PROPOSITION 109

Authorize Bonds for Transportation Funding

Summary
This measure requires the Colorado Department of Transportation to issue bonds up to $3.5 billion for a specific list of 66 transportation projects, which cover all 15 transportation districts across the state. The projects focus solely on road and bridge repair, expansion, construction, and maintenance. Public transit alternatives, such as bus service and light rail, are expressly prohibited from funding through this measure.

The bonds have a repayment cost of $5.2 billion over 20 years. Raising taxes or fees to cover the repayment of bonds is prohibited, and the money will have to be allocated by the Colorado legislature from existing revenues. The Legislative Council staff projects the state legislature will have to set aside $260 million per year for 20 years, although actual amounts per year will vary depending on the timing of bond issuance.

Research
There are a few different aspects of this measure worth teasing out: First, how Colorado is currently addressing its transportation needs, followed by the current funding of transportation needs across the state and what it actually looks like.

Colorado's Transportation Needs
Traditionally, General Fund revenue isn't regularly used for transportation, but over the last two years, the state has put that revenue toward transportation needs. In 2017, as part of a large package at the end of the session, the state legislature authorized the sale and lease-back of state buildings, with much of the resulting revenue, $1.5 billion in total, to go to transportation projects. In the 2018 legislative session, the legislature put $645 million over two years from existing state revenues to transportation, with another $50 million per year over the next 18 years to pay down the existing transportation backlog. The Colorado Department of Transportation (CDOT) currently estimates a $9 billion transportation project backlog.

A national nonprofit, TRIP, recently undertook a study to look at Colorado transportation needs and the effects on drivers across the state. While acknowledging the $9 billion project backlog that faces CDOT, overall, the study shows congested and deteriorated roads in the state costs drivers $7.1 billion each year. Furthermore, 40 percent of urban highways and roads are in poor to mediocre condition.

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 39th 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, of funds goes toward maintaining and constructing the 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.

Cost of Not Raising Taxes or Fees
This measure mandates all bonds issued are paid existing revenue. This means no taxes or fees can be levied in order to pay for the bonds included in this measure. If bonds are issued out to the maximum amount allowed, the legislature would have to commit $260 million per year, on average, toward transportation. For perspective, here are some comparable figures:

- A $260 million cut would account for a 40 percent increase in K-12 education's underfunding
- More than twice the amount Colorado pays each year for child care
- If $260 million more went toward higher education, Coloradans would see lower tuition increases at public colleges and universities
- The Department of Public Safety — including state patrol, state Bureau of Investigations, and Division of Fire Prevention and Control — receives $183.1 million from the state's General Fund

Because Colorado's revenue already exceeds the Referendum C cap, the new ongoing debt payments of $260 million per year will mean the state will have limited funds to do any more than keep up with growth and inflation. This means base-building investments in other priorities will be impossible and our state will continue to lag the nation in essential areas like education and child care. In the next recession, bond holders will be paid even as deeper cuts are made to other state services. This proposal also prohibits investments in transit-related transportation alternatives.

Arguments For

- This measure will fix our transportation problems without raising taxes and fees. It will impact every person throughout the state because it includes projects in every transportation district.
- By passing this measure, Coloradans will let the legislature know transportation funding is critical for the state and elected leaders should prioritize it by finding money in the budget.

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

Arguments Against

- Colorado is in a fiscal hole. The General Fund budget is constrained and there are many competing priorities that need critical funding. By issuing bonds that cannot be paid for by raising taxes or fees, money must be taken from

other important programs, like education and health care. Over the 20-year lifespan of the bonds, that means some programs will be inaccessible until 2039 as a result of the money needed to repay the bonds.
- Nothing comes free, including transportation bonds. If our transit needs are important, we should be willing to actually pay for them. By directing existing funding to repay the bonds, this measure is an attempt to cut funding for existing programs and limit Colorado’s budget even further.
- This measure will do nothing to increase transportation priorities outside of roads and bridges. No funding is directed to any type of public transportation, rail expansion, or any environmentally friendly methods of transit, like biking or walking paths. We should give people more options, not limit where we spend money in such a prescriptive way.
- If a recession hits in the next 20 years, bond holders will be paid as deeper cuts hit other state services.

Opponents
Denver Metro Chamber of Commerce, Pro15 (advocacy group in Northeast Colorado), Club 20, Colorado Education Association, and other advocacy and environmental organizations in Colorado.

Recommendation: Oppose
This proposal doesn’t add funding for needed transportation projects and puts significant strain on an already underfunded General Fund budget. Given the fiscal constraints under which Colorado operates, it will be disastrous for programs many people rely on. This measure would force Colorado to pay $260 million in bond payments for road repairs without a sustainable revenue source.

Because Colorado already reached its revenue cap, the new debt payments would mean that Colorado would have to make significant cuts to important community priorities like schools, hospitals, and child care. These cuts will hurt low- and middle-class families and make it difficult to move up the economic ladder. We need explore how to improve investments the state makes to help people, not dig further into an already deep hole. Proposition 109 is bad fiscal policy and bad transportation policy.