

MEMORANDUM

TO: THE TRANSPORTATION COMMISSION
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER
DATE: JUNE 19, 2019
SUBJECT: FY 2020-21 BUDGET TOPICS

Purpose

To present to the Transportation Commission (TC) several items relevant to the development of the FY 2020-21 Annual Budget.

Action

No action required. Staff requests TC input on the budget process and timeline, approach to budget scenario development, and new budget format.

Background

Budget Scenarios

On March 5, Governor Polis distributed a memo to his cabinet on Budget Guidance for FY 2020-21 outlining his budget goals for that fiscal year, including:

- Identifying ongoing “base” spending that is unnecessary or no longer meeting the state’s commitment to Coloradans
- Reassessing and updating old assumptions about program costs
- Realigning unproductive appropriations to advance current priorities

In order to accomplish these goals, the governor has directed each department to submit two scenarios to the Office of State Planning and Budgeting (OSPB) by July 1: One showing a reduction of 5% (\$89 million) from the FY 2019-20 baseline and one showing an increase of 2% (\$36 million). The Division of Accounting and Finance (DAF) has accelerated the FY 2020-21 budget process to accommodate the governor’s request and inform the budget scenarios. Budget scenarios are due to OSPB and July 1. See the Budget Scenarios memo for additional information.

New One-Sheet Budget Format

In May, DAF presented an updated organization and format for the “One-Sheet” Budget (see Attachment A). The new format is intended to:

- Make the budget more understandable to the public and stakeholders
- Align with CDOT business needs and priorities
- Address statutory requirements
- Integrate multiple different budget processes and sources of budget information
- Reduce complexity and consolidate where possible



- Maintain appropriate level of visibility/decision making for the TC

The new format consolidates a number of budget programs to reduce the length and complexity of the budget, and reorganizes budget programs around four core categories (Capital Construction, Maintenance and Operations, Multimodal Services, and Sub-allocated Programs) and four support categories (Administration and Agency Operations, Debt Service, Contingency Reserve, Other Programs). The core categories represent the four primary types of activities delivered by the Department, and are further subdivided between Asset Management, Safety, and Mobility (or in the case of Sub-allocated Programs, by mode).

Draft FY 2020-21 Budget

The first draft of the FY 2020-21 Budget has been prepared in the new budget format. Initial budget program allocations are based on the following:

- Forecasted revenues for programs with a dedicated revenue source
- FY 2020-21 Asset Management planning totals, approved by the Transportation Commission in August 2017.
- Current repayment schedules for debt service
- Prior year funding levels for all other programs

The budget has also been updated to reflect recent organizational changes, including the dissolution of the Division of Transportation System Management and Operations (TSMO), and the establishment of a new Office of Innovative Mobility. These updates include:

- **TSM&O Performance Programs and Services** - The funding for TSM&O has been reallocated within the new Division of Maintenance and Operations, with approximately \$2.0 million reallocated to Real-Time Traffic Operations (Line 38) for the COBRA Bottleneck Reduction Program, Traffic Operations Centers (TOCs), and enforcement and dispatch, and approximately \$700,000 reallocated to Agency Operations (Line 60). \$66,000 has been reallocated to the Office of Innovative Mobility for an ongoing Transportation Demand Management (TDM) program (Line 42).
- **Innovative Mobility** - The former RoadX program has been retitled Innovative Mobility (Line 42). A workshop with the Office of Innovative Mobility is anticipated in August to review plans for the new program.

An additional change, unrelated to the reorganization, includes:

- **Maintenance Reserve** - The former Snow and Ice Reserve has been retitled "Maintenance Reserve," and budget increased by \$2 million. The Department's involvement in wildfire response and other emergency events has increased in recent years, and last year CDOT began to receive reimbursement for emergency activities performed by CDOT maintenance staff, typically in wildfires. The \$2 million increase in budget is offset by a \$2 million increase in forecasted revenue associated with anticipated annual reimbursements. Similar to snow and ice, Maintenance will be able to reimburse its budget from the Maintenance Reserve for reimbursable emergency response activities.

The current draft FY 2020-21 Budget reflects a surplus of unallocated revenue of \$20.9 million (with \$0 allocated, at this point, to Program Reserve). A portion of this surplus may be needed for adjustments through summer and fall based on changes in common policy, finalization of work plan budgets, and



approval of decision items. In workshops over the coming months, staff will review several requests for the allocation of remaining unallocated revenue, including:

- **Additional Asset Management - \$6.9 million** - For the last several years the transportation asset management (TAM) program has held to a “cap” of \$755 million, which has been supplemented at different points in time based on available revenue. The FY 2021 TAM planning totals assumed a Bridge Enterprise (BE) budget of \$127.9 million, which included a transfer of \$9.7 million in federal obligation authority from CDOT. This annual transfer allows BE to seek federal reimbursement for a participating share of the 2010 A bond debt service. Based on updated revenue forecasts and an updated federal funds transfer schedule, BE will only be requesting a transfer of \$2.7 million, reducing the FY 2021 Bridge Enterprise budget is forecast to total \$120.9 million. In FY 2021, BE will still be able to seek reimbursement for the full federally participating share of \$9.7 million through a combination of the planned transfer of \$2.7 million and its existing obligation balance remaining from prior years. As a result, the total FY 2021 allocation to asset management is approximately \$6.9 million short of the \$755 million target. An additional allocation to asset management would restore funding for FY 2021 to the \$755 million level. Funds will be allocated to asset class programs that demonstrate the greatest need based on analysis.
- **Bustang - \$6 million** - An increase in funding for the Bustang program would allow for service expansion to new areas, as well as increased frequency of service on key corridors.
- **Toll Corridor General Purpose - \$3.4 million** - As part of CDOT’s agreement with Plenary on US 36, CDOT makes monthly payments for maintenance performed by Plenary on the General Purpose lanes on the US 36 corridor. Over the last few years, this amount has been taken “off the top” of MLOS. The Division of Maintenance and Operations requests that rather than reduce the other MLOS programs, this amount (in FY 2021, \$3.4 million) be added to the existing MLOS budget.
- **Regional Priority Program (RPP) - \$1.625 million** - When the Permanent Water Quality Program (PWQ) was established in 2016 it was funded via a reduction to the Surface Treatment and RPP budgets. As additional budget became available, this was discontinued with respect to Surface Treatment, but not RPP. RPP has continued to be reduced by \$1.625 million from a planned amount of \$50 million to \$48.375 million. The intent would be to restore RPP to the full amount of \$50 million.
- **Landscape Warranty and Erosion Control - \$900,000** - The practice of including in construction constructions landscape warranty and erosion control has resulted in limited success in addressing landscape establishment and erosion control past the substantial completion of projects. It has also resulted in significant delays in closing projects. The Division of Maintenance and Operations has proposed a new approach that would involve CDOT maintenance crews performing these functions, at an estimated annual cost of \$900,000.

Next Steps

- Workshops in July and August will include further discussion based on budget scenarios, and additional discussion focused on key budget topics and decisions. The August workshop will also include review/approval of roll forward requests from FY 2019, and consideration of amendments to the current FY 2019-2020 budget.



- Workshops in September and October will include a presentation of decision items, a newly updated Budget Allocation Plan (Narrative Budget) and adoption of the proposed budget in October.

Attachments

Attachment A: Draft FY 2020-2021 Budget



Attachment A: FY 2020 - 2021 COLORADO DEPARTMENT OF TRANSPORTATION DRAFT ANNUAL BUDGET - June 20, 2019

Line	Budget Category / Program	FY 2019-20 Budget	Rollforward	FY 2020-21 Proposed Budget	Budget Amendments	Total Budget Available Proposed	Prior Year Project Balances	Total Budget Available + Prior Year Project	Estimated FY 2019-20 Expenditures
COLORADO DEPARTMENT OF TRANSPORTATION									
1									
2	Capital Construction	\$ 1,071,534,418		\$ 957,631,822		\$ 957,631,822		\$ 957,631,822	
3	Asset Management	\$ 315,902,823		\$ 308,472,823		\$ 308,472,823		\$ 308,472,823	
4	Surface Treatment	\$ 222,000,000		\$ 223,200,000		\$ 223,200,000		\$ 223,200,000	
5	Structures	\$ 56,630,000		\$ 51,800,000		\$ 51,800,000		\$ 51,800,000	
6	System Operations	\$ 37,272,823		\$ 33,472,823		\$ 33,472,823		\$ 33,472,823	
7	Safety	\$ 129,154,503		\$ 128,348,521		\$ 128,348,521		\$ 128,348,521	
8	Highway Safety Improvement Program	\$ 32,620,545		\$ 32,837,125		\$ 32,837,125		\$ 32,837,125	
9	Railway-Highway Crossings Program	\$ 3,466,684		\$ 3,614,122		\$ 3,614,122		\$ 3,614,122	
10	Hot Spots	\$ 2,167,154		\$ 2,167,154		\$ 2,167,154		\$ 2,167,154	
11	FASTER Safety	\$ 68,500,120		\$ 68,330,120		\$ 68,330,120		\$ 68,330,120	
12	ADA Compliance	\$ 22,400,000		\$ 21,400,000		\$ 21,400,000		\$ 21,400,000	
13	Mobility	\$ 626,477,092		\$ 520,810,478		\$ 520,810,478		\$ 520,810,478	
14	Regional Priority Program	\$ 48,375,000		\$ 48,375,000		\$ 48,375,000		\$ 48,375,000	
15	Strategic Projects	\$ 555,000,000		\$ 450,000,000		\$ 450,000,000		\$ 450,000,000	
16	National Highway Freight Program	\$ 23,102,092		\$ 22,435,478		\$ 22,435,478		\$ 22,435,478	
17	Maintenance and Operations	\$ 363,513,287		\$ 365,141,774		\$ 365,141,774		\$ 365,141,774	
18	Asset Management	\$ 331,599,999		\$ 331,199,999		\$ 331,199,999		\$ 331,199,999	
19	Maintenance Program Areas	\$ 265,699,999		\$ 260,699,999		\$ 260,699,999		\$ 260,699,999	
20	Roadway Surface	\$ 36,511,573		\$ 35,824,490		\$ 35,824,490		\$ 35,824,490	
21	Roadside Facilities	\$ 24,351,835		\$ 23,893,577		\$ 23,893,577		\$ 23,893,577	
22	Roadside Appearance	\$ 10,679,373		\$ 10,478,406		\$ 10,478,406		\$ 10,478,406	
23	Structure Maintenance	\$ 6,147,090		\$ 6,031,413		\$ 6,031,413		\$ 6,031,413	
24	Tunnel Activities	\$ 5,981,845		\$ 5,869,277		\$ 5,869,277		\$ 5,869,277	
25	Snow and Ice Control	\$ 79,247,670		\$ 77,756,370		\$ 77,756,370		\$ 77,756,370	
26	Traffic Services	\$ 65,428,853		\$ 64,197,599		\$ 64,197,599		\$ 64,197,599	
27	Materials, Equipment, and Buildings	\$ 17,298,982		\$ 16,973,446		\$ 16,973,446		\$ 16,973,446	
28	Planning and Scheduling	\$ 17,737,382		\$ 17,403,596		\$ 17,403,596		\$ 17,403,596	
29	Toll Corridor General Purpose Lanes	\$ 2,315,396		\$ 2,271,824		\$ 2,271,824		\$ 2,271,824	
30	Geohazards Mitigation	\$ 9,700,000		\$ 12,300,000		\$ 12,300,000		\$ 12,300,000	
31	Permanent Water Quality Mitigation	\$ 6,500,000		\$ 6,500,000		\$ 6,500,000		\$ 6,500,000	
32	Property	\$ 17,600,000		\$ 18,100,000		\$ 18,100,000		\$ 18,100,000	
33	Road Equipment	\$ 22,100,000		\$ 21,600,000		\$ 21,600,000		\$ 21,600,000	
34	Maintenance Reserve Fund	\$ 10,000,000		\$ 12,000,000		\$ 12,000,000		\$ 12,000,000	
35	Safety	\$ 11,361,000		\$ 11,361,000		\$ 11,361,000		\$ 11,361,000	
36	Strategic Safety Program	\$ 11,361,000		\$ 11,361,000		\$ 11,361,000		\$ 11,361,000	
37	Mobility	\$ 20,552,288		\$ 22,580,775		\$ 22,580,775		\$ 22,580,775	
38	Real-Time Traffic Operations	\$ 12,580,775		\$ 12,580,775		\$ 12,580,775		\$ 12,580,775	
39	ITS Investments	\$ 10,000,000		\$ 10,000,000		\$ 10,000,000		\$ 10,000,000	
40	Multimodal Services	\$ 73,171,525		\$ 69,862,525		\$ 69,862,525		\$ 69,862,525	
41	Mobility	\$ 73,171,525		\$ 69,862,525		\$ 69,862,525		\$ 69,862,525	
42	Innovative Mobility Programs	\$ 12,162,525		\$ 12,162,525		\$ 12,162,525		\$ 12,162,525	
43	Strategic Transit	\$ 53,375,000		\$ 50,000,000		\$ 50,000,000		\$ 50,000,000	
44	Rail Commission			\$ -		\$ -		\$ -	
45	Bustang	\$ 7,700,000		\$ 7,700,000		\$ 7,700,000		\$ 7,700,000	
46	Suballocated Programs	\$ 240,205,652		\$ 227,400,124		\$ 227,400,124		\$ 227,400,124	
47	Aeronautics	\$ 33,250,000		\$ 34,500,000		\$ 34,500,000		\$ 34,500,000	
48	Aviation System Programs	\$ 33,250,000		\$ 34,500,000		\$ 34,500,000		\$ 34,500,000	
49	Highway	\$ 123,554,706		\$ 125,823,348		\$ 125,823,348		\$ 125,823,348	
50	STP-Metro	\$ 55,380,182		\$ 55,672,907		\$ 55,672,907		\$ 55,672,907	
51	Congestion Mitigation and Air Quality	\$ 50,196,268		\$ 50,452,303		\$ 50,452,303		\$ 50,452,303	
52	Metropolitan Planning	\$ 8,568,424		\$ 9,216,529		\$ 9,216,529		\$ 9,216,529	
53	Off-System Bridge Program	\$ 9,409,832		\$ 10,481,608		\$ 10,481,608		\$ 10,481,608	
54	Transit and Multimodal	\$ 83,400,946		\$ 67,076,776		\$ 67,076,776		\$ 67,076,776	
55	Recreational Trails	\$ 1,591,652		\$ 1,591,652		\$ 1,591,652		\$ 1,591,652	
56	Safe Routes to School	\$ 3,125,000		\$ 3,125,000		\$ 3,125,000		\$ 3,125,000	
57	Transportation Alternatives Program	\$ 12,293,294		\$ 12,267,071		\$ 12,267,071		\$ 12,267,071	
58	Transit Grant Programs	\$ 47,266,000		\$ 50,093,053		\$ 50,093,053		\$ 50,093,053	
59	Multimodal Options Program	\$ 19,125,000		\$ -		\$ -		\$ -	
60	Administration & Agency Operations	\$ 98,444,429		\$ 96,115,153		\$ 96,115,153		\$ 96,115,153	
61	Agency Operations	\$ 58,055,193		\$ 57,820,400		\$ 57,820,400		\$ 57,820,400	
62	Administration	\$ 38,294,749		\$ 38,294,753		\$ 38,294,753		\$ 38,294,753	
63	Debt Service	\$ 62,776,457		\$ 62,776,457		\$ 62,776,457		\$ 62,776,457	
64	Debt Service	\$ 62,776,457		\$ 62,776,457		\$ 62,776,457		\$ 62,776,457	
65	Contingency Reserve	\$ 23,800,802		\$ 15,000,000		\$ 15,000,000		\$ 15,000,000	
66	Contingency Fund	\$ 15,000,000		\$ 15,000,000		\$ 15,000,000		\$ 15,000,000	
67	Reserve Fund	\$ 8,800,802		\$ -		\$ -		\$ -	
68	Other Programs	\$ 26,862,101		\$ 26,945,220		\$ 26,945,220		\$ 26,945,220	
69	Safety Education	\$ 11,898,720		\$ 11,898,720		\$ 11,898,720		\$ 11,898,720	
70	Planning and Research	\$ 14,573,381		\$ 14,646,500		\$ 14,646,500		\$ 14,646,500	
71	State Infrastructure Bank	\$ 400,000		\$ 400,000		\$ 400,000		\$ 141,206,688	
72	TOTAL - CDOT	\$ 1,960,308,671		\$ 1,820,873,074		\$ 1,820,873,074		\$ 1,820,873,074	

Revenue \$ 1,847,386,401

Difference \$ 26,513,327

HPTE Fee for Service Adjustment \$ (5,600,000)

Net Surplus \$ 20,913,327

COLORADO BRIDGE ENTERPRISE									
73									
74	Construction	\$ 96,877,700		\$ 100,387,862		\$ 100,387,862		\$ 100,387,862	
75	Asset Management	\$ 96,877,700		\$ 100,387,862		\$ 100,387,862		\$ 100,387,862	
76	Bridge Enterprise Projects	\$ 96,877,700		\$ 100,387,862		\$ 100,387,862		\$ 100,387,862	
77	Maintenance and Operations	\$ 450,000		\$ 450,000		\$ 450,000		\$ 450,000	
78	Asset Management	\$ 450,000		\$ 450,000		\$ 450,000		\$ 450,000	
79	Maintenance and Preservation	\$ 450,000		\$ 450,000		\$ 450,000		\$ 450,000	
80	Administration & Agency Operations	\$ 1,838,300		\$ 1,838,300		\$ 1,838,300		\$ 1,838,300	
81	Agency Operations	\$ 1,838,300		\$ 1,838,300		\$ 1,838,300		\$ 1,838,300	
82	Debt Service	\$ 18,234,000		\$ 18,234,000		\$ 18,234,000		\$ 18,234,000	
83	Debt Service	\$ 18,234,000		\$ 18,234,000		\$ 18,234,000		\$ 18,234,000	
84	TOTAL - BRIDGE ENTERPRISE	\$ 117,400,000		\$ 120,910,162		\$ 120,910,162		\$ 120,910,162	

\$ 120,910,162

\$ -

HIGH PERFORMANCE TRANSPORTATION ENTERPRISE									
85									
86	Maintenance and Operations	\$ 10,967,648		\$ 10,967,648		\$ 10,967,648		\$ 10,967,648	\$ -
87	Express Lanes Operations	\$ 10,967,648		\$ 10,967,648		\$ 10,967,648		\$ 10,967,648	\$ -
88	Administration & Agency Operations	\$ 5,632,300		\$ 5,632,300		\$ 5,632,300		\$ 5,632,300	\$ -
89	Agency Operations	\$ 5,632,300		\$ 5,632,300		\$ 5,632,300		\$ 5,632,300	\$ -
90	Debt Service	\$ -		\$ -		\$ -		\$ -	\$ -
91	Debt Service	\$ -		\$ -		\$ -		\$ -	\$ -
92	TOTAL - HIGH PERFORMANCE TRANSPORTATION ENTERPRISE	\$ 16,599,948		\$ 16,599,948		\$ 16,599,948		\$ 16,599,948	
93	TOTAL - CDOT AND ENTERPRISES	\$ 2,094,308,619		\$ 1,958,383,184		\$ 1,958,383,184		\$ 1,958,383,184	

\$ 16,599,948

\$ -

HPTE Fee for Service Adjustment \$ 5,600,000

Total CDOT and Enterprise Revenue: \$ 1,984,896,511

Net Difference: \$ 20,913,327



MEMORANDUM

TO: THE TRANSPORTATION COMMISSION
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER
DATE: JUNE 19, 2019
SUBJECT: BUDGET SCENARIOS BASED ON OSPB GUIDANCE

Purpose

To review scenarios illustrating potential options associated with a 5% reduction in budget and a 2% increase in budget, developed in response to guidance from the Governor's Office.

Action

No action required. Staff must submit scenarios to Office of State Planning and Budget (OSPB) by July 1. Staff requests input from the Commission in order to finalize the scenarios.

Background

On March 5, Governor Polis distributed a memo to his cabinet on Budget Guidance for FY 2020-21 outlining his budget goals for that fiscal year, including:

- Identifying ongoing "base" spending that is unnecessary or no longer meeting the state's commitment to Coloradans
- Reassess and update old assumptions about program costs
- Realign unproductive appropriations to advance current priorities

In order to accomplish these goals, the governor has directed each department to submit two scenarios by July 1 to OSPB: One showing a reduction of 5% from the FY 2019-20 baseline and one showing an increase of 2%. To determine the goal for each scenario, the CDOT Office of Financial Management and Budget (OFMB) worked with OSPB to determine a baseline budget for the department. This baseline was calculated using CDOT's FY 2019-20 Final Budget Allocation Plan, with a total budget of \$2.1 billion. Of this total, \$237.5 million in one-time General Fund transfers and the budgets for the Enterprises were excluded, resulting in a baseline budget of \$1.8 billion. This results in the following targets:

- Scenario 1 - 5% reduction - (\$89.1 million); and
- Scenario 2 - 2% increase - \$35.6 million

The objective of this scenario development is not to force a reduction in budget, but rather to support the goals described above by taking a fresh, critical look at budget allocations. Attachment A outlines possible actions the department could take to achieve the target for each scenario.

Next Steps

- Based on TC input, finalize scenarios and submit to OSPB by July 1.
- Further assess reduction strategies identified for consideration as part of the FY 2020-2021 budget development cycle through workshops in July and August.





DRAFT FY 2020-2021 BUDGET REDUCTION AND INCREASE SCENARIOS

Scenario 1: 5% Reduction to Baseline Budget

To satisfy the requirements of Scenario 1, the department must identify at least \$89.1 million in potential budget reductions. To achieve this, the Division of Accounting and Finance (DAF) conducted an in-depth analysis to identify opportunities to reduce allocations within the budget that would have the least impact on program implementation and to the traveling public. DAF accelerated the timeline for the Division/Region/Office level work plan budget process and performed an in-depth assessment of budget programs that included:

- Identifying opportunities to reduce non-mission critical expenditures
- Reviewing under-utilized or under-performing programs
- Reviewing unspent funds for more efficient allocation
- Identifying opportunities to use Toll Credits in place of state match in programs such as HSIP, Rail-Highway Crossings, National Highway Freight Programs, SPR, etc.

Table 1 summarizes possible actions that could be taken to achieve a 5% reduction. Because the vast majority of CDOT funding is provided by dedicated state and federal funding sources, any potential reductions implemented will ultimately not reduce the total CDOT budget, but rather make available funds to repurpose to other department priorities (including those identified under the increase scenario). Some of the potential reductions may merit further consideration for implementation in the FY 2020-2021 Budget, representing an opportunity for increased efficiency, or more efficient allocation of budget. Several others are reductions that would not likely be considered except in the event of a significant reduction in revenue (for example, a reduction in HUTF revenue as a result of a severe recession) requiring budget cuts. The right most column in Table 1 identifies which of the potential reduction options may merit further consideration as part of the budget development process.

Table 1: 5% Reduction Scenario Options

Item	Item Name	Amount	Consider Implementation?
1	Utilize Toll Credits to Reduce State Match Requirements	\$11,188,700	Yes
2	Increase Efficiencies in Construction Engineering	\$7,550,000	Yes
3	Reduce Salary Budgets Based on Anticipated Vacancy Savings	\$7,000,000	Yes
4	Reductions Related to Reorganization of TSMO Division	\$2,918,000	Yes
5	Reduce Program Delivery Costs	\$1,166,307	Yes
6	Reduce ADA Compliance Program	\$1,120,000	Yes
7	Reduce Permanent Water Quality (PWQ) Program	\$325,000	Yes
8	Reduce TC Program Reserve	\$8,000,000	Yes
9	Reduce TC Contingency	\$5,000,000	Yes
10	Reduce TC Funding to Bridge Off System	\$3,000,000	No
11	Reduce Regional Priority Program (RPP) by 20%	\$10,000,000	No
12	Reduce Asset Management Programs by 5%	\$31,800,000	No
Total		\$89,068,007	



Item 1 - Utilize Toll Credits to Reduce State Match Requirements - \$11.2 million

Under Federal law, states may substitute certain toll-financed investments for state matching funds on current Federal-aid projects. This allows the state's share of a project's cost to be met through a match of toll credits. Toll credits are earned when a state, toll authority, or private entity funds capital transportation investment with toll revenues earned on existing toll facilities. Using toll credits could result in an overall reduction in state matching funds for the following programs:

- Highway Safety Improvement Program (HSIP) - \$4,000,000
- National Highway Freight Program - \$3,927,356
- State Planning and Research (SPR) - \$2,914,676
- Railway Highway Crossings -\$346,668

Using toll credits as the state's portion of matching funds allows more state funding to be diverted to other projects or programs. While the use of toll credits and reduction in state match would reduce the total budget for each of these programs, these state funds could then be repurposed to other priorities or to state funded programs with similar purpose. For example, the \$4 million in funding removed from the HSIP program using toll credits could be instead directed to a program of state funded safety initiatives, such as the recently created Strategic Safety Program.

Item 2 - Efficiencies in Construction Engineering - \$7.6 million

Construction Engineering costs are tied to the overall size of the CDOT construction program, and in general, typically represent 10% of construction program budgets. A reduction from 10% to 9% would result in savings of approximately \$7.6 million. The Department is currently assessing opportunities for efficiencies in construction management and oversight in an effort to minimize the administrative burden associated with construction projects. This will include assessing project staffing levels, and examining how projects are packaged and put out to advertisement.

Item 3 - Reduce Salary Budgets Based on Anticipated Vacancy Savings - \$7.0 million

Currently, the entire budget for staff salary and benefits is allocated to divisions at the beginning of the year based on total Full-Time Equivalent (FTE) positions. Divisions have the flexibility to utilize this budget for permanent FTEs, permanent part-time positions, or for other "Personal Services" including temps, interns, and consultants. As the department has an average vacancy rate of 10%, up to \$28.0 million of the total staff payroll budget each year is utilized for these other personal services. A reduction of \$7 million would reduce by 25% the amount of total salary budget which, accounting for vacancies, is ultimately available for other personal services. Reductions could be managed in such a way as to ensure that the Department is not limited in filling permanent positions. The reduction, however, would have the impact of reducing the funding available for supplemental personal services in the form of temps, interns, and consultants.

Item 4 - Reductions Related to Reorganization of Transportation Systems Management and Operations (TSM&O) - \$2.9 million

The TSM&O Division, more recently known as Mobility Operations, was recently dissolved with the majority of its component units merged into the Division of Highway Maintenance and Office of Innovative Mobility. As a result of efficiencies achieved through the reorganization, and a reprioritization of Maintenance and Operations activities, a portion of the previous TSMO budget is available and can be repurposed to higher priorities within the new Division of Maintenance and Operations, including real-time traffic operations and bottleneck reduction programs.

Item 5 - Reduce Program Delivery Funding - \$1.2 million

An expenditure analysis of the budgets for administration and department operations in recent fiscal years demonstrates that a significant amount of available budgets for these programs is unspent at the



end of the fiscal year. This indicates that the Work Plan process could be used to more efficiently allocate funding based on expected expenditures, rather than past budget amounts. Matching a program's budget to the actual expenditures should ensure that programs receive necessary funding, while allowing any excess funding to be reallocated to other important priorities. Program delivery funding could be reduced by about \$1.2 million without negatively affecting outcomes. Additionally, efforts to identify opportunities to increase efficiency and reduce costs, for example, by reducing travel spending, also support a reduction in budget amounts.

Item 6 - Reduce ADA Compliance to Better Align with Delivery Plans - \$1.1 million

CDOT is currently pursuing an aggressive strategy of upgrading curb ramps to achieve ADA compliance within five years. This reduction proposal represents 5% of the program's current annual budget, and this reduction is based on the current delivery schedule of construction projects. While additional funds may need to be allocated in future years, funding to this program could be temporarily reduced based on current delivery plans. Given the current funding rolling over for the program, temporarily reducing the budget to this program should have limited impact on long-term project delivery for ADA compliance.

Item 7 - Reduce Permanent Water Quality (PWQ) to Better Align with Delivery Plans - \$0.3 million

This proposal equals 5% of the current annual budget for the program. Due to the current delivery schedule for projects, the Permanent Water Quality program (PWQ) has an estimated roll forward of \$13.6 million for the upcoming fiscal year. Given the current funding rolling over for the program from prior years, temporarily reducing the budget to this program should have limited impact on long-term project delivery for the PWQ program.

Item 8 - Reduce TC Program Reserve - \$8.0 million

Each year, funding is allocated to the TC Program Reserve to prepare for unforeseen events that arise throughout the year, such as funding shortfalls on projects, or the need to commit grant match for a grant opportunity. This proposal is for a one-time reduction in the Program Reserve Allocation. While reducing the funding in the Program Reserve allocation does not have an immediate impact on the existing budgets for current programs, it would reduce its flexibility to fund initiatives outside of the current budget allocation plan. However, given the current balance of TC Program Reserve, an additional allocation may not be necessary.

Item 9 - Reduce TC Contingency - \$5.0 million

Each year, funding is allocated to the TC Contingency to prepare for emergency events. The current target beginning balance at the start of the fiscal year is \$40 million. Based on an analysis of TC Contingency spending over the past several years, this target level could potentially be reduced to \$30-\$35 million, thereby reducing the estimated amount of funding required to be allocated in FY 2020-2021. While reducing the funding in the TC Contingency does not have an immediate impact, it would increase the possibility of needing to reallocate funds from other programs in the event of more significant or frequent emergency events than experienced in recent years.

Item 10 - Reduce Transportation Commission Funding to Bridge Off System - \$3.0 million

The Transportation Commission has for several years elected to supplement the federal Bridge-Off System funding with an additional allocation of \$3 million. These funds are ultimately passed-through to locals for off-system bridge projects. This supplemental funding could be eliminated but would come with significant consequences for local bridge projects. The elimination of the supplemental funding would effectively limit the Bridge Off-System program to bridge inspection, with limited to zero funds available for construction.



Item 11 - Reduce Regional Priority Program (RPP) by 20% - \$10.0 million

The objective of the Regional Priority Program (RPP) is to supplement the formula-driven funding allocations to the five CDOT engineering regions with flexible funding. The funding is used at the discretion of each Regional Transportation Director in consultation with local elected officials and other stakeholders in each region. Reducing funding to the RPP would reduce the amount of flexible funding going to the Regions, which could impact the implementation of certain projects.

Item 12 - Reduce Asset Management Program by 5% - \$31.8 million

CDOT's asset management programs, including Maintenance Levels of Service (MLOS) represent the largest category in CDOT's budget, accounting for \$636 million, excluding Bridge Enterprise. A reduction of 5% would result in approximately \$32 million. Current funding levels for asset management are insufficient to maintain existing conditions, let alone meet performance objectives. As such, any reduction in asset management funding will result in further degradation to the condition of the system, and the level of maintenance service provided. Given short-term funding provided by Senate Bill (SB) 18-001 and SB 17-267, a reduction in asset management funding would likely be offset, at least in part, by programming SB 1 and SB 267 funding to some large asset management projects.

Scenario 2: 2% Increase to Baseline Budget

In addition to the reduction scenario outlined above, the department was directed to outline how CDOT would allocate a 2% increase to the baseline budget, or \$35,656,173. This section outlines possible strategies to allocate a 2% increase in funding, with options focused on asset management, safety, and multimodal transportation.

Asset Management

CDOT's Transportation Asset Management (TAM) program drives strategic investment in 12 asset classes and is typically funded at about \$755-\$769 million per year (TAM Cap). These funding levels are insufficient to meet needs including achieving several of the fiscally constrained performance targets established by the Colorado Transportation Commission for the asset classes. Supplementing current asset management funds will assist the Department in addressing asset condition and maintenance needs, including meeting the targets referenced above. Several options for supplemental asset management funding exist, including:

Add to the Total TAM Cap

Under the current TAM Cap, CDOT's asset classes face about a \$200 million annual shortfall in meeting targets set by the Transportation Commission for asset management in Policy Directive 14. If CDOT adds \$35.7 million to overall asset management funding, staff at CDOT's annual Budget-Setting Workshop for Asset Management would develop a recommendation on how to distribute the new total among the 12 asset classes.

Major TAM Projects Fund

CDOT has developed a list of major asset-management projects that—due to their high costs—would not typically be funded under the TAM program. These projects would help the Department meet its condition and risk-management goals for asset programs. Examples include:

- Rest Areas—\$11.5 million replacement of Vail Pass rest area.
- Tunnels—\$15 million lighting system for the Eisenhower-Johnson Memorial Tunnel.
- Structures—Address a backlog of height-restricted bridges, and/or deteriorating walls, such as noise and retaining walls.

Under this scenario, CDOT would distribute the \$35.7 million using a competitive project-solicitation process incorporated within the 10-year Statewide Transportation Improvement Program (STIP).



Strategic TAM Ancillary Asset Pool

CDOT has a need for a dedicated funding source for assets that do not fit in existing asset classes. Examples include guardrails, signs, right-of-way (ROW) assets, water-quality assets, fences, bike paths, and sidewalks. The intent of this pool would not be to completely fund projects. Instead, CDOT would use the funds to “make projects whole”—to fund essential ancillary items associated with other TAM or safety-program projects, such as guardrail associated with a pavement project.

Strategic Pool to Address Federal Asset Targets

CDOT has established, by Transportation Commission adoption, “good” and “poor” condition targets for Interstate and National Highway System (NHS) pavements and bridges. These targets are part of FHWA’s National Performance Measure requirements on Under 23 CFR 490. Under this regulation, 35% of CDOT’s annual apportionment of National Highway Performance Program funds can be restricted if Interstate pavement is greater than 5 percent poor and/or if more than 10 percent of NHS bridges are structurally deficient. CDOT is forecasting an increase in poor Interstate pavement condition under its current investment strategy. Additional funds to help improve performance on the federal metrics would be distributed through the pavement and bridge asset classes, in coordination with Region staff, to help ensure CDOT does not fall below “poor” and structurally deficient condition thresholds.

Safety

While nearly all of CDOT’s work improves safety in some way, crashes and risk factors continue to occur or exist that require mitigation. Currently dedicated safety funding only amounts to approximately \$100 million annually. This amount of funding on average delivers about 70 projects annually that are directly improving roadway and intersection safety around Colorado with effective results. Safety infrastructure improvement has a return on investment benefit-cost of around five. However, current funding is not near enough to keep up with addressing the 125,000 crashes occurring annually in thousands of locations around the state. Our new CDOT goal is to reduce crashes annually by 2500, or approximately 2%.

Responsive Safety Projects

Regions could accelerate already planned projects in out years of existing HSIP or FASTER safety plans for already selected and approved effective safety projects or identify further similar projects. Such examples include: intersection improvements, pedestrian upgrades, bicycle facility improvements, passing lanes, wildlife mitigation, signal improvements, wrong way technologies, truck ramp improvements, clear zone improvements, speed monitoring, lighting, and snowsheds.

Programmatic Safety Needs

Statewide analysis has shown the following funding needs for several safety devices:

- 6 inch striping - Highly effective in reducing run off the road crashes, especially on rural highways
- Interstate cable rail - there are still gaps in the interstate system for cablerail. This is a highly effective countermeasure at preventing high speed head on crashes.
- Rumble strips - Centerline rumble strips on rural highways are also effective at reducing high-speed head on crashes. They are recommended on projects but not always installed due to funding constraints on projects.
- VSL - Adjusting speeds based on conditions can be very effective in reducing crashes and improving traffic operation. Several corridors would benefit from conditions-based speed limits.
- MASH compliance on Guardrail - An extensive need exists to continue to inventory the state’s guardrail systems, prioritize upgrades to new MASH standards, develop a strategized replacement plan, fund that plan and deliver it.



Traffic Control Devices

Current funding for traffic control devices capital replacement comes predominantly from MLOS. MLOS has not kept up with the cost of materials, labor, equipment, design, construction, and new advances in materials and technologies to properly replace these assets on an adequate life-cycle.

- Signing - Fill the asset funding gap for signing. Annually statewide \$5 million more is needed to replace signing on an adequate life-cycle to maintain higher performing levels of retroreflectivity and to be in compliance with MUTCD. Additional funding is needed for signing improvements, including warning signing, wrong-way signing, and curve warning signing.
- Striping - Fill the asset funding gap for striping. Annually statewide \$10 million more is needed to replace striping on an adequate life-cycle to maintain higher performing levels of retroreflectivity. Additional funding is needed to widen striping to 6 inches in strategic locations.
- Markings - Provide adequate funding to life-cycle replace and upgrade markings.
- Delineators - Upgrade delineators to more visible retroreflective materials

Multimodal Transportation

Colorado's unique transportation issues will require alternative solutions to ensure equitable and efficient access to the transportation network for all residents of the state. A focus on capacity expansion alone is unsustainable, with the population of Colorado forecasted to grow by 35 percent by 2045, and current primary funding sources, federal and state motor fuel excise taxes, remaining stagnant since 1993, alternative transportation solutions for a growing population will be required.

Bustang Expansion

An additional investment of approximately \$10 million annually would allow for the expansion of the Bustang interregional bus service, including new routes and more reliable commuter service along key corridors throughout the State, additional transportation options to many of the State's important tourism destinations, and provide transit connections for more of the State's rural communities.

Multimodal Hubs

The Department plans to re-envision the traditional park-and-ride transit locations into "Mobility Hubs," transportation centers which emphasize reliable multimodal options. An investment of \$10 million annually would allow for the establishment of multimodal hubs to provide points of connectivity across the state, providing fixed, bike/ped friendly locations for connections to local transit, Bustang, new mobility services (such as bikeshare, scooters, rideshare, etc.), as well as possible future rail service.

Sidewalk Improvements

Pedestrians have always been among our most vulnerable populations. By providing improvements to sidewalks and filling sidewalk gaps, we could improve safety for pedestrians, reduce congestion on roads, generate economic development, and provide for a healthier and cleaner Colorado. An investment of \$15 million annually would provide for significant improvements to creating sidewalk networks not only in urban and suburban areas, but also in rural towns across the state. These networks would increase connectivity so more Coloradans could choose to safely walk instead of drive in their communities. There are many options to improving pedestrian travel and safety. Infrastructure investments could include pedestrian crossing



treatments at signalized and non-signalized intersections; improvements to access transit stations and stops; filling gaps in sidewalk networks; and others. Aside from Safe Routes to School (at \$2.5 million annually), there are no dedicated funds for biking and walking infrastructure. This new funding stream would align with CDOT's effort to improve non-motorized transportation options and provide more choices in transportation.

