Chapter 5. Financial Considerations

5.1 What's in Chapter 5?

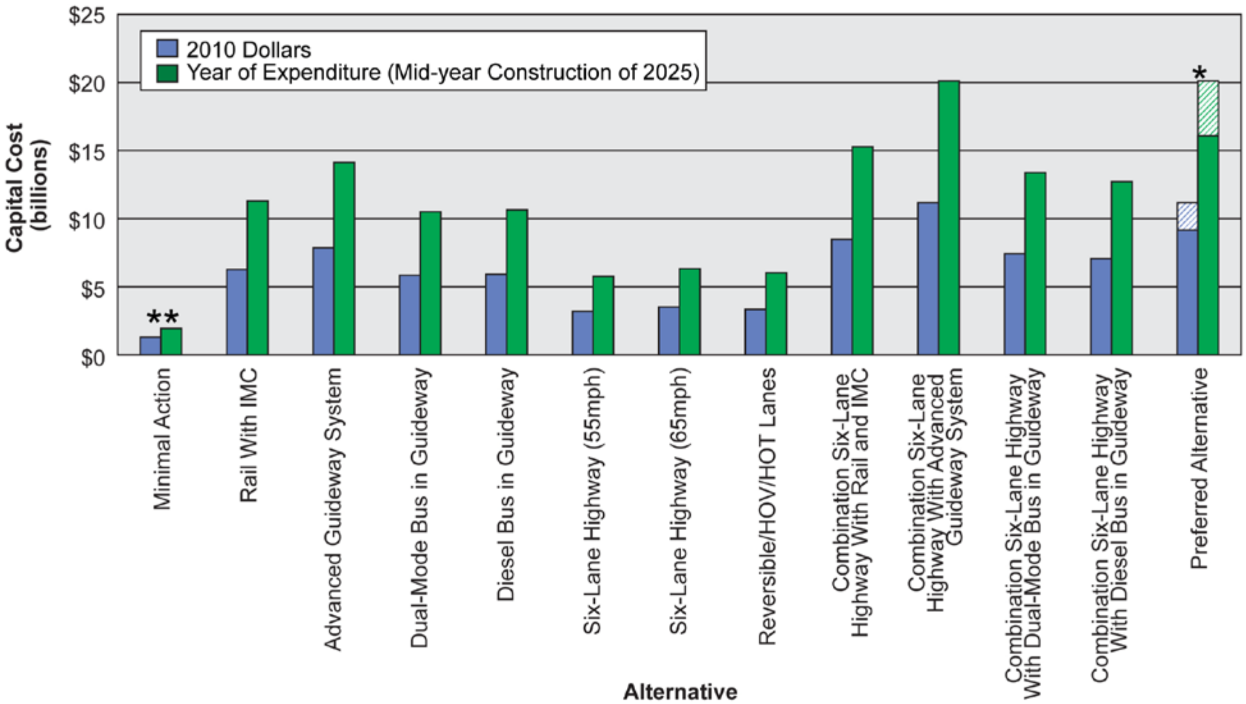
This chapter provides cost estimates for the Action Alternatives and discusses potential funding sources that the Colorado Department of Transportation (CDOT) could be used to implement improvements for the I-70 Mountain Corridor. Please see the *I-70 Mountain Corridor PEIS Financial Considerations Technical Report* (CDOT, March 2011) and the *I-70 Mountain Corridor PEIS Cost Estimates Technical Report* (CDOT, March 2011) for detail about alternative cost estimates and potential funding sources.

5.2 How were cost estimates determined?

Cost estimates for alternatives were initially developed in 2004 based on preliminary design item costs, cost estimating contingency factors, and other component costs. Costs were updated in 2010 for each alternative using the Colorado Highway Construction Cost Index as a basis for determining long-term future cost escalation. This resulted in a current year (2010) cost for the Preferred Alternative ranging from $9.2 billion to $11.2 billion dollars. The cost estimates at this first tier are conceptual and based on a very high level design concept and are intended to provide a relative comparison between Action Alternatives considered. The lead agencies recognize costs will need to be revisited and refined in Tier 2 processes. Cost estimates for each of the Action Alternatives and a discussion of the cost estimating methodologies are included in the *I-70 Mountain Corridor PEIS Cost Estimates Technical Report* (CDOT, March 2011).

The Colorado Department of Transportation updated the 2010 cost estimate based on a revised methodology to provide a high-level range of costs consistent with a Tier 1 document for the Action Alternatives, including the Preferred Alternative. The process of escalating costs provides a uniform treatment of alternatives for relative comparison. The revised methodology focuses on Year of Expenditure cost using a midyear of construction of 2020 for the Minimal Action Alternative, while all other alternatives use a midyear construction of 2025, which is the midyear of the planning period. **Chart 5-1** shows capital cost by alternative.

Chart 5-1. Capital Cost by Alternative



* The cost for the Preferred Alternative is presented as a range. The solid and hatched bars together show the cost if the Preferred Alternative is fully implemented to meet the 2050 purpose and need. The solid bar alone shows the cost of the Minimum Program only. The cost is presented as a range because the adaptive management component of the Preferred Alternative allows it to be implemented based on future needs and associated triggers for further action. Section 2.7.2 of this document describes the triggers for implementing components of the Preferred Alternative.

** The methodology focuses on year of expenditure cost to a mid-year of construction of 2020 for the Minimal Action Alternative.

The lead agencies will conduct a robust cost analysis as part of the feasibility study for the Advanced Guideway System; cost will be one factor considered to help identify a viable technology. For the Tier 1 study, the Advanced Guideway System technology considered was an urban magnetic levitation (maglev) transit system. Tier 1 cost estimates were established in conjunction with the Federal Transit Administration's Colorado Urban Maglev Project and were independently reviewed and confirmed by the Rocky Mountain Rail Authority as part of their High Speed Rail Feasibility Study (Rocky Mountain Rail Authority, 2010). Feasibility studies and Tier 2 processes will base costs on the actual technology identified, which may or may not be maglev. The time frame for implementing components of the Preferred Alternative is wide ranging; future Tier 2 processes will identify project level improvements. Those studies will include more detailed design information, specific mitigation measures to offset impacts, and project-specific cost estimates.

5.3 What is the cost of the Preferred Alternative?

The Preferred Alternative identifies a Minimum and Maximum Program of Improvements that range in cost from $16.1 billion to $20.2 billion (in year of expenditure with a 2025 midyear of construction). Other Action Alternatives evaluated in this document range in cost from $1.9 billion to $20.2 billion (in year of expenditure with a 2025 midyear of construction). See **Chapter 2** for more information on the alternatives.

5.4 How much funding is currently allocated to the I-70 Mountain Corridor?

As part of the amended *2035 Statewide Transportation Plan* (CDOT, March 2008), $218 million is to be allocated for the I-70 Mountain Corridor in Fiscal Year (FY) 2012-2017 and $989 million will be identified for the Corridor during FY 2018–2035. Please refer to **Section 5.5** for information on funding sources.

In 1996, the Colorado Transportation Commission identified the I-70 Mountain Corridor as one of 28 strategic statewide projects collectively known as the 7th Pot Projects. Approximately $1.8 billion (in FY 2010 dollars) remains unfunded for the Corridor as part of this program.

The 7th Pot Projects received funding from Senate Bill 97-001, which provided a dedicated revenue stream from additional sales and use tax revenues associated with automobiles and automobile-related accessories. In 2009, Senate Bill 97-001 was repealed by Senate Bill 09-228, eliminating the dedicated revenue stream for remaining 7th Pot Projects, including the I-70 Mountain Corridor.

The Colorado Department of Transportation will incur a probable increase in federal, or state revenue streams, or a combination of both, occurring after FY 2017. The additional funding could mitigate the elimination of Senate Bill 97-001 revenue within the long-range plan funding horizon.

As Tier 2 processes develop and evaluate specific projects consistent with the Tier 1 decision, identified improvements will need to be fiscally constrained (sufficient funding will need to be demonstrated to implement improvements) and included in the Statewide Transportation Improvement Program. See the **Introduction** for additional information on the statewide planning process.

5.5 What are the sources for current funding and their limitations?

The Colorado Department of Transportation's revenue is derived from federal and state funding sources. The Colorado State Constitution, federal law, and state statutes determine how CDOT can use these funds. In the past decade, transportation revenues receipts have fluctuated significantly. It is expected that this uncertainty will continue into the future. The Colorado Department of Transportation's funding sources and their limitations are summarized below.

Motor Fuel Tax

The motor fuel tax is the primary source of transportation-related revenue for the state and federal government. Revenues from this source are stagnant. Because the motor fuel tax is a fixed per-gallon excise tax, revenue collected depends on the number of gallons sold, not on the sales price. In the years since the state (1991) or federal government (1993) increased the motor fuel tax, revenues have not kept pace with inflationary increases experienced by the construction sector of the economy, which averaged 6 percent per year over the past decade.

Despite historical increases in vehicle miles traveled, increasing fuel efficiency of motor vehicles led to a decline in the rate of growth of motor fuel tax collections. The recent spike in fuel prices, national economic instability, and a push for consumers to purchase more fuel-efficient vehicles resulted in a national trend of decreased vehicle miles traveled. As a result, the motor fuel tax is an even less reliable source for sustained transportation funding than in years past.

Funding Advancements for Surface Transportation and Economic Recovery

Passed in 2009, Senate Bill 09-108 Funding Advancements for Surface Transportation and Economic Recovery (FASTER) will generate an average of $292 million annually over the next 25 years for roadway, bridge, and transit projects through the establishment of new user fees. A new Road Safety Fund will complete construction, reconstruction, or maintenance projects that enhance the safety of the state's highways. A new Bridge Safety Fund is devoted to replace the state's deficient bridges. The FASTER legislation also establishes a small, dedicated revenue stream for multimodal projects. While FASTER made significant additions to Colorado's transportation funding, projected long-term transportation revenues remain stagnant due to the elimination of other funding sources.

Senate Bill 09-228

Senate Bill 09-228, also passed in 2009, established methods to transfer money to transportation, capital construction, and the state's statutory reserve. Beginning in FY 2012, after a five percent growth rate is met, a five-year transfer of General Funds to transportation totaling two percent of General Fund revenues (approximately $170 million per year) could occur for implementation of the strategic transportation project investment program. Based on current budget scenarios, the earliest that CDOT anticipates funds may be available to transportation under this new law is FY 2013–2014.

House Bill 95-1174

The Colorado Department of Transportation requested Capital Construction Funds from the General Assembly in 1995 after the passage of House Bill (HB) 95-1174, which enabled CDOT to submit an annual request of prioritized state highway reconstruction, repair, and maintenance projects for consideration. The Colorado Department of Transportation last received these funds in FY 2008-09 and does not anticipate appropriations in the future given state budget constraints.

As noted in **Section 5.4**, this Corridor was eligible for Senate Bill 97-001 funding as part of the 7th Pot Program. That legislation was repealed in 2009, which means CDOT will not receive the $1.8 billion that was identified for the I-70 Mountain Corridor. House Bill 02-1310, which would have allocated additional General Fund surpluses to transportation projects, also was repealed in 2009.

Federal Authorization

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, or "SAFETEA-LU" is the federal authorization act under which Colorado receives an allocation of federal fuel tax revenues. SAFETEA-LU funding authorizations expired on September 30, 2009 but have been extended by a series of continuing resolutions in 2010 and 2011.

The Colorado Department of Transportation is currently operating with funding provided under this series of extensions of SAFETEA-LU authorities. In addition, collections from the federal gas tax cannot sustain the current level of funding to the states. The Federal Highway Trust Fund will again face the possibility of a zero balance in the near future for the third time in three years and Congress will be forced to reduce funding to the States, slow down reimbursements to the States, or again transfer a significant amount of general fund revenue into the Highway Trust Fund.

5.6 Is there enough funding to implement the Preferred Alternative?

No. The Colorado Department of Transportation does not have enough available revenue sources allocated to fund the improvements identified by the Preferred Alternative. To fully implement the Preferred Alternative, additional funding sources must be secured. Lawmakers and citizens will need to recognize the I-70 Mountain Corridor as a key component for Colorado's economy and prioritize improvements in the Corridor in order to attract funding opportunities.

5.7 What are potential funding sources and their limitations?

Long-range funding is dependent on the availability of federal and state funds, which are not guaranteed. The Colorado Department of Transportation is committed to working with stakeholders to implement elements of the Preferred Alternative as funding becomes available.

New Federal Surface Transportation Bill

While operating under the temporary extension of SAFETEA-LU funding authorizations, Congress is discussing a new, multi-year, transportation bill. Such legislation could provide opportunities for increased funding for highway and transit improvements identified in this document.

Until Congress identifies policy priorities and the revenues to fund them, the federal program will remain unstable. If Congress fails to identify increased revenues in a new Authorization bill, Colorado’s share of federal transportation dollars could be reduced by 30 to 40 percent. Conversely, if Congress identifies new revenue streams to fund infrastructure priorities, Colorado’s share of federal transportation dollars could increase as much as 50 to 100 percent.

Transportation Finance and Implementation Panel Recommendations

Convened by Governor Bill Ritter, Jr., a 32-member Transportation Finance and Implementation Panel (the Panel) released *A Report to Colorado* (January 2008), proposing a statewide vision for transportation, policy change recommendations, new investment categories, and funding thresholds for increased investment in transportation. The report estimates a minimum of $1.5 billion is needed annually above the existing investment to improve Colorado’s transportation system. A Technical Advisory Committee helped the Panel analyze numerous alternatives for generating more revenue for transportation. The Technical Advisory Committee compiled and ranked a list of 39 options using16 criterion. Six revenue options were recommended in the final report, which can be found at http://www.colorado.gov/governor/blue-ribbon-transportation-panel.html. Specific proposals for raising additional funds for the Corridor improvements must be approved by a public vote, action of the Colorado General Assembly, or a combination of the two.

5.8 What innovative funding sources might be available?

Additional revenues will be necessary to fully implement the Preferred Alternative. The following discussion describes four options for innovative funding sources.

Public Private Partnerships

Public private partnerships are joint partnerships that could be formed between a private entity and CDOT to implement transportation projects funded mostly by private dollars. If a private entity is awarded a project, the financing, design, and construction are the responsibility of that private entity. Before construction, CDOT must complete the appropriate environmental studies and clearances and meet applicable state and federal requirements.

Tolling

At the first tier of analysis, tolling was considered a funding tool, not a primary objective of the project, and no determination has been made as to whether it will be implemented in the Corridor. Tolling could be considered during the Tier 2 processes and would include the following factors:

- Effects of tolling on travel demand
- Public support
- Benefits to capacity and congestion management
- Revenue generation
- Incentives for local residents
- Tolling rates
- Flexibility in tolling requirements or exemptions for certain demographics
- Timing/user pricing

User pricing has received renewed interest as the cost of capacity improvements continues to exceed available funding. Many comments on the Revised Draft PEIS expressed support for tolling options to fund Corridor improvements. Colorado law allows for the tolling of new capacity as well as the tolling of existing capacity if supported by local communities. Tolls may be used for transit-related projects in the Corridor for which the toll or user fee is collected. Federal law requires interstate tolling be approved through established SAFETEA-LU pilot programs, details of which can be found online at http://ops.fhwa.dot.gov/tolling_pricing/index.htm.

Bonding/Loans

Private activity bonds are another potential funding source. Private activity bonds are federally tax-exempt bonds used to finance facilities used by private businesses. Interest on private activity bonds is excluded from gross income for federal income tax purposes if the bonds fall within certain defined categories.

The Transportation Infrastructure Finance and Innovation Act of 1998 established a federal credit program for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation may provide three forms of credit assistance: secured (direct) loans, loan guarantees, and standby lines of credit. The program’s fundamental goal is to leverage federal funds by attracting substantial private and other non-federal co-investment in critical improvements to the nation’s surface transportation system to accelerate credit-worthy projects of regional or national significance. No revenue from these sources is currently projected, but such sources may be investigated during Tier 2 processes.

Corridor-Specific Sources

Distinguished from the sources above, Corridor-specific sources are funding sources that apply to limited geographic areas. Geographic limitations are determined by the jurisdictions of local governments or by tax region. Funding sources could be implemented on a localized scale to fund specific projects or portions of projects within the jurisdiction from which the revenue was generated. Corridor-specific sources require voter approval, constitutional amendments, or both and could be considered during Tier 2 processes.