

This file contains two documents related to the Department of Transportation:

- A file dated March 19, 2009, concerning the Department's FY 2008-09 supplemental requests submitted after the Department's FY 2009-10 figure setting presentation was completed.
- A file dated January 20, 2009, concerning the Department's initial prioritized and non-prioritized supplemental requests, as well as further staff-initiated recommendations.

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2008-09

DEPARTMENT OF TRANSPORTATION

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
Craig Harper, JBC Staff
March 19, 2009**

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**DEPARTMENT OF TRANSPORTATION
FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE OF CONTENTS

	Narrative Page	Numbers Page
Prioritized Supplementals in Department-Assigned Order		
Supplemental #1 - Negative Technical Adjustment to FY 08-09 CMO Line	1	3

**DEPARTMENT OF TRANSPORTATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Prioritized Supplementals

**Supplemental Request, Department Priority #1
 Negative Technical Adjustment to FY 08-09 CMO Line Item**

	Request	Recommendation
Total	(\$428,046,258)	(\$24,122,128)
FTE	<u>0.0</u>	<u>15.0</u>
Cash Funds	(339,453,093)	(339,453,093)
Federal Funds	(88,593,165)	315,330,965

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
<i>JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests an adjustment to the informational appropriation for the Construction, Maintenance, and Operations (CMO) line item in the FY 2008-09 Long Bill. The Long Bill was based on the December 2007 revenue estimates and overstated the funding available to the Department. The change would update the appropriation to reflect current revenue estimates as reflected in the Transportation Commission's adopted budget.

Staff Analysis: The Long Bill includes an informational appropriation for the CMO line item which is continuously appropriated to the Department. The FY 2008-09 Long Bill shows a total of \$1.3 billion in funding for the CMO line. The Transportation Commission's adopted a revised budget in January 2009 that estimated a total of \$832.7 million would be available to the CMO line in FY 2008-09 (see table below).

	FY 2008-09 Long Bill	Supplemental Request	FY 2008-09 Revised Budget
Total	\$1,261,748,574	(\$428,046,258)	\$833,702,316
FTE	<u>3,127.3</u>	<u>0.0</u>	
Cash Funds	814,303,088	(339,453,093)	474,849,995
Reappropriated Funds	1,912,328	0	1,912,328
Federal Funds	445,533,158	(88,593,165)	356,939,993

**DEPARTMENT OF TRANSPORTATION
FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

The Department's stated reason for requesting the change is that the funding level shown in the Long Bill has generated confusion about the Department's FY 2008-09 budget, in that discussion of the FY 2009-10 budget and related legislation has focused on the change from an artificially high informational amount shown in the Long Bill. The Department hopes to clarify the situation and eliminate some of that confusion by "trueing up" the FY 2008-09 appropriation. Staff has two concerns with the request, discussed below.

Federal Stimulus Bill. The Department did not update the supplemental request to include the impact of the federal stimulus package. Given that the stimulus bill provides more than \$400 million to CDOT in FY 2008-09 (all of the money is available in the current year even though not all of it can be spent), the supplemental request would significantly understate the Department's federal funding in the current year. While the Department is reflecting a reduction of \$88 million because of prior expectations of federal revenues, the addition of the stimulus money will result in a net *increase* of \$315 million in federal funds this year.

FTE Count. The request does not address the CMO line item's FTE count reflected in the FY 2008-09 Long Bill (3,127.3 FTE). The budget adopted by the Commission in January 2009 includes a total of 3,142.3 FTE, an increase of 15.0 FTE above the informational appropriation in the Long Bill. The Department's explanations of the changes in FTE are explained below.

- 1.0 FTE in the Permits Office associated with H.B. 08-1257.
- 8.0 FTE for Region 1 I-70 Maintenance Mountain Patrols, paid for with savings in overtime and per diem charges from employees that had been diverted to I-70.
- 6.0 FTE that were already present in the Division of Aeronautics but were erroneously excluded from the request and the Long Bill appropriation.

Staff argues that any true-up of the funding amounts in the Long Bill should also include an adjustment to reflect updated FTE counts for the same line item.

Staff recommends that the Committee modify the Department's request by: 1) approving the requested reduction in cash funds to reflect the decreased State revenues available to CDOT; 2) reflecting the net increase in federal funds as a result of the stimulus package; and 3) reflecting the increased FTE count as approved by the Transportation Commission in January. Staff would generally be reluctant to amend a non-binding informational appropriation. However, the appropriation in question has generated confusion. Staff's recommendation would update the State funding amounts and incorporate the federal stimulus funding. Staff does note, however, that with the inclusion of the stimulus funding the total change is now only a \$24 million reduction as compared to the \$428 million reduction assumed in the request. Under staff's recommendation, the significant change from the FY 2008-09 Long Bill would be the change in fund sources as the stimulus funding largely offsets the reduction in available State funds.

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF TRANSPORTATION					
Executive Director - Russell George					
<i>(B) Construction, Maintenance, and Operations</i>					
Construction, Maintenance, and Operations	1,397,903,072	1,262,053,837	(428,046,258)	(24,122,128)	1,237,931,709
FTE	<u>3,027.3</u>	<u>3,127.3</u>	<u>0.0</u>	<u>15.0</u>	<u>3,142.3</u>
General Fund	0	0	0	0	0
Cash Funds	936,703,687	814,608,351	(339,453,093)	(339,453,093)	475,155,258
Reappropriated Funds	1,291,472	1,912,328	0	0	1,912,328
Federal Funds	459,907,913	445,533,158	(88,593,165)	315,330,965	760,864,123
Department Totals					
Department of Transportation					
Totals for ALL Departmental line items	1,427,238,655	1,301,794,846	(428,046,258)	(24,122,128)	1,277,672,718
FTE	<u>3,240.3</u>	<u>3,350.5</u>	<u>0.0</u>	<u>15.0</u>	<u>3,365.5</u>
General Fund	0	0	0	0	0
Cash Funds	32,062,205	852,277,142	(339,453,093)	(339,453,093)	512,824,049
Reappropriated Funds	935,268,537	3,984,546	0	0	3,984,546
Federal Funds	459,907,913	445,533,158	(88,593,165)	315,330,965	760,864,123

Key:

N.A. = Not Applicable or Not Available

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2008-09

DEPARTMENT OF TRANSPORTATION

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Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
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January 20, 2009**

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**DEPARTMENT OF TRANSPORTATION
FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

TABLE OF CONTENTS

	Narrative Page	Numbers Page
Prioritized Supplementals in Department-Assigned Order		
Supplemental #1 - Savings Associated with Hiring Freeze Implementation	1	7
Non-prioritized Supplementals		
Statewide Common Policy Supplemental Requests	3	N.A.
Totals for All Supplementals	N.A.	8
Cash Fund Transfers		
Department Requested 1 - State Infrastructure Bank	3	N.A.
Department Requested 2 - State Rail Bank	5	N.A.

**DEPARTMENT OF TRANSPORTATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Prioritized Supplementals

**Supplemental Request, Department Priority #1
 Savings Associated with Hiring Freeze Implementation**

	Request	Recommendation
Total	\$0	\$0
FTE	<u>0.0</u>	<u>(6.3)</u>
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Department Request: The Department requests a reduction of \$234,007 cash funds (State Highway Funds) from the legislatively appropriated Administration line item and a consequent increase of \$234,007 in the non-appropriated Construction, Maintenance, and Operations line item to transfer the savings resulting from the hiring freeze in the Administration line item to the Construction, Maintenance, and Operations line.

Staff Analysis: The Department implemented the hiring freeze in October 2008 as directed by the Governor. According to a report supplied by the OSPB, the hiring freeze has affected 118 positions at CDOT, resulting in \$1.97 million in total savings. The 118 positions represent approximately 27 percent of the total affected positions statewide, and the \$1.97 million in savings represents approximately 19 percent of savings on employee costs statewide.

The proposed \$234,007 reduction represents the Department's estimate of savings within the legislatively appropriated Administration line item. The reduction represents 11.9 percent of the Department's total reported savings. Because the savings are from the State Highway Fund, Section 18 of Article X of the State Constitution requires that the funds be used exclusively for the construction, maintenance, and supervision of the State's public highways. As a result, they cannot offset General Fund decreases in other departments but would be transferred from administrative functions in the Department to the construction line.

**DEPARTMENT OF TRANSPORTATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

OSPB Assumptions. OSPB's savings calculations are based on the date on which the Department would have expected a new hire to start in each position in the absence of the hiring freeze, rather than the first day of the freeze or the date that such a position became vacant. Therefore, if a position would otherwise have been filled on March 1, 2008, the savings were assumed to begin on that date rather than when the position became vacant. While additional vacancy savings may exist, based on the date a position became vacant, the hiring freeze assumptions should capture the savings actually attributable to the hiring freeze if the estimated start dates are valid.

Additional Savings Possible. Staff believes that OSPB's calculations understate the FY 2008-09 savings at CDOT. Based on OSPB's report, it appears that all Departments' hiring freeze calculations were based on General Fund appropriations with a pay date shift at the end of the fiscal year. Because CDOT operates on cash funds, the Department does not implement the pay date shift and employees are paid at the end of June instead of the beginning of July. Thus, CDOT would have another month of savings in FY 2008-09 for each position held vacant through the end of the fiscal year.

Adding another month to the vacancy period for every CDOT position in the OSPB report yields an estimated total savings of \$2,569,934 department wide, an increase of approximately \$600,000 in savings department-wide. Based on the submission, staff assumes that Administration would still account for 11.9 percent of CDOT's total savings. Using those assumptions, Administration's share of the new estimate would be \$305,263, as shown in the table below.

	OSPB Assumptions (with pay date shift)	JBC Staff Assumption (without pay date shift)*
CDOT Total	\$1,970,048	\$2,569,934
Administration (11.9 percent of total)	\$234,007	\$305,263

*Staff added one month to the assumed vacancy period for every CDOT position in the OSPB hiring freeze report to yield the total estimate for CDOT. Staff then applied the 11.9 percent of total CDOT savings attributed to Administration in the request to yield the new estimate for Administration.

FTE Savings. Using the OSPB report and working with CDOT staff, staff estimates that the hiring freeze has affected 6.3 FTE in the Administration line. Although the freeze has stopped the hiring of 20 positions within Administration, staff's estimates indicate that the 20 positions spread over the last three to four months of the fiscal year equate to 6.3 FTE.

Staff Recommendation: Staff recommends that the Committee reduce the FY 2008-09 appropriation for Administration by \$305,263 and show those funds transferring to the Construction, Maintenance, and Operations line item. Staff further recommends that the Committee reduce the FY 2008-09 appropriation for Administration by 6.3 FTE to reflect the

**DEPARTMENT OF TRANSPORTATION
FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

reduction in FTE caused by the hiring freeze. The increase in funds for the construction line item will be shown for informational purposes only as those funds are not legislatively appropriated.

Statewide Common Policy Supplemental Requests

OSPB has yet to submit any common policy supplemental requests for Transportation. The request for the Governor's Office of Information Technology does not require a supplemental appropriation for CDOT because the necessary changes will be absorbed within the existing appropriations.

Staff Recommendation: Staff asks permission to include the corresponding appropriations in the Department's supplemental bill once the Committee has approved common policies for the FY 2008-09 supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee later to present the relevant analysis.

Cash Fund Transfers

**Department Requested Transfer, OSPB #4
Transfer from State Infrastructure Bank
Statutory Change Required**

FY 2008-09	Request	Recommendation
Transfer from State Infrastructure Bank to General Fund	\$3,000,000	\$3,000,000

Staff Analysis: The State Infrastructure Bank, created in Section 43-1-113.5, C.R.S., provides loans and grants to public and private entities for the acquisition, improvement, or construction of highways, multimodal transportation, and intermodal transportation facilities in the State. The Department proposes to transfer \$3 million from the aviation account of the State Infrastructure Bank to the General Fund in FY 2008-09.

Most of the Infrastructure Bank's fund balance is constitutionally restricted to transportation uses by Section 18 of Article X of the State Constitution. Within the aviation account, most of the balance is from aviation fuel taxes deposited into the Aviation Fund and is therefore restricted to aviation purposes. However, the \$3 million proposed for transfer to the General Fund was transferred from the Capitol Construction Fund to the aviation account in 2001 by S.B. 01-217. Because it did not come from fuel taxes, the proposed balance is not controlled by the constitutional restriction. Thus, while the total fund balance is significantly larger (approximately \$16.2 million in available cash and

**DEPARTMENT OF TRANSPORTATION
FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

\$35.2 million in uncommitted fund balance according to the Controller's Office) the \$3 million transferred from Capitol Construction is revenue that is readily available for transfer, though it would also require legislation.

Impact of the Transfer

The request submitted on January 15 indicates that the transfer would impact two projects: Phase III of the Grand Junction Airport Master Plan and Phase II of the Mountain Radar project. According to CDOT, the Grand Junction Airport project had already been scaled back and would not be affected by the transfer. As a result, the Mountain Radar project is the only initiative affected by the proposed transfer.

The mountain radar project is designed to increase radar coverage in the mountains and improve safety and efficiency for the flying public. Phase I of the project has included installation at airports in Hayden, Steamboat Springs, Craig, and Rifle. Phase II was planned to include Montrose, Gunnison, Telluride, Durango, and Aspen. According to CDOT, the proposed transfer would delay implementation at the Gunnison and Telluride airports until Phase III. Without the transfer, CDOT expects that all Phase II airports would be operational in 2011. CDOT has said that the transfer would delay operations at Gunnison and Telluride until 2013. The mountain radar projects have not received loans from the Infrastructure Bank for Phase II but the projects were planned for consideration by the Aeronautical Board.

The Department considers the mountain radar project a health/life/safety program because it is meant to improve safety by improving radar coverage for air traffic. Delaying implementation at the Gunnison and Telluride airports would have some safety impact and some effect on efficiency of air travel to those airports, though staff is unable to quantify the effects.

Federal Funds. According to CDOT, the Federal Aviation Administration has committed to fund the operation and maintenance of the radar system once it is operational. CDOT estimates that federal expenditures will roughly equal the State's share of startup costs for the program. The Department has said that the federal funds will not be lost if the project is delayed although federal payment of operating costs will be delayed until the system is up and running.

Statutory Change. The transfer would require a statutory change to move funds from the Infrastructure Bank to the General Fund, as Sec. 43-1-113.5 (1) states that, "Any moneys credited to the revolving fund shall remain in the revolving fund and shall not revert to the general fund at the end of any given fiscal year."

The table below shows the Infrastructure Bank's fund balance and the impact of the recommended transfer to the General Fund.

**DEPARTMENT OF TRANSPORTATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

State Infrastructure Bank Department Request and Staff Recommendation				
	FY 2007-08 Actual	FY 2008-09 Estimate	FY 2009-10 Estimate	FY 2010-11 Estimate
Beginning FY Balance	\$15,939,644	\$34,980,285	\$32,783,222	\$33,522,151
Revenues	23,240,641	802,937	738,929	667,089
Expenditures	<u>(4,200,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending FY Balance without transfer	\$34,980,285	\$35,783,222	\$33,522,151	\$34,189,240
Proposed Transfer	<u>0</u>	<u>(3,000,000)</u>	<u>0</u>	<u>0</u>
Ending Balance after transfer	\$34,980,285	\$32,783,222	\$33,522,151	\$34,189,240

**Department Requested Transfer, OSPB #20
 Transfer from State Rail Bank Fund
 Statutory Change Required**

FY 2008-09	Request	Recommendation
Transfer from State Rail Bank Fund to General Fund	\$1,543,937	\$1,543,937

Staff Analysis: The State Rail Bank Fund, created in Section 43-1-1309, C.R.S., was established to fund the acquisition, maintenance, improvement, or disposal of rail lines or railroad rights-of-way to preserve abandoned railroad corridors and ensure the continued availability of the corridors for freight or passenger rail service or other public uses should no rail service operator be immediately available.

The General Assembly appropriates funds into the State Rail Bank Fund, where they remain until used for the fund's designated purposes. At present, \$1,543,937 is in the fund. The request would transfer the entire balance to the General Fund for FY 2008-09.

**DEPARTMENT OF TRANSPORTATION
 FY 2008-09 SUPPLEMENTAL RECOMMENDATIONS
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Impact of the Transfer

The transfer of funds to the General Fund would have no immediate impact. According to the request, CDOT does not have projects planned that would utilize the existing funds. In the long term, if the General Assembly wishes to acquire any abandoned railroads in the future, doing so would require a new appropriation into the fund.

Statutory Change Required

Because resources in the State Rail Bank Fund do not revert to the General Fund, the transfer would require statutory change. There is a precedent for this transfer - during the last downturn, the following language was added to the statute (Sec. 43-1-1309):

- "(2) Notwithstanding any provision of subsection (1) of this section to the contrary, on March 27, 2002, the state treasurer shall deduct five hundred thousand dollars from the state rail bank fund and transfer such sum to the general fund."

State Rail Bank Department Request and Staff Recommendation				
	FY 2007-08 Actual	FY 2008-09 Estimate	FY 2009-10 Estimate	FY 2010-11 Estimate
Beginning FY Balance	\$1,543,937	\$1,543,937	\$0	\$0
Projected Revenues	0	0	0	0
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending FY Balance without transfer	\$1,543,937	\$1,543,937	\$0	\$0
Recommended Transfer	<u>0</u>	<u>(1,543,937)</u>	<u>0</u>	<u>0</u>
Ending FY Balance after transfer	\$1,543,937	\$0	\$0	\$0

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF TRANSPORTATION					
Executive Director - Russell George					
Supplemental #1 - Savings Associated with Hiring Freeze Implementation					
<i>(1) Administration</i>					
Administration	23,426,886	27,358,998	(234,007)	(305,263)	27,053,735
FTE	<u>212.7</u>	<u>223.2</u>	<u>0.0</u>	<u>(6.3)</u>	<u>216.9</u>
General Fund	0	0	0	0	0
Cash Funds	22,014,964	25,286,780	(234,007)	(305,263)	24,981,517
Reappropriated Funds	1,411,922	2,072,218	0	0	2,072,218
Federal Funds	0	0	0	0	0
<i>(B) Construction, Maintenance, and Operations</i>					
Construction, Maintenance, and Operations	1,397,903,072	1,261,748,574	234,007	305,263	1,262,053,837
FTE	<u>3,027.3</u>	<u>3,127.3</u>	<u>0.0</u>	<u>0.0</u>	<u>3,127.3</u>
General Fund	0	0	0	0	0
Cash Funds	936,703,687	814,303,088	234,007	305,263	814,608,351
Reappropriated Funds	1,291,472	1,912,328	0	0	1,912,328
Federal Funds	459,907,913	445,533,158	0	0	445,533,158
Total for Supplemental #1	1,421,329,958	1,289,107,572	0	0	1,289,107,572
FTE	<u>3,240.0</u>	<u>3,350.5</u>	<u>0.0</u>	<u>(6.3)</u>	<u>3,344.2</u>
General Fund	0	0	0	0	0
Cash Funds	958,718,651	839,589,868	0	0	839,589,868
Reappropriated Funds	2,703,394	3,984,546	0	0	3,984,546

	FY 2007-08	FY 2008-09	Fiscal Year 2008-09 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Federal Funds	459,907,913	445,533,158	0	0	445,533,158
Department Totals					
Department of Transportation					
Totals for ALL Departmental line items	1,427,238,655	1,301,794,846	0	0	1,301,794,846
FTE	<u>3,240.3</u>	<u>3,350.5</u>	<u>0.0</u>	<u>(6.3)</u>	<u>3,344.2</u>
General Fund	0	0	0	0	0
Cash Funds	32,062,205	852,277,142	0	0	852,277,142
Reappropriated Funds	935,268,537	3,984,546	0	0	3,984,546
Federal Funds	459,907,913	445,533,158	0	0	445,533,158

Key:

N.A. = Not Applicable or Not Available