



**Colorado  
Legislative  
Council  
Staff**

**Initiative # 182  
INITIAL FISCAL  
IMPACT STATEMENT**

**Date:** April 17, 2018

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

**LCS TITLE:** TRANSPORTATION FUNDING

<b>Fiscal Impact Summary</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>State Revenue</b>		
New Sales and Use Tax Revenue	<b><u>\$206.6 million</u></b>	<b><u>\$432.8 million</u></b>
Revenue to Local Transportation Priorities Fund	\$165.3 million	\$346.2 million
Revenue to Multimodal Options Fund	\$41.3 million	\$86.6 million
Bond Proceeds	<b><u>Up to \$3.72 billion</u></b>	
<b>State Expenditures</b>	<b><u>\$65,127</u></b>	
Department of Revenue	\$15,127	
Department of Transportation (Bond Consulting)	\$50,000	
Department of Transportation (Debt Repayment)	See State Expenditure 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 2.90 percent to 3.25 percent between January 1, 2019 and January 1, 2039. The revenue generated from the tax increase is dedicated for the following purposes:

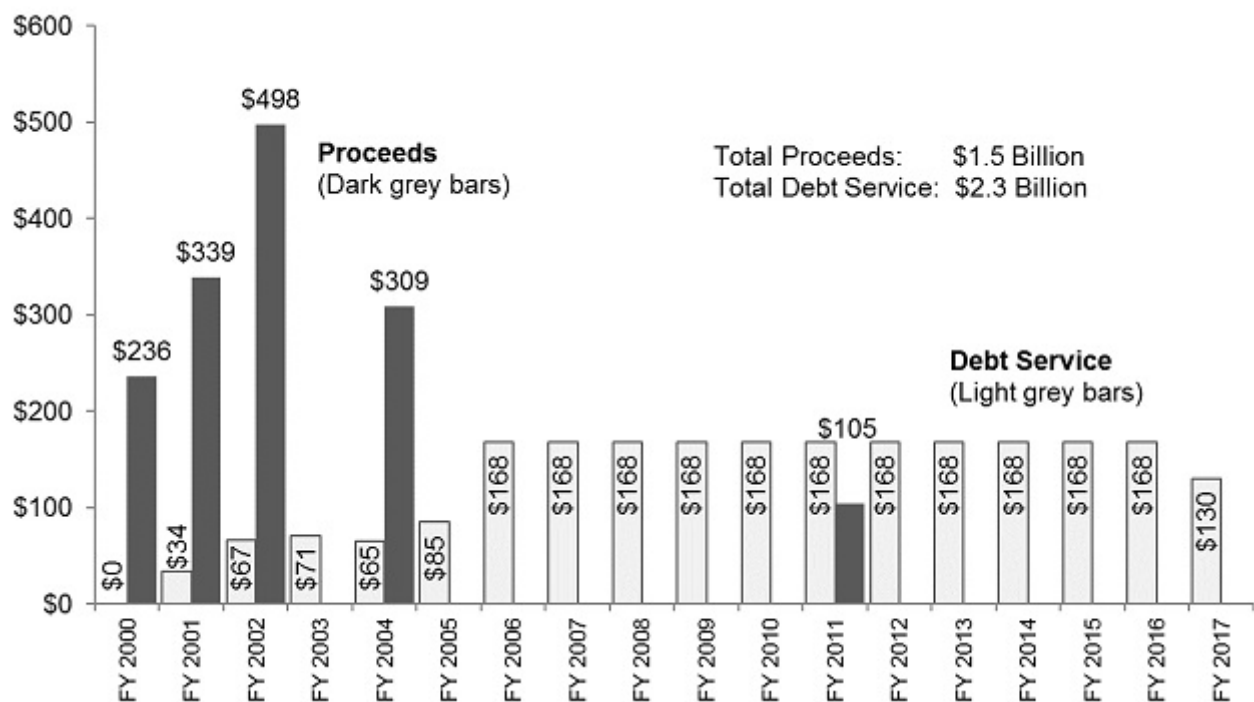
- 20 percent for multimodal transportation projects; and
- 80 percent for municipal and county transportation projects.

In addition, the measure requires the Colorado Department of Transportation (CDOT) to issue bonds, or Transportation Revenue Anticipation Notes, totaling up to \$3.72 billion. The total repayment cost may not exceed \$6.20 billion over 20 years. The bonds in this measure are harmonized with Senate Bill 18-001, which is under consideration by the Colorado General Assembly as of April 17, 2018. In conjunction with the bonds, the measure creates a citizen oversight commission that must annually report how the bond proceeds have been used.

**Background**

**Transportation Revenue Anticipation Notes.** In 1999, Colorado voters authorized CDOT to borrow up to \$1.7 billion by selling TRANs with a maximum repayment cost of \$2.3 billion. Debt service on TRANs was paid with money from the federal government and state matching funds. TRANs proceeds were exempt from the TABOR revenue limit and could be used only for a list of 28 prioritized statewide projects. The use of TRANs allowed CDOT to accelerate construction on these projects, including the widening of I-25 in Denver (T-REX). As shown in Figure 1, CDOT issued a total of \$1.5 billion in installments from 2000 through 2011, with a total repayment cost of \$2.3 billion. The final debt service payment occurred in December 2016.

**Figure 1**  
**1999 TRANs Proceeds and Debt Service**  
*Dollars in Millions*



Source: Colorado Department of Transportation. Not adjusted for inflation.

**State Revenue**

Conditional on voter approval, this measure increases state sales and use tax revenue by \$206.6 million in FY 2018-19 and \$432.8 million in FY 2019-20. The amount for FY 2018-19 represents a half-year impact. In addition, the measure directs the CDOT to sell bonds to increase revenue by up to \$3.72 billion starting in FY 2018-19.

**Sales and use tax.** The measure increases the sales and use tax rate by 0.35 percentage points, from 2.90 percent to 3.25 percent, starting January 1, 2019 for a 20-year period. Based on the March 2018 Colorado Legislative Council Staff revenue forecast, the rate increase will increase state sales and use tax revenue by \$206.6 million in FY 2018-19, and \$432.8 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 deposited in the funds shown in Table 1. The measure creates the Multimodal Transportation Options Fund to increase funding for 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.

<b>Table 1. Funds Receiving Tax Revenue Under Initiative #182</b>		
<b>Fund</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Local Transportation Priorities Fund (80%)	\$165.3 million	\$346.2 million
Multimodal Transportation Options Fund (20%)	\$41.3 million	\$86.6 million
<b>TOTAL</b>	<b>\$206.6 million</b>	<b>\$432.8 million</b>

**Transportation bond proceeds.** The measure requires CDOT to sell up to \$3.72 billion in bonds starting in FY 2018-19. The total repayment cost may not exceed \$6.20 billion over a period of up to 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 each year is uncertain.

<b>Table 2. Bond Revenue Under Initiative #182</b>		
	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>Bond Proceeds - State Highway Fund</b>	Up to \$3.72 billion	

**State Expenditures**

This measure allows for accelerated transportation project expenditures from the bond proceeds, and increased expenditures on multimodal and local transportation projects. The administrative costs of implementing the policies in this 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 CDOT expenditures will increase by \$50,000.

**Department of Transportation.** In FY 2018-19 only, CDOT 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 \$6.2 billion, and debt must be serviced within 20 years. Based on assumed repayment costs of \$6.2 billion over 20 years, the average annual debt service costs will be \$310.0 million as shown in Table 3. Bond repayment will be made out of the State Highway Fund, which receives revenue from gas taxes, registration fees, and other sources. Up to \$30 million per year from the Multimodal Transportation Options Fund created in the measure may be used to pay for debt service. As of April 17, 2018, the legislature is considering Senate Bill 18-001 that would transfer \$250 million per year from the General Fund to the State Highway Fund between FY 2019-20 and FY 2038-39. If these transfers occur, they would be available to repay a portion of the bonds.

<b>Table 3. Estimated Debt Service Under Initiative #182</b>		
<b>Increased Expenditures</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Bond Debt Service (Estimated)	-	\$310.0 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 revenue from the state sales and use tax increase. The local government allocation equals 80 percent of new tax revenue, or \$165.3 million in FY 2018-19, and \$346.2 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 this amount. Revenue is distributed to individual counties and municipalities according to the current law distribution formula for transportation funding.

**Multimodal Transportation Options Fund.** Local governments will receive at least \$35.1 million for multimodal projects in FY 2018-19 and at least \$73.6 million in FY 2019-20. Local governments will receive 85 percent of money from the Multimodal Transportation Options Fund for local multimodal projects. The remaining 15 percent of money will be spent on projects selected by the Transportation Commission and may include money for local governments. 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 \$73.74 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 182: TRANSPORTATION FUNDING**

**This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of April 17, 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](http://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 \$206.6 million in FY 2018-19 and \$432.8 million in FY 2019-20. The sales and use tax revenue increase continues for 20 years through FY 2039-40. In addition, the measure directs the Department of Transportation to sell bonds to increase revenue to fund transportation construction projects by up to \$3.72 billion starting in FY 2018-19.

**State Expenditures.** This ballot measure is expected to increase state expenditures by \$65,127 to administer the bonds and sales tax increase in FY 2018-19 only. This amount does not include spending for bond debt service, transportation projects, and maintenance, which will be paid from transportation revenue at the discretion of the Transportation Commission. This measure accelerates up to \$3.72 billion in transportation project expenditures from the bond proceeds with an annual repayment cost of up to \$310.0 million annually between FY 2019-20 and FY 2039-40.

**Local Government Revenue and Expenditures.** The ballot measure increases local government revenue and expenditures by \$200.4 million in FY 2018-19, and by \$419.8 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 will increase average household sales and use taxes paid by an estimated \$73.74 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.

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.