

## Initiative #167 Authorize Bonds for Highway Projects

### Proposition ? proposes amending the Colorado statutes to:

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

### Summary and Analysis

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

**Current state highway funding.** Maintenance and construction of state highways are funded through the Colorado Department of Transportation (CDOT). CDOT receives most of its revenue from federal and state gasoline and diesel fuel taxes and from state vehicle registration fees, as shown in Figure 1. For state budget year 2017-18, CDOT spent approximately \$1.2 billion, or roughly 85 percent of its revenue, on state highway maintenance and operations and \$220.5 million, or 15 percent, on construction.

**Figure 1**  
**State Transportation Funding Sources and Uses**  
*Budget Year 2017-18*

<b>Sources</b> Total: \$1.4 Billion	<b>Uses</b> Total: \$1.4 Billion
Other* \$241.8 million	Construction \$220.5 million
Federal Gas Tax \$526.8 million	Maintenance \$875.5 million
Registration Fees \$339.5 million	Operations \$333.6 million
State Gas Tax \$321.6 million	

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 bonds must be repaid in 20 years,  
4 and the state must reserve the right to repay the bonds ahead of schedule without  
5 penalty. Assuming the repayment schedule is for the full \$5.2 billion over 20 years, the  
6 average annual repayment cost will be \$260 million. Actual repayment amounts will vary  
7 depending on the terms of the revenue bonds.

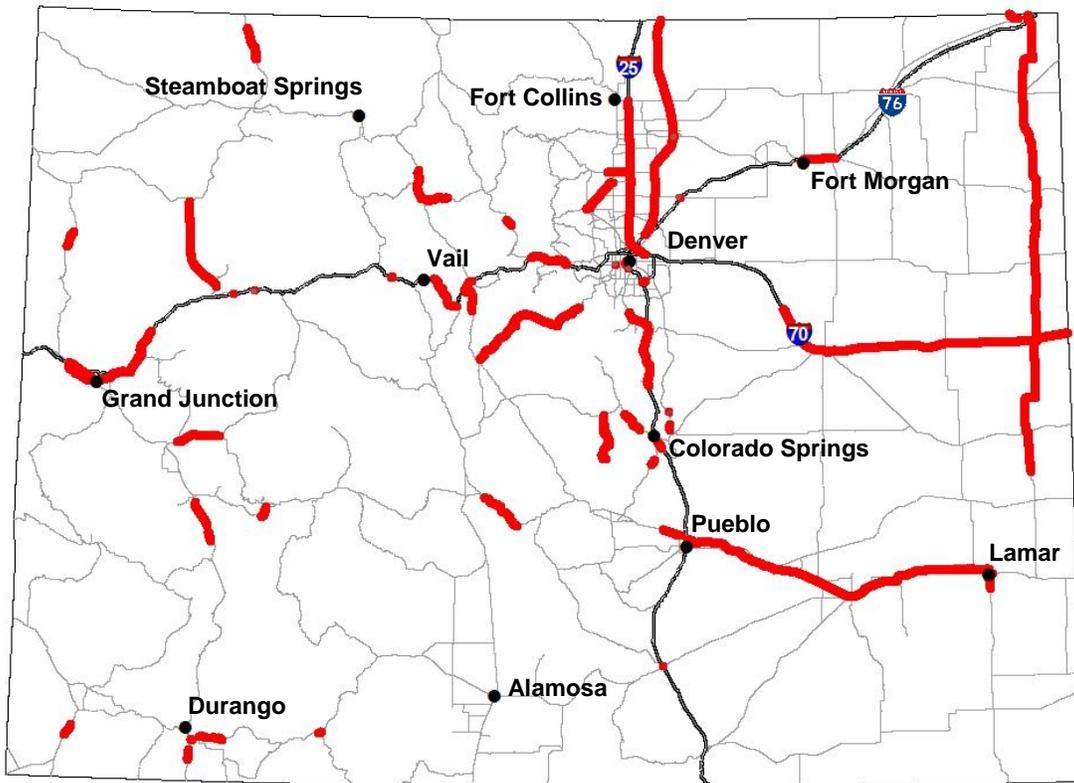
8        **Past bond sale and repayment for transportation projects.** In 1999, voters  
9 approved the sale of \$1.5 billion worth of bonds for transportation projects. The state  
10 was required to use the borrowed money to pay for up to 24 transportation projects  
11 across the state. Repayment costs for the 1999 bonds totaled \$2.3 billion. The debt  
12 was fully repaid through various state 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, the \$3.5 billion in proposed borrowing will  
19 replace these commitments, resulting in a net increase of \$1.0 billion for transportation.

20        **Road and bridge projects.** Borrowed money under Proposition ? may only be used  
21 for road and bridge expansion, construction, maintenance, and repair on the  
22 66 transportation projects identified in the measure. These projects are located  
23 throughout the state as shown in Figure 2. The funding provided through the measure is  
24 not enough to pay for all the projects identified in the measure; the estimated cost of the  
25 projects is \$5.6 billion. The final selection and order of construction will be determined  
26 by CDOT and the Transportation Commission, an 11-member body appointed by the  
27 Governor to 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 or fees. 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 \$5.2 billion to repay borrowing without creating a  
3           new source of revenue. This commitment diverts money from other programs,  
4           which may include education, health care, and routine transportation  
5           maintenance. Furthermore, the measure would pay for only a portion of the  
6           projects and fails to address the cost of ongoing maintenance of these projects.
- 7           2) In 2018, the state demonstrated its commitment to transportation funding by  
8           pledging \$1.0 billion from existing revenue sources. If Proposition ? passes, it  
9           replaces this commitment with borrowed money. Borrowing is expensive. Under  
10          this measure, approximately \$1.7 billion in taxpayer money will be spent on  
11          interest payments.

## 12     **Estimate of Fiscal Impact**

13           Proposition ? makes changes to transportation finance over 20 years. Its effects on  
14          state revenue and expenditures are summarized below.

15           **State revenue.** The measure requires the state to sell revenue bonds, which will  
16          increase state revenue by up to \$3.5 billion. Under current law, bond revenue collected  
17          under Proposition ? will replace \$1.5 billion in state revenue from the sale and  
18          lease-back of state buildings. On net, Proposition ? increases state revenue by up to  
19          \$2.0 billion.

20           **State expenditures.** The measure authorizes \$3.5 billion in state revenue from the  
21          sale of bonds to be spent on transportation projects. However, current state law directs  
22          other funding commitments to be cancelled if the measure passes, resulting in a net  
23          increase in spending on transportation of up to \$1.0 billion.

24           The measure commits up to \$5.2 billion to the repayment of debt. These financing  
25          costs will replace the \$2.25 billion in financing costs related to the sale and lease-back of  
26          state buildings, resulting in a net increase in financing costs of up to \$2.95 billion.