Smart Planning – Strategic Investing – Strong Project Management
Goal of the Planning Process

Give all areas of the state equal opportunity to provide input in the planning process.

Bring all modes and varying needs into a single statewide conversation.

Give small projects equal consideration as large projects.

Identify what Coloradans want from their transportation system and what projects best deliver that vision.

The GOAL

- A 10-year strategic pipeline of projects, inclusive of all modes, informed both by a data-driven needs assessment and public and stakeholder input.
Outreach Outcomes

36 Community Events

81 Local Elected Official and Community Leader Meetings

10 Transportation Planning Region Meetings

15 Stakeholder Meetings

WHO WE REACHED

9,079 Survey Responses

17,305 Online Map Comments

15,000+ Website Pageviews

16,201 Telephone Town Hall (TTH) Participants

1.2 MILL.+ Views on Social Media

3,500+ People Talked With at Community Events

Your Transportation Plan is the most expansive and inclusive transportation planning effort in CDOT's history. Thank you to everyone who took the time to be part of this important conversation.

— Shoshana Lew, CDOT Executive Director
Source: 2019 Your Transportation Plan MetroQuest Online Survey, County Meetings, Transportation Planning Region Meetings, Stakeholder Meetings, Telephone Town Halls
We heard loud and clear from citizens across Colorado that they have some key concerns with our transportation system—safety and basic road condition; managing the impacts of growth and worsening congestion; and the need for more options to get to their destinations.
Colorado Ranks 36th in the Nation in Highway Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Interstate Pavement Condition</td>
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<tr>
<td>Urban Interstate Pavement Condition</td>
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<tr>
<td>Rural Arterial Pavement Condition</td>
<td>27</td>
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<tr>
<td>Urban Arterial Pavement Condition</td>
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<tr>
<td>Urbanized Area Congestion</td>
<td>37</td>
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<tr>
<td>Structurally Deficient Bridges</td>
<td>13</td>
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<tr>
<td>Overall Fatality Rate</td>
<td>23</td>
</tr>
<tr>
<td>Rural Fatality Rate</td>
<td>33</td>
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<td>Urban Fatality Rate</td>
<td>32</td>
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https://reason.org/topics/transportation/annual-highway-report/
Connecting Strategic Investing to Strong Project Management

• Annual Spending
• Budget Transparency
• Fraud Detection
• Construction Budget - Debudgeting and Closure of Projects
• Master Task Order Contracts
### Construction Program
- Ongoing
- Social distancing and other precautions and protocols
- Taking advantage of low traffic volumes to get more work done on some projects
- Just one project has shut down due to COVID-19 potential exposure (several weeks ago)
- Prioritization of our program to meet revenue shortfalls and/or federal stimulus

### Maintenance Workers
- Maintenance workers on split shifts
- Social distancing
- Special vehicle and building cleaning procedures
- Patrols are generally 3 people, and if one family member gets sick, we quarantine whole patrol

### Office Workers - Engineers
- About 95%+ are working from home
- Social distancing and staggering shifts if they are in office
- No gatherings or in person meetings
- Governing boards are electronic and focusing on core business needs (TC had a 3 hour meeting this week)
LVC Emergency Rules
• Waives urban rush hour limits on longer trucks traveling on interstates
• Good for up to 120 days

Truck Size & Weight
• EO raises weight limits to make it more uniform (85k pounds)

Rest Areas
• Feds opened it up for food trucks, we are “passing” for now
• State law prohibits anyway

Adopt-A-Highway
• Applications accepted
• Cleanup suspended
Projected shortfall in transportation revenue falls within the context of a drastic revenue shortfall statewide

- Statewide budget projections show a revenue shortfall over the next four years of almost $7 billion:
  - $3.2 billion for FY 20 and FY 21
  - $2.5 billion for FY 22
  - $1 billion for FY 23
- Additional emergency response and recession-related cost increases are on top of the shortfall.
Reduced mobility means lower revenues

- State gas tax (HUTF) is expected to fall dramatically over the next few years, with the steepest drop occurring during the strict social distancing period when people are driving much less. The most recent forecast calls for a loss of $50 million in HUTF revenue to CDOT, although more recent data suggests the impact could be higher.
- Nationwide, AASHTO projects declines of ~30% in state transportation revenues over the next 18 months (and much higher in some states).

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Additionally, CDOT’s portion of the general fund, like all programs supported by the general fund, may be reduced due to decreased revenue. Combined budget impact could be nearly $100 million over the next year and nearly $250 million over the next few years (including loss of General Fund plus loss of gas tax revenue). If these funds were lost, CDOT would need to cover debt service costs from base revenues (cutting projects to account for the delta). Though CDOT expects that the second tranche of COPs will ultimately be issued, it would cause a much greater near-term project impact than the scenarios below if they were not.

<table>
<thead>
<tr>
<th>Potential Budget Impacts</th>
<th>FY 20</th>
<th>FY 21</th>
<th>FY 22</th>
<th>FY 23</th>
<th>Total</th>
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<tr>
<td>Forecasted reduction in HUTF Revenue</td>
<td>$ (8.20)</td>
<td>$ (19.90)</td>
<td>$ (22.00)</td>
<td>$ -</td>
<td>$ (50.10)</td>
</tr>
<tr>
<td>Potential suspension of SB 19-263 General Fund Transfer</td>
<td>$ -</td>
<td>$ (50.00)</td>
<td>$ (50.00)</td>
<td>$ (50.00)</td>
<td>$ (150.00)</td>
</tr>
<tr>
<td>Potential General Fund Debt Service Assumed by CDOT</td>
<td>$ -</td>
<td>$ (16.00)</td>
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<td>$ (16.00)</td>
<td>$ (48.00)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$ (8.20)</td>
<td>$ (85.90)</td>
<td>$ (88.00)</td>
<td>$ (66.00)</td>
<td>$ (248.10)</td>
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The State treasurer has not yet issued certificates of participation (COPs) for year 2 of SB 267 (~$500 million, and some premium was anticipated).

Issuance had been scheduled for March but was delayed at that time given uncertainty in the bond market.

CDOT was notified on April 14 that the State Treasurer’s office is not planning to issue debt until at least mid-May, pending more information regarding the Joint Budget Committee plans for balancing projected state shortfalls.

Delayed timing of the second tranche of COPs creates funding uncertainty for a number of projects that are in the midst of the procurement process or scheduled to go out to bid, that are expected to be paid for with those funds.

Projected revenue shortfalls (including gas tax revenue as well as other revenues that support general funds) also create significant funding uncertainty right now.
Historical data shows that General Funds for transportation have been unreliable during weaker economic periods.
Many CDOT investments are mandated by state and federal requirements. CDOT’s federal fund allocations generally fulfill these state-of-good-repair (asset management) requirements.

Additionally, maintenance and operations expenses are largely fixed since those activities (e.g. snow and ice removal and avalanche and rockfall control) are required to maintain basic road functionality.

Thus, cuts would need to be absorbed by reducing the state’s construction program.

Since we can’t cut projects that are underway or encumbered by contracts, we have to look at projects that are not yet awarded -- primarily those that we prioritized through the planning process for use of SB 267 funds.
Recently completed planning process identified a 10-year pipeline of projects, some of which will likely have to be deferred

- CDOT conducted a lengthy public outreach process that identified about 100 projects to fund with S.B. 1, S.B. 262, and anticipated S.B. 267 funding.

- Projects were approved by the Transportation Commission in Nov 2019.

- Projects include a mix of simpler repaving jobs (including $300 million in rural resurfacing) and more complex capital projects on interstates.

- Projects were spread across four years to account for stream of funding, project readiness, and statewide equity.

- The first set of “year 2” projects are preparing to go to bid this spring.
Possible options to close the revenue gap

**Option 1** - Cuts spread across “base programs” such as Surface Treatment and Regional Priority Program:

- Cuts to repaving program jeopardize already fragile progress toward meeting Federally-mandated targets on pavement quality.
- Regional Priority Program dollars tend to be used as match or to fully fund larger projects and thus are embedded in projects across the state.

**Option 2** - Cuts focused on major capital projects (SB 267/SB 1 program) selected by Transportation Commission that haven’t yet been awarded:

- Large, multiple-year projects already under construction (e.g. I-25 North segments) would likely be held harmless.

**Recommendation:** Assuming issuance of second tranche of COPs, CDOT staff recommend option 2, with a focus on spreading cuts across the state and across types (e.g. preserving as much rural paving as possible).
Considerations for making hard decisions

1. In an economic downturn, simpler projects that are ready to go tend to be most effective in creating and savings jobs and supporting businesses.

2. “Down payments” on longer-term investments where work is less immediate likely yield slower results in terms of near-term work and economic stabilization.

3. If cuts need to occur, balancing them across regions will be important to statewide economic recovery.

4. In discussions about future transportation funding/stimulus, it will be important to start with candid discussions about what projects are at risk of being lost, before turning to aspirations to grow the project list. Those projects identified as potential cuts could be given priority if new funding becomes available.

5. That said, CDOT has identified up to $2.5 billion of “shovel ready” projects to highlight the extent of possible investment if funds become available.
CDOT is currently executing year two of SB 267, which authorized $500 million in debt (certificates of participation, or “COPs”) a year over four years. One year has been issued at this point.

Given prior schedules for debt issuance, many CDOT projects currently going through the procurement process rely on issuance of the second tranche of COPs.

CDOT has already awarded some projects that depend on this second tranche of debt. Other projects have selected partners but not signed contracts, and others have yet to go out to bid.

Absent the second tranche of COPs, CDOT would have to cut state of good repair projects to honor current contracts, and would have to hold on future awards.

If debt is issued but CDOT faces other budget cuts described earlier, some projects would not be put out to bid.

Future projects that have been identified would also not be able to proceed if future tranches of COPs are not issued or backfilled through other funds. Some projects are expected to encumber funds from multiple years.

We anticipate that COVID will have a multi-year budgetary impact. Early projections show that the maximum impact to the state budget could be in FY22.
The extent of project cuts depends on the extent of ultimate funding shortfalls; we must do the best that we can with the dollars that we have

- Thanks to the hard work of CDOT staff and the Transportation Commission, we have a robust, approved, four year capital plan. Each dollar that we receive goes into paying for projects on that approved list.

- Conversely, each dollar cut because of revenue shortfalls reduces our ability to execute projects on that list.

- As we develop a clearer picture of total revenues for the coming years, we will be able to determine the specific projects that can/cannot move forward. As noted earlier, current projections show that FY22 budget shortfall could exceed that in FY21.

- It is important to begin discussion now about the parameters for how those hard choices will be made.
Additional revenue, especially from the federal government, is critical for avoiding or reducing the drastic nature of cuts

- Phase III federal relief package provided $150 billion to states and localities ($1.7b for CO), but statewide needs are projected to be at least $7 billion.

- Governor has sent a letter to Congress requesting $500 billion nationwide for both state and local government shortfalls. State and local fiscal relief is critical for the solvency of transportation programs as well as other state programs across Colorado.

- Ongoing discussions related to providing aid to states and localities have direct impacts to transportation spending because such aid, albeit not explicitly transportation focused, is intended to reduce the size of unexpected shortfalls that state and local governments across the country are experiencing. Because dollars are fungible relative to total state shortfall, general relief to states helps transportation, much like targeted infrastructure spending does.

- The state is working closely with federal government and delegation regarding any future federal stimulus infrastructure dollars. Due to our recent planning process, CDOT is well prepared with a healthy list of “shovel ready” projects should/when federal infrastructure funding is made available.
Transportation isn’t alone. Budget cuts are impacting other agencies and aspects of state government.

- With anticipated billions in revenue reductions statewide, cuts to education, health care expenses, parks and other services are likely.
- Transportation can play an important role in short-term and long-term economic recovery and, fortunately, CDOT is well positioned to help deliver this support.