revenue
(All NTD Reporters Including Major Urban Providers)



Source: Federal Transit Administration (2019). National Transit Database 2018 dataset. Retrieved from https://www.transit.dot.gov/ntd/ntd-data

Figure 6-6 shows statewide trends in operating and capital funding excluding RTD and the other major urban providers. The trend in operating revenues for this subset of agencies is remarkably similar to the statewide trend; however, the capital funding trend is fairly stable around $20.0 million per year.

Figure 6-6
Recent Trends in Statewide Capital and Operating Revenue (All NTD Reporters Excluding Major Urban Providers)



Source: Federal Transit Administration (2019). National Transit Database 2018 dataset. Retrieved from https://www.transit.dot.gov/ntd/ntd-data

6.4 Implications of Revenue and Cost Growth Trends in the Forecast

Generally, the financial forecast shows a steady erosion in the ability to provide today's level of service with the revenue sources currently authorized in law. While an infusion of state general fund revenue on the order of magnitude of $50 million per year would generate sufficient resources to provide today's level of service and would eventually retire the SGR backlog, even this significant increased annual level of support would not be enough to expand the system for population and employment growth. This level of funding would also be inadequate to support capital investment in facilities, either for expansion or for maintaining the base system.

6.5 Scenarios

The financial model considers the following five scenarios:

- Scenario 1: Base Program (FASTER, FTA, and Bustang farebox revenue only)
- Scenario 2: Scenario 1 + SB 09-228, Multimodal Options Fund (MMOF) and Volkswagen Settlement Fund
- Scenario 3: Scenario 2 + Senate Bill 17-267 funding through 2022
- Scenario 4: Scenario 3 + $50 million annual other potential state revenue through 2030
- Scenario 5: Scenario 3 + $50 million annual other potential state revenue through 2045

Scenarios 1 and 2 are best understood as baselines to understand the magnitude of Senate Bill 17-267 funding and the hypothetical $50.0 million in annual state general purpose support to transit. Should the General Assembly decide to amend SB 267 to eliminate future-year funding,

this would not affect the long-term trajectory of the statewide transit system's fiscal position, as depicted in Figures 6-5, 6-6, and 6-7. Rather, it would mean a reduction in one-time capital projects leveraged by a one-time infusion of state funds.

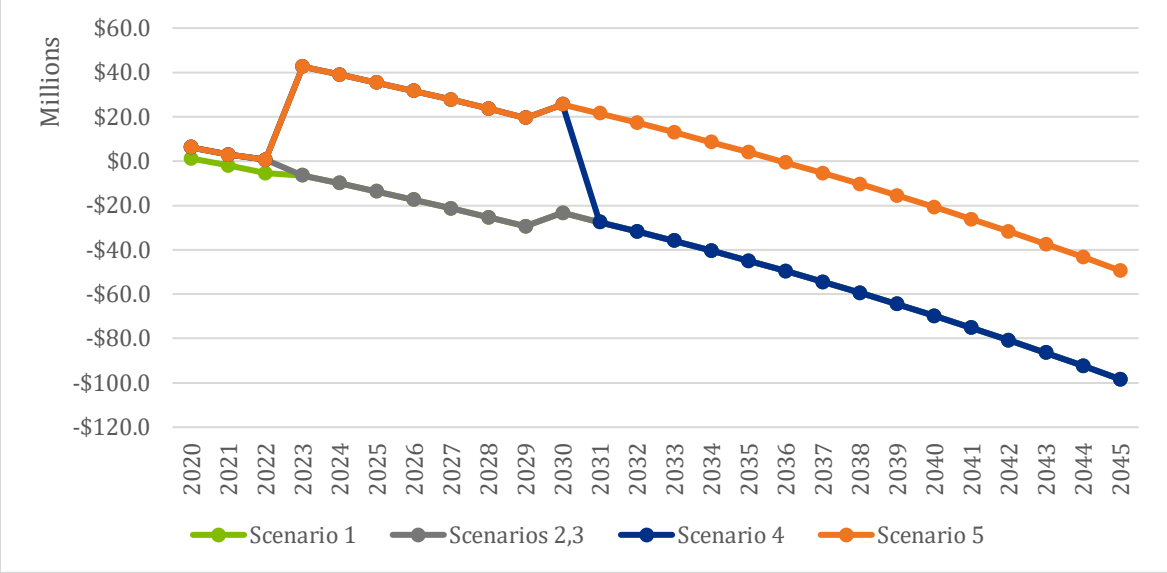
6.6 Statewide Aggregate Surpluses and Deficits

Figure 6-7 provides a summary of the anticipated statewide aggregate surpluses and deficits through 2045. In the current-law scenario (Scenario 3), Colorado is presently in deficit with respect to the amount of aggregate funding needed to maintain the level of service in prior years. This outcome is the result of two years of compounding cost inflation between 2018 (the most recent year in which FTA National Transit Database data was available) and 2020.

The approximately $7.0 million reduction in the statewide gap from 2029 to 2030 is caused by the final retirement of the SGR backlog, which in 2019 stood at $76.7 million statewide for non-major-urban providers.

In the most optimistic scenario (Scenario 5), where the annual $50 million allocated to transit from Senate Bill 17-267 continues through 2045, the statewide transit system's finances enter a persistent and growing deficit in 2036. The general downward trend in the statewide transit system's projected fiscal position over time is due to the compounding effects of cost inflation assumptions for operations and capital. The $50 million per year would need to be indexed by 8.0% per year on average after 2035 to keep up with inflationary cost pressures between 2035 and 2050.

Figure 6-7
Aggregate Statewide Surpluses/(Deficits)



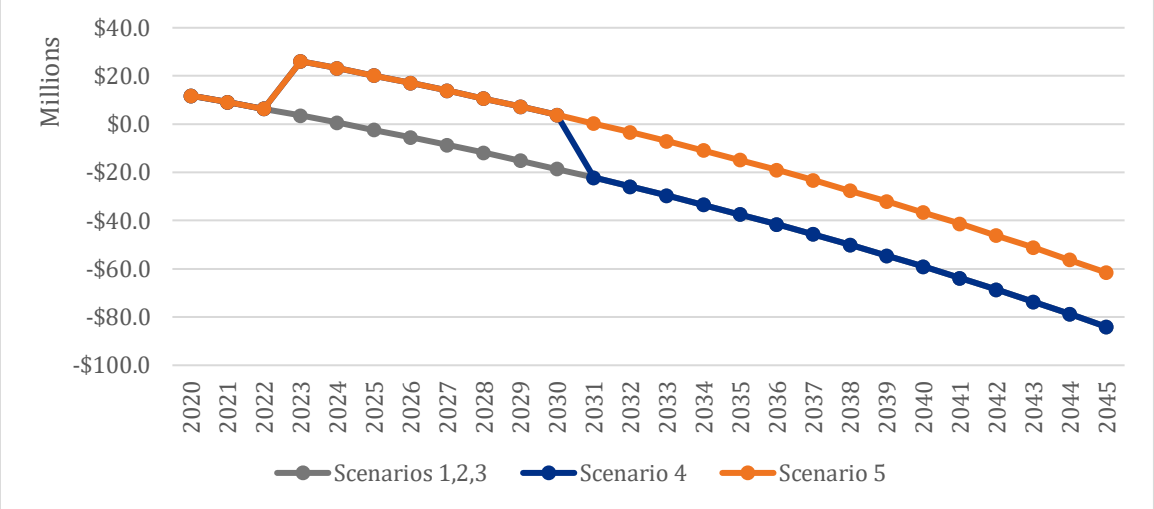
6.7 Statewide Operating Deficits

Whereas the statewide transit system is currently breaking even from an operational perspective, cost inflation averaging 2.8% per year will erode the system's operational position over time as shown in **Figure 6-8**. The forecast projects annual deficits with respect to the

current operating level of service on the order of $85.0 million per year by 2045 without a substantial new statewide source of funding.

Scenario 5, where a new $50.0 million annual statewide funding source is allocated 50% toward supporting operations of the non-major-urban providers, sustains the 2020 operating level of service until 2031. The operating half of the equation would need to be indexed by 9.4% per year on average from 2031 to 2050 to keep up with operating cost needs statewide.

Figure 6-8
Aggregate Annual TPR Operating Surpluses/(Deficits)



6.8 2020-2045 Operating Surpluses/Deficits in Non-Urban TPRs

Table 6-2 shows aggregate operating surpluses and deficits by TPR between 2020 and 2045 for Scenario 5. These figures should be understood as the projected surpluses or deficits with respect to the amount of funding required to maintain the 2018 operating level of service. These figures do not indicate whether the baseline level of service is adequate from any perspective of public policy, nor do they reflect the impact of any major service expansions or contractions.

Table 6-2
Scenario 5 Rural TPR Aggregate Operating Surplus/(Deficits), 2020-2045

TPR	Projected Operating Surplus/(Deficit)
Central Front Range	$5,168,200
Eastern	$(1,613,900)
Gunnison Valley	$(87,203,700)
Intermountain	$(451,047,000)
Northwest	$(65,570,500)
San Luis Valley	$7,088,400
South Central	$2,495,300
Southeast	$(2,364,900)

TPR	Projected Operating Surplus/(Deficit)
Southwest	$(15,606,900)
Upper Front Range	$3,633,900
All TPRs	**$(605,021,100)**

The largest projected operating deficit by far in Scenario 5 is the Intermountain TPR, at $451.0 million between 2020 and 2045. The major agencies in this TPR (and in the Northwest TPR) are municipal and county governments in Colorado's mountain resort areas. These governments have relatively strong tax bases, and their transit services are widely used. These agencies may be able to absorb the cumulative effects of cost inflation over time through incrementally larger appropriations of general-purpose municipal or county revenue over time.

If these agencies can absorb the projected operating deficits, actual operating deficits could be smaller than what is projected; however, current conditions and model assumptions around revenue and cost growth indicate long-run deficits. Long-run risks to the tax bases of these resort areas could make providing today's level of service more difficult in the future, undermining the argument that strong tax bases today lessen the possibility of structural deficits in the future. These risks include, but are not limited to:

- A shortened ski season due to the effects of climate change;
- Decreased out-of-state visitation due to increased levels of congestion on state highways and interstates providing mobility to resort areas; and
- Diminished economic vitality resulting from a deficit in affordable workforce housing.

6.9 Annual Statewide Capital Surpluses/Deficits

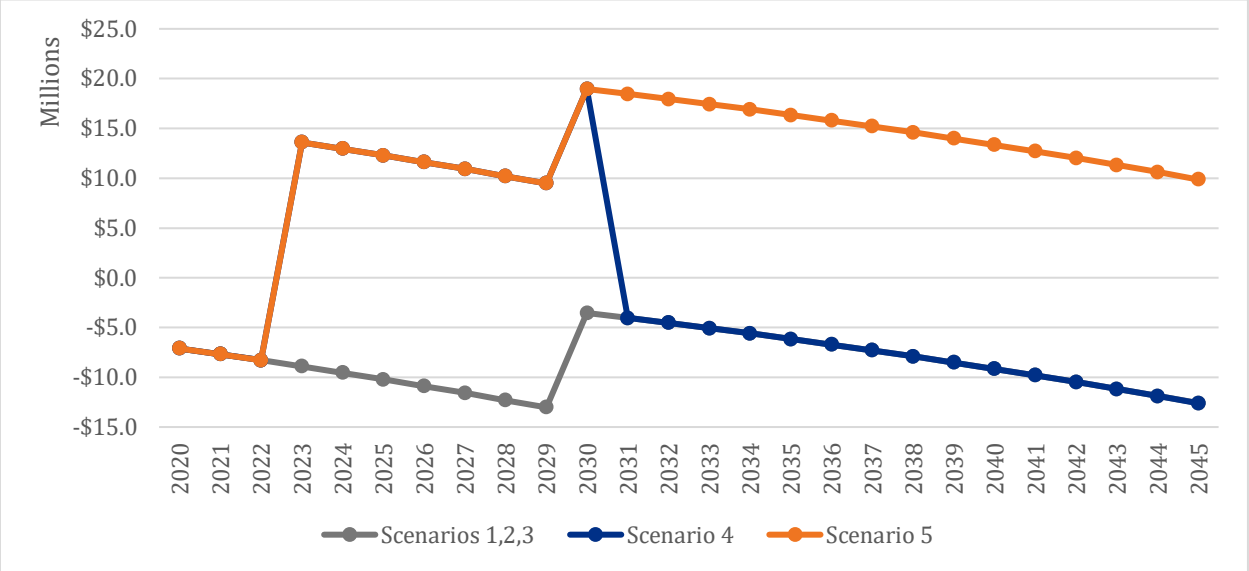
Figure 6-9 shows the annual sum of capital surpluses and deficits of all TPRs, excluding the seven major urban providers specified in Section 5.

Under current law (Scenario 3), the statewide transit system's capital funding sources are more abundant than the operational funding sources, but the capital funding sources are still not sufficient to cover the cost of replacing all transit vehicles at the end of their service lives. It should be noted that this analysis does not account for the cost of replacing facilities or other non-vehicle capital items over time. Therefore, the statewide annual deficits with respect to maintaining all capital assets is greater than what is presented here. Future work should assess and document the capital needs or "backlog" of facilities.

If the $50 million annually allocated to transit through Senate Bill 17-267 is made permanent by the General Assembly and allocated 50% to capital (Scenario 5), this analysis projects capital funds would exceed the amount needed for vehicle fleet replacement through the forecast horizon.

The cumulative statewide SGR surplus to 2045 in this scenario is $293.5 million, leaving TPRs a significant pool of funds to address facilities and other non-vehicle capital needs. However, given the large projected operational deficits even in the optimistic Scenario 5, this analysis suggests it may be worthwhile for policymakers to consider directly supporting operations with more than 50% of any future general-purpose funding allocated to transit.

Figure 6-9
Aggregate Annual TPR Capital Surpluses/(Deficits)



6.10 Risks to the Forecast

The main risks to the forecast are long-term deviations in growth in major revenue sources and in cost inflation from what is assumed in the forecast.

Federal Funding Shortfall

The structural inadequacy of the federal Highway Trust Fund (HTF) is well understood. Motor fuel taxes and additional truck-related taxes that support the HTF are eroding due to technological advancements in fuel economy and the adoption of vehicles whose fuel is not subject to federal motor fuel taxation under current law. This threatens the current level of federal support for transit nationwide.

Assuming that current funding levels enacted in the Consolidated Appropriations Act of 2019 grow by inflation through 2029, the Congressional Budget Office (CBO) projects a cumulative shortfall of $47 billion in the Mass Transit Account, by 2029.[9]

The two options to maintain current levels of federal financial support for transit are a substantial motor fuel tax increase or ongoing subsidies from the federal general fund. According to the Eno Center for Transportation, an immediate 3.2 cents/gallon increase in federal fuel taxes dedicated to transit would ensure the HTF Mass Transit Account's solvency through 2030, at which point further tax increases or general fund transfers would become necessary.[10]

The baseline model assumes a 2.0% annual increase in federal transit funding apportioned or awarded to transit agencies in Colorado above the baseline reported in the 2018 NTD data. This

[9] Congressional Budget Office (2019). May 2019 Baseline. Retrieved from https://www.cbo.gov/system/files?file=2019-05/51300-2019-05-highwaytrustfund.pdf
[10] https://www.enotrans.org/article/new-trust-fund-forecast-shows-just-how-broken-the-80-20-highway-transit-split-has-become/

corresponds to the annual aggregate increase in apportionments nationwide through the five years of the Fixing America's Surface Transportation (FAST) Act. However, if Congress can no longer sustain increases in transit funding and transit agencies receive flat federal funding through 2045, this would reduce funding to non-major-urban transit providers by a cumulative $139.0 million by 2045.

State Funding Shortfall

A parallel problem exists with state transportation funding allocated to transit improvements. While funds are allocated to transportation planning regions by population criteria and measurements of need for transit services, stakeholders in some areas of Colorado argue that their regions are better served by highway funding than transit funding. Other areas of the state need state transit funding but do not have the local resources for the required match.

Current on-going state funds for transit, through FASTER legislation, are not indexed for inflation, so there is 0% growth anticipated in those funds. If those funds were indexed to inflation originally in 2009, there would additional $5.3 million per year in statewide funding for transit.

Cost Inflation

The baseline model projects 2.8% annual cost inflation, which is the median historical annual increase in the Denver-Lakewood-Aurora Consumer Price Index as reported by the U.S. Commerce Department Bureau of Labor Statistics. From now to 2045, the actual rate of inflation will likely be higher or lower than 2.8%, and this will have an outsized impact on the cumulative statewide surplus or deficit with respect to what is needed to sustain the current level of service.

For example, if actual annual inflation from 2020-2045 averages 3.5%, the statewide fiscal position deteriorates by a cumulative $612 million. However, if inflation averages only 2.0%, the statewide fiscal position improves by $572 million. The model's sensitivity to long-run inflation demonstrates how important it is that sources of revenue grow proportionately with cost inflation.

Section 7

Potential New Funding Sources for Transit in Colorado

Below are three options for raising $50 million per year in new state revenue for transit. In terms of the amounts currently raised by Colorado's statewide sales tax, personal income tax, and property taxes, an additional $50 million per year amounts to a minute increase in any of these tax rates. However, the General Assembly does not have the power to raise taxes statewide without a statewide vote of the people, and all statewide tax questions previously posed to voters since the Taxpayer's Bill of Rights was adopted have failed with the exception of taxes on gambling and adult-use marijuana.

7.1 Statewide Sales Tax

The December 2019 Legislative Council forecast for the state sales tax in 2020 is $3.3 billion on a tax rate of 2.9%. To raise $50 million per year for transit through a statewide sales tax increase, the tax rate would need to increase by 0.04% - from 2.90% to 2.94%.

7.2 Statewide Personal Income Tax

The State of Colorado collected $9.2 billion in income tax revenue in FY 2018-19.[11] If Colorado's personal income tax rate of 4.63% was increased by 0.025 percentage points to 4.655%, this would generate $50 million per year for transit.

7.3 Statewide Mill Levy (Property Tax)

In 2018, the assessed value of all taxable real property statewide was $115.9 billion.[12] A dedicated statewide floating mill levy of 0.43 mills would generate $50.0 million per year initially, and could be designed to grow with inflation notwithstanding the formula effects of the Taxpayer's Bill of Rights ("TABOR"; Article X, Section 20 of the Colorado Constitution) or the Gallagher Amendment (Article X, Section 3). To put 0.43 mills into perspective, property owners in Denver presently pay a combined 77.365 mills in taxes to the City and County of Denver, Public School District #1, and the Urban Drainage & Flood Control District.[13]

However, TABOR Section 8(a) presently prohibits new statewide property taxation. Under current interpretation of the Colorado Constitution's single-subject rule (Article V, Section 1, Paragraph 5.5),[14] proponents would potentially need to pass two ballot initiatives: one to eliminate TABOR's prohibition on new statewide property taxation, and another to raise a statewide mill levy and dedicate its proceeds to transit.

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[11] Colorado Office of State Planning & Budgeting (2020). Colorado Economic and Fiscal Outlook. Retrieved from https://drive.google.com/drive/u/0/folders/14NxsJhqrct9CXif-IpWmalpZnma_IycN.
[12] Colorado Department of Local Affairs (2019). *Division of Property Taxation 2018 Annual Report*. Retrieved from https://cdola.colorado.gov/annual-reports
[13] City & County of Denver (2018). *2018 Abstract of Assessment And Summary of Levies*. Retrieved from https://www.denvergov.org/content/dam/denvergov/Portals/assessors-office/documents/Mill_Levies/Abstract_2018.pdf
[14] Lexis-Nexis (2020). *Colorado Constitution*. Retrieved from https://bit.ly/2vsihPY.

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