

**Initiative #167
Authorize Bonds for Highway Projects**

1 **Proposition ? proposes amending the Colorado statutes to:**

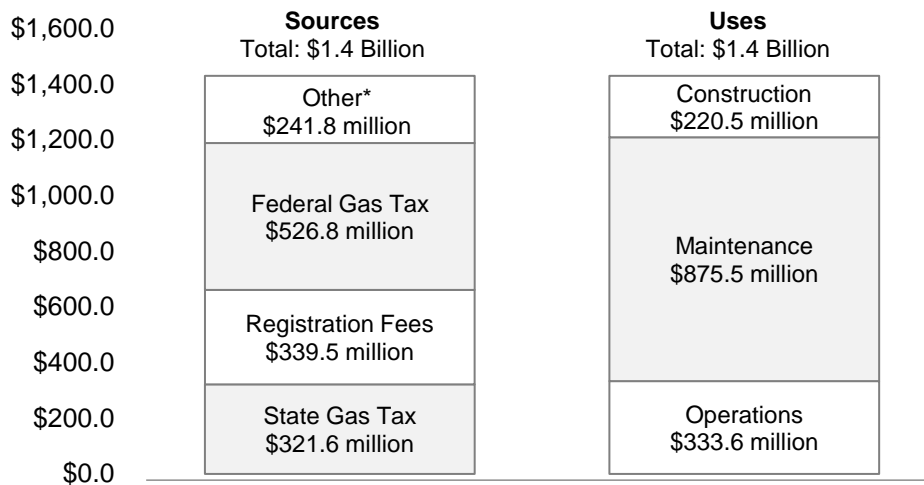
- 2 ♦ require the state to borrow up to \$3.5 billion in 2019 for up to 66 specific highway
3 projects;
- 4 ♦ limit the total repayment amount, including principal and interest, to \$5.2 billion
5 over 20 years; and
- 6 ♦ direct the state to identify a source of funds to repay the borrowed amount
7 without raising taxes or fees.

8 **Summary and Analysis**

9 This analysis outlines state highway funding and conditional transportation funding
10 commitments. In addition, it describes the bond sale and repayment authorized by the
11 measure for a specific list of projects.

12 **Current state highway funding.** Maintenance and construction of state highways
13 are funded in the Colorado Department of Transportation (CDOT). CDOT receives most
14 of its revenue from federal and state gasoline and diesel fuel taxes and from vehicle
15 registration fees, as shown in Figure 1. For state budget year 2017-18, CDOT is
16 expected to spend approximately \$1.2 billion, or roughly 79 percent of its revenue, for
17 state highway maintenance and operations and \$220.5 million, or 21 percent, on
18 construction.

19 **Figure 1**
20 **State Transportation Funding Sources and Uses**
21 *Budget Year 2017-18, Dollars in Millions*



Source: Colorado Department of Transportation.

*Other funding sources include federal grants, tolls, and other state and local funds.

1 **Bond sale and repayment.** The state may borrow money with voter approval to
2 fund projects, such as road and bridge construction. Proposition ? directs CDOT to
3 borrow up to \$3.5 billion by selling transportation revenue bonds. The total repayment
4 amount, including interest, is limited to \$5.2 billion. The borrowing must be repaid in
5 20 years, and the state must reserve the right to repay the bonds ahead of schedule
6 without penalty. Assuming the repayment schedule is for the full \$5.2 billion over
7 20 years, the average annual repayment cost will be \$260 million. Actual repayment
8 amounts will vary depending on the terms of the revenue bonds.

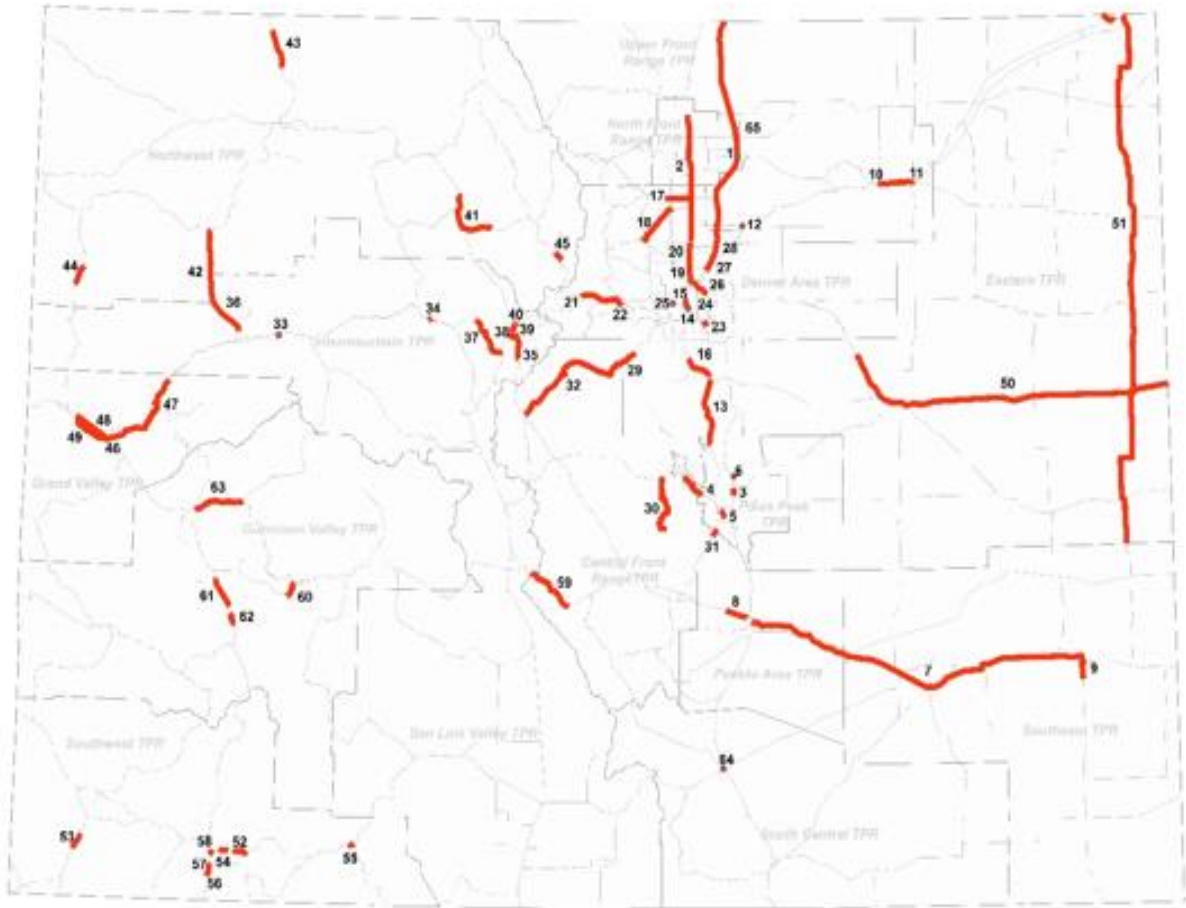
9 In 1999, voters approved the sale of \$1.5 billion worth of bonds for transportation
10 projects. The state was required to use the borrowed money to pay for up to
11 24 transportation projects, including the widening of I-25 in Denver. Repayment costs
12 for the 1999 bonds totaled \$2.3 billion. The debt was fully repaid through various state
13 and federal sources in December 2016.

14 **Transportation funding commitments conditional on the outcome of**
15 **Proposition ?.** In the last two years, the state legislature passed two laws to increase
16 funding for future transportation projects. In 2017, the state committed \$1.5 billion for
17 transportation projects through the sale and lease-back of state buildings. In 2018, the
18 state devoted another \$1.0 billion over a 20-year period for transportation projects from
19 existing state revenues. If Proposition ? passes, the \$3.5 billion in proposed borrowing
20 will replace these commitments.

21 **Use of borrowed money.** Borrowed money may only be used for road and bridge
22 expansion, construction, maintenance, and repair on the 66 transportation projects
23 identified in the measure. These projects are within regions throughout the state. The
24 estimated cost to construct all 66 projects listed in the measure is \$5.6 billion. The
25 funding provided through the measure is not enough to pay for all the projects listed.
26 The final selection and order of construction will be determined by CDOT and the
27 Transportation Commission, an 11-member body appointed by the Governor. The
28 locations of the 66 highway projects listed in the measure are shown in Figure 2.

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Figure 2
Map of Highway Construction Projects Identified in the Measure



*For information on those issue committees that support or oppose the measures on the ballot at the **November 6, 2018**, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:*

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

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Arguments For

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1. Proposition ? accelerates the construction of essential highway projects without raising taxes. Building and maintaining a highway system are core functions of government. The state has failed to invest sufficient funds to maintain and expand the highway system. The measure corrects this by directing the state to prioritize highway projects ahead of other programs.

- 1 2. The lack of highway capacity is the most significant contributor to traffic
2 congestion in the state and causes delays, increases business costs, and
3 reduces driver and passenger safety. The measure requires the state to invest
4 more money in transportation, improving the state's economy and quality of life.

5 **Arguments Against**

- 6 1. Proposition ? increases state spending by up to \$260 million a year for 20 years
7 without providing a new source of revenue. The measure diverts money from
8 other critical programs, which may include education, health care, and routine
9 transportation maintenance. Furthermore, the measure pays for only a fraction
10 of the promised improvements and does not pay for the costs to maintain the
11 new roads.

- 12 2. In 2018, the state demonstrated its commitment to transportation funding by
13 pledging \$1.0 billion from existing revenue sources. If Proposition ? passes, it
14 replaces this commitment with borrowed money. Borrowing is expensive. Under
15 this measure, up to \$1.7 billion of taxpayers' money will be spent on interest
16 payments to investors.

17 **Estimate of Fiscal Impact**

18 *(Please note: A summary of the fiscal impact will be included in this space in the*
19 *second draft of the analysis. A final fiscal impact statement will be prepared and placed*
20 *on the General Assembly's website when the final blue book is sent to voters.)*