



**Colorado
Legislative
Council
Staff**

Initiative # 153

**FISCAL IMPACT
STATEMENT**

Date: August 20, 2018

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

LCS TITLE: AUTHORIZE SALES TAX AND BONDS FOR TRANSPORTATION PROJECTS

Fiscal Impact Summary	FY 2018-19	FY 2019-20
State Revenue		
Total Sales and Use Tax Revenue	<u>\$366.0 million</u>	<u>\$766.7 million</u>
Sales and Use Tax Revenue in State Highway Fund	164.7 million	345.0 million
Sales and Use Tax Revenue in Other Funds	201.3 million	421.7 million
Bond Proceeds	up to \$6.0 billion	
State Expenditures	<u>\$65,127</u>	
Department of Revenue	15,127	
Department of Transportation (Bond Consultant)	50,000	
Department of Transportation (Debt Repayment)	See State Expenditures Section.	

Summary of Measure

This measure increases the state sales and use tax rate from 2.9 percent to 3.52 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 \$6.0 billion. The total repayment cost may not exceed \$9.4 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.

Revenue from both the tax increase and bond issuance is exempt from TABOR as a voter-approved revenue change. The measure also creates a citizen oversight commission that must annually report how the bond proceeds have been used.

State Revenue

This measure increases state sales and use tax revenue by \$366.0 million in FY 2018-19 and \$766.7 million in FY 2019-20. The estimate for FY 2018-19 represents a half-year impact based on the January 1, 2019, effective date of the tax increase. In addition, the measure authorizes the Department of Transportation to sell bonds, increasing revenue by up to \$6.0 billion starting in FY 2018-19.

Sales and use tax revenue. The measure increases the sales and use tax rate by 0.62 percentage points, from 2.9 percent to 3.52 percent, starting January 1, 2019. Based on the March 2018 Legislative Council Staff revenue forecast, the higher tax rate will increase state sales and use tax revenue by \$366.0 million in FY 2018-19 and \$766.7 million in FY 2019-20, with continuing increases through FY 2038-39. The estimate for FY 2018-19 represents a half-year impact.

New state tax revenue will be distributed as shown in Table 1. The State Highway Fund is used to pay for construction and maintenance of state highways. The Multimodal Transportation Options Fund issues grants to fund multimodal transportation projects such as bike paths, walking paths, mass transit, and transportation options for seniors and persons with disabilities. The measure creates the Local Transportation Priorities Fund to increase revenue for county and municipal transportation projects.

Table 1. Tax Revenue Under Initiative #153		
Fund	FY 2018-19	FY 2019-20
State Highway Fund (45%)	\$164.7 million	\$345.0 million
Multimodal Transportation Options Fund (15%)	\$54.9 million	\$115.0 million
Local Transportation Priorities Fund (40%)	\$146.4 million	\$306.7 million
TOTAL	\$366.0 million	\$766.7 million

Transportation bond proceeds. The measure authorizes the Department of Transportation to sell up to \$6.0 billion in bonds starting in FY 2018-19. The total repayment cost may not exceed \$9.4 billion over 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 #153		
	FY 2018-19	FY 2019-20
Bond Proceeds - State Highway Fund	Up to \$6.0 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 the measure will 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 measure is posted on the department's website. This workload can be accomplished within existing appropriations.

Bond repayment. Total transportation bond repayment costs may not exceed \$9.4 billion, and debt must be serviced within 20 years. Based on assumed repayment costs of \$9.4 billion over 20 years, the average annual debt service costs will be \$470.0 million. Table 3 compares the potential bond repayment cost with sales and use tax revenue from the measure.

	FY 2018-19	FY 2019-20
Bond debt service (estimated)	-	(\$470.0 million)
Sales and use tax revenue to State Highway Fund	\$164.7 million	\$345.0 million
Difference	\$164.7 million	(\$125.0 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

The ballot measure increases state government distributions to local governments 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, which is \$146.4 million in FY 2018-19, and \$306.7 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 among 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 multimodal projects, counties and municipalities must provide 50 percent matching funds. The Transportation Commission has the authority to prioritize the funding for multimodal transportation projects paid for through the fund.

Local government expenditures. Local governments will have additional funding for transportation projects. Under current law, local governments must spend revenue transferred from the state for transportation on construction and maintenance of public highways, acquisition of rights-of-way and access rights, and for the construction and maintenance of transit-related projects. The measure allows local governments to spend new sales tax funding to match funding from the Multimodal Transportation Options Fund.

Effective Date

If approved by voters, the measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of votes is completed. The new sales and use tax rates apply January 1, 2019.

State and Local Government Contacts

Counties

Municipalities

Revenue

Transportation