

# POLICY BRIEF



**COLORADO**  
Department of Transportation  
Office of Policy and Government Relations

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July 18, 2014

## PROGRAM and CASH MANAGEMENT OVERVIEW

### Summary

Recently, the Colorado Department of Transportation (CDOT) initiated changes to its program management and project financial processes in an effort to get funds out to construction sooner and improve the efficiency and effectiveness of some of the department's business practices. These changes come after months of review and analysis of CDOT's current practices as well as best practices from other states. Additionally, these changes enabled the department to move forward with the Responsible Acceleration of Maintenance and Partnerships (RAMP) program, which increases CDOT's project construction funding by \$300 million annually from 2013-2017.

### Background

In the past, CDOT would not advertise a project until all of the money was "in the bank," which meant the department saved money for projects over multiple years before construction began. While these funds were shown as "programmed" in CDOT's financial system, until the funds were actually expended, they were still accounted for in CDOT's cash balance total. In 1996 and 2000 the Office of the State Auditor flagged CDOT for the large amount of funds the department had in the bank—\$69 million and \$300 million respectively. In 2012, that cash balance grew substantially to \$1.5 billion opening the department up for further reproach. In fact, just this past spring other state agencies were publicly criticized by the legislature for having a *combined* cash balance of \$25 million—a relatively modest amount when compared to the \$1.5 billion CDOT has in the bank.

### Cash Management Overview

In 2006, CDOT instituted the use of SAP as the department's financial software with an eye on improving the business and financial practices, including the potential to change the way we budget and expend funds. Given these factors and the focus to become more efficient and effective, CDOT needed to rethink its approach to budgeting and expending funds.

Previously CDOT utilized a Revenue Based Budgeting approach meaning funds were only budgeted when the revenues came into the department. In addition to saving money over multiple years before construction could begin on a project, many projects would take multiple years to construct leaving money unspent for an even longer period of time.

Cash Management changes this practice by matching available cash revenue to cash expenditures—shifting CDOT to Expenditure Based Budgeting. This approach makes the most effective use of cash by assigning available funds to programmed projects as those projects are ready to proceed with construction. The



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goal of Cash Management is to more effectively manage resources enabling more projects to get to construction sooner.

## Program Management Overview

In order for the new Cash Management approach to be successful, CDOT needs to have the Program Management capability to mitigate risks as the department works toward delivering more projects on a more timely basis. In order to maximize the amount of construction CDOT can deliver, the department needs to have accurate and reliable projections of when cash will be expended, this in turn requires more accurate and reliable assessments of when the design and construction work will actually occur. To that end, CDOT has established an Office of Program Management reporting directly to the Chief Engineer and is in the process of selecting a Director for the Office. Additionally, CDOT is in the process of revising several processes including a greater focus on risk and portfolio management as well as program management structure and project change control. CDOT will be implementing a set of performance metrics that will support analysis of project performance and initiation of any necessary system or software changes.

## Benefits of Cash and Program Management

The benefits of this new approach include:

- Improved use of resources resulting in getting more out to construction sooner
- Provides greater statewide flexibility to shift available funds to projects ready to go, leading to realistic and achievable project delivery expectations
- Allows for programming/budgeting of projects based on future anticipated revenues rather than prior and current year revenues
- Promotes enhancement of a standardized statewide project prioritization process
- Uses CDOT's existing SAP system for implementation of Cash Management

## Timeline

Full implementation of these initiatives will take 12 - 18 months.

