



**Colorado
Legislative
Council
Staff**

Initiative #154

**INITIAL FISCAL
IMPACT STATEMENT**

Date: March 16, 2018

Fiscal Analyst: Larson Silbaugh (303-866-4720)

LCS TITLE: TRANSPORTATION FUNDING

Fiscal Impact Summary	FY 2018-19	FY 2019-20
State Revenue		
Total Sales and Use Tax Revenue	<u>\$590.3 million</u>	<u>\$1,236.6 million</u>
Sales and Use Tax Revenue in State Highway Fund	\$265.6 million	\$556.5 million
Sales and Use Tax Revenue in Other Funds	\$324.7 million	\$680.1 million
Bond Proceeds	<u>Up to \$9.5 billion</u>	
State Expenditures	<u>\$65,127</u>	
Department of Revenue	\$15,127	
Department of Transportation (Bond Consultant)	\$50,000	
Department of Transportation (Dept Repayment)	See State Expenditures section.	

Note: This *initial* fiscal impact estimate has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the Blue Book Voter Guide if new information becomes available.

Summary of Measure

This measure increases the state sales and use tax rate from 2.9 percent to 3.9 percent between January 1, 2019 and January 1, 2039. In addition, the measure allows the Colorado Department of Transportation to issue bonds totaling up to \$9.5 billion. The total repayment cost may not exceed \$14.7 billion over 20 years. The revenue generated from the tax increase is dedicated for the following purposes:

- 45 percent for bond repayment and state transportation funding;
- 15 percent for multimodal transportation; and
- 40 percent for municipal and county transportation projects.

The measure also creates a citizen oversight commission that must annually report how the bond proceeds have been used.

State Revenue

Conditional on voter approval, this measure increases state sales and use tax revenue by \$590.3 million in FY 2018-19 and \$1,236.6 million in FY 2019-20. In addition, the measure authorizes the Department of Transportation to sell bonds and increase revenue by up to \$9.5 billion starting in FY 2018-19.

Sales and use tax. The measure increases the sales and use tax rate by 1.0 percentage points, from 2.9 percent to 3.9 percent, starting January 1, 2019. Based on the March 2018 Colorado Legislative Council Staff revenue forecast, the rate increase will increase state sales and use tax revenue by \$590.3 million in FY 2018-19, and \$1,236.6 million in FY 2019-20, with continuing increases through FY 2039-40. FY 2018-19 represents a half-year impact.

New state revenue will be distributed to the funds shown in Table 1. The State Highway Fund is used to pay for construction and maintenance of state highways. The measure creates the Multimodal Transportation Options Fund to increase funding on multimodal transportation projects such as bike paths, walking paths, and mass transit designed to reduce the use of passenger vehicles. The measure also creates the Local Transportation Priorities Fund to increase revenue for county and municipal transportation projects.

Table 1. Tax Revenue Under Initiative #154		
Fund	FY 2018-19	FY 2019-20
State Highway Fund (45%)	\$265.6 million	\$556.5 million
Multimodal Transportation Options Fund (15%)	\$88.5 million	\$185.5 million
Local Transportation Priorities Fund (40%)	\$236.0 million	\$494.6 million
TOTAL	\$590.3 million	\$1,236.6 million

Transportation bond proceeds. The measure authorizes the Colorado Department of Transportation to sell up to \$9.5 billion in bonds starting in FY 2018-19. The total repayment cost may not exceed \$14.7 billion or last longer than 20 years. Selling bonds will increase revenue for state transportation projects and create a 20-year liability for repayment. Table 2 shows the revenue increase from bond proceeds occurring in FY 2018-19 and FY 2019-20. However, the timing and actual amount is uncertain.

Table 2. Bond Revenue Under Initiative #154		
	FY 2018-19	FY 2019-20
Bond Proceeds - State Highway Fund	Up to \$9.5 billion	

State Expenditures

This measure will increase expenditures equal to the amount of revenue described above for construction and maintenance of transportation projects and debt service. The administrative costs of implementing the policies in this ballot measure are expected to increase state expenditures by \$65,127 in FY 2018-19 only. Department of Revenue expenditures will increase by \$15,127, and Department of Transportation expenditures will increase by \$50,000.

Department of Transportation. In FY 2018-19 only, Department of Transportation expenditures will increase by \$50,000 for consulting expenses to negotiate new transportation bonds authorized by the measure. Workload will also increase for the department to staff the citizen oversight committee and ensure the information required by the bill is posted on the department's website. This workload can be completed within existing appropriations.

Bond repayment. Total transportation bond repayment costs may not exceed \$14.7 billion, and debt must be serviced within 20 years. Based on assumed repayment costs of \$14.7 billion over 20 years, the average annual debt service costs will be \$735.0 million. Table 3 compares the potential bond repayment cost with sales and use tax revenue from the measure. If expenditures for bond debt service payments exceed revenue from the sales and use tax increase in any given year, existing transportation revenue dedicated for maintenance or construction will be required.

Table 3. Comparison of Debt Service and Tax Revenue Allocation Under Initiative #154		
	FY 2018-19	FY 2019-20
Increased Expenditures		
Bond debt service (estimated)	-	\$735.0 million
Increased Revenue		
Sales and use tax revenue to State Highway Fund	\$265.6 million	\$556.5 million
Difference between Revenue and Expenditures	\$265.6 million	(\$178.5 million)

Department of Revenue. In FY 2018-19 only, General Fund expenditures will increase by \$15,127. Expenditures will increase by \$13,927 for programming to the state's tax administration software. These costs include 25 hours of programming at \$250 per hour, as well as costs for department staff to perform testing of the program changes. Expenditures will also increase by \$1,200 to change one state tax form.

Local Government Impact

Conditional on voter approval, the ballot measure increases local government revenue and expenditures beginning in FY 2018-19.

Local government revenue. Local governments will receive disbursements from the state sales and use tax increase. The local government allocation equals 40 percent of new tax revenue, \$236.0 million in FY 2018-19, and \$494.6 million in FY 2019-20. Sales and use tax disbursements will grow as taxable sales grow over time. Counties and municipalities each receive half of these amounts. Revenue is distributed to individual counties and municipalities according to the current law distribution formula for transportation funding.

Multimodal Transportation Options Fund. To receive money from this fund for transportation options projects, counties and municipalities must provide a 50 percent match to money received from the accounts in the fund. The Transportation Commission has the authority to prioritize the funding for multimodal transportation projects paid for through the fund.

Local government expenditures. Local governments receiving allocations will have additional amounts to spend for transportation projects. The measure does not alter current law requirements for local government use of current transportation distributions. Under current law, local governments must spend transportation revenue transferred from the state for construction and maintenance of public highways, together with acquisition of rights-of-way and access rights, and for the construction and maintenance of transit-related projects.

Economic and Taxpayer Impacts

This measure increases sales and use taxes paid when businesses and consumers purchase most goods and some services, reducing consumption, savings, and private investment elsewhere in the economy.

The measure increases transportation funding to accelerate construction on transportation projects, accelerating employment, income, and spending by the construction sector. On the margin, improved transportation infrastructure will save commuters time, improve access to markets for Colorado businesses, and reduce the wear and tear on vehicles.

Average Taxpayer Impact. The measure will increase average household sales and use taxes paid by an estimated \$210.69 per year. This amount is based on average sales taxes paid in 2014 of \$611.00, as published by the Colorado Department of Revenue in the 2016 Tax Profile and Expenditure Report.

Effective Date

If approved by voters, the ballot initiative takes effect upon proclamation of the Governor within 30 days of the official canvas of votes at the 2018 general election. The new sales and use tax rates apply January 1, 2019.

State and Local Government Contacts

Counties	Municipalities	Revenue	Transportation
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Abstract of Initiative 154: TRANSPORTATION FUNDING

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of March 21, 2018, identifies the following impacts:

The abstract includes estimates of the fiscal impact of the initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

State Revenue. Conditional on voter approval, this measure increases sales and use tax revenue by \$590.3 million in FY 2018-19, and by \$1,236.6 million in FY 2019-20. The sales and use tax revenue increase continues for 20 years through FY 2039-40. In addition, the measure authorizes the Department of Transportation to sell bonds and increase revenue by up to \$9.5 billion starting in FY 2018-19.

State Expenditures. This measure will increase expenditures equal to the amount of revenue described above for construction and maintenance of transportation projects, and debt service. The administrative costs of implementing the policies in this ballot measure will increase state expenditures by \$65,127 in FY 2018-19 only.

Local Government Revenue and Expenditures. The ballot measure increases local government revenue and expenditures by \$236.0 million in FY 2018-19, and \$494.6 million in FY 2019-20. These increases continue for 20 years, through FY 2039-40.

Economic Impact. This measure increases sales and use taxes paid when businesses and consumers purchase most goods and some services, reducing consumption, savings, and private investment elsewhere in the economy.

The measure increases transportation funding to accelerate construction on transportation projects, accelerating employment, income, and spending by the construction sector. On the margin, improved transportation infrastructure will save commuters time, improve access to markets for Colorado businesses, and reduce the wear and tear on vehicles.

Average Taxpayer Impact. The measure will increase average household sales and use taxes paid by an estimated \$210.69 per year. This amount is based on average sales taxes paid in 2014 of \$611.00, as published by the Colorado Department of Revenue in the 2016 Tax Profile and Expenditure Report.