

## Initiative #167 Authorize Bonds for Highway Projects

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

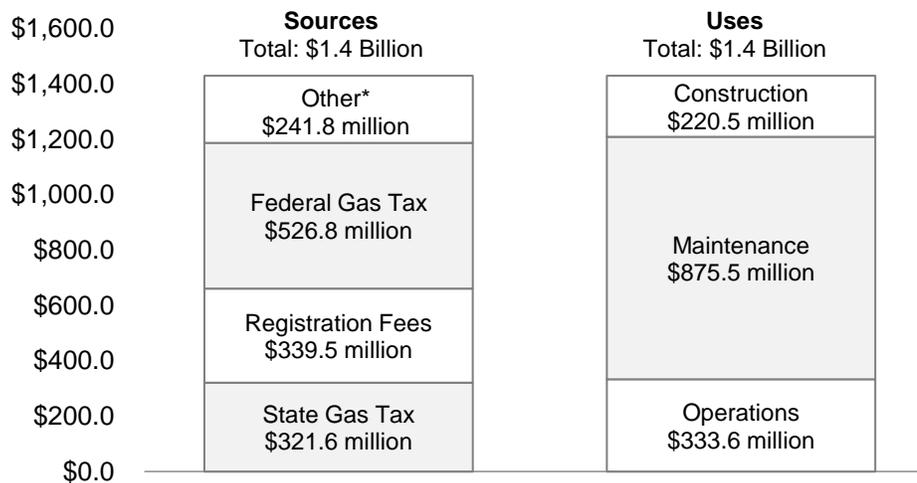
- 2 ♦ require the state to borrow up to \$3.5 billion in 2019 for up to 66 specific highway  
3 projects;
- 4 ♦ limit the total repayment amount, including principal and interest, to \$5.2 billion  
5 over 20 years; and
- 6 ♦ direct the state to identify a source of funds to repay the borrowed amount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

### 8 **Summary and Analysis**

9 This analysis outlines current state highway funding and describes the bond sale and  
10 repayment authorized by the measure for a specific list of statewide road and bridge  
11 projects. The analysis also outlines transportation funding commitments that are  
12 conditional upon the outcome of this measure.

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

20 **Figure 1**  
21 **State Transportation Funding Sources and Uses**  
22 *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.** Proposition ? directs CDOT to borrow up to \$3.5 billion  
2 by selling transportation revenue bonds. The total repayment amount, including  
3 principal and interest, is limited to \$5.2 billion. The borrowing must be repaid in  
4 20 years, and the state must reserve the right to repay the bonds ahead of schedule  
5 without penalty. Assuming the repayment schedule is for the full \$5.2 billion over  
6 20 years, the average annual repayment cost will be \$260 million. Actual repayment  
7 amounts will vary depending on the terms of the revenue bonds.

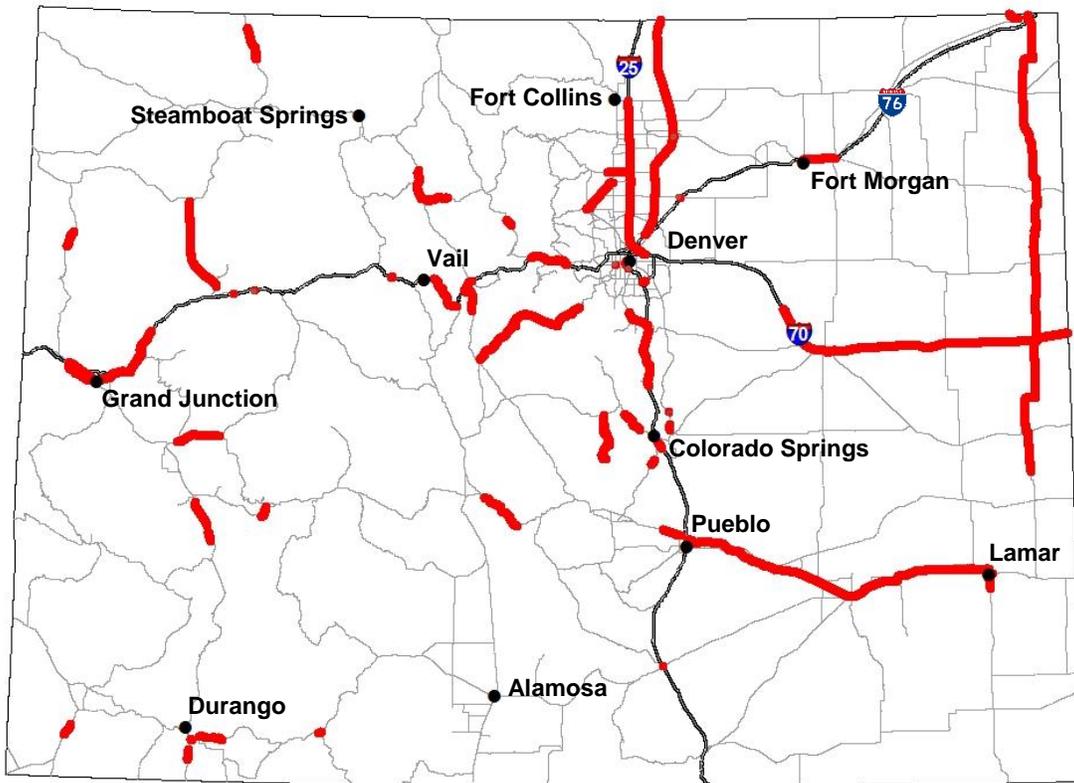
8        In 1999, voters approved the sale of \$1.5 billion worth of bonds for transportation  
9 projects. The state was required to use the borrowed money to pay for up to  
10 24 transportation projects, including the widening of I-25 in Denver. Repayment costs  
11 for the 1999 bonds totaled \$2.3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

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

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

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**Figure 2**  
**Map Highlighting State Highway System Projects Included in Proposition ?**



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

## 1     **Arguments Against**

- 2           1. Proposition ? commits up to \$260 million a year for 20 years to repay borrowing  
3           without creating a new source of revenue. This commitment diverts money from  
4           other critical programs, which may include education, health care, and routine  
5           transportation maintenance. Furthermore, the measure would pay for only a  
6           fraction of the proposed improvements and fails to address the cost of  
7           maintenance on the roads.
- 8           2. In 2018, the state demonstrated its commitment to transportation funding by  
9           pledging \$1.0 billion from existing revenue sources. If Proposition ? passes, it  
10          replaces this commitment with borrowed money. Borrowing is expensive. Under  
11          this measure, up to \$1.7 billion in taxpayer money will be spent on interest  
12          payments.

## 13    **Estimate of Fiscal Impact**

14          **State expenditures.** If CDOT issues transportation revenue bonds for the full  
15          \$3.5 billion, the measure will increase state expenditures by up to \$5.2 billion from  
16          FY 2019-20 through FY 2038-2039. Expenditures will be dedicated to both project costs  
17          and bond repayment.

18          **State revenue.** Beginning in FY 2019-20, state revenue to the State Highway Fund  
19          in CDOT will increase by up to \$3.5 billion over a 20-year period.

20          **State fiscal liabilities.** CDOT will be required to make TRANS principal and interest  
21          payments averaging up to \$260 million per year.