



To: CML Executive Board, CML Policy Committee, and interested parties
From: Morgan Cullen, Legislative and Policy Advocate
Date: June 5, 2018
Subject: Post-Session Update: Transportation Infrastructure Funding

SB 18-001 - FIX COLORADO ROADS ACT

As originally introduced, SB 18-001 would have dedicated 10 percent of existing state sales tax revenue to state transportation infrastructure and referred a \$3.5 billion bonding question for voter approval this November. The end result was a bipartisan compromise reached over four months and incorporated several “strike below” amendments. CML was persistent in its efforts to ensure that municipal interests were part of the conversation and that any deal agreed upon would endeavor to address all of Colorado’s transportation challenges at the state and local level.

This memo explains what SB 18-001 does, how it will be implemented, and the potential impact it will have on municipalities.

2018 and 2019 and Ongoing General Fund Appropriations

For FY 2018-19 – SB 18-001 transfers \$495 million, of which \$346.5 million is transferred to the State Highway Fund (SHF), \$74.25 million is transferred to the Highway Users Tax Fund (HUTF) for local governments, and \$74.25 million is transferred to a new Multimodal Transportation Options Fund (Multimodal Fund) administered by the State Transportation Commission.

- Municipalities will receive a total of \$37.125 million in additional revenue (transferred on July 1, 2018) dispersed through the HUTF. (please see attached list for specific municipal approximate revenue projections)
- Municipalities will also be eligible for up to \$60.61 million in local government multimodal grants through the Multimodal Fund.

For FY 2019-20 – SB 18-001 transfers \$150 million, of which \$105 million is transferred to the SHF, \$22.5 million is transferred to the HUTF for local governments, and \$22.5 million is transferred to the Multimodal Fund.

- Municipalities will receive a total of \$11.25 million in additional revenue (transferred on July 1, 2019) dispersed through the HUTF. (please see attached list for specific municipal approximate revenue projections)
- Municipalities will also be eligible for up to \$63.11 million in local government multimodal grants through the Multimodal Fund.

For FY 2019-20 through FY 2038-39, the bill requires a \$50 million annual transfer from the General Fund to the SHF for state highway projects. (This provision is repealed only if a citizen initiated bonding question without new revenue is passed in 2018)

2018 Ballot Initiatives

SB 18-001 delays a referred transportation bonding measure for voters to consider until 2019 to allow for an opportunity for voters to consider citizen initiated ballot questions in 2018. If a citizen initiated ballot question in 2018 is successful, then the 2019 referred measure is repealed and will not be considered by voters.

2019 Referred Measure

If no citizen-initiated measures authorizing transportation bonds appear on the 2018 ballot, or if all of the measures are rejected by voters, SB 18-001 refers a ballot measure in 2019 asking voters whether or not to issue \$2.34 billion in bonds with a maximum repayment of no more than \$3.35 billion paid for with existing state revenue. Any remaining revenue available after issuing bond payments must be distributed as follows:

- 85 percent to the State Highway Fund
- 15 percent to the Multimodal Fund. (85 percent of this must be used to support local government multimodal projects)
- Sets up a reserve account and requires two General Fund transfers of \$75,952,500 million (\$151,905,000 total) in FY 2019-20 and FY 2020-21 into a reserve account to ensure bond payments are made during an economic downturn.

Interaction with SB 17-267

SB 17-267 authorized up to \$1.8 billion in lease purchase agreements to fund state highway projects in Colorado beginning in 2018.

Because voters have yet to weigh in on the potential ballot initiatives and referendum being considered, SB 18-001 stipulates several different scenarios as it relates to the lease purchase agreements enacted last year to ensure the state does not overcommit itself to the detriment of other programs.

SB 18-001 stipulates that the first tranche of lease purchase agreements authorized in SB 17-267 can go forward as planned beginning July 1, 2018. However, the remaining lease purchase agreements for FY 2019-20, FY 2020-21, and FY 2021-22 will either move forward or be repealed depending on what ballot initiatives ultimately pass or fail in 2018 or whether a referred measure is approved in 2019.

- If a citizen initiated ballot measure passes in 2018 that authorizes bonding without new revenue, then the last three lease purchase agreements are repealed.
- If a citizen initiated ballot measure passes in 2018 that authorizes bonding but includes new revenue, then the remaining lease purchase agreements will be authorized.
- If a referred bonding measure is approved in 2019 then the remaining lease purchase agreements will also be repealed.
- If neither either of the 2018 citizen initiated ballot measures or the 2019 referred bonding measure passes, then all of the lease purchase agreements under SB 17-267 will be authorized.

Multimodal Funding

Through SB 18-001, the Colorado General Assembly has made investing in the state's multimodal infrastructure an ongoing priority in Colorado's transportation system. The legislation dedicates up to nearly half a billion dollars for the purpose of supporting fixed route or on demand transit projects, transportation demand management programs, mobility projects enabled by new technology and bicycle and pedestrian infrastructure.

The legislation creates a new “Multimodal Transportation Options Fund” that would be financed through general fund appropriation and future bonding revenue if approved by voters. The fund will be administered by the State Transportation Commission who maintains the authority to create rules and criteria by which state and local grants will be approved.

The only criteria imposed upon the commission, is they are required to expend the money as follows:

- 85 percent must go to local multimodal projects
- 15 percent must go to state multimodal projects
- \$2.5 million will be transferred to Southwest Chief Fund to support the Southwest Chief Rail Line in FY 2018-19.

The commission is also required to establish a formula for the disbursement of local funds for multimodal projects based on population and transit ridership in consultation with stakeholders and can require a local match where appropriate.

Managed Lane Initiative

The bill requires CDOT to conduct or contract for a data-driven study of the use of managed lanes throughout the state. The report is to be presented at CDOT’s 2018 SMART Act hearing.

Fall Ballot Initiatives

The deadline to submit new titles has now passed, and there two are different citizen initiated ballot measures that have the potential to earn a spot on the November ballot. In order to do so, they need to earn the prerequisite number of 98,492 valid signatures before the August 6, 2018 deadline.

Let’s Go Colorado Campaign

The Let’s Go Colorado Campaign - a coalition of Colorado businesses, local governments and civic organizations and spearheaded by the Denver Chamber of Commerce and the Colorado Contractors Association - has been working on an initiative to seek new revenue to help fund Colorado’s infrastructure. The coalition has recently coalesced around Initiative #153 that would raise the state sales tax by 0.62% - or about six cents on a ten-dollar purchase.

If passed, this initiative will distribute 45% of the revenue to the State Highway Fund for bond repayments for state projects and, after required payments have been made each year, maintenance and pay-as-you-go projects.

The next 40% of the revenue would be allocated to the newly created Local Transportation Priorities Fund. This revenue would be divided between cities (50%) and counties (50%). The county-by-county distributions will be based off of the current HUTF local distribution formula and will be exempt from any revenue or spending limitations under TABOR.

The final 15% of new revenue will be allocated to the newly created Multimodal Transportation Options Fund. Up to the first \$30 million of this fund may be used for bond repayment on projects matched by local dollars. The remaining 85% would be allocated by the Transportation Commission for local multimodal projects and the remaining 15% would be allocated for state projects.

This initiative includes a 20-year sunset. Expected allocation toward transportation from this initiative is:

Initiative / Rate	First Year Revenue	Average Year Revenue	20 Year Total	Total Bond Principal	Total Bond Repayment
Total	\$766,700,000	\$1,084,101,602	\$21,682,032,046	\$6 billion	\$9.4 billion

Expected revenue allocated to each of the four purposes (state projects, municipalities, counties, and multimodal mobility) is:

.62% Sales Tax Increase				
	Distribution	First Year Revenue	Average Year Revenue	20 Year Total
Cities	20%	\$153,340,000	\$216,820,320	\$4,336,406,409
Counties	20%	\$153,340,000	\$216,820,320	\$4,336,406,409
Multimodal	15%	\$115,005,000	\$162,615,240	\$3,252,304,807
State	45%	\$345,015,000	\$487,845,721	\$9,756,914,421
Total	100%	\$766,700,000	\$1,084,101,602	\$21,682,032,046

Please note: the above Initiative 153 revenue projections were provided by the "Let's Go Colorado" campaign.

John Caldara/Independence Institute

In response to the coalition's efforts to seek new revenue, John Caldara and the Independence Institute are pushing their "Fix Our Damn Roads" campaign and Initiative #167 to appear on the November ballot, should they collect enough qualifying signatures.

If passed, Initiative #167 would require the state to raise \$3.5 billion in bonds (without raising taxes or fees) with a maximum repayment cost of \$5,200,000 over 20 years. All of the voter approved proceeds would be TABOR exempt and excluded from state fiscal spending year limits.

The proceeds would go solely to state road and bridge expansion, construction, maintenance, and repair on a specified list of over 60 projects in 15 specific transportation planning regions across the state.

Conclusion

Through SB 18-001, the state has taken a significant step forward in addressing the state's infrastructure challenges. The bill provides a total of \$495 million this year and \$150 million next year in one time General Fund money to address road, bridge and multimodal challenges at the state and local level. It also authorizes an additional annual \$50 million General Fund appropriation for the following 20 years which would amount to an additional \$1 billion over that period if it continues to be kept whole by future legislatures.

Furthermore, SB 18-001 also permits the first tranche in Lease Permit Agreements authorized under SB 17-267 to go forward regardless of what voters decide on any ballot initiatives or referred measures in 2018 or 2019. This is estimated to be \$380 million.

Finally, the legislation provides an opportunity for voters to approve the authorization of Trans Bonds for up to \$2.34 billion in 2019.

If left unaltered by future legislatures, SB 18-001 would allow the state to invest nearly \$4.38 billion in transportation infrastructure over the next 20 years.

CML commends the efforts of the Colorado General Assembly on reaching bipartisan consensus on such an important issue and applauds their willingness to provide some support to address local infrastructure challenges. In total, SB 18-001 will provide cities and towns with \$48.375 million to address municipal road and bridge needs and up to \$422 million in local government multimodal grant funds.

However, this is a sizeable investment in our state's infrastructure is still not adequate to meet the current \$9 billion backlog in state infrastructure projects, nor does it even come close to addressing the comparable funding gap at the local level. Much work remains to be done in order to have a true statewide solution.