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## **Executive Summary**

### **Impact of Proposition 101 and Amendments 60 and 61 On Colorado Transportation**

#### **Overview**

There is widespread public awareness of Colorado's aging transportation infrastructure and lack of adequate financing to maintain, improve, and expand transportation in Colorado. Despite this, three measures – Proposition 101 and Amendments 60 and 61– if passed in November, would eliminate significant funding for transportation-related projects and make it impossible for the State and other public entities to maintain a safe and efficient transportation system in Colorado.

To more fully understand how these measures impact Colorado's transportation system, Move Colorado has developed a transportation white paper, with two primary elements: (a) A very real, practical description of the anticipated impacts of the initiatives on the agencies and resources that constitute our present transportation system and (b) A legal analysis, interpretation and critique which is contained in the Appendix. This is a Summary only.

Move Colorado strives to inform and engage our own broad transportation-oriented constituency in the education and outreach effort required to communicate to community leaders and to voters how drastic these measures are for transportation, our economy and jobs. Every driver, every commuter, every transit rider, every airport traveler – all aspects of our mobility and delivery of goods and services will be affected.

These measures will impact all of our major transportation agencies and services by reducing current resources and preventing Colorado from investing in infrastructure using our current system of public finance – now and in the future. Small businesses will be hard hit, particularly those in the engineering and construction industries.

The changes these measures mandate will be disruptive and difficult to interpret – a direct result of ballot measures that are poorly written. This will lead to serious unintended consequences that we cannot predict now but will suffer from later.

Colorado's economic future and quality of life depend on transportation – a well maintained, safe system which provides multi-modal choice and accommodates future growth. From an economic development point of view, a first class transportation system is essential to maintain, grow and attract new companies and jobs.

The collective impact of the three ballot measures will be to put Colorado on an economic path of deteriorating transportation infrastructure. They will eliminate current and future jobs which are sorely needed. This is a formula which is not beneficial for Colorado's economic future and our quality of life.

## Summary

If Proposition 101 and Amendments 60 and 61 are passed, the condition of Colorado’s aging transportation infrastructure will worsen. The safety of all those that travel on Colorado highways, roadways, and bridges will be a greater concern; transit will be jeopardized; major transportation projects will be delayed, if not permanently halted; opportunities for innovative financing will be lost and traffic congestion and air pollution will increase. Jobs will be lost. Jobs that could support economic recovery will not materialize. By eliminating and restricting public finance and by failing to invest in transportation, Colorado will be far less competitive in economic development.

<b>What is in the Ballot Measures?</b>	<b>What is the Impact on Transportation?</b>
<p><b>Proposition 101</b></p> <p>Changes Specific Ownership taxes for cars to \$2 for new cars/\$1 for used cars reducing local revenues by \$500M annually.</p> <p>It reduces car registration fees to \$10 cutting the State Highway User Tax Fund and Bridge Fund revenues by \$296M annually; and cutting City and County HUTF revenues by another \$110M annually.</p> <p>Prop 101 eliminates state and local taxes on vehicle rentals and leases reducing State revenues \$122M annually and local revenues \$122M annually.</p> <p>Prop 101 reduces the State income tax rate from the current 4.63% to 3.5% reducing State revenues by \$1.2B. Elimination of state and local charges on telecommunications cuts \$4.5M in State revenues.</p>	<p>Reduces CDOT’s annual budget by 27.7 % which translates into a 43% reduction in CDOTs annual construction budget.</p> <p>Cuts transportation Colorado Highway User Tax Fund revenues by a total of \$407M annually eliminating 5,800 private sector jobs in the construction, engineering and related small businesses.</p> <p>It eliminates funding for the Bridge Enterprise, charged with rehabilitating 128 structurally deficient bridges.</p> <p>By reducing sales tax receipts in regional and local transit districts and authorities, it will require reductions in transit services or a combination of service cuts and fare increases.</p> <p>Reductions in State revenues will prevent any consideration of future funding for transportation under SB 09-228 and may result in the state attempting to fund state services from currently dedicated highway user funds.</p>
<p><b>Amendment 60</b></p> <p>Phases out school property tax mill levies reducing revenues by \$1.2B annually requiring a State back-fill. It requires enterprises &amp; authorities to pay property taxes cutting mill levies to offset additional local revenues. Repeals past “de-Brucings;” electors vote where they own real property; limits property tax increases to 10 years, de-Brucings to 4 years.</p>	<p>Requires transportation agencies (enterprises) to pay property taxes resulting in either reductions in services or increases in fees and fares.</p> <p>Sets arbitrary limitations on local elections past and future, many of which dealt with transportation funding locally.</p>
<p><b>Amendment 61</b></p> <p>Bans all levels and divisions of government from bonding, Certificates of Participation (COPs), lease-purchase, tax anticipation, including those with authority now.</p> <p>Limits voter-approved borrowing to maximum of 10 years. After current borrowing is paid off, non-enterprise tax rates must decline</p>	<p>It virtually eliminates Colorado’s ability to publicly finance transportation infrastructure, and stops over \$2B annually for all publicly financed infrastructure – cutting 28,000 private sector jobs. Colorado will be the only State to eliminate public finance of infrastructure.</p> <p>Projects like DIA, TREX, and FasTracks would not have been possible under Amendment 61- similar projects will not happen in the future.</p>

## **Colorado Department of Transportation (CDOT)**

The Colorado Department of Transportation (CDOT) will experience an overall budget reduction of 27.7% due to Prop 101, a drop in Highway User Tax Funds (HUTF) of \$296 million annually. This will result in a loss of 4,233 jobs a year. It also translates into at least a 43% reduction in CDOT's construction budget as a consequence of the overall budget cut.

In addition, cities and counties would lose another \$110 million annually, or another 1,573 jobs – a total of over 5,800 jobs. Since federal stimulus dollars for transportation projects will end in 2011-12, this job loss will hit the construction industry and our engineers, and their families at the worst possible time.

In 2017, CDOT will also be required to reduce revenues by another \$168 million - the amount of interest costs to finance the T-REX project when the debt is retired in 2017 – a requirement of Amendment 61.

## **Bridge Enterprise (CDOT)**

The CDOT revenue reduction includes \$96 million annually for the Bridge Enterprise, which will be virtually eliminated without new funds. The Bridge Enterprise was designed to accelerate the repair or replacement of 128 structurally deficient bridges. The program goal to fix 127 of these bridges could not be reached until 2025 if bonding is eliminated, and no bridges will be corrected if Prop 101 passes unless other revenues are used. The number of structurally deficient bridges will increase significantly, and the costs for corrective action will increase.

## **High Performance Transportation Enterprise (CDOT)**

The High Performance Transportation Enterprise (HPTE) was created to accelerate innovative financing of transportation projects, but will be virtually eliminated by Amendment 61. The current US 36 project (jointly funded by CDOT, DRCOG, and RDT with a DOT/TIFIA grant or loan plus toll revenue) for the \$160 million first phase of an innovative finance solution will not move forward.

Similar projects reviewed by HPTE exceeding \$7.5 billion in strategic corridors will not go forward because of the elimination of public financing tools by Amendment 61. There is currently no funding in many of these corridors to implement major projects.

The use of innovative financing in strategic corridors like the I-70 Mountain Corridor ultimately supports recreation, tourism and local jobs. Other strategic corridors are typically congested, affecting our mobility, productivity and air quality.

Resources that could be leveraged to undertake critical projects in the I-25 north, I-70 corridors east and west will not be implemented – lost opportunities to deliver critical transportation projects and jobs while incurring significant negative environmental impacts.

## **Emergency Medical Services: Department of Public Health and Environment (DPHE)**

Adoption of Proposition 101 and subsequent loss of funding for Emergency Medical Services programs throughout the state would significantly reduce rural communities' ability to respond to medical emergencies. Approximately \$9.9 million in revenue and expenditures is estimated to be eliminated based on historical revenue receipts. These funds support the availability of emergency medical services throughout the state. Annual expenditures include distribution of \$8,578,896 to local and regional providers of emergency medical and trauma services.

## **Air Pollution Control Division (DPHE)**

Most of the activities of the Colorado Department of Health and Environment's Air Pollution Control Division with respect to motor vehicle emissions are funded through vehicle registration fees. Adoption of Proposition 101 would severely hamper the division's ability to reduce emissions from motor vehicles in Colorado. Approximately \$6.1 million per year is estimated to be eliminated based on the division's historical expenditures effectively eliminating most of APCD's activities related to motor vehicle emissions

## **Cities and Counties**

Estimates are that Proposition 101 will reduce city and county registration revenues by \$110 million annually which translates into a reduction of approximately 1,523 jobs. Local governments will experience additional pressures for budget cutting based on Proposition 101's dramatic reduction of vehicle specific ownerships taxes. Communities already hit hard with budget reductions will face further pressure to reduce local transportation expenditures.

## **Regional Transportation District (RTD)**

The Regional Transportation District (RTD) will be impacted by a \$33-36 million reduction in revenues by Proposition 101 which could require service or manpower reductions and/or fare increases to cover this decreased revenue. In addition, this loss of revenue could impact the District's ability to service debt that is currently outstanding. The impact of Amendment 61 could make any public financing unrealistic due to higher financing costs and loss of revenue when current debt is retired.

A sales tax election to complete FasTracks could require two votes, one to issue debt and one to increase revenue to service the debt. This would result in higher election costs, in addition to the higher debt service costs due to a 10-year limit on debt repayment. A future sales tax increase election may be required because without additional resources, FasTracks cannot be completed until at least 2042.

## **Local Transit**

Local transit revenues and financing capacity vary from regional services to strictly local and/or private service delivery, particularly specialized transit services. Roaring Fork

Transportation Agency (RFTA) will experience reductions in sales tax revenue from Proposition 101 similar to RTD, including restrictions on capital financing. ECO transit, an Eagle County transit service will experience similar revenue reductions as well as restrictions on capital replacement.

Because the majority of local transit services are dependent on sales tax revenues either dedicated or locally supported general fund transfers, the transit agencies will be impacted by revenue reductions to Proposition 101, and capital financing restrictions in Amendment 60, reductions in support from local governments as overall revenues contract. Local transit will be directly impacted under Prop 101 by the loss of \$15 million annually from CDOT for local projects and assistance due to the elimination of FASTER funds.

### **Regional Transportation Authorities (RTAs)**

Regional Transportation Authorities (RTAs) can be established by counties and municipalities to fund regional transportation improvements, facilities and services of all types – but only with voter approval can RTAs collect funds for regional transportation needs. Currently, RTAs provide tens of millions of dollars of transportation funding at the regional level, allowing for local control and attracting funding from other sources – leveraging the total resources that can be developed.

Because RTAs vary as to their specific purposes, their revenue sources, their debt capacity and their member local governments, the impacts of the ballot measures will strike present RTAs in differing ways. Pikes Peak Rural Transportation Authority (PPRTA) will be impacted by provisions of Prop 101 which reduce sales tax revenues. In year 4, when the full impact of phased-in reduced sales taxes is felt, annual revenues will be reduced by \$4.8M annually or a 7.7% reduction in revenues.

At a minimum, RTAs will be severely limited or prohibited from raising transportation funding from vehicle registration fees, will be handicapped in issuing low-interest debt to take advantage of low construction prices, and will be burdened by property tax on any revenue-generating transportation facilities financed by RTA enterprises.

Of greater importance, the ballot measures will place new limitations on existing RTAs and the usefulness of establishing new RTAs. What has been viewed as an emerging local finance and governance tool to develop local financing for transportation will have limited use in the future.

### **Public Highway Authorities (PHAs)**

Colorado has three public highway authorities: E-470, Northwest Parkway and Jefferson Parkway. Under Prop 101, any vehicle registration fee charges imposed by PHAs (which are locally adopted) may be subject to the \$10 fee maximum for all registration, license, and title charges, resulting in the PHAs receiving only a portion of the \$10 fee imposed, if any. In the case of the E-470 PHA, an existing voter-approved \$10 vehicle registration fee is in place and pledged to bonded indebtedness. The \$10 fee maximum could either cause an

unconstitutional issue with the bonds or result in no registration fees for the State from E-470 PHA member counties, which are major population areas of the State; until such time that the E-470 PHA repays its outstanding bonds.

Amendment 60 would require property taxation of the PHA highways, an additional expense estimated in the tens of millions of dollars a year and, thus, requiring higher tolls to defray that cost. As none of the PHAs have any power of taxation permitted them, any debt incurred by PHAs is revenue- and project-based, not tax-based. Nonetheless, ballot measure 61 would require that PHAs issue debt to finance beltway improvements on unfavorable terms. That means the cost of borrowing to keep the PHAs' at a good level of service for the public will cost more, and tolls will logically have to be increased to pay for the unnecessary additional cost of borrowing. Two outcomes, both negative, could result: (1) without a good level of service, the beltway could become increasingly congested and resemble C-470, I-70 and I-25 in terms of traffic delay; or (2) it could have less traffic due to fewer users because of higher costs and poor service level – a downward cycle generating insufficient revenue.

### **Airports**

The statewide aviation system plays a key role in the transportation network, generating billions of dollars in economic benefits. Colorado's public-use airports generate \$23.5 billion in annual economic activity and are responsible for more than 280,000 jobs and nearly \$10 billion in yearly wages. General aviation airports generate \$1.5 billion in economic activity including 19,000 jobs and \$645 million in salaries.

Since enterprise and authority operations are specifically targeted in Amendments 60 and 61, there will be significant impacts on key airport operators in the system. It is apparent that airports will experience limitations on borrowing to finance or refinance facilities (Amendment 61), and costs will increase due to the requirement to pay property taxes (Amendment 60). The Colorado Airport Operators Association is developing a white paper on the impacts of the measures on Colorado airports.

### **Financing of Infrastructure**

Amendment 61 would eliminate or restrict local infrastructure investments across Colorado, including local streets and roads. Although infrastructure is publicly financed throughout the United States, only in Colorado will this system be drastically modified to the point where it cannot be feasible. A limited payback period of 10 years and requirements to reduce local tax revenues by the amount of interest payments will make these methods of finance impractical.

Projecting future publicly financed infrastructure at \$2 billion annually in Colorado, the impact will be the loss of another 28, 600 jobs in the construction and engineering industries. Our inability to provide infrastructure improvements to accommodate anticipated population growth or to build critically needed facilities will negatively impact economic development efforts throughout Colorado. Job losses of this magnitude will adversely impact economic recovery.

## Summary of Major Transportation Impacts

Agency	Impact	Jobs and the Economy
CDOT: HUTF funding	<ul style="list-style-type: none"> <li>- \$296M Annual HUTF reduction</li> <li>- 27.7% CDOT annual budget loss</li> <li>- \$168M revenue cut in 2017 the interest costs to finance T-REX</li> </ul>	<ul style="list-style-type: none"> <li>- Potential 4,233 jobs lost in the construction and engineering industries</li> <li>- Major reductions to CDOT's annual construction budget</li> </ul>
CDOT: Bridge Enterprise	<ul style="list-style-type: none"> <li>- eliminates funding \$96M annually</li> <li>- eliminates bond financing capacity</li> </ul>	<ul style="list-style-type: none"> <li>- Potential job loss in bridge construction included HUTF estimate above</li> </ul>
CDOT: High Performance Transportation Enterprise	<ul style="list-style-type: none"> <li>- eliminates this innovative finance tool</li> <li>- eliminates US 36 Phase 1</li> <li>- eliminates potential projects and leveraged market of \$5B</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of strategic corridor transportation project financing</li> <li>- Loss of \$5B in leveraged public private investment</li> <li>- On 10 year average, loss of potential of 7,150 jobs annually</li> </ul>
Emergency Medical Services	<ul style="list-style-type: none"> <li>- \$9.9M funding cut due to HUTF reductions</li> </ul>	<ul style="list-style-type: none"> <li>- Approximately \$9.9 million in revenue &amp; expenditures</li> <li>- Annual expenditures lost include distribution of \$8.6 million to local and regional providers of emergency medical and trauma services.</li> </ul>
Air Pollution Control Division	<ul style="list-style-type: none"> <li>- \$6.1M funding cut</li> </ul>	<ul style="list-style-type: none"> <li>- reduce the total budget of the Air Pollution Control Division by over 30%;</li> <li>- Approximately \$6.1 million annually, over 93% of the funding dedicated to reducing motor vehicle emissions in Colorado</li> </ul>
City and County Roadways	<ul style="list-style-type: none"> <li>\$110M reduced revenues</li> </ul>	<ul style="list-style-type: none"> <li>- Potential job loss of 1,573 jobs</li> <li>- Limited ability to promote economic development and respond to infrastructure needs in attracting businesses</li> </ul>
RTD	<ul style="list-style-type: none"> <li>- \$33-36M sales tax revenue loss</li> <li>- approximate 15-20 percent reduction in service (Prop 101)</li> <li>- reduce RTD's ability to fund asset replacements and expansion (Prop 101)</li> <li>- require the reduction of sales tax revenue by annual debt service payments which could reduce operating funds (A61)</li> <li>- reduce ability to maintain fleet efficiency resulting in a negative impact on maintaining a well-functioning bus/rail system. (A61)</li> </ul>	<ul style="list-style-type: none"> <li>- service or manpower reductions, or fare increases</li> <li>- an inefficient fleet (bus and rail system) would have a negative environmental and social impact on the service area.</li> </ul>

Local Transit	-reduced revenues from Proposition 101 -cuts in capital financing due to Amendment 61 -Loss of \$15 million annually for grants and assistance from Prop 101 elimination of FASTER funds	-service reductions and fare increases -overall reductions in local transportation resources -adverse impacts to transit dependent special groups
RTAs & Public Highway Authorities	-reduced revenues where local fees or sales taxes have been voter approved -public finance limitations	-service reductions and fee increases -reduced revenues to pay for infrastructure originally passed by local voters
Airports	-inability to use public financing for capital costs and capital investment -increased costs due to property taxes applied to airport enterprises	-To be analyzed by the Airport Operators Association White Paper
Related Public Financing of Infrastructure	-Amendment 61 eliminating or restricting public finance of infrastructure, particularly special districts and authorities which include local roads and related infrastructure	-based on annual public financing of \$2 billion of local infrastructure including streets and roads, another 28,600 jobs would be lost in the construction and engineering industries

### **Kills Jobs, Crushes Colorado's Economy**

Seventy-three thousand jobs will be lost, pushing Colorado deeper into recession. More than half the job losses will come from private businesses - over 5,800 jobs from transportation cuts and another 28,000 jobs in related infrastructure annually. Construction, engineering and related companies were hardest hit in the recession so far, they will be hit even harder by these measures – especially small and medium sized business.

Many small businesses will not survive if we drive Colorado's economy deeper into recession by passing these proposals.

The collective impact of the three ballot measures will be to put Colorado on an economic path of unsustainable, deteriorating transportation infrastructure. They will eliminate current and future jobs which are sorely needed. This is a formula which is not beneficial for Colorado's economic future and our quality of life.

## **White Paper Organization**

The Summary is based on a more detailed White Paper which Move Colorado developed in two primary elements: (a) A very real, practical description of the anticipated impacts of the initiatives on the agencies and resources that constitute our present transportation system and (b) A legal analysis, interpretation and critique. The complete paper includes the legal analysis as part of the Appendix along with direct information on the impacts on CDOT budgets and projects.

## **Methodology**

The figures and impacts analyzed and described in the White Paper were based on agency information and documents publicly available. The interpretation of the data is the product of the Move Colorado team and principal authors with review and comment by a wide range of technical and policy experts.

For this analysis, the job creation impacts of the Federal Highway Administration (FHWA) and the Associated General Contractors (AGC) were reviewed. The projections in this analysis are consistent with the methodology used in the Coloradans for Responsible Reform prepared by technical adviser Colorado Strategies which respond to Colorado conditions and economic assumptions of the overall impacts of the ballot measures on household spending. The resulting job estimates contain only direct (9,700) and indirect (4,600) job creation estimates from the AGC estimate or 14,300 jobs created or sustained for every \$1 billion dollars.

During 2010, this paper will be updated as new information becomes available.

**MoveColorado** is a private industry organization that provides information, sponsors education programs, and supports the efforts of Colorado community, business and political leaders to solve transportation funding issues.

Contact us:

[www.movecolorado.org](http://www.movecolorado.org)

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