

# PROPOSITION 110

## Transportation Funding

### Summary

This statutory measure would raise the statewide sales and use tax from 2.9 percent to 3.52 percent to fund transportation needs across Colorado. The measure also allows the Colorado Department of Transportation to issue bonds worth \$6 billion. The \$6 billion in bonds will be repaid over 20 years at no more than \$9.4 billion.

The increase in sales tax revenue is estimated to total \$366 million in FY 2018-2019 and \$766.7 million in FY 2019-2020. The breakdown of how the revenue would be used as follows:

- 45 percent toward bond repayment and state transportation funding
- 15 percent for multimodal transportation (including buses and other public transit, bike paths, and park-n-ride lots)
- 40 percent for municipal and county transportation projects

### Research

There are a few different aspects of this measure worth teasing out. The first has to do with the [current funding of transportation needs across the state](#) and what it actually looks like. The majority of Colorado's transportation funding comes from two sources: Highway Users Tax Fund (HUTF) and the federal government.

#### *Highway Users Tax Fund*

The Highway Users Tax Fund provided \$1.1 billion to the state highway system in FY 2016-2017 and is by far the biggest source of revenue for Colorado's transportation needs. That money is derived from the state gas tax (\$626.9 million in FY 2016-2017), motor vehicle registration fees (\$369.1 million in FY 2016-2017), and other fees, such as driver's license renewals and court fines. The other fees totaled \$67.9 million in FY 2016-2017.

That money is allocated to the state Department of Transportation, counties, and cities based on formulas in state law. Colorado's [gas tax is currently 22 cents per gallon](#) and hasn't been raised since 1991, before TABOR was enacted. As of 2018, it ranks 39<sup>th</sup> lowest in the country.

#### *Federal Funds*

Federal funds are distributed to states through the Highway Trust Fund, a collection of monies from national fuel taxes and truck-related taxes and determined through federal formulas. The most recent transportation funding bill passed Congress in 2015. The Fixing America's Surface Transportation Act (FAST Act) allocated \$521 million to Colorado in FY 2016-17. The funds are broken down as follows:

- The largest portion, 55.7 percent, goes to maintaining and constructing national highways in Colorado.
- The second largest portion, nearly 28 percent, is block grants given to state and local governments. This funding is completely under the discretion of the government receiving the money and can be used for any project, including highways, tunnels, bridges, public transit, pedestrian access, and more.
- About 6 percent is for mitigating traffic congestion and improving air quality. This includes any projects to meet the goals of the Clean Air Act and other measures to alleviate traffic, including HOV lanes and traffic signal improvements.
- A focus on highway safety and reducing traffic fatalities and injuries receives 5.5 percent.
- The remainder, about 5 percent, goes toward a variety of purposes, including maintaining a freight network, innovative infrastructure, and public transportation.

### Sales Tax

The other big funding issue to look at within this measure is the increase in sales tax across the state. While .62 percent may not seem like a significant hike on its face, it would have consequences for all Coloradans. As the table below from the Colorado Legislative Council Service shows, there would be an increase in costs across the board. Also, the nature of sales taxes means that those with lower incomes would pay a greater share of their income in sales taxes than those at the top.

Family Income	Current State Sales Tax Paid (2.9%)	Annual Tax Increase Under Measure (0.62%)	State Sales Tax Paid Under Measure (3.52%)	Increase as a Percent of Family Income*
\$6,495.00	\$197.00	\$42.00	\$239.00	3.68%
\$13,143.00	\$235.00	\$50.00	\$285.00	2.17%
\$24,015.00	\$359.00	\$77.00	\$436.00	1.82%
\$42,272.00	\$459.00	\$98.00	\$557.00	1.32%
\$83,473.00	\$730.00	\$156.00	\$886.00	1.06%
\$190,232.00	\$1,171.00	\$250.00	\$1,421.00	0.75%
<b>Statewide Average</b>				
\$74,374.00	\$611.00	\$131.00	\$742.00	1.00%

*\*Bell calculations using data from Legislative Council Staff*

### Colorado's Transportation Needs

There is little question from policymakers about the need for money toward transportation needs across the state. In the 2018 legislative session, the [state Senate unanimously passed](#) a compromise measure that would put \$645 million toward Colorado's needs over the next two fiscal years. As the American Society of Civil Engineers notes in its [2017 Infrastructure Report Card](#), there are significant items that need attention. For example, driving on roads I need of repairs costs the average Colorado driver \$580 per year. Twenty-one percent of the state's roads rate as "poor," while 5.7 percent of bridges are rated "structurally deficient."

### Arguments For

- As Colorado's population continues to grow, it's straining our transportation infrastructure. Not only does it need improvement, but we must grow it to fit the needs of our citizens. With a very small increase in sales taxes, we can significantly improve the everyday lives of Coloradans. Less commute time, easier access to transportation options, and less wear and tear on vehicles could all be critical benefits of this measure.
- A statewide solution is necessary. Large cities, like Denver, Boulder, Colorado Springs, and even Grand Junction, can raise city sales taxes to pay for their local roads, but rural areas would be left out. The only way to make it equitable is to ensure a statewide funding mechanism, which this measure would do.
- With the difficulty of finding money in Colorado's already tight budget, this measure will be completely paid for and fiscally responsible. At a small cost, we can meet our long-term transportation needs.
- This measure would also put funding toward public transportation and other non-driving ways of moving. An increase for buses, rail and trains, and bike and walking paths would help densely populated areas and significantly reduce wear and tear on roads, pollution from cars, and traffic congestion.

### Proponents

The Denver Metro Chamber of Commerce, [Club 20](#), Colorado Contractors Association, and Ports to Plains Alliance.

## Arguments Against

- From the right: We shouldn't be raising taxes to pay for transportation needs. While improving transportation is undoubtedly important, we should do it with existing money. If it's truly a priority, then we should find it in the budget by reducing spending in other areas to pay for it. The analysis shows Coloradans will pay on average more than \$130 a year in taxes on average as a result of this measure. It's a folly to think raising taxes is the answer to every question about Colorado's needs.
- From the left: Transportation is important. Given Colorado's budgetary state, raising taxes is a smart way to make transportation needs a priority. However, going after sales taxes is the wrong road to take. Sales taxes are the most regressive taxes and hit our most vulnerable citizens the hardest. Raising the sales tax will make it harder on the poorest among us, while not affecting the taxes for the rich or the people who drive the most (by raising the gas tax). While the measure has the right idea, the devil is in the details and the details aren't good.

## Opponents

Independence Institute, Colorado Springs Mayor John Suthers, Americans for Prosperity Colorado, Republican gubernatorial candidate Walker Stapleton.

## Recommendation: Support

While we are concerned about the effects of the sales tax increase on low- and middle-income Coloradans, there is a need for increased funding for transportation projects. By putting money toward public transit and multimodal projects, many low-income and middle class families will be able to commute much easier and ease congestion, saving drivers time and money.

Furthermore, giving cities and counties a reliable funding stream will help alleviate future tax burdens for many people, especially those in rural areas that have a very low tax base from which to draw for transportation projects. This measure is smart transportation policy that will help many towns and cities cope with increased population and deteriorating infrastructure.

Importantly, because this measure has a sustainable funding source, the state budget and the important programs within it, wouldn't face cuts, preserving other measures to improve economic mobility throughout Colorado.