APPENDIX D: FUNDING SOURCES

FEDERAL SOURCES OF FUNDING

On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation Act, or "FAST ACT", a five–year legislation to improve the Nation's surface transportation infrastructure, including our roads, bridges, transit systems, and rail transportation network.

Congestion Mitigation and Air Quality Improvement Program (CMAQ)

The FAST Act continued the CMAQ program to provide a flexible funding source to State and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act. Funding is available to reduce congestion and improve air quality for nonattainment areas, areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, lead, sulfur dioxide or particulate matter, and for former nonattainment areas that are now in compliance and classified as maintenance areas. PPACG's funding from CMAQ ended in 2019 because the region was re-classified as in attainment for carbon monoxide and is therefore no longer eligible to receive those funds.

Surface Transportation Block Grant Program (STBG)

This "flexible" program was created from the long-standing Surface Transportation Program into the Surface Transportation *Block Grant* Program acknowledging that this program has the most flexible eligibilities among all Federal-aid highway programs and aligning the program's name with how FHWA has historically administered it. The flexible nature of this program focuses on funding to priority areas and areas of greatest need. The Surface Transportation Block Grant Program may be used for the following:

- Projects to improve or preserve the condition and performance on any Federal-aid highway
- Bridge and safety projects on any public road
- Facilities for non-motorized transportation
- Transit capital projects
- Public bus terminals and facilities

As under MAP-21, the FAST Act directs FHWA to send funding as a lump sum for each State and then divide that total among apportioned programs. Each State's STBG apportionment is calculated based on a percentage specified in law. The following are set-asides from a State's STBG apportionment:

- Funding for what had been known as the Transportation Alternatives Program (now the set-aside program)
- 2% for State Planning and Research (SPR)
- Funding for bridges not on Federal-aid highways

A percentage of a State's STBG apportionment (after the set-asides for Transportation Alternatives Program) is obligated into the following areas in proportion to their relative shares of the State's population:

- *Urbanized areas with population greater than 200,000.* This funding is divided among three areas in Colorado; North Front Range, Denver Area, and the Pikes Peak Area, based on their relative share of population. <u>This is a principal source of funding for projects directly selected by the PPACG Board of Directors.</u>
- *Areas with population greater than 5,000 but no more than 200,000*—The State is to identify projects in these areas for funding, in consultation with regional planning organizations, if any.
- *Rural Areas with population of 5,000 or less.*

In general, STBG projects may not be on local roads or rural minor collectors. There are a number of exceptions to this requirement, such as the ability of CDOT to sub allocate up to 15% of a State's rural funding level to projects on minor collectors. Other exceptions include: bridge and tunnel projects; safety projects; fringe and corridor parking facilities/programs; recreational trails, pedestrian and bicycle projects, and safe routes to school projects; boulevard/roadway projects largely in the right-of-way of divided highways; inspection/evaluation of bridges, tunnels, and other highway assets; port terminal modifications; and projects within the pre-FAST Act title 23 definition of "transportation alternatives."

The FAST Act continues (without change) the MAP-21 set-aside of a share of each State's STBG apportionment for use on bridges not on Federal-aid highways ("off-system bridges"). The amount can only be less than 15% of the State's Highway Bridge Program apportionment if approved by the Secretary, after consultation with State and local officials.

Surface Transportation Block Grant Set-Aside

The FAST Act eliminates the MAP-21 Transportation Alternatives Program (TAP) and replaces it with the Surface Transportation Block Grant Set-Aside of (STBGSA) program. These funds include all projects and activities that were previously eligible under TAP, encompassing a variety of smaller-scale transportation projects such as pedestrian and bicycle facilities, recreational trails, safe routes to school projects, community improvements such as historic preservation and vegetation management, and environmental mitigation related to storm water and habitat. These funds are sub allocated based on population, in a manner identical to funding under the prior TAP [23 U.S.C. 133(h)(2)].

Highway Safety Improvement Program (HSIP)

The FAST Act continues the Highway Safety Improvement Program (HSIP) that has a purpose of achieving a significant reduction in traffic fatalities and serious injuries on all public roads, including non-State-owned public roads and roads on tribal lands. The HSIP requires a data-driven, strategic approach to improving highway safety on all public roads that focuses on performance.

As under MAP-21, the FAST Act directs FHWA to apportion funding as a lump sum for each State then divide that total among apportioned programs. Within this process, a State's HSIP apportionment is calculated based on a percentage specified in law. After apportionment, 2% of the State's HSIP apportionment is set aside for State Planning and Research (SPR) [23 U.S.C. 505].

A State may transfer to the National Highway Performance Program, National Highway Freight Program, Surface Transportation Block Grant Program, Transportation Alternatives, and Congestion Mitigation and Air Quality Improvement Program up to 50% of HSIP funds made available each fiscal year [23 U.S.C. 126].

The FAST Act continues the overarching requirement that HSIP funds be used for safety projects that are consistent with the State's strategic highway safety plan (SHSP) and improve a hazardous road location or feature or address a highway safety problem. Under MAP-21, the HSIP statute listed a range of eligible HSIP projects. However, the list was non-exhaustive, and a State could use HSIP funds on any safety project (infrastructure-related or non-infrastructure) that met the overarching requirement. In contrast, the FAST Act limits HSIP eligibility to only those listed in statute—most of which are infrastructure-safety related. In addition to this change, the FAST Act specifically identifies the following activities on the inclusions list:

- Installation of vehicle-to-infrastructure communication equipment.
- Pedestrian hybrid beacons.
- Roadway improvements that provide separation between pedestrians and motor vehicles, including medians and pedestrian crossing islands.
- Other physical infrastructure projects not specifically enumerated in the list of eligible projects.

The FAST Act continues the prohibition on the use of HSIP funds for the purchase, operation, or maintenance of an automated traffic enforcement system (except in a school zone). [FAST Act § 1401]

Bridge Funding
The FAST Act maintains the current off-system bridge set-aside, providing annual funding from the states' STP program.

The state of Colorado also has the FASTER Bridge Fund. These monies are used to repair or replace a specific list of poor-rated bridges on the state highway system. FASTER funds 80 percent of each project, with the local entity supplying the remaining 20 percent. More information on this program is provided under State of Colorado Sources of Funding.

National Highway Performance Program
The largest federal funding source for the state of Colorado is the National Highway Performance Program. These funds are for use on the National Highway System, whether they are state or local jurisdiction. The NHPP is intended to fund projects to meet the performance requirements for the National Highway System (NHS) and to ensure that investments of Federal-aid funds in highway construction are directed to support progress toward the achievement of performance targets established in a State's asset management plan for the NHS. The FAST Act continues all prior NHPP eligibilities, and adds four new eligible categories:

- Installation of vehicle-to-infrastructure communication equipment [23 U.S.C. 119(d)(2)(L)];
- Reconstruction, resurfacing, restoration, rehabilitation, or preservation of a bridge on a non-NHS Federal-aid highway (if Interstate System and NHS Bridge Condition provision requirements are satisfied) [23 U.S.C. 119(i)];

- A project to reduce the risk of failure of critical NHS infrastructure (defined to mean a facility, the incapacity or failure of which would have a debilitating impact in certain specified areas) [23 U.S.C. 119(j)(3)]; and
- At a State's request, the U.S. DOT may use the State's STBG funding to pay the subsidy and administrative costs for TIFIA credit assistance for an eligible NHPP project or group of projects [23 U.S.C. 119(h)].

Discretionary Funds
Discretionary funds are additional funds (not formula funds) that the federal government may decide to award to a region. Examples include Transportation, Community and System Preservation funding, Public Lands Highways funding, and congressional allocations.

The FAST Act re-established a Bus Discretionary Program that allows states to apply for project-specific funding via a competitive process. Many of the grants are expected to fund replacements for aging fleets or facilities. In FY16, $268 million in funding will be available. Of that amount, $55 million has been designated for Low- or No- Emission Bus Deployment projects.

Reduce the impacts of transportation on the environment; reduce the need for costly future investments in public infrastructure; provide efficient access to jobs, services, and centers of trade; and examine community development patterns and identify strategies to encourage private sector development. Projects in this category of funding are awarded by the Federal Highway Administration (FHWA) or the Federal Transit Administration (FTA). The costs are shared at approximately 80% federal and 20% local match.

The Federal Lands Highways Program provides for transportation planning, research, engineering, and construction of highways, roads, parkways, and transit facilities that provide access to or within public lands, national parks, and Indian reservations. The federal share is 100%. Projects are selected at the federal level.

FEDERAL TRANSIT REVENUES

The following are federal transit assistance programs authorized under Fixing America's Surface Transportation Act (FAST Act), which reauthorized the federal surface transportation programs. FAST Act amended the federal transit laws and took effect October 1, 2015.

Federal Transit Authority – 5307: The Urbanized Area Formula Funding program (49 U.S.C. 5307) makes Federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation related planning. An urbanized area is an incorporated area with a population of 50,000 or more that is designated as such by the U.S. Department of Commerce, Bureau of the Census.

Funding is made available to designated recipients that must be public bodies with the legal authority to receive and dispense Federal funds. Governors, responsible local officials and publicly owned operators of transit services are to designate a recipient to apply for, receive, and dispense funds for transportation management areas pursuant to 49USCA5307(a)(2). Generally, a transportation management area is an urbanized area with a population of 200,000 or over. The Governor or Governor's designee is the designated recipient for urbanized areas between 50,000 and 200,000.

Eligible activities include planning, engineering design and evaluation of transit projects and other technical transportation-related studies; capital investments in bus and bus-related activities such as replacement of buses, overhaul of buses, rebuilding of buses, crime prevention and security equipment and construction of maintenance and passenger facilities; and capital investments in new and existing fixed guideway systems including rolling stock, overhaul and rebuilding of vehicles, track, signals, communications, and computer hardware and software. All preventive maintenance and some Americans with Disabilities Act complementary paratransit service costs are considered capital costs.

The Federal share is not to exceed 80 percent of the net project cost. The Federal share may be 90 percent for the cost of vehicle-related equipment attributable to compliance with the Americans With Disabilities Act and the Clean Air Act. The Federal share may also be 90 percent for projects or portions of projects related to bicycles. The Federal share may not exceed 50 percent of the net project cost of **operating** assistance.

Federal Transit Authority – 5309: Capital Investment Program: The Fast Act maintains the FTA Capital Investment Program. The program provides grants for new and expanded rail, bus rapid transit, and ferry systems that reflect local priorities to improve transportation options in key corridors. This program defines a new category of eligible projects, known as core capacity projects, which expand capacity by at least 10% in existing fixed-guideway transit corridors that are already at or above capacity today, or are expected to be at or above capacity within five years. The program also includes provisions for streamlining aspects of the New Starts process to increase efficiency and reduce the time required to meet critical milestones.

Federal Transit Authority – 5310: Enhanced Mobility of Seniors and Individuals with Disabilities: Governor Hickenlooper named the City of Colorado Springs the designated recipient for Federal Transit Authority 5310 funds apportioned to the Colorado Springs Urbanized Area, and PPACG as the planning agency for these funds. 5310 funds are statutorily required to have a completed, coordinated public transit-human services transportation plan before they can be programmed.
This program is intended to enhance mobility for seniors and persons with disabilities by providing funds to serve the special needs of transit-dependent populations, beyond traditional public transportation and Americans with Disabilities Act paratransit.

Federal Transit Authority – 5339: Capital Investment Program: This program provides capital funding to replace, rehabilitate and purchase buses and related equipment and to construct bus facilities.

STATE OF COLORADO SOURCES OF FUNDING

Colorado Highway Users Tax Fund (HUTF)

The major source of state revenue for CDOT is the Highway Users Tax Fund (HUTF). Almost three-fourths of the HUTF is funded through Colorado's motor fuel tax, which are 22 cents per gallon of gasoline and 20.5 cents per gallon of diesel fuel. The remaining funding is collected through motor vehicle registration fees, surcharges, license fees, and traffic citation fines. Under the HUTF state law, transportation revenue is split between CDOT, counties, and cities.

- For state gas taxes under seven cents, traffic citation penalties and fines, license plate fees, and other charges and fees, revenue is credited 65% to CDOT, 26% to counties, and 9% to cities.
- For state gas taxes above seven cents and revenue collected under Senate Bill 09-108 (FASTER), revenue is credited 60% to CDOT, 22% to counties, and 18% to municipalities.

Prior to distribution to CDOT, the General Assembly appropriates "off-the-top" money from the HUTF to the Department of Public Safety (DPS) Colorado State Patrol and the Department of Revenue (DOR) Division of Motor Vehicles. State law requires that "off-the-top" appropriations cannot increase by more than 6% annually over the prior year's appropriation by the General Assembly. The following flowchart illustrates the flow of transportation revenue from collection to expenditure by CDOT, counties, and cities.

FASTER (Senate Bill 09-108)

Senate Bill 09-108, also known as the Funding Advancements for Surface Transportation and Economic Recovery Act of 2009 (FASTER), was signed into law on March 2, 2009. The landmark FASTER transportation legislation made a number of important changes to the funding and operations of the Colorado Department of Transportation (CDOT), including the formation of the High Performance Transportation Enterprise and the Colorado Bridge Enterprise. FASTERs key benefit is providing CDOT and local governments with a new funding source separate from the General Fund that is stable and predictable. These dedicated FASTER fees were phased in over a three year period and include:

1. Two annual surcharges on motor vehicle registrations (the Road Safety Fund and the Bridge Special Fund);
2. Supplemental surcharges on oversize/overweight motor vehicles;
3. Daily fees on rented vehicles (rental car companies pay a daily $2 car rental fee); and
4. Incremental fees for late motor vehicle registration.

These funds are split into several categories for distribution:

- Statewide Bridge Enterprise
- High-Performance Transportation Enterprise to encourage innovative financing strategies
- A safety program
- Dedicated funds for transit

Similar to federal programs, FASTER funds 80 percent of each project, with the local entity supplying the remaining 20 percent. The FASTER Bridge Fund is used to repair or replace a specific list of poor-rated bridges on the state highway system FASTER transit funds are granted to local governments and transit agencies for projects such as new bus stops, maintenance facilities, or multimodal transportation centers.

Senate Bill 09-228 (SB 228)

This source of funds derives from transfers from the General Fund to CDOT in an amount equal to two percent of total General Fund revenue. Current projections are that this would deliver approximately $200 million per year to CDOT over five years, beginning in FY 2015-16 (otherwise known as FY16, beginning July 1, 2015). However, this amount could be reduced – either by half or in entirety – if the economy experiences significant growth resulting in greater than expected tax collections. To expend these dollars, SB 228 requires the Transportation Commission to allocate monies to the Strategic Transportation Project Investment Program (known as the 7th Pot). However, it does allow the Commission to define what projects are contained in that program.

Senate Bill 17-267 (SB267)

SB 17-267 authorizes lease-purchase agreements on state facilities totaling $2 billion, equal amounts over four years, beginning FY '18-'19 (which begins July 1, 2018 but could occur as late as June 30, 2019). CDOT receives $1.8 billion of those proceeds, with the remainder dedicated to controlled maintenance and capital projects on state buildings. At least 10% of CDOT's proceeds will be dedicated to transit projects. Funding must be used on Tier 1 projects that come from the CDOT 10 year development plan. 25% of the funding must be spent on these projects in counties that have a population of 50,000 or less (rural). The money must be spent only on state highways, no local funding is included.

Senate Bill 18-001 (Multimodal Options Fund -MMOF)

Enacted during the 2018 legislative session, is a significant piece of transportation funding legislation. SB 18-001 commits state General Fund revenue for transportation projects and establishes financial mechanisms to address the passage or failure of transportation-related ballot measures. The MMOF seeks to fund multimodal transportation projects and operations throughout the state because, in addition to the general benefits that it provides to all Coloradans, a complete and integrated multimodal transportation system: (a) benefits seniors by making aging in place more feasible for them; (b) benefits residents of rural areas by providing them with flexible public transportation services; (c) provides enhanced mobility for persons with disabilities; and (d) provides safe routes to schools for children.

Gaming Funds

Limited gaming began in Colorado on October 1, 1991. The most immediate and visible impact was to the roads surrounding the gaming communities of Black Hawk, Central City, Cripple Creek, and casinos in Southwest Colorado. Traffic increases on state highways in the vicinity of the gaming communities was great and most of these roads were not built to handle the large amount of traffic that was generated since gaming began. Pursuant to Colorado Revised Statute, 12-47.1-701 (1) (c) (I) CDOT may request an appropriation from the state's Limited Gaming Fund to address the construction and maintenance needs associated with the increased traffic on state highways in the vicinity of gaming communities. While successful in the past, CDOT has not received gaming funds since FY '08-'09.

Capital Construction Fund

In 1995, the Colorado General Assembly enacted House Bill 95-1174 requiring the Transportation Commission to annually submit to the Capital Development Committee (CDC) a prioritized list of state highway reconstruction, repair, and maintenance projects for possible funding with Capital Construction Funds. Prior to 1995, CDOT was not eligible to receive Capital Construction Funds as these funds were reserved for non-transportation-related capital improvements like state buildings. **CDOT last received HB 95-1174 funds in FY 2008-09.**

LOCAL SOURCES

Local revenue comes from a variety of sources such as property and sales taxes for highway and transit projects. Other revenues include money from street-use permits, utility permits, and impact fees. There is also an allocation of state Highway Users Tax Funds directly to each entity.

Pikes Peak Rural Transportation Authority

The Pikes Peak Rural Transportation Authority (PPRTA) was formed when voters in Colorado Springs, Manitou Springs, Green Mountain Falls and El Paso County approved a one percent sales tax in November of 2004 to address infrastructure and transit needs in the region. The tax revenue is divided into three categories: 55% capital improvements, 35% maintenance, and 10% transit. PPRTA funding has assisted the City in its ability to provide transportation needs for the community. The PPRTA Capital program was extended by the voters in 2012 and began in 2015. The PPRTA tax is currently generating more than $80 million per year in revenues.

Local Transit Funding

Fare and advertising revenues are important funding sources for transit operations.
In 2015, these revenues are projected to provide $3.8 million or approximately 20 percent of Mountain Metro Transit's operating funds. Fare and advertising revenues are projected to grow at 3 percent per year. This revenue growth is based on historical information and with a moderate growth in ridership on the transit system.