

**DEPARTMENT OF TRANSPORTATION
FY 2009-10 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Monday, November 16, 2009
10:00 am – 12:00 pm**

10:00-10:45 INTRODUCTIONS AND OPENING COMMENTS

10:45-10:55 DECISION ITEM #2: CASH FUND TRANSFER FROM LEAF TO GENERAL FUND

1. The August 25, 2009 budget balancing package proposed transferring \$1.9 million from the Law Enforcement Assistance Fund (LEAF) to the General Fund in FY 2009-10, which would have effectively terminated LEAF-funded high visibility drunk driving enforcement events after the Labor Day event. Please discuss the plan for LEAF funds in FY 2009-10. Should the Committee expect a revision to the August 25, 2009 proposal?

Yes, some changes will occur. Two key factors for the alterations:

- *The actual cash balance in the LEAF fund is somewhat lower based upon actual expenditures vs. estimates.*
- *The Governor has decided to maintain sufficient funding between the LEAF program and the First Time Drunk Driving program to meet the annual requirement for twelve high visibility enforcement periods in FY 2009-10.*

The details of the revised plan will be provided to the Committee as part of the Governor's package of supplemental requests for FY 2009-10.

2. Is there a standard cost for a high visibility drunk driving enforcement event? Does the number of events funded in a given year affect the revenue for the program?

No, there is not a standard cost, but there is an average cost of approximately \$250,000 per episode. The actual cost can vary significantly depending primarily on the length of the enforcement period. Episodes range in duration from 3 days to two weeks in length.

To the extent that additional enforcement periods generate additional arrests that lead to DUI convictions or guilty pleas, the resulting fines increase revenues deposited into the Law Enforcement Assistance Fund. This does not necessarily mean that there will be more revenue in the Drunken Driving Account of the fund, from which the Department's high visibility DUI enforcement program is funded. This is because the General Assembly annually appropriates LEAF spending authority to the Department of Public Health and Environment sufficient to pay the costs of laboratory services and implied consent specialists for DUI analysis. Demand for these services may increase with an increased number of high visibility

DUI enforcement events.

3. Please provide quantitative performance information for the high visibility enforcement program. How does the Department determine the effectiveness of the program?

Since the Memorial Day weekend of 1995, there have been 60,348 DUI arrests on Colorado's local roads and state highways during LEAF-funded high visibility enforcement periods, known as "The Heat is On". Arrests made during LEAF-funded enforcement periods account for more than 50 percent of all DUI arrests statewide.

Ultimately, the goal of high visibility DUI enforcement is to reduce the number of alcohol-related traffic accidents. Since the inception of the program, DUI-related traffic fatalities have fallen 52.1 percent in Colorado, despite a population increase of 29.1 percent in the same time period.

10:55-11:15 FEDERAL FUNDS AND ARRA IMPLEMENTATION

4. Please provide an update on the status of the Department's federal funds. Does the State stand to gain or lose federal funds? How would proposals to raise the federal gas tax affect Colorado?

- a) *At this time the status of federal funds for the Department is extremely uncertain. The six year federal authorization bill for surface transportation funding (SAFETEA-LU) expired at the end of federal fiscal year 2009 (30 September 2009) without replacement. Currently federal transportation funding is operating on a six week continuing resolution which will expire on 18 December (the date set for Congress to leave for its holiday recess). Under these continuing resolutions the Department is receiving federal funding at an annualized rate of \$465 million as opposed to last year's regular program funding of \$494 million.*
- b) *Complicating the issue is the fact that current annual receipts in the federal Highway Trust Fund are insufficient to maintain spending over the course of the federal fiscal year at the level authorized in the continuing resolution. Absent an increase in the federal fuel tax rate or an infusion of federal General Fund dollars, Colorado's federal revenues for FY2010 are estimated at approximately \$292 million.*
- c) *Proposals to raise the federal gas tax, if enacted, would presumably make additional funds available for transportation programs. At present, however, there are no specific proposals to increase the federal fuel tax so it is not possible to evaluate the manner in which any such added revenues would be distributed or how these additional funds would impact Colorado's transportation system.*

5. Please provide a general update on the use of ARRA funds and selection/prioritization of projects. How is the Department using the funds? How were projects selected and prioritized? Are there any purely dedicated federal projects?

A Progress Summary on Colorado’s Highway and Transit ARRA Projects

	Highways (as of 11/4/09)	Transit (as of 9/30/09)
Gone to Advertisement	72	37
Under Contract	62	17
Under Construction or Near Construction	51	10
Construction Complete	10	3

Beginning in December 2008, CDOT and its planning partners hosted 39 meetings around the state to discuss the ARRA and to further develop project selection criteria as well as a list of prioritized projects to be considered for ARRA funding.

CDOT staff worked with Transportation Planning Region members and Metropolitan Planning Organization staffs to evaluate potential projects and identify those that were “ready to go” and that could meet the criteria listed in the draft legislation. Based on the draft legislation, “ready-to-go” was defined by CDOT as projects that would be ready to advertise for construction within 180 days of bill enactment and be ready for construction activities to begin in a reasonable timeframe.

The criteria outlined in the ARRA included:

- A. **Three year completion priority** – all potential projects for State funds were evaluated by CDOT staff to ensure that 3-year completion was possible. Projects that could not meet this requirement were not recommended for ARRA funding. Per FHWA Implementing Guidance, “priority shall be given to projects/activities that are projected for completion by February 17, 2012.”*
- B. **Economically Distressed Areas** – based on language in the ARRA, economically distressed areas (EDAs) were identified at the county level and projects in those counties, that also met the other criteria, were identified as potential EDA projects¹. Initial analysis resulted in the identification of 34 of the state’s 67 counties as EDAs. This information was shared with CDOT staff, the Statewide Transportation Advisory Committee (STAC), the Transportation Commission and CDOT planning partners for consideration in the project selection process. ARRA directs that “priority shall be given” to projects located in economically distressed areas. To date, 28% of ARRA funds obligated have been obligated to projects in EDAs.*

¹ As directed by ARRA, EDA analysis and designation were based on the two primary criteria outlined in Section 301 of the Public Works and Economic Development Act of 1965, as amended: “per capita income of 80 percent or less of the national average”, or an unemployment rate “at least 1 percent greater than the national average.”

C. **Expeditious project delivery** – Projects that could meet an advertisement date prior to June 17, 2009 were identified. FHWA Implementing Guidance directs that within 120 days after the apportionment to the State, specifically before June 30, 2009, 50% of the apportioned funds, excluding sub-allocated funds, must be obligated and 100% must be obligated by March 2, 2010. Any portion of the apportioned funds that is not obligated by these deadlines will be withdrawn and redistributed to other states that have obligated their funds in a timely manner.

D. **Maximizing job creation and economic benefit** – For initial project selection, priority was given to construction projects that would create jobs in those sectors that have experienced substantial losses. CDOT recognizes that the primary intent of the ARRA is the maximization of job creation and economic benefit. As such, an emphasis was placed on the use of ARRA funds for construction activities.

In January, a draft “foundation list” was developed and prioritized in conjunction with CDOT’s planning partners and posted on the CDOT website for public review. Following the passage and signing of the ARRA on February 17, 2009, projects were selected from that list based on the priorities developed through the collaborative planning process described above and the criteria outlined in the act. The first round of projects to be funded by ARRA were selected from the “foundation list” and approved by the Transportation Commission on February 19, 2009, contingent upon the completion of any necessary TIP and/or STIP amendments. Although the majority of projects were approved in February, additional projects were submitted to the Transportation Commission for approval in April and May.

States are responsible for maintaining the entire federal-aid highway system, including the interstate highways. Therefore, there are no “purely federal” ARRA highway projects.

6. Please provide additional detail on how the ARRA funds were allocated between CDOT and local entities. How were funds distributed? How are project selections handled for roadways through overlapping jurisdictions? Do the urbanized areas have complete discretion over their allocated funds?

The distribution of ARRA highway funds between CDOT and local governments was made according to existing federal formulas for apportionments from the Highway Trust Fund. That distribution is summarized below.

CDOT ARRA Highway Obligations & Expenditures as of 11/4/09

	Apportioned	Budgeted	Obligated	Expended
Total CDOT ARRA Funding	\$385,574,130	\$356,297,457	\$335,636,416	\$66,476,938
less Transportation Enhancement (locally controlled)	(\$12,117,724)	(\$11,767,650)	(\$9,815,336)	(\$906,165)
less Urbanized Areas >200k population (locally controlled)	(\$56,275,946)	(\$52,313,818)	(\$52,113,818)	(\$2,073,941)
Net CDOT ARRA Funding	\$317,180,460	\$292,215,989	\$273,707,262	\$63,496,832

Note: These figures do not include \$18.6 million transferred by the Denver Regional Council of Governments to the Regional Transportation District for use on the Union Station redevelopment project.

Within the boundaries of the Metropolitan Planning Organizations (MPOs), the Department works collaboratively with MPOs to coordinate projects running through multiple jurisdictions. Outside the MPO boundaries, a similar process occurs with the Transportation Planning Regions, which are comprised of local governments outside the major urbanized areas.

In conjunction with their member partners, the Metropolitan Planning Organizations have complete discretion over their apportioned funding, so long as project selection is in consonance with state and federal guidelines.

11:15-11:35 FASTER DEFICIT REPORT/GENERAL TRANSPORTATION QUESTIONS

7. According to the FASTER Deficit Report, the Department would need an additional \$545 million (above projected revenue levels) to sustain the current bridge, pavement, and maintenance conditions and \$761 million to meet the Transportation Commission's goals. Where does the Department propose to get additional revenues? If the Department does not anticipate sufficient revenues, what other options are available? For example, could the Department save money by actually paying people not to drive to work or to drive to work at a different time, rather than trying to meet the current or projected demand on the system? Please discuss how the Department considers means of transporting people beyond traditional highways and roads; that is, what does transportation mean to CDOT?
 - a) *The Department makes no proposals for obtaining additional revenues. Such proposals are not within the purview of the Department or of the Transportation Commission.*
 - b) *Options available to the Commission are limited by a range of constitutional, federal and state requirements. Within those constraints the Commission will allocate the resources made available to it as efficiently and effectively as possible.*
 - c) *The Department's current focus is on the reconstruction, repair or rehabilitation of the current system, not upon capacity improvements to meet current or projected demand. Consequently at this time the Department does not foresee how paying individuals to alter their commute times would result in any material savings or in improvements to the system's overall state of repair.*
 - d) *The Department and the Commission are keenly aware that there are other means of transportation besides traditional highways and roads. The newly formed Division of Transit and Rail per SB09-094, which was strongly supported by the Department and the Commission, exemplifies this awareness.*
 - e) *The Department's mission and vision statements well summarize what transportation means to CDOT. They are provided below:*

Mission Statement:

The mission of the Colorado Department of Transportation is to provide the best multi-modal transportation system for Colorado that most effectively moves people, goods and information.

Vision Statement:

To enhance the quality of life and the environment of the citizens of Colorado by creating an integrated transportation system that focuses on moving people and goods by offering convenient linkages among modal choices.

8. What is the role of the High Performance Transportation Enterprise in the funding deficit issue? Would congestion pricing be an effective means to provide transportation alternatives and generate revenue? Should we be tolling on existing roads? Why or why not? What are the pros and cons of purchasing existing toll roads, such as E-470? Should the State consider doing so? Please provide an estimate of the cost of purchasing E-470 and how much revenue the project could generate for the State. Could the State purchase E-470, reduce tolls, and keep the project viable?
 - a) *The High Performance Transportation Enterprise (HPTE) has broad authority to pursue innovative means of more efficiently financing important surface transportation infrastructure projects that will improve the safety, capacity, and accessibility of the surface transportation system. Since the HPTE is an enterprise, presumably whatever projects it pursues will generate sufficient revenues from sources other than taxes to pay for them. What role it will actually play in the resolving the transportation funding deficit is at present unknown since the HPTE has not yet had the opportunity to organize itself and develop policies to guide it in the future. It is important to note that the HPTE's Board of Directors does not mirror that of the Transportation Commission. The HPTE's board has a majority of members who are not also members of the Transportation Commission. This majority of outside directors may direct the HPTE in ways not currently foreseen by the Department.*
 - b) *The Enterprise operates the Interstate 25 North High Occupancy Toll (HOT) Lanes, generating \$2.5 million per year in user fee/toll revenues. User fees vary with the level of congestion on I-25. The Enterprise has contracted with the E-470 Public Highway Authority to provide toll transponders and to collect fees on its behalf.*
 - c) *The effectiveness of congestion pricing depends upon many factors that require evaluation on a case by case basis. Factors to consider include: traffic levels, the cost to build and/or maintain the relevant section of the highway, the fee schedule, the feasibility of travelers using alternative routes to avoid paying user fees, and the ability for large numbers of travelers to adjust their travel to off-peak times. Congestion pricing may be used to mitigate congestion and/or to raise revenue; however, any particular congestion pricing system may not be able to achieve both of those policy goals.*
 - d) *Per Senate Bill 09-108, subject to the approval of the Federal Highway Administration and all affected local governments, the High Performance Transportation Enterprise is*

authorized to impose user fees on any section of the existing state highway system; however, any decision to convert a particular existing freeway to a tolled facility must have the concurrence of affected local governments.

- e) *Per Section 43-4-806 (7) (a), C.R.S. (2009), the High Performance Transportation Enterprise board has the duty to evaluate any toll highway in the state that is offered for sale or for lease state in order to determine whether it is in the best interests of the state for the transportation enterprise to purchase or lease the toll highway.*
 - f) *To the Department's knowledge, the E-470 toll highway has not been offered for sale. Without a detailed traffic, revenue, and cost study, the Department cannot project a purchase price for E-470 and cannot determine whether the state could reduce tolls subsequent to purchasing E-470 while maintaining the viability of the E-470 tollway.*
9. H.B. 09-1318 increased the weight limit for tandem and triple axle loads on state highways. Was the bill incorporated in condition and revenue projections in the Deficit Report? Has department done an analysis on impact on secondary roads as a result of the bill? Would increased revenue resulting from the permits offset increased wear and tear on the road?
- a) *House Bill 09-1318 was not incorporated into the projections presented in the Deficit Report. Revenues generated from the new divisible load permits are expected to be immaterial in the context of the orders of magnitude of funding required to maintain the current performance of the state highway system. Projections of future system conditions were based on past experience and historical data.*
 - b) *The Department has performed a limited analysis of the impact of the bill on secondary roads. It has concluded that the individual divisible loads it will now permit will not cause any more damage to the state's secondary roads than is caused by a similar vehicle carrying a non divisible load for which it has long issued overweight permits in these weight ranges. This new permit may increase the total number of overweight loads traveling on the state's secondary roads accelerating damage to them, but since the bill authorizes the issuance of annual and semiannual permits the Department does not have a means to identify the total number of actual trips that will result from this new permit and is at present unable to analyze this aspect of the issue.*
 - c) *The Department's Permit Office currently generates roughly \$6.0 million per year in oversize and overweight permit revenue; the additional permit fee revenues attributable to HB09-1318 are estimated at \$1.9 million. This totals to \$7.9 million in annual permit fees which is not sufficient to offset the combined operational costs of the Permit Office and the Department of Revenue's HUTF-funded Ports of Entry, which exist largely to enforce oversize and overweight requirements. The cost of operating the ports and the permit office are approximately \$8.3 million (this figure does not include the capital costs for either the Ports of Entry or the Permits Office). Therefore, additional permit revenue from H.B. 09-1318 will not offset any of the cost of mitigating any additional deterioration to*

the road surface that may occur.

10. Please discuss the Department's five year game plan for projects and revenues. Is a limited capacity to manage and complete projects driving the Department's planning? Given more revenues, could the Department execute additional projects? Is the Department exploring further bonding using the authorities in FASTER to accelerate projects?

- a) *In general internal capacity to manage and complete projects is not a significant constraint upon the Department. Specifically, the Department has long relied upon a combination of internal and external expertise. Internally, the Department is fortunate enough to have a substantial number of trained engineers and construction managers with the ability to design and oversee the construction of projects. Externally, the Department routinely utilizes private sector engineering, design, and project management to extend the reach of its staff and ensure projects receive adequate oversight and proper management. Since funding to the Department historically fluctuates widely, the Department does not normally increase its internal staffing when it receives an influx of funds, rather, it expands the number of contractors and consultants it uses.*
- b) *Since the Department is accustomed and experienced in the use of private sector professionals to assist with designing, managing, and overseeing its projects, given additional revenues, the Department possesses the capacity to execute additional projects.*
- c) *The authorities for bonding encapsulated within the FASTER legislation pertain solely to the Bridge Enterprise and the HPTE, not the Department. Regarding bonding:*
 - a. *The Bridge Enterprise, is actively exploring the use of bonding and other innovative financing techniques to accelerate the delivery of projects funded with the additional resources provided by the FASTER legislation. In November 2009, the Bridge Enterprise solicited proposals for private sector consultants to assist it with the development of a Request for Proposals Bridge Enterprise Program Manager. A key criterion in this process is: **“Experience in Program Management, Project Development, Alternative Procurement / Financing Options, and Innovative Program and Financial Delivery methodologies.”***
 - b. *The HPTE, as noted in the response to question #8 has not yet had sufficient time to determine if it is interested in pursuing bonding or to identify any projects to accelerate.*
 - c. *Regarding the use of bonding: whether it is the Bridge Enterprise, the HPTE, or the Department, the use of bonding is not a panacea for transportation funding shortfalls. Rather bonding is simply a financing technique. Although bonding can accelerate project delivery, the overriding factors in making a decision to bond are: First comparing the interest rate the issuing authority will pay on the bonds to the construction inflation rate. This determines if the bonding makes economic sense. Second, can the issuing entity afford to make the annual debt service*

payments without impairing its ability to operate and maintain the system. Consequently, a decision to bond is quite complex and must consider factors other than the acceleration of project delivery.

11. Please discuss how the Missouri model of privatization could apply to Colorado? Could following a similar model help address the transportation deficit in Colorado?

The Missouri Department of Transportation (MoDOT)'s Safe and Sound program will accelerate the improvement of 802 of the state's lowest rated bridges. By October 31, 2014, 248 bridges will be rehabilitated and 554 bridges will be replaced. To date, 110 bridges have been completed and 11 are under construction.

Originally, project financing was to be completed entirely in the private sector. Private contractors would design, build, finance, operate, and maintain the bridges, and MoDOT would make a series of availability payments to its private sector partners. However, conditions in the credit markets precluded this course of action. Instead, MoDOT will sell GARVEE (Grant Anticipation Revenue Vehicles) bonds. MoDOT will pay debt service of roughly \$50 million per year for 24 years. The source of repayment will be future federal bridge replacement funding.

The Statewide Bridge Enterprise created by Senate Bill 09-108 may bond against future Bridge Safety surcharge revenues. This option is presently being considered by the Statewide Bridge Enterprise Board.

For several reasons, it is unlikely that Colorado could replicate Missouri's Safe and Sound program. Currently, federal transportation revenues are pledged as a source of repayment for the Transportation Revenue Anticipation Notes (TRANS) issued by the Department. If the Department pledged federal revenues to another bonding project before the 2017 expiration of TRANS, current bondholders would be materially impaired unless the Department subordinated the new bonds to TRANS, which would affect the marketability of the new bonds.

In addition, while the Statewide Bridge Enterprise could issue bonds, CDOT may not issue bonds without a statewide vote of the people per Article X, Section 20 of the Colorado Constitution. Although federal funds may be transferred to the Statewide Bridge Enterprise without fear of disqualifying the Enterprise, it is unclear whether the Enterprise could bond directly against future federal revenues without a vote of the people and, if so, whether those bonds would be marketable.

11:35-11:45 7TH POT/TRANS BONDS

12. Given the Department's revenue situation and that the ongoing 7th Pot projects are unfunded, has the Department changed the scope of any of the projects?

No, the Department has not permitted "scope creep" in the ongoing 7th Pot projects. The Transportation Commission addressed this issue in FY 1999-2000 by converting the

commitment to these projects from one of completing a specific improvement to a dollar amount it is prepared to commit to the project which it annually adjusts by the Construction Cost Inflation Index. Consequently the improvements made in these corridors must be made within the dollar cap imposed by the Commission.

The original dollar amount for these projects in the 1999 “blue book” was \$4.57 billion and the Commission “locked in” the total commitment to these projects at \$4.63 billion in constant 2000 dollars. The net increase to the cost of the program from the number in the blue book to the current program is \$60.5 million in 2000 dollars.

13. The Department is paying approximately \$168 million per year in debt service on the TRANS bonds through FY 2016-17. How is the Department funding the debt service? Given the repeal of S.B. 97-1 and the decline in federal funds, how is that level of debt service impacting the condition of roadways in the State? Please provide data showing the condition of the system since the initiation of debt service payments. Can the Department quantify the role of the debt service in the system’s deterioration?

- a) The Department funds the annual debt service payments out of its existing revenue streams. Historically the Department used \$75 million of federal funds and \$93 million of Senate Bill B97-001 funds to make the annual debt payment. With the permanent loss of Senate Bill 97-001 transfers, the Department has decided to restructure its payments. In FY 2010-11 it plans to maximize the use of federal funds for the debt service. With the requirement for a 20% state match, for FY 2010-11 the debt service payment will be comprised of approximately \$134 million in federal funds and approximately \$34 million from the state highway fund.*
- b) There is no direct correlation between the debt service and the ongoing deterioration of the state’s roadways. It is true that every dollar currently used for debt service is a dollar that could otherwise be spent either conducting routine maintenance on the system or on a construction project to reconstruct or rehabilitate a portion of the system. On the other hand, those sections of the system on which the TRANS proceeds were expended contribute substantially to the efficiency of the overall operation of the state highway system, and since they were constructed recently and to a high standard, require less maintenance than do other older sections of the system.*
- c) Debt Service Payments for the TRANS were first budgeted in FY 2002, the amount paid for debt service and overall condition of the surface condition of the state highway system since that time are as follows:*

<i>Fiscal Year</i>	<i>Debt Service</i>	<i>Surface Treatment</i>	<i>Surface Maint</i>	<i>%Good & Fair / Poor</i>
2001-02	\$66.8	\$121.0	\$43.1	58/42
2002-03	\$70.8	\$125.0	\$41.6	58/42

<i>Fiscal Year</i>	<i>Debt Service</i>	<i>Surface Treatment</i>	<i>Surface Maint</i>	<i>%Good & Fair / Poor</i>
2003-04	\$68.3	\$123.5	\$43.2	61/39
2004-05	\$84.8	\$95.1	\$40.3	65/35
2005-06	\$168.0	\$100.6	\$45.3	63/37
2006-07	\$168.0	\$138.0	\$50.1	59/41
2007-08	\$168.0	\$158.0	\$49.5	53/47
2008-09	\$168.0	\$81.4*	\$44.8	50/49
2009-10	\$168.0	\$98.0	\$45.9	
2010-11	\$168.0	\$104.9	\$41.8	

**The 2009 surface treatment budget was technically \$165 million but in FY2009 the department switched from advanced budgeting for surface treatment to actual so the amount available for surface treatment was the \$81.4 million.*

The Department cannot quantify the role debt service payments play in the deterioration of the system. Numerous factors contribute to the current shortfalls. These include the rising cost of materials, limited revenues, and the need to prioritize funding for other essential programs such as safety improvements, bridge repair, snow and ice clearance and all the other aspects of the Department's program.

14. What is the Department's plan for the \$168 million currently dedicated to debt service when the obligation ends? Does the Department intend to use the funds for maintenance of existing facilities or construction of new facilities?

The Transportation Revenue Anticipation Notes (TRANs) debt service is scheduled to be complete in 2017. Per Section 43-1-106 (8) (h), C.R.S. (2009), the Transportation Commission is the body responsible for promulgating and adopting the Department's budget. At the time the debt service is complete, the Transportation Commission will decide how to allocate the \$168.0 million between either existing or new highway related transportation programs. The \$168 million is currently paid out from funding sources that under current law may only be utilized for highway related purposes.

11:45-11:50 FASTER REVENUES

15. As discussed on page 17 of the FY 2010-11 Budget Briefing, the number of vehicle registration transactions in July and August 2009 is down relative to the same months in 2008, which is one factor driving an apparent shortfall in FASTER revenues compared to anticipated revenue levels. Does the Department have any insight into the reason for the reduced number of registrations relative to 2008? In addition, please outline the impact of a decline in the number of vehicle registrations on specific ownership tax revenues.

The Department respectfully defers to the Department of Revenue on matters related to vehicle registrations and specific ownership tax revenues.

11:50-12:00 OTHER QUESTIONS

16. Decision Item NP-1 would transfer 82.0 FTE from the Department to the Governor's Office of Information Technology as part of the statewide consolidation of information technology staff. Please discuss the management of FTE affected by this transfer? Who is responsible for supervision, CDOT or OIT? How will those staff be supervised and managed and to whom will they be accountable?

By transferring FTE from the Department to the Office of Information Technology (OIT), OIT becomes the appointing authority for those positions rather than CDOT. However, the Department has not yet executed a service level agreement or memorandum of understanding with OIT. The responsibility for day-to-day management and supervision of these positions will remain open until this agreement is complete and, as noted in the decision item; this action has no funds associated with it. The Department remains responsible for the funding of these positions and must conclude an intergovernmental agreement or memorandum of agreement with OIT that ensures the reimbursements to OIT are only made for work performed plus appropriate and properly documented OIT overhead costs allocable to work performed for the Department. Absent such an agreement, the Department cannot document that the funds remitted to OIT comply with federal requirements or state constitutional restrictions on the use of highway related funds.

17. Please provide an update on the operations of E-470 since the highway has converted to completely electronic tolling.

The Department respectfully suggests that the Joint Budget Committee contact the E-470 Public Highway Authority at 303-537-3734 regarding its conversion to open road tolling.

18. Please provide an update on the status of the new Division of Transit and Rail. What is the Department's plan for the new Division? Has the Department defined goals for the Division? How does the new Division interact with federal funds?

To date, the Department has not appointed a Director for the Division of Transit & Rail. Per Senate Bill 09-094, the Department has constituted an Interim Transit and Rail Advisory Committee to advise the Executive Director and the Transportation Commission regarding the initial focus of the Division and to recommend a long term advisory structure.

Under the current federal surface transportation authorization, the Department has received roughly \$13.0 million - \$14.0 million in federal transit funding per year, providing:

- *grant funding funds for capital equipment to organizations that transport elderly persons and persons with disabilities;*

- *capital, operating, administrative and training assistance to organizations that provide public transportation in non-urbanized areas;*
- *transit planning funds for urbanized and non-urbanized areas;*
- *competitive grants for job-related transportation services for low income persons; and*
- *grant funding for public transportation services and alternatives to individuals with disabilities*

The Division of Transit and Rail will administer these programs in addition to any new programs that are created in future federal surface transportation bills.

19. At last year's hearing, the Committee and the Department discussed the Department's plan to shift some additional work out of contracts and into the Department to sustain the Department's workforce. Please provide an update on that issue. How does that policy affect the private sector? Should the Department shift work "in-house" at the expense of the private sector?

As noted in the response to question #11, CDOT and its private sector partners, have a long and successful history of jointly providing the citizens of Colorado a superior transportation system in the most cost efficient and economical manner possible. Accordingly, the Department does not as suggested here "shift work in house." Rather the Department considers it essential that it perform sufficient work internally to ensure the competence and capability of its project related employees.

The Department does so to ensure that its employees have sufficient expertise to review, evaluate and oversee work performed on its behalf by its private sector partners. Maintaining such expertise requires Departmental staff to perform some percentage of projects internally. The JBC staff presentation to the Committee documented the substantial annual variation in the Department's budget.

To preserve sufficient trained staff to accommodate increased funding and project activity (as has just occurred due to the Federal ARRA program) the Department has carefully sized its staff to strike a balance between work performed internally and by private contractors. Accordingly, the Department does not shift work to internal staff at the "expense" of the private sector.

Rather, the Department retains sufficient work in house to maintain the proficiency of a professional staff sized to accommodate periodic increases in its funding. In years where funding is minimal a larger percentage of the aggregate work performed is done internally, but in years where funding increases, the Department does not increase its staff, rather it contracts that work out to its private sector partners, confident that its own employees have the skill, training and experience to properly monitor and oversee those contracts.

This partnership arrangement has been and continues to be, the most beneficial approach for managing the State's Transportation System on behalf of the traveling public.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

QUESTIONS COMMON TO ALL DEPARTMENTS

Please provide:

1. Organizational charts for your department, showing divisions and subdivisions (with geographic locations).
2. Definitions of the roles and missions of your department, its divisions and subdivisions.
3. The number of current personnel and the number of assigned FTE by division and subdivision (with geographic locations), including all government employees and on-site contractors.
4. A specific list of names, salaries, and positions by division and subdivision of any salaried officer or employee making over \$95,000 per year in FY 2009-10.
5. A specific list of names, bonuses, and positions by division and subdivision of any salaried officer or employee making over \$95,000 per year who received any bonuses in FY 2008-09.
6. Numbers and locations of any buildings owned or rented by any division or subdivision (by location) and the annual energy costs of all buildings.
7. Any real property or land owned, managed, or rented by any division or subdivision (by geographic location).
8. List essential computer systems and databases used by the department, its divisions and subdivisions, with their actual FY 2008-09 expenditures.
9. Any actual FY 2008-09 expenditures over \$100,000 total from the department or from its divisions and subdivisions to any private contractor, identifying the contract, the project, and whether the contracts were sole-source or competitive bid.
10. The amount of actual FY 2008-09 expenditures for any lobbying, public relations, gifts, public advertising, or publications including:
 - a. expenditures for lobbying by public employees, contract lobbyists, or "think tanks;"
 - b. expenditures for lobbying purposes at other levels of government;
 - c. expenditures for lobbying purposes from grants, gifts, scholarships, or tuition;
 - d. expenditures for publications or media used for lobbying purposes;

- e. expenditures for gratuities, tickets, entertainment, receptions or travel for purposes of lobbying elected officials; or
 - f. expenditures for any public advertising. Include all advertising campaigns, including those that are not for public relations.
11. List of all boards, commissions, and study groups, including ~~all funding~~, actual FY 2008-09 expenditures, travel, per diem budgets and assigned FTEs.
 12. Suggest budget and staff reductions, including reductions in FTE and hours, by division and subdivision, that will reduce your department's total FY 2010-11 General Fund expenditures by 12.5% relative to FY 2009-10 appropriations before any adjustments that have been announced since the end of the 2009 session.
 13. Suggest budget and staff reductions, including reductions in FTE and hours, by division and subdivision, that will reduce your department's total FY 2010-11 General Fund expenditures by 25.0% relative to FY 2009-10 appropriations before any adjustments that have been announced since the end of the 2009 session.