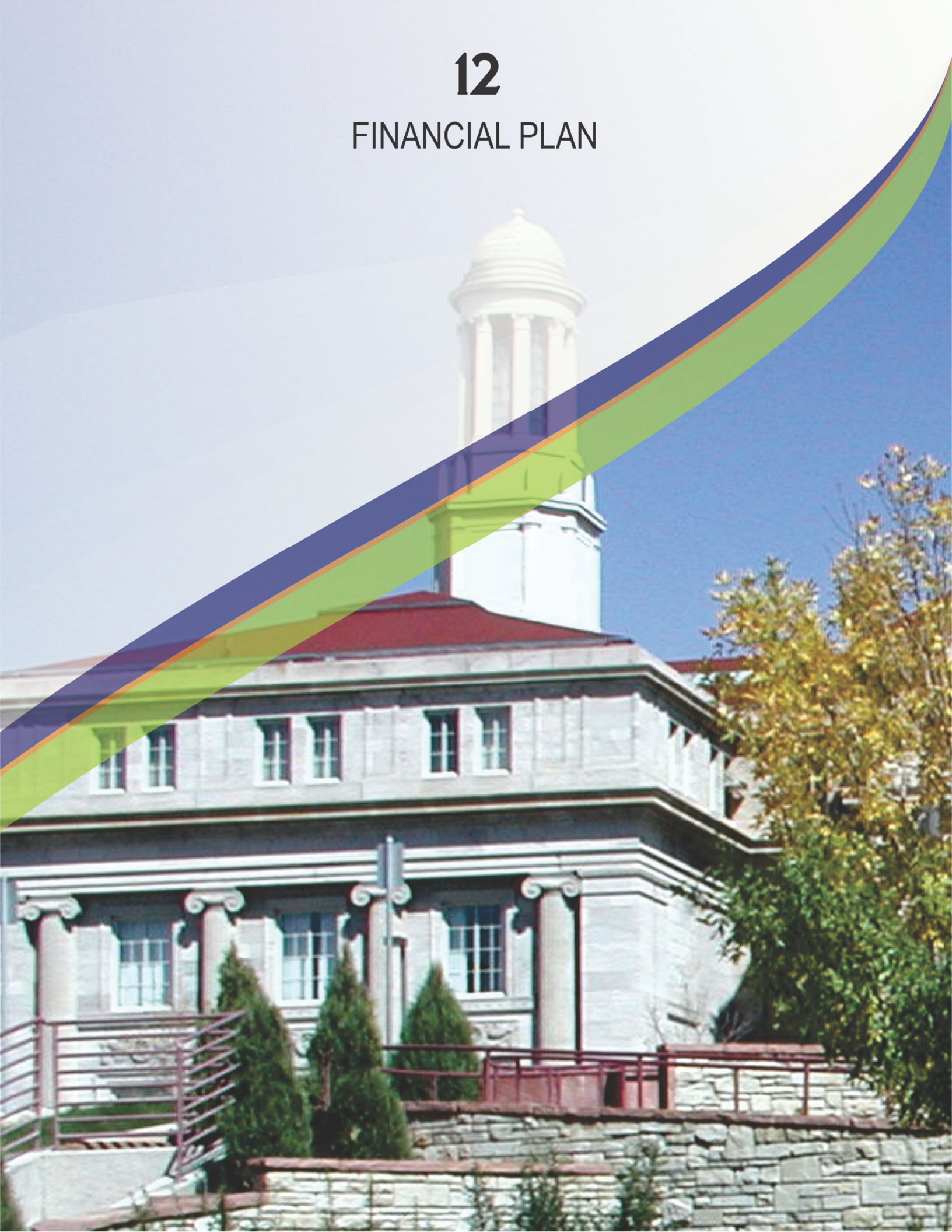
12

FINANCIAL PLAN



Funds Not Keeping Pace

The Colorado gasoline tax was last raised (to 22 cents per gallon) 29 years ago, in 1991.

The federal gasoline tax was last raised (to 18.4 cents per gallon) 27 years ago, in 1993.

Meanwhile, construction costs have increased dramatically over the past quarter of a century. Also, Colorado's population has grown from 3.3 million in 1990 to about 5.8 million in 2020, an increase of 2.5 million (76%). Vehicle miles of travel have increased faster than the population.

Vehicle fuel economy has increased substantially over the past quarter of a century, resulting in less average tax collected for each mile driven, and electric vehicles pay no gas tax at all.

As a result of these factors, gasoline tax revenues are unable to keep pace with increasing transportation demands in Colorado, including the Pueblo region.

12.0 Financial Plan

12.1 Introduction

This chapter describes the revenue sources, anticipated revenues, and estimated costs to maintain, operate, and expand the transportation system in the Pueblo Transportation Planning Region (TPR) from 2021 until 2045. The financial analysis presented in this chapter meets the federal transportation planning requirements pursuant to the Fixing America's Surface Transportation (FAST) Act (2015). Though the FAST Act expired on September 30, 2020, its planning requirements remain in effect until and unless modified by future legislation. In particular, the requirements for a financial plan as part of the long range transportation plan (LRTP) are found in the Code of Federal Regulations at 23 CFR § 450.324(f)(11).

It must be emphasized that this is a long-range, systems-level plan; most of the cost and revenue estimates will be revisited several times over the years before the projects are undertaken. The intent of this plan is to provide an approximate but realistic estimate of both the total funds available and the total program cost. This information is helpful in the understanding of what transportation improvements should be prioritized when funding needs exceed available resources, which is typically the case.

12.2 Critical Funding Challenges

Federal and state transportation funds are critically important to the PACOG region, and these revenue sources have not increased sufficiently over time to keep up with increasing construction costs and increased population-based transportation demand, as noted in the text box at right. In the absence of new or enhanced revenue sources, this trend is expected to continue.

Colorado is one of many states that have pointed out that its limited funds will predominantly be spent on maintaining existing roadways, rather than adding new road capacity. Due to lack of funding for capacity projects, many key highways in the Denver region now have tolled express lanes. Tolled lanes are currently being constructed on Interstate 25 (I-25) between Castle Rock and Monument, north of Colorado Springs. Additionally, the Colorado Department of Transportation (CDOT) is increasingly focusing its expenditures on transit and other alternatives to reduce reliance on single-occupant use of automobiles.

Satisfying the Pueblo region's transportation financial needs during the next 25 years is a major challenge. For example, the Final Environmental Impact Statement (FEIS) for improvements to I-25 (constructed some 60 years ago) called for reconstructing the highway to correct many design deficiencies that do not meet modern freeway standards. The Preferred Alternative from this FEIS was estimated to cost $760 million in 2010 dollars. The FEIS recognized that this project would have to be designed and constructed in phases over many years. I-25 is the busiest roadway in the Pueblo region and is vital to its economy, but the region has other transportation needs as well.

COVID-19 Impact on Transportation Funding

Emergence of the global corona virus disease (COVID-19) pandemic in December 2019 sent shock waves through the national economy in early 2020, reaching down to every community. Many businesses were temporarily closed and employees and customers stayed at home, not driving their motor vehicles and not using public transportation. While the roads remained open and were less crowded, public transit systems across the country found it necessary to reduce service and limit bus occupancy. As part of its effort to mitigate the risk if exposure to COVID-19, Pueblo Transit reduced bus occupancy to 10 and offered fare-free service for five months, which ended on August 31,

except for K–12 students.[52] CDOT Bustang interregional service was cancelled for the months of April and May. Transit operators faced not only reduced ridership and fare collection but also increased costs for vehicle disinfection.

Colorado's 2020 Statewide Transit Plan states that in "March 2020, the CARES Act was signed into law to provide relief funds due to the COVID-19 pandemic. This funding allocated $30 million to rural areas. Additionally, 5311 and 5311(f) programs, used to fund Bustang and Greyhound services, also received increased funding."[53]

With regard to transportation finances, CDOT's analysts examined the state's revenue situation to determine what sorts of immediate budget cuts might be needed. In a September 2020 memo to the Colorado Transportation Commission, CDOT's Chief Financial Officer predicted a $50 million revenue reduction would be incurred between March 2020 and February 2021.[54]

Following the initial Stay-at-Home Order issued by the governor to reduce the spread of COVID-19, some parts of the economy rebounded somewhat as public health restrictions eased in counties that met the conditions of the less restrictive Safer-at-Home Order. However, as of October 2020, transportation activity has not returned to pre-COVID levels, and with increasing community spread of the virus nationwide, this may not occur until an effective COVID-19 vaccine is developed and widely available.

For purposes of long-range planning, analysts must always be careful to be neither too optimistic during an economic surge nor too pessimistic during down times. Over the long term, conditions tend to average out to resemble historical trends. Therefore, this long-range plan relies on revenue forecasts that do not reflect a sustained long-term negative impact from the COVID-19 pandemic.

As noted above, the federal regulations requiring inclusion of a financial plan in the long-range transportation plan are found at 23 CFR § 450.324(f)(11). Four key requirements from this section include:

> (i) The financial plan shall contain system-level estimates of costs and revenue sources that are reasonably expected to be available to **adequately operate and maintain the Federal-aid highways.** [emphasis added]
>
> (ii) The MPO(s), public transportation operator(s), and State shall cooperatively develop estimates of funds that will be available to support metropolitan transportation plan implementation.
>
> (iii) The financial plan shall include recommendations on any additional financing strategies to fund projects and programs included in the metropolitan transportation plan. In the case of new funding sources, strategies for ensuring their availability shall be identified.
>
> (iv) Revenue and cost estimates that support the metropolitan transportation plan must use an inflation rate(s) to reflect "year of expenditure dollars," based on reasonable financial principles and information, developed cooperatively by the MPO, State(s), and public transportation operator(s).

Federal regulations also emphasize the concept of *fiscal constraint*, which applies intensely to the first several years in both the long-range plan and the short-term Transportation Improvement Program (TIP). Both a TIP prepared by an MPO and a statewide TIP prepared by a state department of transportation are required to be fiscally constrained such that the proposed expenditures for projects in each of those early

Fiscal Year Definitions

A calendar year (CY) is January to December, but a fiscal year (FY) is an accounting period of 12 months that can begin on any month.

The federal fiscal year (FFY) begins on October 1 and ends on the following September 30.

Colorado's state fiscal year (SFY) begins three months earlier, on July 1, and ends on June 30.

A fiscal year ends in the year indicated (for example, SFY 2021 and FYY 2021 both end during calendar year 2021).

[52] "Notice: Temporary Boarding and Fare Policy," Pueblo Transit, updated August 24, 2020, https://www.pueblo.us/104/Pueblo-Transit.

[53] Colorado Department of Transportation, *Statewide Transit Plan Draft*, May 2020, 48, https://www.codot.gov/programs/your-transportation-priorities/assets/statewidetransitplan.pdf.

[54] Jeff Sudmeier, Colorado Department of Transportation Memorandum to the Transportation Commission, September 17, 2020, in "Colorado Transportation Commission Schedule & Agenda," September 16–17, 162, https://www.codot.gov/about/transportation-commission/documents/2020-supporting-documents/september-2020/tc_bp_2020_09-final.pdf.

years does not exceed the amount of funding reasonably expected to be available in each year. Beyond the near-term TIP years in the LRTP, foreseeable funding is a lot less certain, and the general concept of fiscal constraint remains applicable but not in the same rigid, year-by-year manner.

12.4 Plan Development

This LRTP extends to the year 2045, with revenue and expenditure projects relying on historical patterns of funding from local, state, and federal sources, as well as additional assumptions about future economic, social, and behavioral conditions. In developing this financial plan, PACOG followed a few basic principles, as follows:

- Financial planning documents developed by local agencies were incorporated when available.
- Consistency with state planning documents was ensured. In May 2019, the Colorado Transportation Commission approved the fiscal year (FY) 2020–2045 Program Distribution allocation methodologies for formula programs for use in developing both the FY 2020–2045 Statewide Transportation Plan and regional transportation plans and to guide the development of the (FY) 2021 Statewide Transportation Improvement Program.
- Published data sources were utilized to evaluate historical trends and augment local information as needed.

The first 10 years of this LRTP (short-term implementation) comprise a four-year TIP period (FY 2021–2024) and a six-year future capital improvement period (CIP), thus providing a 10-year CIP (2021–2030). The last 15 ("outer") years of the plan are broken out into five-year increments of funding for the period between 2031 and 2045. The dates used for the TIP and CIP refer to federal fiscal years.

12.5 Funding Sources

Provision of transportation infrastructure has traditionally been funded by user fees. Today, the major tax sources to fund transportation are federal and state fuel excise taxes, vehicle license fees, sales taxes, and transit fare box revenues. Federal funding is derived primarily from the federal gas tax, which is currently 18.4 cents per gallon for gas and 24.4 cents for diesel. Federal Highway Administration (FHWA) funds may be used to reimburse project costs for general transportation planning, preliminary engineering, right-of-way acquisition, construction, and audit.

FHWA Funding Programs

Colorado's Statewide Transportation Improvement Program (STIP) for fiscal years 2021–2024, adopted in June 2020 by the Colorado Transportation Commission, lists and describes the Federal Highway Administration (FHWA) funding programs through which federal funding is provided to the state. It describes two programs as being for flexible use and nine other programs as being inflexible, for focused, specific uses. The two flexible programs are:

1. National Highway Performance Program (NHPP**):** Available for surface treatment, bridges, tunnels, walls, culverts, signals and bike/pedestrian curbs to meet requirements of the Americans with Disabilities Act (ADA).
2. Surface Transportation Block Group (STBG) Program [formerly STP]: Available for all NHPP uses plus transit.

FHWA's less flexible funding programs are listed below. For many of these, funded projects are selected by CDOT Region 2 and not PACOG.

1. Highway Safety Improvement Program (HSIP): Funds CDOT's Hazard Elimination Program.
2. Railway Highway Elimination of Hazards (RRX): Funds CDOT's Railroad Crossing Program.
3. Bridge Off-System (BRO) – for bridges that are not on the National Highway System.
4. National Highway Freight Program (NHFP): Funds FR8 – Freight Program.
5. Transportation Alternatives Program (TAP): Available for CDOT Statewide Projects and metro areas with population greater than 200,000.

6. Congestion Mitigation and Air Quality (CMAQ) Program: Funds available in areas with a history of air quality violations; not applicable for PACOG.
7. Emergency Relief (ER): Available only for emergency response; no funds currently programmed for the PACOG region.

Additionally, two federal funding programs are available for planning purposes but are not available for construction projects:

1. State Planning and Research (SPR): Funds used for planning and research by CDOT and the rural Transportation Planning Regions.
2. Metropolitan Planning (MPL): Planning funds used by Metropolitan Planning Organizations, including PACOG.[55]

USDOT Discretionary Grants

The U.S. Department of Transportation (USDOT), typically on a yearly basis, may offer competitive, discretionary grants, which usually are awarded to perhaps one or two projects in the entire state. A current example is the Better Utilizing Investments to Leverage Development (BUILD) grant program. A prior federal administration called its discretionary program Transportation Investment Generating Economic Recover (TIGER) grants, which are no longer available. Regardless of the latest grant program's title, there is no assurance that any particular region such as PACOG will win a discretionary grant, and no discretionary grant funding is assumed in this long-range plan.

FTA Funding Programs

Similar to the menu of FHWA programs, some Federal Transit Administration (FTA) programs are more flexible than others. Colorado's STIP for fiscal years 2021–2024 lists the following FHWA programs as transit funding sources. The numbers in front of each program refer to the sections of U.S. Code, Title 49, where the programs are established.

- 5307: Urbanized Area Formula Program: For areas with 50,000 or more residents).
- 5309: Capital Investment Grant Program
- 5310: Enhanced Mobility of Seniors and Individuals with Disabilities
- 5311: Formula Grants for Rural Areas
- 5314: Capital Investment Program
- 5337: State of Good Repair
- 5339: Bus & Bus Facilities Infrastructure Investment Program

Typically not applicable for PACOG, are Section 5312, National Research and Technology Funds. Similar to FHWA, FTA also has funds available specifically for planning and not project implementation:

5303, 5304, and 5305: Metropolitan and Statewide Planning, and Non-Metropolitan Planning

State funding for transit is discussed below.

State Funding for Transportation

Discussed briefly below are Colorado's primary transportation funding source (the Highway Users Revenue Users Fund), the relatively new Funding Advancements for Surface Transportation and Economic Recovery (FASTER) funding program, and one-time appropriations from the State General Fund.

State Funding – HUTF

The primary source of state highway revenue in Colorado is the Highway Users Tax Fund (HUTF), which includes collection of 22 cents per gallon for gasoline and 20.5 cents per gallon for diesel. This dedicated revenue source is supplemented by car registration fees and other miscellaneous revenue. There are two levels of funding to HUTF—a basic level and an additional funding level. All fuel taxes up to seven cents per gallon are considered basic funding. A portion of the basic funding is allocated off the top to the Department of Public Safety for the State Patrol and Department of Revenue for the Ports of Entry.

[55] Colorado Department of Transportation, *Colorado Statewide Transportation Improvement Program: Fiscal Years 2021–2024*, June 18, 2020, Chapter 1, p.11, https://www.codot.gov/programs/planning/documents/statewide-transportation-improvement-program-stip/fy2021-fy2024_adopted_stip_june_2020.pdf.

The Colorado State Treasury distributes the remaining basic funding as follows:

- 65 percent to CDOT
- 26 percent to Colorado counties
- 9 percent to Colorado cities

The amount over seven cents per gallon is considered **additional funding**, which is distributed as follows:

- 60 percent to CDOT
- 22 percent to Colorado counties
- 18 percent to Colorado cities

State Funding – FASTER

In 2009, through Senate Bill 09-108, the Colorado General Assembly created the Funding Advancements for Surface Transportation and Economic Recovery (FASTER) program. FASTER provides CDOT and local governments with a new funding source separate from the General Fund that is stable and predictable. The funds derive from modest increases to vehicle registration fees and other funding mechanisms and are dedicated to specific programs. These funds are split into several categories for distribution:

- Statewide Bridge Enterprise (BE)
- High-Performance Transportation Enterprise (HPTE)
- FASTER Safety Mitigation (FSM) Program
- FASTER Transit: includes Transit & Rail Statewide Grants (STL), Transit & Rail Local Grants (TRG), Bustang interregional bus service (BUS), and Bustang Outrider Program (BOP)

The FASTER bridge fund is used to repair or replace a specific list of poorly rated bridges on the state highway system. FASTER funds 80 percent of each project, with the local entity supplying the remaining 20 percent.

FASTER transit funds are granted to local governments and transit agencies for projects such as new bus stops, maintenance facilities, and multimodal transportation centers. These funds cannot be used for operations. FASTER supports transit projects with $15 million every year based on a statutory set-aside from the road safety surcharge revenue. FASTER transit dollars help maintain existing local transit systems, support interregional and regional bus transit service (Bustang and Bustang Outrider), and help determine the feasibility of a high-speed rail system in Colorado. FASTER transit funds are split between local transit grants ($5 million per year) and statewide projects ($10 million per year). FASTER funds are not indexed to inflation, however, and the reach of those dollars subsequently erodes over time.

State Funding – Short-Term Appropriations

From time to time, the Colorado General Assembly authorizes limited transfers of General Fund monies for transportation programs. These initiatives cannot be reliably predicted to occur in the future. A current program is described below, for illustrative purposes, and emphasizes that this particular program is *not* a long-term funding source.

In 2017, the Colorado General Assembly passed **Senate Bill (SB) 267, "Concerning the Sustainability of Rural Colorado,"** which established a funding pool dedicated to improving transit service for rural parts of the state. SB 267, which provides $500 million in general funds for each of four years (through SFY 2022) for high-priority transportation needs. SB-267 mandates that at least 10 percent, or $50 million, is allocated to transit capital projects. According to the 2020 Statewide Transit Plan Draft, "'mobility hubs' will make up a large part of the [SB 267] funding distribution. This will allow further transit development of the intercity and regional bus network and later the passenger rail network. Strategic transit investments will include bus storage and maintenance facilities, mobility hubs/ park-n-rides (new or expanded), transit stations (new or expanded), transit operations centers, bus rapid transit infrastructure, and bus shelters."[56] Revenues under SB 267 are split with 25 percent going to CDOT and 75 percent to Transportation Planning Regions, and 100 percent of the TPR funding allocation goes to capital improvements (i.e., no funding for transit operations).

[56] CDOT, *Statewide Transit Plan Draft,* 32.

Another example of a limited transfer of state General Fund monies is the **Multimodal Options Fund (MMOF)** that was established in 2019 by SB 2018-001. The bill transferred a combined $96.75 million of FY 2019 and FY 2020 general fund revenues to the MMOF. Of that $96.75 million, the Front Range Passenger Rail Commission received $2.5 million in FY 2019. As legislated, the remaining $94.25 million was split, with $14.13 million (15 percent) programmed by CDOT for state multimodal investments and $80.12 million (85 million) allocated to local entities for local or regional multimodal investments. This funding program has ended, but it demonstrates Colorado's recent emphasis on funding alternatives to roadway construction.

Putting It in Perspective

Funding amounts allocated for all of the above programs vary from year to year. As an overall perspective, federal and state funds traditionally have paid for nearly four-fifths of regional transportation projects (i.e., projects listed in the LRTP), and local funds have made up the remainder, as depicted in **Figure 12.1**. Federal and state funds do not pay for local street repairs and privately funded roadway construction, which are funded separately and not listed in the long-range plan. Many federal funding programs require some degree of local matching funds.

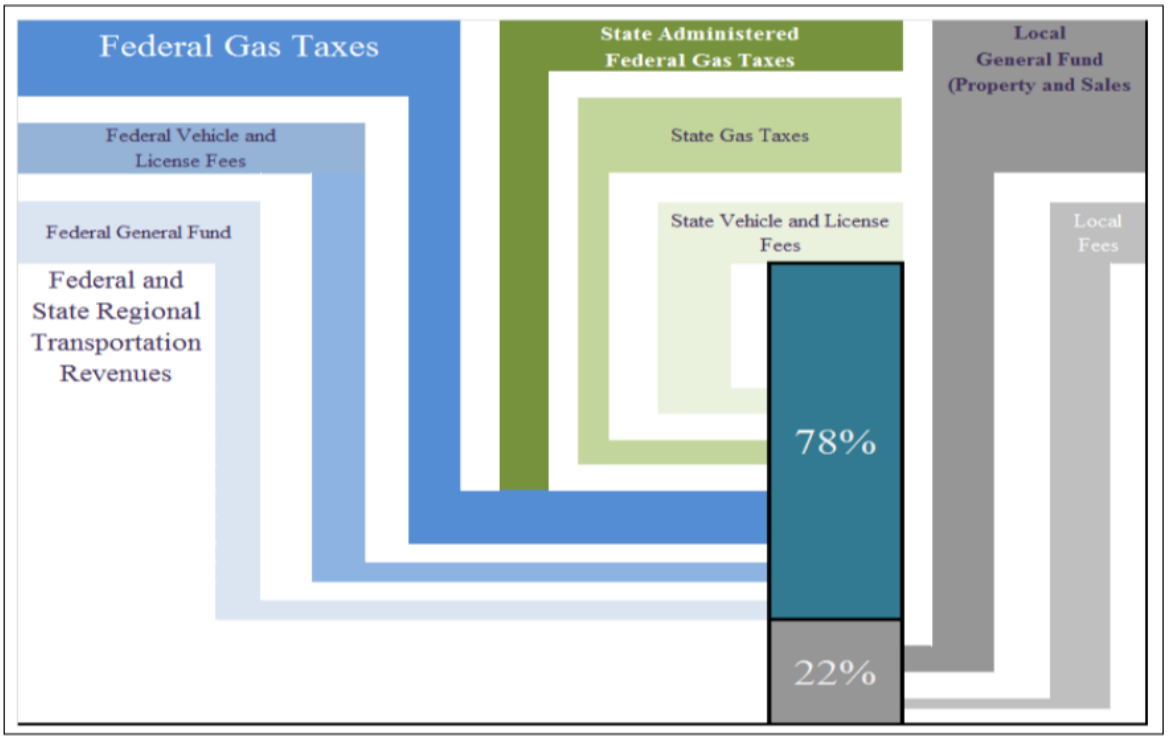


Figure 12.1. Representative Regional Transportation Funding Flows

12.7 Near-Term Transportation Funding—the PACOG TIP

The PACOG Board of Directors will adopt the SFY 2021–2025 Transportation Improvement Program in February 2021. The current TIP was adopted on September 26, 2019 (Resolution 2019-023) and identified approximately $28.8 million dollars in near-term investments in the region. Through the new TIP, the region will identify at least $57.2 million dollars in near-term investment in its regional roads, bridges, trails, and transit system. The PACOG TIP funding for SFY 2021–2025 is summarized in **Table 12.1.**

Table 12.1. PACOG TIP Funding SFY 2021–2025

Program	SFY 2021	Rolled	SFY 2022	SFY 2023	SFY 2024	RPP 2025	5-Year Total
ADA *	$939,273	$0	$410,889	$0	$0		$1,350,162
BRO	$523,377	$0	$0	$0	$0		$523,377
CBP	$963,768	$0	$0	$1,655,285	$0		$2,619,053
CWP	$847,674	$0	$436,987	$93,339	$0		$1,378,000
MMO	$0	$1,300,000	$0	$0	$0		$1,300,000
RPP **	$3,180,955	$0	$1,200,000	$3,000,000	$0	$900,000	$7,380,955
SB1	$2,750,000	$978,633	$0	$0	$0		$3,728,633
SUR	$1,440,000	$0	$12,173,733	$4,839,200	$15,052,000		$35,504,933
TAP ***	$194,000	$3,869,765	$410,447	$0	$0		$4,474,212
Totals	**$10,839,047**	**$6,148,398**	**$14,632,056**	**$9,587,824**	**$15,052,000**	**$900,000**	**$57,159,325**

* Americans with Disabilities Act
** Regional Priority Projects (typically, roadway projects)
*** Transportation Alternatives

The funds in this table total approximately $28.8 million, even with two years of incomplete data for transit. Assuming $4 million annually as the transit numbers to be determined, the TIP total would increase to$36.8 million for four years, or an average of $9.2 million annually. Assuming that the population of Pueblo County is roughly 160,000 residents, this averages out to about $57.50 per person per year.

12.8 Transportation Revenue Forecasts through 2045

The Pueblo 2045 LRTP is required to identify revenues that can be reasonably expected over the next 25 years and the project alternatives that may be accomplished with those resources. For these purposes, the 2045 LRTP projects have available federal, state, and local match revenues by major program area. The forecasting of future transportation and transit revenues is highly variable and subject to much uncertainty over the 25-year period of this plan. The most recent federal transportation legislation expired on September 30, 2020 and continued with a stop-gap appropriation to December 11, 2020. Additional stop-gap funding measures may be expected. Until long-term (e.g., five to seven years or more) transportation legislation is in place, any programs and funding levels are subject to change.

Local transportation revenues are primarily derived from sales and property taxes and miscellaneous fees, including vehicle registration and ownership taxes. The value of these tax collections varies with regional conditions. For planning purposes "available funds" include allocations to the Pueblo MPO from major federal and state funding sources as identified by CDOT. This plan relies on estimates of state program distributions of funding levels from FY2021 to FY2045 produced by CDOT. The CDOT projections have not been updated for the 2045 planning cycle and the projected funding levels do not constitute a guarantee of funding from the state and may change over time. Forecast totals incorporate the Pueblo MPO's

share of funds that flow through CDOT Region 2. The dollar amounts include estimates of required local matching funds. **Table 12.2** shows a breakdown of major funding programs and total revenues available between 2021 and 2045. Values are shown both in present value of 2016 dollars and future inflated values in 2040 dollars.

Table 12.2. Estimate of Revenues by Major Program Area

Funding Program		Total Revenues, 2021-2045	
		FY 2016 (Millions)	Inflated (Millions)
Non-Flexible: CDOT Directed and Competitive Funds	Maintenance	$67.33	$85.26
	Preservation	$49.52	$69.63
	Bridge and Structure Maintenance	$30.35	$40.45
	State Safety (FASTER)	$44.25	$64.61
	Federal Safety (HSIP)	$17.86	$24.65
Flexible: Pueblo MPO and CDOT Programmed and Competitive Funds	Metropolitan Planning	$6.28	$8.75
	Transportation Alternatives*	$4.44	$6.12
	Regional Priority Program*	$17.41	$24.27
Total		**$237.45**	**$333.747**

* MPO share of CDOT Region 2

12.9 Future Transit Funding

Estimating future revenues for transit is particularly challenging as a variety of federal, state, and local funding sources are utilized to support transit services in the region. Pueblo Transit relies on financial support from federal agencies, Colorado's FASTER program, and local governments to support transit capital construction projects. Capital expenses vary from year to year with vehicle replacement needs and construction of facilities. Annual operating and administration costs are primarily supported by local governments, FTA grants, and agency-generated revenues such as service fares. Operating expenses are more stable but vary with changes in the prices of fuel, labor rates, and contracted transportation services.

Colorado's 2020 Statewide Transit Plan Draft assumes a "2 percent annual increase in federal transit funding apportioned or awarded to transit agencies in the state, above and beyond levels that are reflected in FTA's 2018 [National Transit Database] (NTD) data."[57] The plan indicates that these 2018 data showed transit funding in the Pueblo region as $40.60 per capita. The plan also assumes an annual inflation rate of 2.8 percent annual,[58] which exceeds expected transit revenue growth, resulting in ongoing erosion of the statewide fiscal position. The overall outlook is quite sensitive to inflation, so if average inflation exceeds 2.8 percent, the situation will deteriorate to a greater degree.

The City of Pueblo and Pueblo County collectively contribute over $2 million annually to support essential transit services in the region. These funds are primarily derived from sales and property tax revenues from local governments. Fixed-route service is provided by Pueblo Transit, which has a fleet of 19 buses. The Senior Resource Development Agency (SRDA) provides seniors with door-to-door wheelchair accessible van service. SRDA services are available on weekdays only, by making a reservation in advance.

The June 2017 *Pueblo Transit Study* did not reflect major changes to Pueblo Transit in the near future. It recommended fare simplification and increasing the base fare from $1.25 to $1.50. It also recommended $129,000 in bus stop improvements and aggressive replacement of aging buses to modernize the 19-bus fleet.[59]

[57] CDOT, *Statewide Transit Plan Draft,* 47.

[58] CDOT, *Statewide Transit Plan Draft,* 44.

[59] Nelson Nygaard and Felsburg Holt & Ullevig, *Pueblo Transit Study: Final Report,* Pueblo Transit, June 2017, https://county.pueblo.org/sites/default/files/2020-

CDOT's 2020 Statewide Transit Plan Draft indicates there are 50 transit vehicles in the Pueblo region and that 11 of them (22%) are "beyond state of good repair," representing a financial backlog of approximately $2 million. CDOT reports that the typical replacement vehicle costs about $300,000.[60] Thus, considerable resources will be needed to maintain existing services. Chapter 1 of this PACOG Long Range Transportation Plan identified a goal of improving the percentage of transit vehicles in good repair over time.

12.10 Potential Future Revenue Sources

The key question for future transportation revenues revolves around replacing the FAST Act with stable, five- to seven-year national transportation appropriations legislation. Both major U.S. political parties have talked about the need for a major infrastructure funding plan for the past five years, without taking action. The safest assumption to make is that future federal funding will be similar to what has been available under the FAST Act.

At the state level, the Colorado General Assembly is keenly aware of the need for increased transportation funding. Theses legislators have the power to establish fees, but any new taxes would require voter approval in a statewide referendum. A February 17, 2020, article in the Denver Post explored the difficulty for legislators to find the political will to take action, even with a single party holding the governor's office and controlling both houses of the legislature.[61]

With nearly 60 percent opposition, Colorado's voters rejected two ambitious transportation funding proposals in November 2018. Proposition 109 ("Fix Our Damn Roads") would have issued a $3.5 billion bond without imposing new taxes, to be paid back over 20 years to the tune of $260 million per year. Proposition 110 ("Let's Go Colorado") would have raised the sales tax by .62 percent for 20 years, bringing in a projected $767 million annually, or $15.34 billion over the 20-year period. It also would have directed the state to issue up to $6 billion in bonds, to be repaid using the additional sales tax revenue.

In 2007, a governor-appointed Blue Ribbon Panel was tasked to propose a strategy to increase statewide transportation funding by $1.5 billion per year. Thirteen years later, these recommendations (see **Table 12.3**) have not been implemented.

Table 12.3.: 2007 Funding Source Recommendations

Revenue Source	Incremental Fee or Tax	Annual Revenue in millions ($M)
Increased Vehicle Registration	$100 average per year	$500 M
Increased Motor Fuel Tax	13 cents per gallon	$362 M
New Daily Visitor Fee	$6 daily fee	$240 M
Increased Sales & Use Tax	35% increase	$312 M
Increased Severance Tax on Oil & Gas Extraction	1.7% effective increase	$96 M

05/Pueblo%20Transit%20Study_Final%20Report_061317.pdf.

[60] CDOT, *Statewide Transit Plan Draft,* 28.

[61] Alexander Burness, "Colorado Still Has a Transportation Funding Crisis. Can Republicans and Democrats Agree on a Solution?" *Denver Post*, February 17, 2020, https://www.denverpost.com/2020/02/17/colorado-transportation-funding-ballot-2020/.

Electric Vehicles and the Road User Charge Concept

In September 2020, California Governor Gavin Newsom issued an executive order mandating that all new passenger vehicles sold in the state to be zero emission by 2035. Because California is a large economic market, this executive order is expected to have the effect of accelerating electric vehicle purchases both in California and throughout the United States, including Colorado. Colorado already has a strong commitment to increasing the use of electric vehicles and has large investments planned for vehicle charging stations. However, increased use of electric vehicles will further erode transportation revenues that are based on motor fuel consumption.

Colorado is one of several states that participated in a FAST Act-funded initiative to study a "road user charge" (RUC) as a possible future replacement for motor fuel taxes. Under the RUC concept, drivers would pay for each mile driven, rather than for each gallon of fuel consumed. This would enable the state to receive revenue from electric vehicles, for example, which currently do not pay any motor fuel taxes, although they do consume roadway capacity and contribute to road maintenance needs.

A RUC pilot study was completed by CDOT in 2017 with volunteer participants to explore some of the logistical issues that will need to be resolved to make the system feasible. A potential hurdle to RUC is that the approach tracks the miles driven by the vehicle, raising potential privacy concerns.[62]

The rate charged per mile of use could be set to a level that is revenue neutral (i.e., collecting the same total revenue as motor fuel taxes) or could be set at a higher level to increase revenues. If set at a rate that is initially revenue neutral, it would at least protect the state from further revue erosion due to increased electric vehicle use.

Though the RUC approach remains hypothetical, this study provides a springboard for future discussions regarding policies related to RUC.

Need for Additional Transit Funding Sources

CDOT's 2020 Statewide Transit Plan Draft indicates that current transit plans are not sustainable over the long term without a significant infusion of additional resources. It examined several scenarios for future transit development and recommended the infusion of an additional $50 million annually on a statewide basis. It identified the following potential methods for creating the additional funds:

- State legislature approval of general funds for transportation with a transit set aside
- An increase in the state sales tax by 0.04% (currently requires statewide vote)
- An increase in personal income tax by 0.025% (currently requires statewide vote)
- An increase in property tax by 0.43 mills (currently requires statewide vote)[63]

Given the uncertainty of funding from the federal and state levels, PACOG cannot confidently rely on future federal or state funding mechanisms to substantially increase transportation plan revenues above current levels.

The Statewide Transit Plan Draft identifies the following types of alternative funding sources for consideration at the regional and local level:

- • General funds
- • Lodging taxes
- • Parking fees
- • Property taxes
- • Public-private partnerships
- • Rural transportation authorities
- • Sales and use taxes
- • Sponsorships/donations
- • Tourism taxes
- • Utility taxes/fees
- • Vehicle fees[64]

[62] CH2M, WSP, and PRR, "Colorado Road Usage Pilot Program: Final Report, Report No. CDOT-2017-11, Colorado Department of Transportation, December 2017, https://www.codot.gov/programs/ruc/documents/rucpp-final-report.

[63] CDOT, *Statewide Transit Plan Draft,* 52.

[64] CDOT, *Statewide Transit Plan Draft,* 48.