



COLORADO

Department of Transportation

Division of Transportation Development
Multimodal Planning Branch
2829 W. Howard Place
Denver, CO 80222

DATE: February 21, 2019
TO: Transportation Commission
FROM: Jeff Sudmeier, Chief Financial Officer
Debra Perkins-Smith, Director, Division of Transportation Development
SUBJECT: 2045 Long Range Revenue Projections for the 2045 Statewide Transportation Plan

Purpose

To discuss proposed 2045 Long Range Revenue Projections for the 2045 Statewide Transportation Plan, which outline estimated revenues by source from FY 2020 to FY 2045.

Action

Transportation Commission adoption of the 2045 Long Range Revenue Projections.

Background

Long range revenue projections are developed in advance of each Statewide Transportation Plan (SWP), and provide the basis for the subsequent Program Distribution process. The next opportunity to revisit and update revenue projections will be in approximately 4-5 years (2023-2024). Program Distribution is the process by which long range estimates of revenues are assigned to programs, based on performance objectives and priorities established by the Transportation Commission with input from planning partners. Together, revenue projections and Program Distribution provide the financial framework for the development of the SWP, Metropolitan Planning Organization (MPO) and Transportation Planning Region (TPR) Long Range Regional Transportation Plans (LRTPs), and Transportation Improvement Programs (TIPs) and the Statewide Transportation Improvement Program (STIP). Revenue projections and Program Distribution are adopted by the Transportation Commission.

A work group of the Statewide Transportation Advisory Committee (STAC) met monthly in 2017 with staff to provide input on the development of the 2045 Long Range Revenue Projections. Staff reviewed the assumptions and draft revenues with the Transportation Commission in November, 2017. The Transportation Commission supported those assumptions, however, given the potential for changes coming out of the 2018 legislative session, staff did not request Commission approval at that time. The 2045 Long Range Revenue Projections have since been updated based on more current data and to reflect recent changes associated with Senate Bill 18-001, but otherwise retain the same assumptions reviewed previously.

Details

In January, staff reviewed three different scenarios with the Transportation Commission- medium, high, and low. Attachment A outlines key variables and assumptions behind each scenario. Attachment B provides a comparison of the scenarios and year by year revenue totals.

Medium Revenue Scenario

- Assumes current revenue sources, including full Senate Bill (SB) 17-267 proceeds of \$1.88 billion between fiscal year (FY) 2018-19 and FY 2021-22 and Senate Bill (SB) 18-001 transfers in FY 2018-19 and FY 2019-20.
- Assumes continued shoring up of the federal Highway Trust Fund through federal General Fund transfers, representing a 0.5% annual increase in federal apportionments after the last year of the FAST Act, extending through FY 2044-45.
- FY 2019-20 Revenue: \$2.09 billion (\$1.41 billion plus SB 17-267 and SB 18-001)
- FY 2026-27 Revenue: \$1.55 billion
- FY 2044-45 Revenue: \$1.78 billion

High Scenario (Additional \$300 million per year) - 13% increase from Medium Revenue Scenario

- Retains same assumptions as Medium Revenue Scenario, but assumes an increase in state Highway User Trust Fund (HUTF) revenues to CDOT of \$300 million per year, beginning in FY 2026-2027.
- Increase could come as a result of a state sales tax increase for transportation, an increase in gas tax,



or other equivalent mechanism.

- Roughly aligns with the revenue increase anticipated by CDOT under various recent legislative or ballot proposals.
- FY 2019-20 Revenue: \$2.09 billion (\$1.41 billion plus SB 17-267 and SB 18-001)
- FY 2026-27 Revenue: \$1.85 billion
- FY 2044-45 Revenue: \$2.08 billion

Low Scenario (No federal General Fund transfers) - 7.6% decrease from Medium Revenue Scenario

- Retains same assumptions as Medium Revenue Scenario, but eliminates federal General Fund transfers, and as such, any growth in federal apportionments.
- FY 2019-20 Revenue: \$2.09 billion (\$1.41 billion plus SB 17-267 and SB 18-001)
- FY 2026-27 Revenue: \$1.42 billion
- FY 2044-45 Revenue: \$1.63 billion

Fiscal Constraint

The staff recommendation is to adopt the High scenario for the establishment of fiscal constraint of long range transportation plans, TIPs, and the STIP (the level of constraint in the years of the next TIP and STIP is the same under the High Scenario and the Medium Revenue Scenario, since the additional revenue is not assumed until FY 2026-2027). Given CDOT's recent success with discretionary grant awards, additional funding from the Legislature through SB 09-228, SB 17-267 and SB 18-001, and public interest in transportation funding resulting in ballot propositions 109 and 110 (although defeated) and the upcoming 2019 referred ballot measure, it is reasonable to expect that additional funding could become available in future years.

By establishing a higher level of fiscal constraint, MPOs will be able to include more projects in long range transportation plans, and consequently will be able to advance more projects to a NEPA decision document. This will enable us to be in a better position, with more projects on the shelf and ready to go, to compete for discretionary grants or to move quickly if significant additional revenue becomes available. It will, however, be important that in utilizing the High scenario for fiscal constraint CDOT and planning partners work closely and carefully to ensure that messaging is clear regarding current funding levels and needs, and assumptions of potential future revenue made for planning purposes.

Advisory Committee Input

At the August 2017 STAC meeting, the STAC recommended the identified scenarios to the Transportation Commission. Staff returned to STAC at the September 2018 meeting and highlighted the updates to the revenue forecast. The STAC did not render a recommendation on the specific scenario to be used for fiscal constraint on either occasion. However, discussions at STAC have indicated general support for the use of the High scenario for fiscal constraint. The MPOs have also expressed support in monthly Statewide MPO Committee meetings and in meetings of the revenue projections working group.

Next Steps

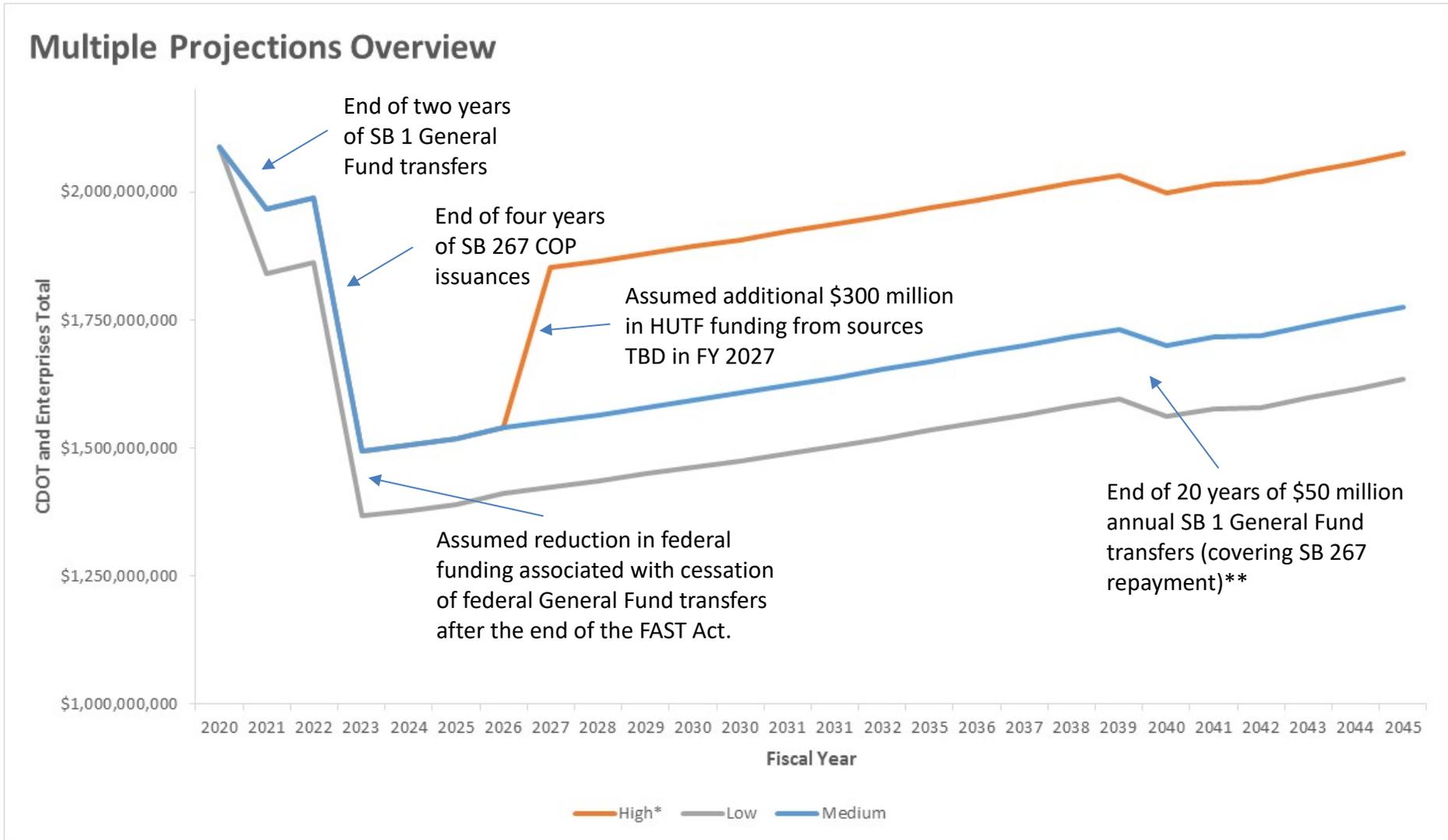
- Development of Program Distribution, outlining the estimated assignment of revenues to programs.

Attachments

- Attachment A: 2045 Long Range Revenue Projections Key Assumptions
- Attachment B: 2045 Long Range Revenue Projections
- Attachment C: Transportation Commission Resolution



| 2045 Revenue Scenarios Scenario | | | |
|---|------------|---|--|
| Variables and Assumptions | | | |
| Variable | Assumption | | Source |
| MEDIUM REVENUE SCENARIO | | | |
| Basic Assumptions | | | |
| VMT | 1.3% | Colorado, average annual increase, 2020-2045 | CDOT DTD Forecast, 2018 |
| MPG | 1.3% | Colorado, average annual increase, 2020-2045 | CDOT Revenue Model, 2018 |
| Population | 1.4% | Colorado, average annual increase, 2020-2045 | Colorado State Demography Office, 2018 |
| Registered Vehicles | 1.5% | Colorado, average annual increase, 2020-2045 | CDOT Revenue Model, 2018 |
| CPI (inflation) | 2.2% | National, average annual increase, 2020-2045 | Moody's Analytics, 2018 |
| Personal Income | 4.1% | National, average annual increase, 2020-2045 | Moody's Analytics, 2018 |
| Zero Emission Light Vehicles | 20% | Colorado, proportion of light vehicle fleet in 2045 | Extrapolation based on Colorado Energy Office EV Market Implementation Study, 2015 |
| Revenue Assumptions - State | | | |
| State Gas Tax | \$ 0.22 | | Current Law |
| FASTER Fees | | \$195.9 M in FY 2019-20 | Current Law |
| SB 17-267 | | \$1.88 B between FY 2018-19 and FY 2021-22 from SB 17-267 | Current Law |
| SB 18-001 | | \$420.75 million in FY 2018-19; \$177.5 million in FY 2019-20; \$50 million in FY 2020-21 through FY 2038-39. | Current Law |
| Revenue Assumptions - Federal | | | |
| Federal Gas Tax | \$ 0.184 | | Current Law |
| Growth in Federal Revenues | 0.50% | Assume General Fund backfill based on historic trends, and 0.5% annual increase in federal apportionments through 2045. | Historical Trends |
| Obligation Limitation per the Appropriations Act | 93% | Overall average annual percentage of apportioned funds from FHWA. | Historical Trends |
| LOW SCENARIO (No Federal General Fund Transfers) | | | |
| Retains same assumptions as Medium Revenue Scenario with the exception of assumptions for federal revenues. Instead assumes the cessation of Federal General Fund backfills to the Highway Trust Fund beginning in FY 2019-2020, resulting in declining federal revenues. Total revenues in 2045 are approximately 7.6% lower than Medium Revenue Scenario. | | | |
| HIGH SCENARIO (Additional \$300 million per year) | | | |
| Retains same assumptions as Medium Revenue Scenario, but assumes additional or a new revenue source (i.e. a sales tax for transportation, gas tax increase, or other source) resulting in \$300 million per year to CDOT, beginning in FY 2026-2027. Total revenues in 2045 are approximately 13% higher than Medium Revenue scenario. | | | |



*High scenario is coincident with the medium scenario for the years FY 2020 - FY 2026

**SB 1 outcome if referred November 2019 ballot measure fails. If ballot measure passes, remaining three years of SB 267 is eliminated and replaced by ~\$2 billion bonding measure.

Attachment B: 2045 Long Range Revenue Projections

| Fiscal Year | Medium Revenue Scenario | High Revenue Scenario | Low Revenue Scenario |
|---|-------------------------|-------------------------|-------------------------|
| 2020 | \$2,087,226,621 | \$2,087,226,621 | \$2,087,226,621 |
| 2021 | \$1,967,603,883 | \$1,967,603,883 | \$1,842,029,475 |
| 2022 | \$1,987,918,482 | \$1,987,918,482 | \$1,861,815,132 |
| 2023 | \$1,494,838,542 | \$1,494,838,542 | \$1,368,186,987 |
| 2024 | \$1,505,491,796 | \$1,505,491,796 | \$1,378,282,736 |
| 2025 | \$1,517,487,125 | \$1,517,487,125 | \$1,389,701,297 |
| 2026 | \$1,540,309,915 | \$1,540,309,915 | \$1,411,938,019 |
| 2027 | \$1,552,561,911 | \$1,852,561,911 | \$1,423,593,984 |
| 2028 | \$1,565,596,824 | \$1,865,596,824 | \$1,436,012,371 |
| 2029 | \$1,579,502,001 | \$1,879,502,001 | \$1,449,273,122 |
| 2030 | \$1,593,579,430 | \$1,893,579,430 | \$1,462,686,862 |
| 2031 | \$1,607,250,557 | \$1,907,250,557 | \$1,475,685,000 |
| 2032 | \$1,622,238,466 | \$1,922,238,466 | \$1,489,980,657 |
| 2033 | \$1,637,729,830 | \$1,937,729,830 | \$1,504,770,469 |
| 2034 | \$1,653,261,296 | \$1,953,261,296 | \$1,519,600,384 |
| 2035 | \$1,669,552,781 | \$1,969,552,781 | \$1,535,171,054 |
| 2036 | \$1,684,860,891 | \$1,984,860,891 | \$1,549,737,855 |
| 2037 | \$1,701,032,473 | \$2,001,032,473 | \$1,565,148,865 |
| 2038 | \$1,718,286,328 | \$2,018,286,328 | \$1,581,632,849 |
| 2039 | \$1,732,952,662 | \$2,032,952,662 | \$1,595,510,048 |
| 2040 | \$1,699,747,708 | \$1,999,747,708 | \$1,561,506,660 |
| 2041 | \$1,716,638,907 | \$2,016,638,907 | \$1,577,570,861 |
| 2042 | \$1,719,731,542 | \$2,019,731,542 | \$1,579,836,497 |
| 2043 | \$1,739,371,114 | \$2,039,371,114 | \$1,598,639,771 |
| 2044 | \$1,757,526,455 | \$2,057,526,455 | \$1,615,928,356 |
| 2045 | \$1,776,376,783 | \$2,076,376,783 | \$1,633,902,629 |
| Total | \$43,828,674,323 | \$49,528,674,323 | \$40,495,368,560 |
| Aggregate % Difference from Medium Revenue Scenario | | 13.0% | -7.6% |

Resolution #TC-19-02-11

Adoption of 2045 Long Range Revenue Projections.

Approved by the Transportation Commission on February 21, 2019.

WHEREAS, long range revenue projections are developed in advance of each Statewide Transportation Plan, and form the basis for the subsequent program distribution process; and

WHEREAS, long range revenue projections and program distribution provide the financial framework for the transportation planning process including the development of the Statewide Transportation Plan, Long Range Regional Transportation Plans, Transportation Improvement Programs, and Statewide Transportation Improvement Program; and

WHEREAS, long range revenue projections and program distribution are used to establish fiscal constraint of Long Range Regional Transportation Plans, Transportation Improvement Programs, and the Statewide Transportation Improvement Program; and

WHEREAS, 23 CFR 450.324(g) requires the cooperative development of revenue estimates supporting Metropolitan Planning Organization Long Range Regional Transportation Plans; and

WHEREAS, planning partners, including representatives of Metropolitan Planning Organizations, cooperated in the development of the 2045 Long Range Revenue Projections; and

WHEREAS, three scenarios were developed including a scenario based on medium revenue, a high scenario assuming a new revenue source beginning in FY 2026-2027, and a low scenario assuming the elimination of federal General Fund Transfers; and

WHEREAS, the High scenario assumes an additional \$300 million in additional revenue annually, beginning in FY 2026-2027 and projects total revenues of \$49.5 billion between 2020 and 2045; and

WHEREAS, the assumption of additional revenue will allow more projects to be included in fiscally constrained transportation plans, and allow more projects to complete the National Environmental Policy Act (NEPA) process, better preparing the Colorado Department of Transportation (CDOT) for funding opportunities such as discretionary grants and for the possibility of new revenue; and

NOW THEREFORE BE IT RESOLVED, that the Commission adopts the Low, Medium, and High scenarios as revenue scenarios for the 2045 transportation planning process; and

NOW THEREFORE BE IT FURTHER RESOLVED, that the Commission adopts the High scenario for establishment of fiscal constraint for the 2045 transportation planning process including the Statewide Transportation Plan, Long Range Regional Transportation Plans, and Transportation Improvement Programs, and the Statewide Transportation Improvement Program.

Herman Stockinger, Secretary
Transportation Commission

Date