



COLORADO
Department of Transportation
Division of Accounting and Finance

4201 East Arkansas Avenue, Room 262
Denver, CO 80222

TO: TRANSPORTATION COMMISSION
FROM: MARIA SOBOTA, CHIEF FINANCIAL OFFICER
DATE: FEBRUARY 17, 2016
SUBJECT: FY 2015-16 AMENDED BUDGET TOPICS (Current Fiscal Year)

Purpose

This memorandum summarizes information to be discussed during the February Transportation Commission (TC) budget workshop, including the following budget topics:

- Fixing America's Surface Transportation (FAST) Act
- Senate Bill (SB) 09-228 General Fund Transfer Forecasts
- FY 2015-16 Budget Implications

Action

The TC is being asked to review changes to the Amended FY 2015-16 Budget and provide the Division of Accounting and Finance (DAF) with guidance and input in preparation for the March 2016 TC meeting. The TC originally adopted this budget in March, 2015.

Important items for the TC to note and consider include:

- **National Highway Freight Program:** CDOT is due to receive roughly \$15.5 million in federal money in FY 2015-16 allocated for a new freight initiative introduced in the FAST Act. It establishes both discretionary grant and formula programs to fund critical transportation projects that would benefit freight movement.
- **Off-System Bridge:** There is an assumed increase to the dedicated federal funding source allocated for this program. As a result, the TC is being asked to consider reducing state flexible funds for this program in FY 2015-16 or combining state and federal resources to further increase the program.
- **Division of Transit and Rail (DTR):** The Governor's Office of State Planning and Budgeting (OSP) released updated SB 09-228 forecasts in December 2015. This new forecast calls for a full SB 09-228 transfer in FY 2015-16 of \$200.2 million, an increase from \$102.6 million above the original TC adopted FY 2015-16 budget. Per statute, DTR receives 10% of the transfer. The TC will need to consider, along with DTR, what projects to fund with the \$20.2 million due to DTR in FY 2015-16.



Introduction

The FY 2015-16 Budget was adopted in March 2015 and approved by the Governor in June 2015. However, DAF finds the results of the FAST Act to be substantial enough to provide an update to the TC. DAF is providing an updated FY 2015-16 Annual Budget that includes the new FAST revenues, the updated SB 09-228 General Fund transfer, and updated Aeronautics revenue.

Background & Details

Fixing America's Surface Transportation Act

On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation (FAST) Act. The FAST Act authorizes federal highway, transit, and rail programs for five years, from 2016 to 2020, and represents the first long-term comprehensive surface transportation legislation since 2005. The FAST Act is a \$300.0 billion highway, transit, highway safety, and rail bill. It provides approximately \$225.0 billion in contract authority over five years for the Federal-aid Highway program, increasing funding from \$41.0 billion in FY 2014-15 to \$47.0 billion in FY 2019-20. The bill continues to distribute nearly 93% of all Federal-aid Highway program contract authority to State DOTs through formula programs.

The FAST Act creates a new National Highway Freight program (approximately \$1.2 billion per year) that is distributed to states by formula, and creates a new discretionary program for Nationally Significant Freight and Highway Projects (approximately \$900 million a year). The Executive Management Team (EMT) will advise the Freight Advisory Council on potential allocations for this new program.

The FAST Act gradually increases the percentage of the Surface Transportation Program (STP) that is sub-allocated by population from 50% in FY 2014-15 to 55% in FY 2019-20. The bill also includes a \$7.6 billion rescission of unobligated Federal-aid Highway contract authority in FY 2019-20.

The FAST Act provides approximately \$61.0 billion over five years for federal transit programs including \$48.9 billion in Highway Trust Fund (HTF) contract authority and roughly \$12.0 billion in funding from the General Fund. For highway safety, the bill provides \$4.7 billion for National Highway Transportation Safety Administration (\$3.7 billion from the HTF) and \$3.2 billion for the Federal Motor Carrier Safety Administration. The FAST Act authorizes approximately \$10.0 billion over five years for the Federal Railroad Administration and Amtrak.

For Colorado, the FAST Act increases highway formula funding from \$516.0 million in FY 2014-15 to \$542.0 million in FY 2015-16, growing to \$592.0 million in FY 2019-20. On the transit side, funding increases from \$111.5 million in FY 2014-15 to \$114.6 million in FY 2015-16, growing to \$124.8 million in FY 2019-20.

Under the new FAST Act legislation, a National Freight Program has been added to the Federal funding programs. An additional line item in the One Sheet budget (see Attachment A, line 56) has been added to reflect this new funding program. The Bridge Off-System funding has also increased significantly. Department staff recommends allocating the additional \$3.0 million of the TC directed Bridge Off-System funds to the Transportation Commission Contingency (Line 103). This \$3.0 million is in addition to a \$2.0



million adjustment to revenue because of a change in how DAF now recognizes the HPTE fee-for-service in the CDOT Budget.

FAST Act Budget Implications

As a result of the FAST Act, the following line items have increased/(decreased) on the Amended FY 2016-17 Annual Budget (see Attachment A):

- Highway Safety Improvement Program (Line 18)
- Railway-Highway Crossing Program (Line 19)
- Freight Program (Line 56)
- DTD Planning and Research - SPR (Line 64)
- Transportation Alternatives Program (Line 77)
- STP - Metro (Line 78)
- Congestion Mitigation/Air Quality (Line 79)
- Metropolitan Planning (Line 80)
- Bridge Off-System - TC Directed (Line 81)
- Bridge Off-System - Federal Program (Line 82)
- Federal Transit (Line 85)
- TC Contingency (Line 103)

Senate Bill 09-228 General Fund Transfer Forecasts

Both the Office of State Planning and Budgeting (OSPB) and Legislative Council Services (LCS) released revised quarterly economic forecasts in December 2015:

- OSPB and LCS are now both projecting similar Senate Bill (SB) 09-228 General Fund transfers in FY 2015-16 and FY 2016-17 (see Table 1 below). Both OSPB (\$200.2 million) and LCS (\$199.5 million) are projecting a full transfer in FY 2015-16 and a 50% transfer in FY 2016-17 (\$106.8 million for OSPB and \$106.1 million for LCS). Both OSPB and LCS forecast that SB 09-228 General Fund transfers will be eliminated in FY 2017-18.
- The FY 2015-16 Annual Budget as adopted by the TC included a SB 09-228 projected transfer of \$102.6 million. The FY 2016-17 Draft Budget as adopted by the TC in November included a zero transfer reflecting the amount in the previous forecast issued in September 2015. Both Budgets have been revised to reflect the amounts that OSPB projected in December 2015.
- The changes reflected in the amended FY 2015-16 and in the FY 2016-17 budgets are included in the table below:

Table 1: December 2015 Economic Forecasts

December 2015 Forecasts (in millions)			
	FY 2015-16	FY 2016-17	FY 2017-18
OSPB	\$200.2	\$106.8	\$0.0
LCS	\$199.5	\$106.1	\$0.0



January 2016 Quarterly Revenue Forecast

The FY 2015-16 Annual Budget was created using an annual revenue forecast that was created in March 2015. In prior years, DAF annually reconciled the original revenue forecast to the full fiscal year revenues received. At year-end, Department staff would make recommendations to the TC to distribute surplus revenue.

DAF now updates revenue forecasts quarterly for the current and future fiscal years and compares the newest forecast to the one used to produce the Annual Budget. Department staff is currently analyzing the most recent quarterly revenue forecast and will provide information to the TC in upcoming months.

Division of Aeronautics Revenue

In March 2015, jet fuel sold for \$1.77 per gallon. In January 2016, jet fuel sold for \$1.08 per gallon. The Division of Aeronautics main source of revenue is an ad valorem tax of 2.9% of each gallon of jet fuel sold at all Colorado airports, which causes extreme fluctuation in revenue as oil price volatility has increased since 2015. Due to the subsequent significant decrease in oil prices and jet fuel prices, the January 2016 forecast for FY 2015-16 Aeronautics revenue is significantly lower than the one produced in March 2015 and used in the adopted FY 2015-16 Annual Budget. Expected Aeronautics revenue for FY 2015-16 is expected to be \$19.4 million, a decrease from \$30.0 million.

HPTE Fee for Service

One final addition to the FY 2015-16 Annual Budget is the HPTE Fee for Service line item (line 66). This line item was not originally reflected on the adopted FY 2015-16 Annual Budget, but CDOT did pay HPTE a \$2 million Fee for Service for FY 2015-16. HPTE and CDOT are currently evaluating the existing fee-for-service model, which may impact the amount of this payment in future years.

Key Benefits

The TC will be able to review the updated FY 2015-16 Annual Budget, and be asked to provide its initial thoughts and recommendations to DAF before the TC amends a final FY 2015-16 Annual Budget in March 2016.

Options and Recommendations

The TC is being asked to review and comment on changes to the FY 2015-16 Amended Annual Budget.

Next Steps

In March 2016, DAF will provide the TC with an updated FY 2015-16 Amended Annual Budget based on questions and/or further policy updates. The TC will be asked to adopt the amended budget.

Attachments

Attachment A: FY 2015-16 FAST Act Amended Budget Comparison



**Attachment A: Colorado Department of Transportation
Fiscal Year 2015-16 Adopted Budget FAST Act Amended Budget Comparison**

	Budget Category	Program Area	Directed by	TC Approved FY2016 Budget Allocations (MAP-21)	Amended FY2016 Budget Allocations (FAST Act)	MAP-21 vs FAST Act Increase/(Decrease)	Funding Source
1	Maintain - Maintaining What We Have			A	B	B-A	
2		CDOT Performed Work					
3		Roadway Surface	TC	39,075,453	39,075,453	-	SH
4		Roadside Facilities	TC	20,162,777	20,162,777	-	SH
5		Roadside Appearance	TC	7,805,488	7,805,488	-	SH
6		Structure Maintenance	TC	8,556,025	8,556,025	-	SH
7		Tunnel Activities	TC	6,908,508	6,908,508	-	SH
8		Snow and Ice Control	TC	73,350,077	73,350,077	-	SH
9		Traffic Services	TC	67,707,695	67,707,695	-	SH
10		Planning and Scheduling	TC	14,870,563	14,870,563	-	SH
11		Material, Equipment and Buildings	TC	15,963,414	15,963,414	-	SH
12				254,400,000	254,400,000		
13		Contracted Out Work					
14		Surface Treatment /1 /2	TC	149,500,000	149,500,000	-	FHWA/ SH/
15		Structures On-System Construction /1 /2	TC	22,300,000	22,300,000	-	FHWA/ SH/ 09-108
16		Structures Inspection and Management /1 /2	TC	8,400,000	8,400,000	-	SH/09-108
17		Geohazards Mitigation /1	TC	5,100,000	5,100,000	-	09-108
18		Highway Safety Improvement Program	FR	29,154,151	28,417,776	(736,375)	FHWA / SH
19		Railway-Highway Crossings Program	FR	3,150,245	5,090,320	1,940,075	FHWA / SH
20		Hot Spots	TC	2,167,154	2,167,154	-	FHWA / SH
21		Traffic Signals /1 /2	TC	1,472,823	1,472,823	-	FHWA/ SH/ 09-108
22		FASTER - Safety Projects	TC	56,300,000	56,300,000	-	09-108
23		Permanent Water Quality Mitigation	TC	-	-	-	FHWA / SH
24		Maintain-Related Indirects/Overhead /2					-
25		Maintain-Related CDOT Construction Engineering /2					-
26				277,544,373	278,748,073	1,203,700	
27		Capital Expenditure					
28		Road Equipment /1 /2	TC	11,500,000	11,500,000	-	SH
29		Capitalized Operating Equipment	TC	3,448,525	3,448,525	-	SH
30		Property /1 /2	TC	1,011,722	1,011,722	-	SH
31				15,960,247	15,960,247		
32			Total:	547,904,620	549,108,320	1,203,700	
33	Maximize - Safely Making the Most of What We Have						
34		CDOT Performed Work					
35		TSM&O: Performance Programs and Services	TC	6,107,619	6,107,619	-	SH
36		TSM&O Traffic Incident Management	TC	-	-	-	SH
37		TSM&O: ITS Maintenance /1	TC	14,400,000	14,400,000	-	SH / 09-108
38				20,507,619	20,507,619		
39		Contracted Out Work					
40		Safety Education	Comb	11,090,000	11,090,000	-	NHTSA / SSE
41		TSM&O: Congestion Relief	TC	4,000,000	4,000,000	-	FHWA / SH
42		Regional Priority Program	TC	50,000,000	50,000,000	-	FHWA / SH
43		Road X	TC	-	-	-	-
44		Maximize-Related Indirect/Overhead /2					-
45		Maximize-Related CDOT Construction Engineering /2					-
46				65,090,000	65,090,000		
47		Capital Expenditure					
48		TSM&O: ITS Investments	TC	10,000,000	10,000,000	-	FHWA / SH
49				10,000,000	10,000,000		
50			Total:	95,597,619	95,597,619		
51	Expand - Increasing Capacity						
52		CDOT Performed Work					
53							
54		Contracted Out Work					
55		Strategic Projects	SL	92,340,000	180,180,000	87,840,000	09-228
56		Freight Program	FR	-	17,703,513	17,703,513	FHWA / SH
57		Expand-Related Indirect /2		-	-	-	-
58		Expand-Related CDOT Construction Engineering /2		-	-	-	-
59				92,340,000	197,883,513	105,543,513	
60			Total:	92,340,000	197,883,513	105,543,513	
61	Deliver - Program Delivery/Administration						
62		Operations [including maintenance support]	TC	31,123,151	31,123,151	-	SH
63		Projects Initiatives	TC	1,855,000	1,855,000	-	FHWA / SH
64		DTD Planning and Research - SPR	FR	12,711,092	12,914,112	203,020	FHWA / SH
65		Administration (Appropriated)	SL	29,037,385	29,037,385	-	SH
66		HPTE Fee for Service	TC	-	2,000,000	2,000,000	SH
67		FY2016 Common Policy Anticipated Salary Increase		2,005,647	2,005,647	-	-
68			Total:	76,732,275	78,935,295	2,203,020	
69	Pass-Through Funds/Multi-modal Grants						
70		Aeronautics					
71		Division of Aeronautics to Airports	AB	29,100,000	18,544,747	(10,555,253)	SA
72		Division of Aeronautics Administration	AB	900,000	900,000	-	SA
73				30,000,000	19,444,747	(10,555,253)	
74		Highway					
75		Recreational Trails	FR	1,591,652	1,591,652	-	FHWA
76		Safe Routes to School	TC	-	-	-	FHWA
77		Transportation Alternatives Program	FR	12,045,642	12,277,579	231,937	FHWA / LOC
78		STP-Metro	FR	46,972,177	49,563,424	2,591,247	FHWA / LOC
79		Congestion Mitigation/Air Quality	FR	45,539,598	47,294,545	1,754,947	FHWA / LOC
80		Metropolitan Planning	FR	7,829,342	8,215,870	386,528	FHWA / FTA / LOC
81		Bridge Off-System - TC Directed	TC	3,164,139	-	(3,164,139)	FHWA / SH / LOC
82		Bridge Off-System - Federal Program	FR	6,285,272	11,863,829	5,578,557	FHWA / SH / LOC
83				123,427,822	130,806,899	7,379,077	
84		Transit					
85		Federal Transit	FR	29,236,280	28,139,127	(1,097,153)	FTA / LOC
86		Strategic Projects - Transit	SL	10,260,000	20,020,000	9,760,000	09-228
87		Transit and Rail Local Grants	SL	5,000,000	5,000,000	-	09-108
88		Transit and Rail Statewide Grants	TC	5,800,000	5,800,000	-	09-108
89		Bustang	TC	3,000,000	3,000,000	-	09-108
90		Transit Administration and Operations	TC	1,200,000	1,200,000	-	FTA / 09-108
91				54,496,280	63,159,127	8,662,847	
92		Infrastructure Bank					
93		Infrastructure Bank	TC	500,000	500,000	-	SIB
94			Total:	208,424,102	213,910,773	5,486,671	
95	Transportation Commission Contingency / Debt Service						
96		Permanent Recovery					
97		Permanent Recovery		174,500,000	174,500,000	-	FHWA
98		Recovery-Related Indirect/Overhead /2					-
99		Recovery-Related CDOT Construction Engineering /2					-
100				174,500,000	174,500,000		
101		Contingency					
102		TC Contingency	TC	1,972,914	7,050,472	5,077,558	FHWA / SH
103		Snow & Ice Reserve	TC	10,000,000	10,000,000	-	SH
104				11,972,914	17,050,472	5,077,558	
105		Debt Service					
106		Strategic Projects - Debt Service	DS	167,840,075	167,840,075	-	FHWA / SH
107		Certificates of Participation-Property	DS	2,362,200	2,362,200	-	SH
108		Certificates of Participation-Energy	DS	1,041,850	1,041,850	-	SH
109				171,244,125	171,244,125		
110			Total:	357,717,039	362,794,597	5,077,558	
111			Total:	1,378,715,655	1,498,230,117	119,514,462	

Revenue **1,378,715,655** **1,498,230,117** **119,514,462**

/1 FASTER Safety funds (\$40.0M) were substituted for flexible funds in appropriate Asset Management Programs. Resulting available flexible funds were then added to Regional Priority Program.

/2 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Flexible Funds

Key to acronyms:

LOC=Local Matching Funds
SIB=St. Infrastructure Bank Interest
TC=Transportation Commission
DS= Debt Service Covenants
AB=Aeronautics Board
FR=Federal Requirements
SH=State Highway funding
FHWA=Federal Highway Administration
FTA=Federal Transit Administration
SL=State Legislation
Comb=Combination
SSE=State Safety Education

**State Bridge Enterprise
Fiscal Year 2015-16 Adopted Budget FAST Act Amended Budget Comparison**

	Budget Category	Program Area	Directed by	TC Approved FY2016 Budget Allocations (MAP-21)	Amended FY2016 Budget Allocations (FAST Act)	Over (Under) MAP-21 vs FAST Act	Funding Source
				A	B	A - B	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Contracted Out Work					
4		Maintenance	BEB	250,000	250,000	-	09-108
5		Scoping Pools	BEB	750,000	750,000	-	09-108
6				1,000,000	1,000,000	-	
7		Contracted Out Work					
8		Bridge Enterprise Projects	BEB	102,954,096	102,954,096	-	09-108
9		Maintain-Related Indirects/Overhead /1					
10		Maintain-Related CDOT Construction Engineering /1					
11				102,954,096	102,954,096	-	
			Total	103,954,096	103,954,096	-	
12	Maximize - Safely Making the Most of What We Have						
13		CDOT Performed Work					
14		Contracted Out Work					
15			Total	-	-	-	
16	Expand - Increasing Capacity						
17		CDOT Performed Work					
18		Contracted Out Work					
19			Total	-	-	-	
20	Deliver - Program Delivery/Administration						
21		Administration and Legal Fees		1,911,904	1,911,904	-	09-108
22			Total	1,911,904	1,911,904	-	
23	Pass-Through Funds/Multi-modal Grants						
24		Highway					
25			Total	-	-	-	
26	Transportation Commission Contingency / Debt Service						
27		Contingency					
28		Bridge Enterprise - Contingency	BEB	-	-	-	09-108
29							
30		Debt Service					
31		Bridge Enterprise - Debt Service	DS	18,234,000	18,234,000	-	FHWA / SH
32				18,234,000	18,234,000	-	
33			Total	18,234,000	18,234,000	-	
				124,100,000	124,100,000	-	

/1 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Revenue **124,100,000** **124,100,000** **-**

Key to acronyms:

BEB= Bridge Enterprise Board
DS= Debt Service Covenants

**High Performance Transportation Enterprise
Fiscal Year 2015-16 Adopted Budget FAST Act Amended Budget Comparison**

	Budget Category	Program Area	Directed by	TC Approved FY2016 Budget Allocations (MAP-21)	Amended FY2016 Budget Allocations (FAST Act)	Over (Under) MAP-21 vs FAST Act	Funding Source
				A	B	A - B	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Contracted Out Work					
4			Total	-	-	-	
5	Maximize - Safely Making the Most of What We Have						
6		CDOT Performed Work					
7		Contracted Out Work					
8			Total	-	-	-	
9	Expand - Increasing Capacity						
10		CDOT Performed Work					
11		High Performance Transportation Enterprise--Maintenance	HPTEB	-	-	-	Tolls/Managed Lanes Revenue
12							Tolls/Managed Lanes
13		Contracted Out Work					
14		High Performance Transportation Enterprise--Projects	HPTEB	575,000	575,000	-	Tolls/Managed Lanes
15		Expand-Related Indirect /1					
16		Expand-Related CDOT Construction Engineering /1					
17				575,000	575,000	-	Tolls/Managed Lanes Revenue
18			Total	575,000	575,000	-	
19	Deliver - Program Delivery/Administration						
20		High Performance Transportation Enterprise--Administration and Legal Fees		1,249,148	1,249,148	-	Fee for Service
21			Total	1,249,148	1,249,148	-	
22	Pass-Through Funds/Multi-modal Grants						
23		Highway					
24			Total	-	-	-	
25	Transportation Commission Contingency / Debt Service						
26		Contingency					
27		Debt Service		750,852	750,852	-	Fee for Service
28			Total	750,852	750,852	-	
				2,575,000	2,575,000	-	

/1 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Revenue **2,575,000** **2,575,000** **-**

Key to acronyms:

HPTEB=High Performance Transportation Enterprise Board

HPTE Fee For Service Revenue & Allocation Adjustment

Total Consolidated Allocations	1,505,390,655	1,624,905,117	119,514,462
Total Consolidated Revenue	1,505,390,655	1,624,905,117	119,514,462



COLORADO
Department of Transportation
Division of Accounting and Finance

4201 East Arkansas Avenue, Room 262
Denver, CO 80222

MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: MARIA SOBOTA, CHIEF FINANCIAL OFFICER
DATE: FEBRUARY 17, 2016
SUBJECT: FY 2016-17 BUDGET TOPICS (Next Fiscal Year)

Purpose

This memorandum summarizes information to be discussed during the February 2016 Transportation Commission (TC) budget workshop including the following budget topics:

- Fixing America's Surface Transportation (FAST) Act
- Senate Bill (SB) 09-228 General Fund Transfer Forecasts
- FY 2016-17 Annual Budget

Action

The TC is being asked to review and comment on changes to the FY 2016-17 Annual Budget and provide the Division of Accounting and Finance (DAF) with guidance and input in preparation for the March 2016 TC meeting.

Important items for the TC to note and consider include:

- **National Highway Freight Program:** CDOT is due to receive roughly \$14.9 million in federal money in FY 2016-17 allocated for a new freight initiative introduced in the FAST Act. It establishes both discretionary grant and formula programs to fund critical transportation projects that would benefit freight movement.
- **Off-System Bridge:** There is an assumed increase to the dedicated federal funding source allocated for this program. As a result, the TC will need to consider reducing state flexible funds for this program in FY 2016-17 or combining state and federal resources to further increase the program.
- **Senate Bill 09-228:** The Office of State Planning and Budget (OSPB) released updated SB 09-228 forecasts in December 2015. This new forecast calls for a half SB 09-228 transfer for FY 2016-17 of \$106.8 million. Per statute, the Division of Transit and Rail (DTR) will receive 10% of SB 09-228 transfers. The FY2016-17 Draft Budget adopted by the TC in November included a zero transfer based on the economic forecast issued by OSPB in September 2015. The revised FY 2016-17 Budget includes the transfer. Over the next several months, Department staff will review recommendations with the TC regarding possible projects.



Background & Details

Fixing America's Surface Transportation Act

Please refer to the FAST Act description in the FY 2015-16 Budget Topics memo for more information on the FAST Act.

FAST Act Budget Implications

As a result of the FAST Act, the following line items have increased/(decreased) on the FY 2016-17 Annual Budget (see Attachment A):

- Highway Safety Improvement Program (Line 18)
- Railway-Highway Crossing Program (Line 19)
- Freight Program (Line 56)
- DTD Planning and Research - SPR (Line 64)
- Transportation Alternatives Program (Line 77)
- STP - Metro (Line 78)
- Congestion Mitigation/Air Quality (Line 79)
- Metropolitan Planning (Line 80)
- Bridge Off-System - TC Directed (Line 81)
- Bridge Off-System - Federal Program (Line 82)
- Federal Transit (Line 85)
- TC Contingency (Line 103)

Senate Bill 09-228 General Fund Transfer Forecasts

Both the Office of State Planning and Budgeting (OSPB) and Legislative Council Services (LCS) released revised quarterly economic forecasts in December 2015:

- OSPB and LCS are now both projecting similar Senate Bill (SB) 09-228 General Fund transfers in FY 2015-16 and FY 2016-17 (see Table 1 below). Both OSPB (\$200.2 million) and LCS (\$199.5 million) are projecting a full transfer in FY 2015-16 and a half transfer in FY 2016-17 (\$106.8 million for OSPB and \$106.1 million for LCS). Both OSPB and LCS forecast that SB 09-228 General Fund transfers will be eliminated in FY 2017-18.
- The FY 2015-16 Annual Budget as adopted by the TC included an SB-228 projected transfer of \$102.6 million. The FY 2016-17 Draft Budget as adopted by the TC in November included a zero transfer reflecting the amount in the previous forecast issued in September 2015. Both Budgets have been revised to reflect the amounts that OSPB projected in December 2015.
- The changes reflected in the amended FY 2015-16 and in the FY 2016-17 budgets are included in the table below:



Table 1: December 2015 Economic Forecasts

December 2015 Forecasts (in millions)			
	FY 2015-16	FY 2016-17	FY 2017-18
OSP	\$200.2	\$106.8	\$0.0
LCS	\$199.5	\$106.1	\$0.0

January 2016 Quarterly Revenue Forecast

In November 2015, the TC adopted a Draft FY 2016-17 Annual Budget, which was produced using a revenue forecast from September 2015. DAF prepared a January revenue forecast and Department staff is currently evaluating its impacts to the FY 2016-17 Annual budget and will provide information regarding any substantial changes from the November forecast to the TC the upcoming months.

Division of Aeronautics Revenue

In March 2015, jet fuel sold for \$1.77 per gallon. In January 2016, jet fuel sold for \$1.08 per gallon. The Division of Aeronautics main source of revenue is an ad valorem tax of 2.9% of each gallon of jet fuel sold at all Colorado airports, which causes extreme fluctuation in revenue as oil price volatility has increased since 2015. Due to the subsequent significant decrease in oil prices and jet fuel prices, the January 2016 forecast for FY 2016-17 Aeronautics revenue is significantly lower than the one produced in September 2015 and used in the Draft FY 2016-17 Annual Budget. Expected Aeronautics revenue for FY 2016-17 is expected to be \$17.8 million, a decrease from \$25.0 million.

FY 2016-17 Budget Implications

Due to the increased federal revenues as a result of the FAST Act and the significant decrease in Aeronautics revenue forecast from September, DAF has provided the TC a revised Draft Final FY 2016-17 Annual Budget. DAF is seeking comments and recommendations on this Draft Final Annual Budget. In March, the TC will be asked to adopt the Final FY 2016-17 Annual Budget prior to CDOT’s submission to OSPB by April 15, 2016. DAF respectfully asks the TC to comment on the following:

- Increased Federal revenue allocation from the FAST Act.
- Increased SB 09-228 transfer of \$106.8 million from the original expected transfer of zero (Attachment A Line 55 plus Line 86).

Budget amounts for the FY 2016-17 Annual Budget are based initially on CDOT’s revenue model and asset management plan. Unlike TC-directed programs, programs that receive dedicated revenues (the revenues obtained for a particular program) must be allocated to that program and are based on the final FY 2016-17 revenue estimates.



The following criteria were used to allocate program funds for the Department's proposed FY 2016-17 Annual Budget:

- All revenue specific to a program (i.e. FAST Act and State programs such as Safety Education and Aeronautics) were automatically adjusted based on the updated FY 2016-17 revenue estimate.
- All other programs were based on the FY 2015-16 budget amounts as adopted by the TC in November 2015.

As discussed during the November 2015 Budget Workshop, the following TC directed recommendations were included in the FY 2016-17 Draft Budget:

- The FY 2016-17 total Asset Management budget, including Maintenance Levels of Service (MLOS), totals \$587.5 million. In FY 2016-17, \$39.0 million of Trans Bond funding was re-allocated to Asset Management as directed by the TC in Program Distribution dated February 2014. Maintaining current infrastructure is one of CDOT's primary missions.
- Permanent Recovery funding from FHWA was reflected to decrease in FY 2016-17 from FY 2015-16 by \$47.1 million
- The Safe Routes to Schools program was included in the budget at a level of \$2.5 million for FY 2016-17.
- An HPTE "Fee-for-Service" charge of \$2.08 million was budgeted by CDOT in FY 2016-17.

The following changes have been made to the updated FY 2016-17 Annual Budget:

- National Freight Program (Attachment A, line 56) has been added in order to comply with Federal regulations.
- The TC Contingency (Attachment A, line 103) has been reduced to \$15.4 million. This change reflects the State Highway Fund match corresponding to the additional and increases to federal programs as outlined in the FAST Act.
- The total Department budget (including the Enterprises) is \$1.513 billion, representing a net decrease from the amended FY 2015-16 budget of \$112.3 million, or 7.5%. The decrease can be attributed to SB 09-228 forecasts.

Additionally, the HPTE Debt Service allocation has been removed from the HPTE Budget. As discussed at the TC Meeting in January 2016, HPTE has asked for flexibility to determine how and when it will be repaying its TC debt in subsequent fiscal years. As the plan is developed, information will be provided to the TC.

Key Benefits

The TC has an opportunity review changes to the FY 2016-17 budget and provide initial thoughts to DAF on the budget changes reflected in this memorandum. Department staff will incorporate final recommendations provided by the TC into Final FY 2016-17 Annual Budget.

Options and Recommendations

The TC is being asked to review the updated FY 2016-17 Annual Budget and provide recommendations in preparation for the March 2016 TC meeting.



Next Steps

In March 2016, DAF will provide the TC with a Final FY 2016-17 Annual Budget including changes recommended by the TC during the February 2016 workshop. In March, the TC will be asked to adopt the FY 2016-17 Annual Budget prior to submission to the Governor for approval on or before April 15, 2016.

Attachments

Attachment A: Proposed Final FY2016-17 Annual Budget



**Attachment A: Colorado Department of Transportation
Fiscal Year 2016-17 Proposed Budget Allocations Comparison**

1	Budget Category	Program Area	Directed by	FY2017 Draft	FY2017	Difference	Funding Source
				Allocations	Allocations		
				(November 2015)	(February 2016)		
				A	B	B-A	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Roadway Surface	TC	39,207,301	39,207,301	-	SH
4		Roadside Facilities	TC	22,031,593	22,031,593	-	SH
5		Roadside Appearance	TC	8,582,670	8,582,670	-	SH
6		Structure Maintenance	TC	12,206,661	12,206,661	-	SH
7		Tunnel Activities	TC	7,181,237	7,181,237	-	SH
8		Snow and Ice Control	TC	76,064,129	76,064,129	-	SH
9		Traffic Services	TC	66,254,514	66,254,514	-	SH
10		Planning and Scheduling	TC	15,584,857	15,584,857	-	SH
11		Material, Equipment and Buildings	TC	15,487,037	15,487,037	-	SH
12				262,600,000	262,600,000	-	
13		Contracted Out Work					
14		Surface Treatment /1 /2	TC	145,125,000	145,125,000	-	FHWA/ SH/
15		Structures On-System Construction /1 /2	TC	31,268,000	31,268,000	-	FHWA/ SH/ 09-108: \$7.6M
16		Structures Inspection and Management /1 /2	TC	4,532,000	4,532,000	-	SH/09-108: \$3.5M
17		Geohazards Mitigation /1	TC	10,000,000	10,000,000	-	09-108: \$10.0M
18		Highway Safety Improvement Program	FR	30,504,717	30,293,460	(211,257)	FHWA / SH
19		Railway-Highway Crossings Program	FR	3,282,636	3,275,208	(7,428)	FHWA / SH
20		Hot Spots	TC	2,167,154	2,167,154	-	FHWA / SH
21		Traffic Signals /1 /2	TC	11,200,000	11,200,000	-	FHWA/ SH/ 09-108: \$9.4M
22		FASTER - Safety Projects	TC	57,851,157	57,851,157	-	09-108
23		Permanent Water Quality Mitigation	TC	6,500,000	6,500,000	-	FHWA / SH
24		Maintain-Related Indirects/Overhead /2				-	
25		Maintain-Related CDOT Construction Engineering /2				-	
26				302,430,664	302,211,979	(218,685)	
27		Capital Expenditure					
28		Road Equipment /1 /2	TC	-	-	-	SH
29		Capitalized Operating Equipment	TC	3,760,247	3,760,247	-	SH
30		Property /1 /2	TC	10,000,000	10,000,000	-	SH
31				13,760,247	13,760,247	-	
32			Total:	578,790,911	578,572,226	(218,685)	
33	Maximize - Safely Making the Most of What We Have						
34		CDOT Performed Work					
35		TSM&O: Performance Programs and Services	TC	607,619	607,619	-	SH
36		TSM&O Traffic Incident Management	TC	1,989,156	1,989,156	-	SH
37		TSM&O: ITS Maintenance /1	TC	27,100,000	27,100,000	-	SH / 09-108: \$9.5M
38				29,696,775	29,696,775	-	
39		Contracted Out Work					
40		Safety Education	Comb	12,973,628	12,973,628	-	NHTSA / SSE
41		TSM&O: Congestion Relief	TC	4,750,000	4,750,000	-	FHWA / SH
42		Regional Priority Program	TC	48,609,000	48,609,000	-	FHWA / SH
43		Road X	TC	12,096,525	12,096,525	-	FHWA / SH
44		Maximize-Related Indirect/Overhead /2				-	
45		Maximize-Related CDOT Construction Engineering /2				-	
46				78,429,153	78,429,153	-	
47		Capital Expenditure					
48		TSM&O: ITS Investments	TC	10,000,000	10,000,000	-	FHWA / SH
49				10,000,000	10,000,000	-	
50			Total:	118,125,928	118,125,928	-	
51	Expand - Increasing Capacity						
52		CDOT Performed Work					
53							
54		Contracted Out Work					
55		Strategic Projects	SL	-	96,120,000	96,120,000	09-228
56		National Freight Program	FR	-	16,614,829	16,614,829	FHWA / SH
57		Expand-Related Indirect /2				-	
58		Expand-Related CDOT Construction Engineering /2				-	
59				-	112,734,829	112,734,829	
60			Total:	-	112,734,829	112,734,829	
61	Deliver - Program Delivery/Administration						
62		Operations [including maintenance support]	TC	32,738,361	32,738,361	-	SH
63		Projects Initiatives	TC	1,855,000	1,855,000	-	FHWA / SH
64		DTD Planning and Research - SPR	FR	13,283,014	13,251,519	(31,495)	FHWA / SH
65		Administration (Appropriated)	SL	30,011,073	30,011,073	-	SH
66		HPTE Fee for Service	TC	2,080,000	2,080,000	-	SH
67		FY2016 Common Policy Anticipated Salary Increase		-	-	-	
68			Total:	79,967,448	79,935,953	(31,495)	
69	Pass-Through Funds/Multi-modal Grants						
70		Aeronautics					
71		Division of Aeronautics to Airports	AB	23,991,181	16,723,097	(7,268,084)	SA
72		Division of Aeronautics Administration	AB	1,050,000	1,050,000	-	SA
73				25,041,181	17,773,097	(7,268,084)	
74		Highway					
75		Recreational Trails	FR	1,591,652	1,591,652	-	FHWA
76		Safe Routes to School	TC	2,500,000	2,500,000	-	FHWA
77		Transportation Alternatives Program	FR	12,045,395	12,021,174	(24,221)	FHWA / LOC
78		STP-Metro	FR	49,134,550	49,955,022	820,472	FHWA / LOC
79		Congestion Mitigation/Air Quality	FR	45,994,306	47,411,168	1,416,862	FHWA / LOC
80		Metropolitan Planning	FR	8,150,505	8,263,775	113,270	FHWA / FTA / LOC
81		Bridge Off-System - TC Directed	TC	3,164,139	-	(3,164,139)	FHWA / SH / LOC
82		Bridge Off-System - Federal Program	FR	6,285,161	11,616,065	5,330,904	FHWA / SH / LOC
83				128,865,708	133,358,856	4,493,148	
84		Transit					
85		Federal Transit	FR	29,621,237	28,725,739	(895,498)	FTA / LOC
86		Strategic Projects - Transit	SL	-	10,680,000	10,680,000	09-228
87		Transit and Rail Local Grants	SL	5,000,000	5,000,000	-	09-108
88		Transit and Rail Statewide Grants	TC	5,800,000	5,800,000	-	09-108
89		Bustang	TC	3,000,000	3,000,000	-	09-108
90		Transit Administration and Operations	TC	1,200,000	1,200,000	-	FTA / 09-108
91				44,621,237	54,405,739	9,784,502	
92		Infrastructure Bank					
93		Infrastructure Bank	TC	420,804	420,804	-	SIB
94			Total:	198,948,930	205,958,496	7,009,566	
95	Transportation Commission Contingency / Debt Service						
96		Permanent Recovery					
97		Permanent Recovery		127,400,000	127,400,000	-	FHWA
98		Recovery-Related Indirect/Overhead /2				-	
99		Recovery-Related CDOT Construction Engineering /2				-	
100				127,400,000	127,400,000	-	
101		Contingency					
102		TC Contingency	TC	25,000,000	17,379,159	(7,620,841)	FHWA / SH
103		Snow & Ice Reserve	TC	10,000,000	10,000,000	-	SH
104				35,000,000	27,379,159	(7,620,841)	
105		Debt Service					
106		Strategic Projects - Debt Service	DS	128,869,125	128,869,125	-	FHWA / SH
107		Certificates of Participation-Property	DS	2,364,664	2,364,664	-	SH
108		Certificates of Participation-Energy	DS	993,850	993,850	-	SH
109				132,227,639	132,227,639	-	
110			Total:	294,627,639	287,006,798	(7,620,841)	
111				1,270,460,856	1,382,334,230	111,873,374	

Revenue 1,270,460,856 1,382,334,230 111,873,374

/1 FASTER Safety funds (\$40.0M) were substituted for flexible funds in appropriate Asset Management Programs. Resulting available flexible funds were then added to Regional Priority Program.

/2 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Flexible Funds

Key to acronyms:

LOC=Loc DS= Debt Service Covenants
SIB=St. AB=Aeronautics Board
TC=Trans FR=Federal Requirements

SH=State Highway funding
FHWA=Federal Highway
FTA=Federal Transit

SL=State Legislation
Comb=Combination
SSE=State Safety Education

09-228=Funds from HB 09-228
09-108=Funds from HB 09-108 (FASTER)
NHTSA=Nat. Hwy. Traffic Safety Administration

**State Bridge Enterprise
Fiscal Year 2016-17 Proposed Budget Allocations Comparison**

	Budget Category	Program Area	Directed by	FY2017 Draft Allocations (November 2015)	FY2017 Allocations (February 2016)	Difference	Funding Source
				A	B	B-A	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Contracted Out Work					
4		Maintenance	BEB	250,000	250,000	-	09-108
5		Scoping Pools	BEB	300,000	300,000	-	09-108
6				550,000	550,000	-	
7		Contracted Out Work					
8		Bridge Enterprise Projects	BEB	105,904,096	105,904,096	-	09-108
9		Maintain-Related Indirects/Overhead /1					
10		Maintain-Related CDOT Construction Engineering /1					
11			Total	105,904,096	105,904,096	-	
12	Maximize - Safely Making the Most of What We Have						
13		CDOT Performed Work					
14		Contracted Out Work					
15			Total	-	-	-	
16	Expand - Increasing Capacity						
17		CDOT Performed Work					
18		Contracted Out Work					
19			Total	-	-	-	
20	Deliver - Program Delivery/Administration						
21		Administration and Legal Fees		1,911,904	1,911,904	-	09-108
22			Total:	1,911,904	1,911,904	-	
23	Pass-Through Funds/Multi-modal Grants						
24		Highway					
25			Total:	-	-	-	
26	Transportation Commission Contingency / Debt Service						
27		Contingency					
28		Bridge Enterprise - Contingency	BEB	-	-	-	09-108
29							
30		Debt Service					
31		Bridge Enterprise - Debt Service	DS	18,234,000	18,234,000	-	FHWA / SH
32				18,234,000	18,234,000	-	
33			Total:	18,234,000	18,234,000	-	
				126,600,000	126,600,000	-	

/1 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Revenue **126,600,000** **126,600,000** **-**

Key to acronyms:
BEB= Bridge Enterprise Board
DS= Debt Service Covenants

**High Performance Transportation Enterprise
Fiscal Year 2016-17 Proposed Budget Allocations Comparison**

	Budget Category	Program Area	Directed by	FY2017 Draft Allocations (November 2015)	FY2017 Allocations (February 2016)	Difference	Funding Source
				A	B	B-A	
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3		Contracted Out Work					
4			Total	-	-	-	
5	Maximize - Safely Making the Most of What We Have						
6		CDOT Performed Work					
7		Contracted Out Work					
8			Total	-	-	-	
9	Expand - Increasing Capacity						
10		CDOT Performed Work					
11		High Performance Transportation Enterprise--Maintenance	HPTEB	-	-	-	Tolls/Managed Lanes Revenue
12							Tolls/Managed Lanes Revenue
13		Contracted Out Work					
14		High Performance Transportation Enterprise--Projects	HPTEB	5,636,702	5,636,702	-	Tolls/Managed Lanes Revenue
15		Expand-Related Indirect /1					
16		Expand-Related CDOT Construction Engineering /1					
17				5,636,702	5,636,702	-	Tolls/Managed Lanes Revenue
18			Total	5,636,702	5,636,702	-	
19	Deliver - Program Delivery/Administration						
20		High Performance Transportation Enterprise--Administration and Legal Fees		1,178,649	2,088,800	910,151	Fee for Service
21			Total:	1,178,649	2,088,800	910,151	
22	Pass-Through Funds/Multi-modal Grants						
23		Highway					
24			Total:	-	-	-	
25	Transportation Commission Contingency / Debt Service						
26		Contingency					
27		Debt Service		901,351	-	(901,351)	Fee for Service
28			Total:	901,351	-	(901,351)	
				7,716,702	7,725,502	8,800	

/1 Budget excludes RAMP projects; CE and indirects are calculated based on total programs as shown.

Revenue **7,716,702** **7,725,502** **8,800**

Key to acronyms:
HPTEB=High Performance Transportation Enterprise Board

HPTE Fee For Service Revenue & Allocation Adjustment (2,080,000) (2,080,000)

Total Consolidated Allocations **1,402,697,558** **1,514,579,732** **111,882,174**

Total Consolidated Revenue **1,402,697,558** **1,514,579,732** **111,882,174**