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## THE TRANSPORTATION FINANCE CRISIS IS HERE AND SO IS THE ECONOMIC CRISIS

Colorado's transportation system is aging. Its population is growing. Demand for transit is increasing and its bridges and roads are crumbling. This at a time when transportation costs are rising, revenues are restricted and the Colorado Department of Transportation's (CDOT) budget is at an unprecedented low - a crisis that is continuing to worsen.

While economic, social and mobility conditions have changed dramatically, the way we produce transportation revenue has not. Last year, members of the Governor's Blue Ribbon Transportation Panel defined the problem as a "quiet crisis." As Governor Bill Ritter recently recognized, this crisis is no longer quiet - it is an urgent situation that calls for immediate action from everyone.

Based on the Governor's Transportation Finance and Implementation report and recommendations in 2008, a broad coalition of public and private organizations have embraced the Panel's recommendations, committing to help move the recommendations forward. Recognition that we face a worsening problem sparked major debate on tolling, congestion management and fee maintenance and bridge proposals in the Legislature.

Governor Ritter has asked the Panel to continue its efforts to develop specific proposals to be pursued in the 2009 General Assembly, legislative sponsors have pledged to develop a transportation funding proposal with bipartisan support for legislative consideration in 2009, and the Panel just completed a statewide effort to let citizens know the seriousness of the problem. Although proposals affecting transportation were considered by voters in November - all failed to pass.

One need only examine the Colorado Transportation Commission's action on its 2009 Budget to see that **the crisis is here!** On April 17 the Commission cut its proposed 2009 budget by some \$200 million - virtually eliminating the construction budget and cutting in half money for resurfacing the state's roads. Comparing the 2008 and 2009 budgets by investment category reveals just how deep the Commission's cuts were.

## Budget Reductions

Investment Category	% Reduction
Safety	-23%
System Quality	-61%
Mobility	-75%
Strategic Projects	-39%

The Commission was forced to make these cuts because previously expected revenues would not be available. Federal funds, which make-up over one third of the budget, are expected to decline in 2009 to their lowest level since 2004. In addition state revenues from SB 97-01 and HB 02-1310 sources are expected to decline dramatically from previous estimates. In fact SB 97-01 and HB 02-1310 are **not expected to be available** at all in FY 2009 and 2010 and only about \$108 million expected in FY 2011 – down from \$260 million forecast in the previous forecast (based on the December, 2008 Legislative Council forecast).

Further, the Governor recently released his proposed FY 2010 budget which continues to anticipate declines in transportation funds. The Governor's proposed budget calls for a \$428 million **decrease** in transportation funding due to a 21.7 %, or \$96.4 million, decline in federal funding and a \$332 million decline in SB 97-01 revenues. The total transportation budget proposed is \$873 M.

As a difficult economy struggles, it affects Colorado transportation revenues. The outlook for SB 97-01 and HB 02-1310 funds is not good. These dollars are highly variable based on economic and political considerations. As noted above the short-term outlook is bleak. Even when SB 97-01 funds are projected to be available, their magnitude and availability are highly dependent on the economy. Further, the future of HB 02-1310 as a significant source of transportation revenue is clouded. The latest forecast estimates that nothing will be available in FY 2009 through 2011 and only \$139.5 million available in FY 2012 – with transportation only scheduled to receive two-thirds or about \$93 million.

While Congress has recently provided a “quick fix” to replenish the federal highway trust fund, the source of our federal dollars, to avert bankruptcy, the future of the federal-aid program remains unclear as the economy worsens and economic conditions fluctuate. The rapidly increasing price of motor fuel which has caused people to drive less and consume less fuel thereby reducing revenue to the trust fund, has now experienced a major drop in price at the pump, a dramatic decline as economic conditions impact the price of oil. Given the current economic crisis, however, we are not likely to see increases in motor fuel tax collections.

President-elect Obama has proposed an unprecedented job stimulus package that would invest billions in infrastructure for off-the-shelf, ready to go construction projects. CDOT, transit, and local agencies have all submitted job stimulus lists for consideration by the new Administration and the Congress. While such a stimulus program will help, it is likely to be a one-time infusion that will help move projects that can be implemented immediately. It will not provide a continuing flow of dollars that grows with the economy and inflation so necessary to permit our transportation system to keep pace with need. Major improvements to the system in the environmental or design phases will remain unfunded without a significant and continuing increase in transportation revenue.

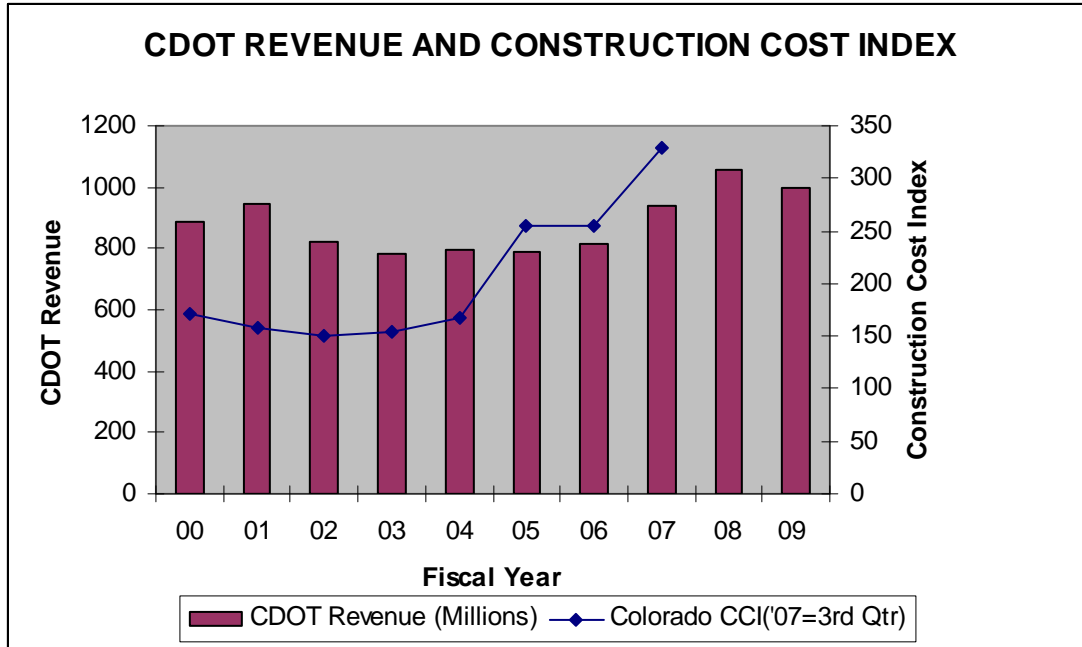
In addition, the issue of reauthorization will need to be addressed in 2009: how will future federal support be structured, delivered, and at what levels – all questions that could remain unclear for some time. Unfortunately, the trend has been to reduce federal funding – not to keep pace with need. It is not likely that Colorado can expect to receive significant new funding from the federal transportation program.

What does all this mean? First of all, in the short-term **no** new construction projects from FY 09 funds will go forward unless a federal stimulus bill passes. In 2009 only surface treatment and bridge projects are likely to be put out to bid by CDOT. Not only will the traveling public be hurt by the lack of new and reconstructed roads, but the Colorado economy will suffer as well. The American Road and Transportation Builders Association (ARTBA) estimates that about 3000 construction jobs are lost for each \$100 million revenue reduction; the Commission's \$200 million budget cut could result in 6000 lost Colorado construction jobs.

On the other hand, an investment in infrastructure at the federal and state level could have a dramatic and immediate impact on job creation and job preservation in Colorado. Hopefully the net effect of job losses due to CDOT budget cuts can be offset somewhat by job stimulus, infrastructure investments.

Long-term, without a growing revenue stream Colorado's ability to address its transportation needs will only deteriorate. While Colorado's transportation budget hovers near \$1 billion it is not keeping up with inflation – not even close. CDOT only has enough money to maintain half the statewide system.

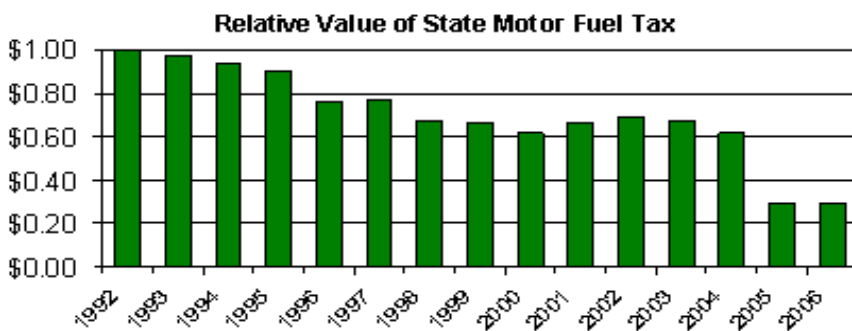
The following chart compares Colorado's transportation revenues over the past decade. Total revenue has been up slightly during the decade, albeit in a roller-coaster fashion, but the CDOT Construction Cost Index has nearly doubled between 2000 and the third quarter of 2007 (170.7 to 328.3; 1987=100).



The second chart illustrates the effect of the Construction Cost Index on the value of each dollar of the state motor fuel tax. As the chart dramatically shows, each dollar of the fuel tax in 2006 was worth only about 25% of what it was in 1992.

### State Transportation Funds

**Impact of CCI on dollar – 6.4% annual inflation.**



Source: CDOT Finance Office

Unless a **comprehensive** approach to Colorado's transportation revenue crisis is promptly addressed by the Governor and the General Assembly, we can fully expect that Colorado's roads and bridges will continue to deteriorate and little money will be available to do much beyond emergency repair and critical maintenance. The resulting impact on the state's economy and the motoring public will be devastating.

**MoveColorado** is a private industry organization that provides information, sponsors education programs, and supports the efforts of Colorado community, business and political leaders to solve transportation funding issues.

Contact us:

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