



8.0 FUNDING

8.1 FUNDING PROCESS

A third element addressed in this study was to research and identify funding mechanisms for the study recommendations. The process to obtain funding for transportation projects is a multi-step procedure that is highlighted below and shown in Figure 8.1.

1. Identification of a Project and the Need

Identification of the transportation project and the need for the project to be addressed.

2. Project Sponsorship

Presentation of the need for the project is made to the representative jurisdiction where the project is proposed (city council, town council, or county commission). The Colorado Department of Transportation (CDOT) sponsors most highway projects. If the council or commission concurs, it becomes the project sponsor throughout the remainder of the process.

3. Project Inclusion in Transportation Plans

The sponsor will then pursue inclusion of the project in four documents: the regional transportation plan, the statewide transportation plan, the State Transportation Improvement Program (STIP), and the Transportation Improvement Plan (TIP).

Regional transportation plans identify regional needs and priorities and are developed cooperatively between the regional planning commissions and CDOT. Projects range from bicycle/pedestrian upgrades to highway, rail, and transit improvements. All projects from these plans are included in the statewide transportation plan.

The *statewide transportation plan* identifies Colorado's transportation policies, programs, and projects to be implemented over 20 years. The statewide plan includes long-range needs for which funding may not be available during the next 20 years.

The *STIP* identifies priority projects from the statewide transportation plan to be implemented in the first 6 years. Each of the five Metropolitan Planning Organizations (MPO) in the State develop a *TIP* within their planning area for projects that will receive Federal funds. The *TIPs* are included in their entirety in the *STIP* adopted by the State.

If the project is eligible for and likely to utilize state or Federal funding, the project must be included in the statewide transportation plan. Projects fully funded through local or private dollars are included in regional transportation plans (the North Front Range and Upper Front Range for this study) for air quality conformity or information purposes.

Inclusion in the region's transportation plan would occur when the regional transportation plans are revised. North Front Range Transportation and Air Quality Planning Council (NFRTAQPC) revises its plan every 3 years, and the Upper Front Range Regional Planning Commission (UFRRPC) revises its plan every 5 years. The limits of the NFRTAQPC and UFRRPC are shown in Figure 8.2. Amendments to the plans outside of the normal revision process are rare and occur as needed and when funding is clearly identified.

**Figure 8.1
Project Funding Process**

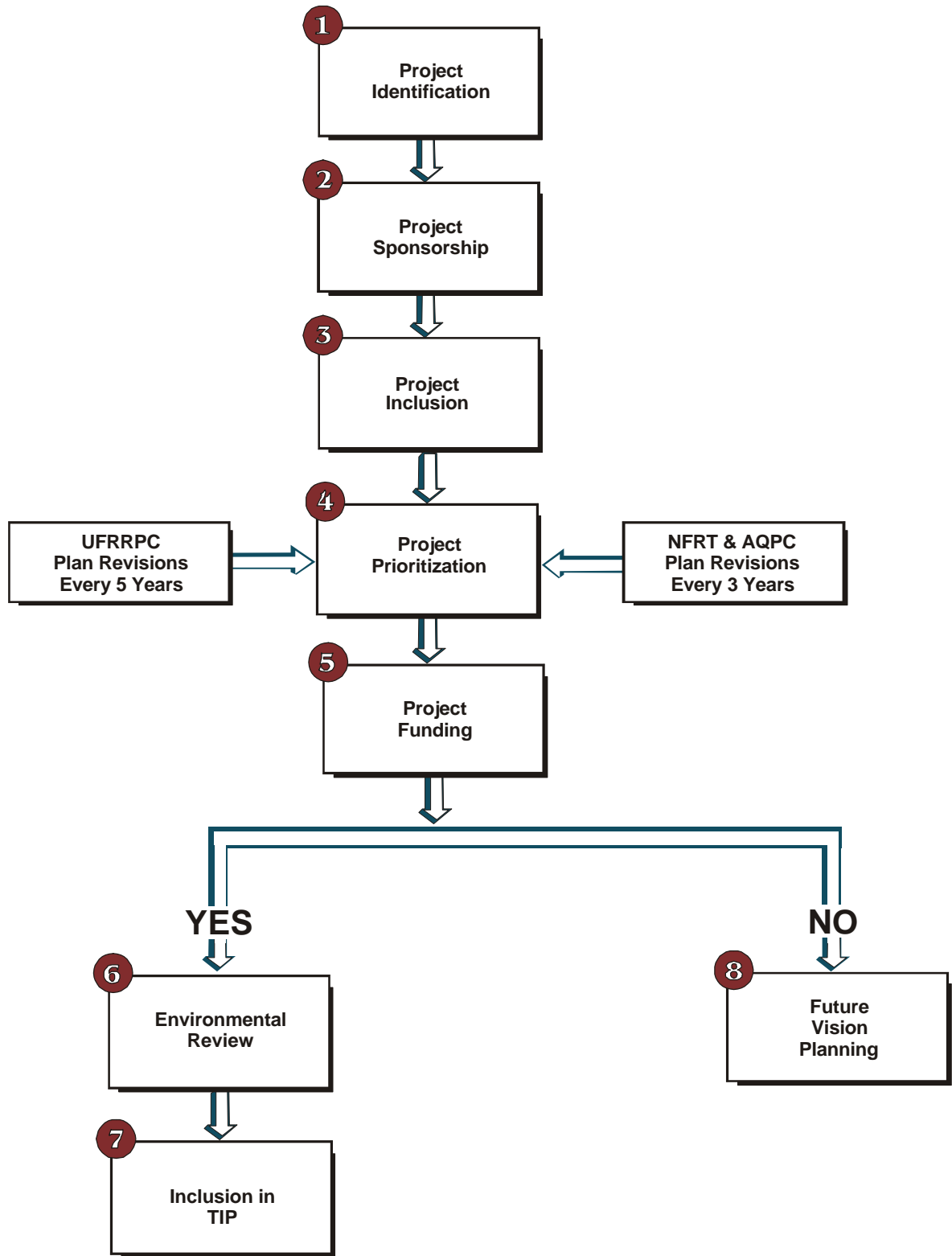
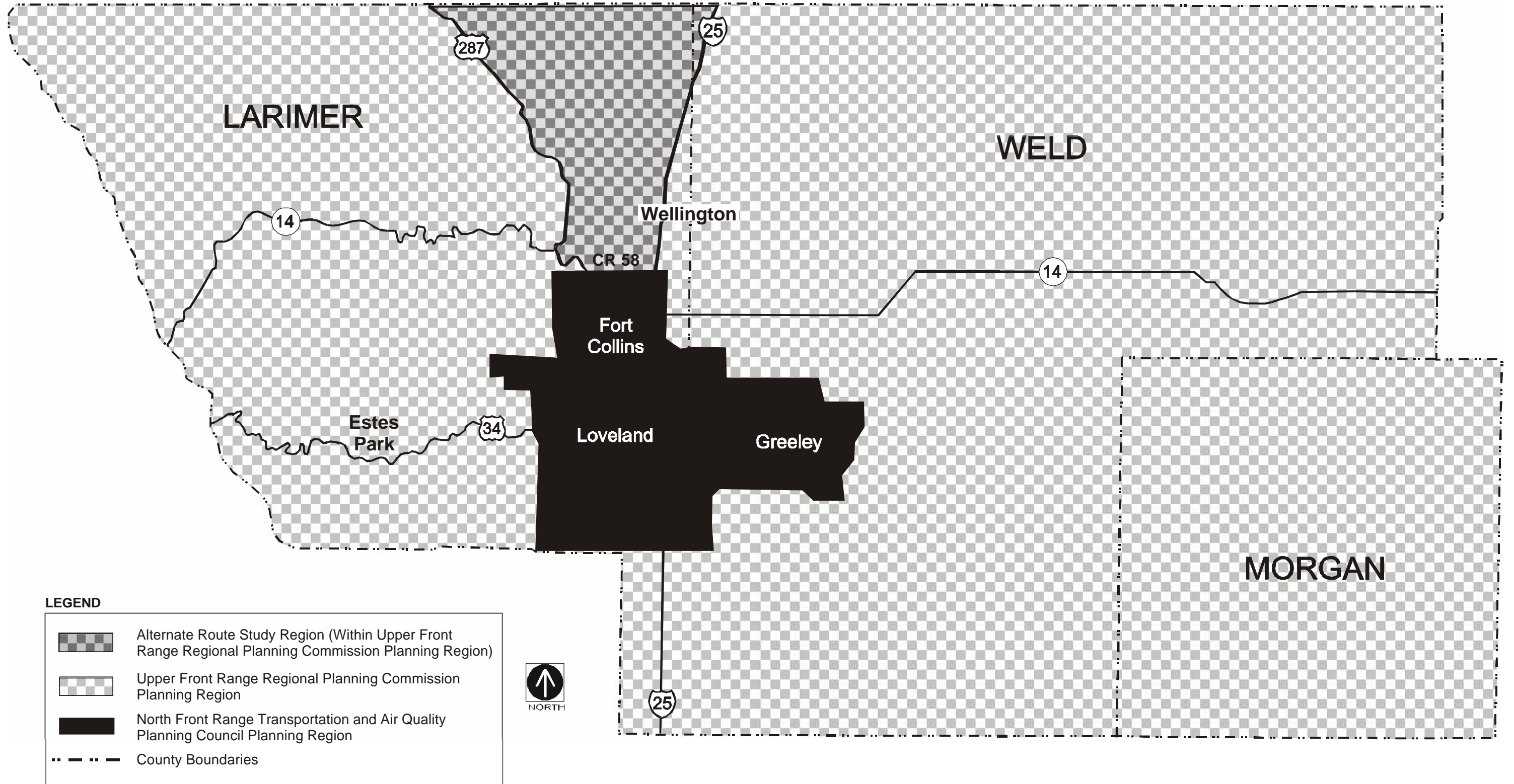


Figure 8.2
Planning Region Boundaries



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4. Project Prioritization by Regional Planning Commissions

Projects are considered for inclusion based on the prioritization process outlined by the individual regional planning commissions. Project requests take into consideration local land use issues, the environment, growth, economic development, and available resources. Regional transportation plans are reviewed by technical advisory committees and then forwarded, with recommendations, to the regional planning commission.

5. Project Funding

Project recommendations include the anticipated funding source for the project. If a new source of funding is identified (i.e. private funding, new tax revenue), it is easier to include the project in the plan. If a project is rated with a high enough priority, it is included in the 20-year fiscally constrained plan. If the project is not rated high enough, it becomes a part of the future vision plan for possible funding beyond the 20-year horizon. The project would then be competing with many other projects for limited transportation dollars.

6. Environmental Review

If a project is going to receive funding tied to a Federal source, an environmental review is required. This environmental review is based on the requirements of the National Environmental Policy Act (NEPA) and could take a year for an environmental assessment (EA) or up to 3 years for an environmental impact statement (EIS).

7. Inclusion in Transportation Improvement Plan

When the timing and funding are right, the project would be included in the 6-year transportation improvement plan (TIP) at the regional level and the STIP at the statewide level.

A variety of funding sources including Federal, state, county, local and private exist that could be used to implement the study recommendations. A combination of existing and new sources may need to be pursued to establish project funding. Each funding source is discussed below by category and the issues related to each are also provided.

8.2 POTENTIAL FEDERAL FUNDING SOURCES

Federal funding sources range from a variety of Federal Highway Formula Funds to specific earmarks and discretionary sources. Federal funding is allocated to the states and is distributed through local agencies. Potential Federal funding sources and issues related to them include:

Federal Highway Formula Funds. Federal formula dollars are distributed through CDOT and are programmed based on performance objectives. The NFRTAQPC includes the state dollars that are spent in the region through their 2025 Transportation Plan. UFRRPC engages in the same process with CDOT and includes state transportation dollars in its regional plan.

The NFRTAQPC, UFRRPC, and CDOT cooperatively prioritize state transportation funds for the North Front Range area. Federal formula program categories include:

- **Interstate Maintenance (IM).** The IM program provides funding for resurfacing, restoring, rehabilitating, and reconstructing (4R) most routes on the Interstate system.
- **National Highway System (NHS).** The NHS program provides funding for improvements to rural and urban roads that are part of the NHS, including the Interstate system and designated connections to major intermodal terminals.
- **Bridge Program.** The Highway Bridge Replacement and Rehabilitation Program (HBRRP) provides funds to the state to replace or rehabilitate deficient highway bridges and to seismic retrofit bridges located on any public road.
- **Surface Transportation Program (STP) Metro Funds.** The STP provides flexible funding that may be used by states and localities for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and intracity and intercity bus terminals and facilities. A portion of funds reserved for rural areas may be spent on rural minor collectors. STP Metro funds are distributed through CDOT to the NFRTAQPC and are subject to the regional planning and prioritization process.
- **Congestion Mitigation and Air Quality Funds (CMAQ).** The primary purpose of CMAQ is to fund projects and programs in air quality non-attainment and maintenance areas for ozone, carbon monoxide (CO) and small particulate matter (PM-10) that reduce transportation related emissions. Colorado has several air quality non-attainment and maintenance areas and therefore receives CMAQ funding. Each year the North Front Range area receives approximately \$1.2 million in CMAQ funding. These funds are only eligible for use in the City of Fort Collins non-attainment area.
- **Transportation Enhancement Funds.** These Federal funds are available for projects that provide aesthetic, cultural, or environmental value for transportation infrastructure. Enhancement funds are derived as a 10 percent set aside from the Federal STP allocation and distributed through the project prioritization process. Projects eligible for use of transportation enhancement funds include bicycle and pedestrian walkways.

Federal Highway Funding Earmarks. Within the Federal process for distribution of transportation dollars is the unwritten rule of Congressional earmarking of projects. This approach is a distribution of Federal dollars, usually above the Federal formula distribution of fuel tax receipts back to the states. Dollars often become available, through a variety of different mechanisms, for congressional members to earmark for transportation projects within their districts. Colorado has been successful in attaining many new transportation projects through this approach. Local entities that are most successful in this approach have gone through the process of hiring a Federal lobbyist to represent their efforts in Washington, D.C. and meet regularly with congressional members and staff.

Border/Corridor Discretionary Funds. The purpose of the National Corridor Planning and Development Program is to provide allocations to states and MPOs for coordinated planning, design, and construction of corridors of national significance, economic growth, and international or interregional trade. The Border/Corridor program distributes funding through a discretionary process.

8.2.1 Issues Related to Federal Funding Sources

Significant portions of Federal funding sources are already committed to projects in regional and statewide plans. Attaining funding in any of the categories listed above would require a reprioritization of projects and/or significantly coordinated Federal lobbying efforts with Colorado Congressional members. In addition, any Federal funds for transportation projects would require the completion of a NEPA study.

8.3 POTENTIAL STATE FUNDING SOURCES

State funding sources come from a variety of mechanisms and are generally prioritized by CDOT and the local transportation planning regions. The planning area for this study is located in CDOT Region 4. Project prioritization includes specific criteria to evaluate regional needs and available funding. Potential State funding sources and the issues related to them include:

Other Regional Priorities Funding. This funding category is part of CDOT's Resource Allocation program. Each of the six CDOT regions receive a funding allocation that is dedicated specifically for the purpose of meeting regional priorities. The NFRTAQPC, the UFRRPC, the Eastern Transportation Planning Region (TPR), and the Denver Regional Council of Governments (DRCOG) each receive a percentage of the funds allocated to CDOT Region 4 in this category. In recent years, most of these funds in Region 4 have been allocated to the reconstruction of I-76 in the Upper Front Range and Eastern TPRs.

Region 4 distributes these funds based on the same formula used at the state level (45/40/15 with 45 percent based on vehicle miles traveled; 40 percent based on lane miles; and 15 percent based on truck miles). Using this formula, the UFRRPC receives approximately 33 percent of the funds, the NFRTAQPC receives 24.5 percent, and DRCOG receives 19 percent over a 6-year average. For the next 20 years, the NFRTAQPC and the UFRRPC have \$350 million in other regional priority funding shown as control totals in their recently updated regional transportation plans.

Highway Users Tax/Trust Fund. The Highway Users Tax/Trust Fund (HUTF) is the state collection and distribution of state fuel taxes. The HUTF has not been increased since 1989 and is not likely to be increased in the immediate future. The HUTF is distributed by formulas established in state statutes. The formula provides for 60 percent of the funds to be distributed to that state; 22 percent to the counties; and 18 percent to cities. Each jurisdiction then receives a proportional share of the funding distribution. For example, estimated distributions of the HUTF for 2001 were \$5.6 million for Larimer County, \$3.2 million for the City of Fort Collins, and \$64,785 for Wellington.

Taxpayers Bill of Rights (TABOR) Surplus Funding at State Level. The State General Fund has exceeded budget limitations set by TABOR that have triggered income tax refunds to Colorado residents. Approximately \$941 million will be returned to residents in 2001 unless voters approve ballot measures aimed at redirecting the funds to new or existing programs. Transportation advocates have proposed utilizing portions of these refunds for transportation purposes. To date, efforts to use these funds for transportation projects have been unsuccessful.

State Infrastructure Bank. The State Infrastructure Bank (SIB) operated through CDOT, can make low interest loans or provide credit enhancements to local and private entities for the development of transportation infrastructure projects or improvements. CDOT currently has approximately \$4 million available for loans on roadway projects. For an entity to be eligible for a loan from the SIB, there must be a revenue stream identified for the repayment of the loan. Current state budget shortfalls could jeopardize potential funding available through this mechanism.

Undesignated Senate Bill (SB) 97-1 Revenues. CDOT anticipates receiving approximately \$1.4 billion in unprogrammed SB 97-1 funds between 2007 and 2020. By statute, SB 97-1 funds are to be used for the State's 28 Strategic Project Investment Program (7th Pot). Not all of the multi-modal projects in the 7th Pot are fully funded, but the Transportation Commission has not yet determined how the unprogrammed funds will be allocated. There is currently a process underway at CDOT to identify an additional list of priorities for the 7th Pot program.

8.3.1 Issues Related to State Funding Sources

A significant portion of State funding sources are already committed to projects in regional and statewide plans. Attaining state funding would require a reprioritization of projects. Due to the uncertainty of the state funding for transportation, competition with already programmed projects would be extremely high.

8.4 POTENTIAL LARIMER COUNTY FUNDING SOURCES

County funding sources typically come from the county's general fund based on taxes that are collected. Partnering with state and municipal agencies has been used in the past to fund regional projects. Potential County funding sources and the issues related to them include:

Larimer County Capital Improvement Programs. Larimer County has funding mechanisms available from allocations of property taxes that support investment in capital improvements within their boundaries. However, the County already has over \$90 million in un-funded road needs.

Larimer County Road and Bridge Funding. Larimer County has specific funding dedicated to the maintenance and improvement of County roadways. This fund receives a direct allocation from the County's general fund.

Highway User Tax/Trust Funds (HUTF). Each county receives a portion of the motor fuel taxes collected by the state. These funds are made available to the County for use on roadways. As with other counties, Larimer County utilizes HUTF funds for maintenance and system preservation of county roadways.

Rural Transportation Authority. State statute provides for the creation of rural transportation authorities (RTA's) to allow a region the opportunity to fund transportation programs and provide transit services.

RTA's can collect revenues through three sources:

1. Up to 1 percent sales tax on retail purchases within the RTA boundaries
2. Motor vehicle registration fee of up to \$10 annually
3. Visitors tax on lodging up to 2 percent of the room fee

The NFRTAQPC is considering creating an RTA to address high priority transportation needs of the region. At the present time, the proposed boundaries of the RTA are undecided. The alternate routes considered as part of this study are not expected to be within the limits of the proposed RTA. Creation of an RTA will require a vote of the residents in the area of the proposed RTA. A separate vote would be required to approve the specific funding mechanisms for the RTA. Criteria for project selection will be developed along with the creation of the RTA.

Dedicated Transportation Sales Tax at County Level. A county sales tax dedicated to transportation can raise significant revenue for transportation programs. This source of funding is not restricted in its use like fuel tax revenues are. A portion of the sales tax may be specifically allocated to roadway and infrastructure improvements. This type of funding would have to be approved in a countywide ballot issue.

Intergovernmental Agreements. Intergovernmental agreements are best utilized when opportunities exist for shared objectives and joint efforts on projects. This approach is commonly used as the region identifies a new funding source for matching or sponsoring projects with local entities within Larimer County or neighboring jurisdictions.

8.4.1 Issues Related to County Funding Sources

Funding availability at the Larimer County level is limited given already established priorities and because the majority of county roadway funding is dedicated to maintenance and system preservation. A new source of funding (tax) would most likely be required for any significant capital investment. County funds could be a potential source for upfront planning and environmental studies to initiate the project.

8.5 POTENTIAL LOCAL FUNDING SOURCES

As with county sources, local funding sources usually come from taxes assessed on the local residents. Partnering with other agencies or new taxes are typical means of securing additional funding. Potential City of Fort Collins funding sources and the issues related to them include:

Local Capital Improvement Programs. Local jurisdictions often establish capital improvement programs with specifically dedicated funds to address high priority infrastructure projects. An example of such a program is the City of Fort Collins Building Community Choices (BCC) program with voter approval of specific projects required. The current funds left in the BCC program allocated for this study are available to proceed with pursuing the study recommendations.

Highway User Tax/Trust Funds (HUTF). The City of Fort Collins receives a portion of the motor fuel taxes collected by the state. These funds are made available to municipalities for use on roadways. Municipalities like the City of Fort Collins traditionally utilize HUTF funds for maintenance and system preservation of municipal roads, not for capital improvement projects.

Special Improvement District and Local Improvement District (SID/LID). SIDs and LIDs are most applicable for localized improvements where a substantial portion of the benefit is attributable to properties adjacent to the improvement. In many cases, developments will group together and form a district to fund projects with the idea that they will be paid back as development occurs. The idea of a SID or LID would require a strong backing from a group of developers adjacent to the alternate route. Districts can be used for projects with larger benefit areas if local government shares in the cost.

Dedicated Sales or Property Taxes. A portion of the sales tax collected or increases in local sales taxes could be specifically dedicated toward roadway capital improvements. This would require local voter approval. Municipalities also receive property tax revenues that traditionally fund some local government activities. A specific dedication of a portion of the property tax collected by a municipality could be used for a roadway capital project.

8.5.1 Issues Related to Local Funding Sources

Most of the local funding is already committed to existing municipal priorities. SIDs or LIDs require solid support for the proposed project in order to generate substantive financial benefit. Local sources often do not generate revenues at the level that would be necessary to fund a significant portion of the study recommendations. Local funding sources could be used for front planning or environmental studies to initiate the project.

8.6 POTENTIAL PRIVATE FUNDING SOURCES

Partnership opportunities between the public and private sector called Public/Private Partnership Initiatives (PPI) for the funding and construction of a project is an innovative financing technique that is being used more frequently across the country. Public private partnerships provide opportunities to utilize private funding to advance a project with a public revenue source repaying the initial investment.

8.6.1 Issues Related to Private Funding Sources

Private partners are most interested in projects that can apply some type of user pay system (tolls) to recover the initial capital investment. This is a difficult issue with the alternate routes that have been considered. Typical toll facilities have restricted access and do not allow any direct driveway access. The alternate routes that have been developed all consider controlled access, but not to the level of a toll facility. Another issue relates to the level of usage and whether the tolls would provide an adequate return to the investors while still being cost-effective to users.

8.7 FUNDING RECOMMENDATION INFORMATION

The information and research into the various potential funding sources and the issues related to them were used to develop the overall funding recommendations. These recommendations are discussed in detail in Section 9.3.

8.8 ADDITIONAL FUNDING ISSUES

Many additional issues will need to be evaluated for an alternate route within the study area to receive funding. Some of those issues are:

Swapping Lane Mileage. The Colorado Transportation Commission has a strict policy of not adding new roadway mileage to the state highway system unless a comparable number of miles are removed. The Commission has promoted the practice of “swapping” roadways with local jurisdictions. This means that as additional mileage is added to the state highway system, some portion of the existing state highway is transferred to local counties and municipalities for maintenance. If a new roadway is added to the state highway system, then it would be necessary for the City of Fort Collins and/or Larimer County take over responsibility for portions of existing SH 14 and/or US 287. The cost of such a transfer would need to be taken into account when considering the study recommendations.

Rural Transportation Authority (RTA) Proposal. The *Regional Transportation Services and Funding Feasibility Study* prepared for the NFRTAQPC and UFRRPC recommended that the region pursue the creation of an RTA. The discussions on the creation of an RTA continue with the boundaries still undetermined. Creation of an RTA requires a public vote in the impacted area. Initial discussions suggest that the RTA would focus on funding regional transit services and regionally significant corridor improvements as identified in the 2025 Regional Transportation Plan. As discussed earlier, the RTA can collect revenues through three sources: up to a 1 percent sales tax, \$10 vehicle registration fee, or 2 percent lodging fee tax on visitors. If the regional RTA is successful, an alternate route would be in direct competition with other regional project priorities and potential revenue sources.

The NFRTAQPC and UFRRPC Planning Area Boundaries. There is a disconnect between the entities that have proposed evaluation of this study and the planning area where a new alternate route is being evaluated. As such, the funding mechanisms available to the NFRTAQPC are not necessarily applicable to areas outside its boundaries. There is little precedence established where a jurisdiction has funded a project that is entirely outside its jurisdictional boundaries.

Federal Funding Stability. In 2003, the Transportation Equity Act for the 21st Century (TEA 21) will be reauthorized by Congress. It is anticipated that there will be an attempt to tear down the “firewalls” created in TEA 21 to ensure that the expenditure of highway trust fund dollars is exclusive to transportation projects. If this effort is successful, significant Federal transportation dollars could be lost to other domestic programs.

Shortfall in State Legislative Budgets. The fiscal year 2002 shortfall in funding of state programs has a significant impact on CDOT's capital program. If funding is not restored by the legislature, CDOT will have to delay a significant number of projects statewide. The delay of projects in the funding stream will make competition for funding new projects even greater. Funding shortfalls in planning regions can also be found in Table 8.1. These shortfalls represent what the regional needs were and the available funding when the regional transportation plans were revised.

Table 8.1
Funding Shortfall in Planning Regions

	Upper Front Range	North Front Range	CDOT 7 th Pot	Total
Identified Project Needs	\$730 m	\$4,750 m		\$5,480 m
Available funding	\$130 m	\$1,215 m	\$130 m	\$1,475 m
Shortfall	\$600 m	\$3,335 m		\$4,005 m

Source: North Front Range 2020 Regional Transportation Plan
Upper Front Range 2020 Regional Transportation Plan

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