



Transportation Finance

2018 Ballot Measures

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Transportation Finance

2018 Ballot Measures

- I. Overview of transportation funding
- II. Recent legislation
- III. Ballot measures
- IV. Q&A



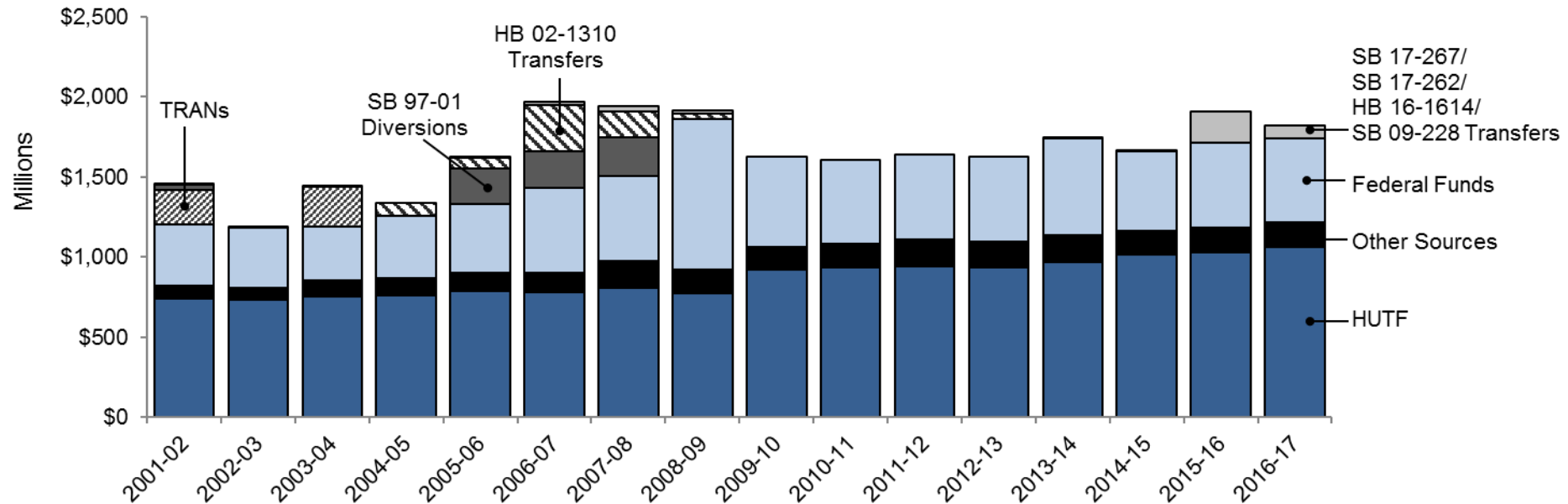
Transportation Finance

2018 Ballot Measures

Overview of transportation funding

Recent History of Transportation Finance in Colorado

Dollars in Millions

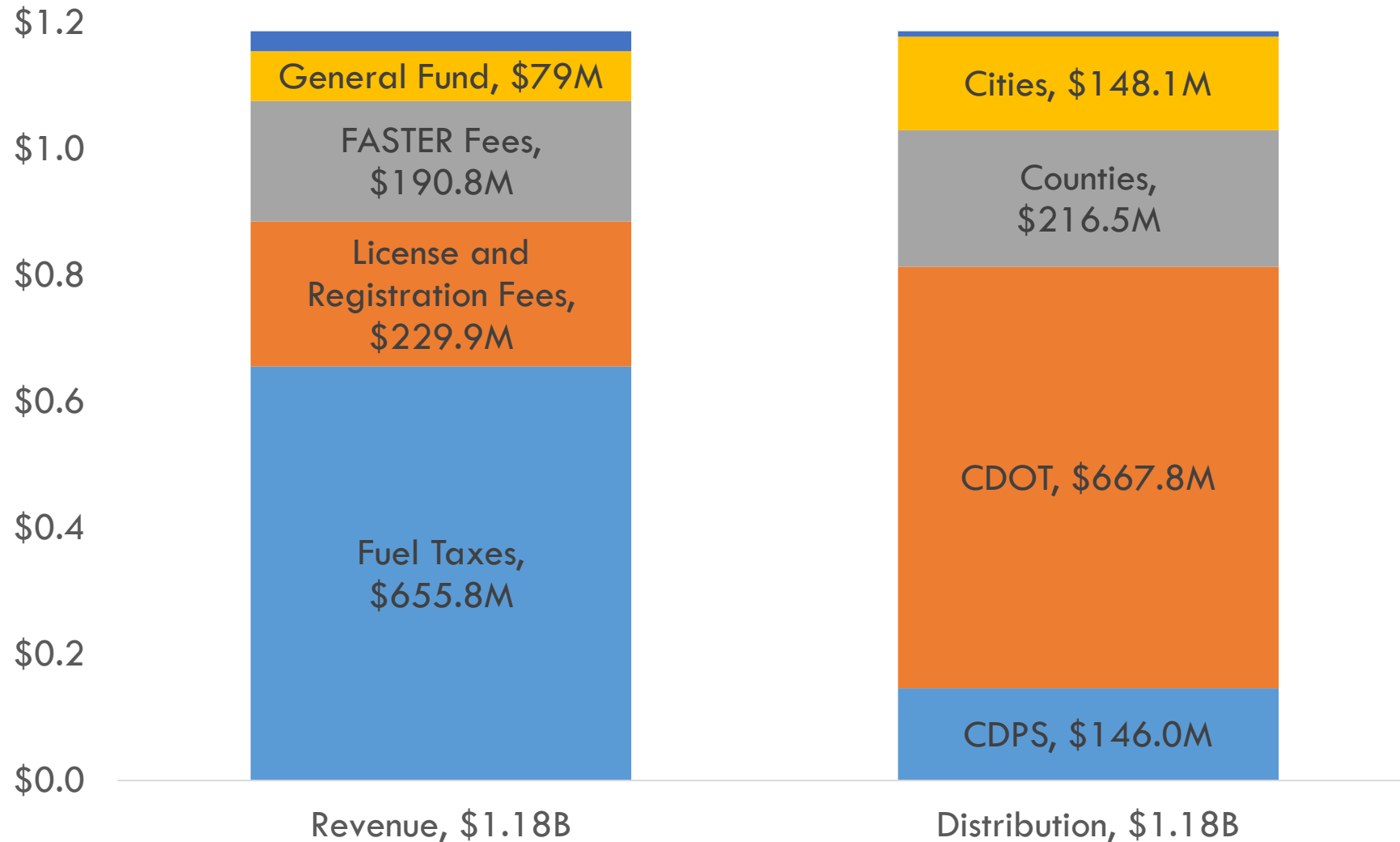


Source: Colorado Department of Transportation.

Issue at stake: funding for transportation has not increased at rates commensurate with construction costs and state population growth.

Highway Users Tax Fund, SFY 2017-18

Dollars in Billions



Source: Department of the Treasury.



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Recent Legislation

Major Transportation Funding Legislation

- **Senate Bill 09-228 – PASSED**
 - Five-year block of transfers, of which three realized
- **House Bill 17-1242 – FAILED**
 - Bonding with sales tax increase, analogous to Prop 110
- **Senate Bill 17-267 – PASSED**
 - \$1.88 billion in COP issuances over four years
- **Senate Bill 18-001 – PASSED**
 - One-time transfers
 - Contingency planning for 2018 ballot measures
 - Refers 2019 bonding measure if 2018 measures both fail



Senate Bill 09-228

- Eliminated structural mechanisms funding transportation dependent on the old “Arveschoug-Bird” 6% limit
 - Senate Bill 97-1
 - House Bill 02-1310
- Established five years of General Fund transfers to transportation after sufficient economic recovery
 - SFY 2015-16 to SFY 2019-20
 - To be toggled on or off depending on TABOR conditions
- Actual transfers occurred in SFY 2015-16, 2016-17, 2017-18

FAILED

House Bill 17-1242

- Would have referred a ballot measure in 2017
- Proposed 0.5 percentage point sales tax increase
 - 50% of revenue to local governments
 - 35% of revenue to the State Highway Fund
 - 15% of revenue to a Multimodal Transportation Options Fund
- \$3.5 billion bond issuance, with \$5.5 billion repayment cost
- Reduce Road Safety Surcharge (FASTER fee)
- \$100 million annual transfer from General Fund (20 yrs)
- Ultimately failed; basis for Proposition 110 (initiated 2018)



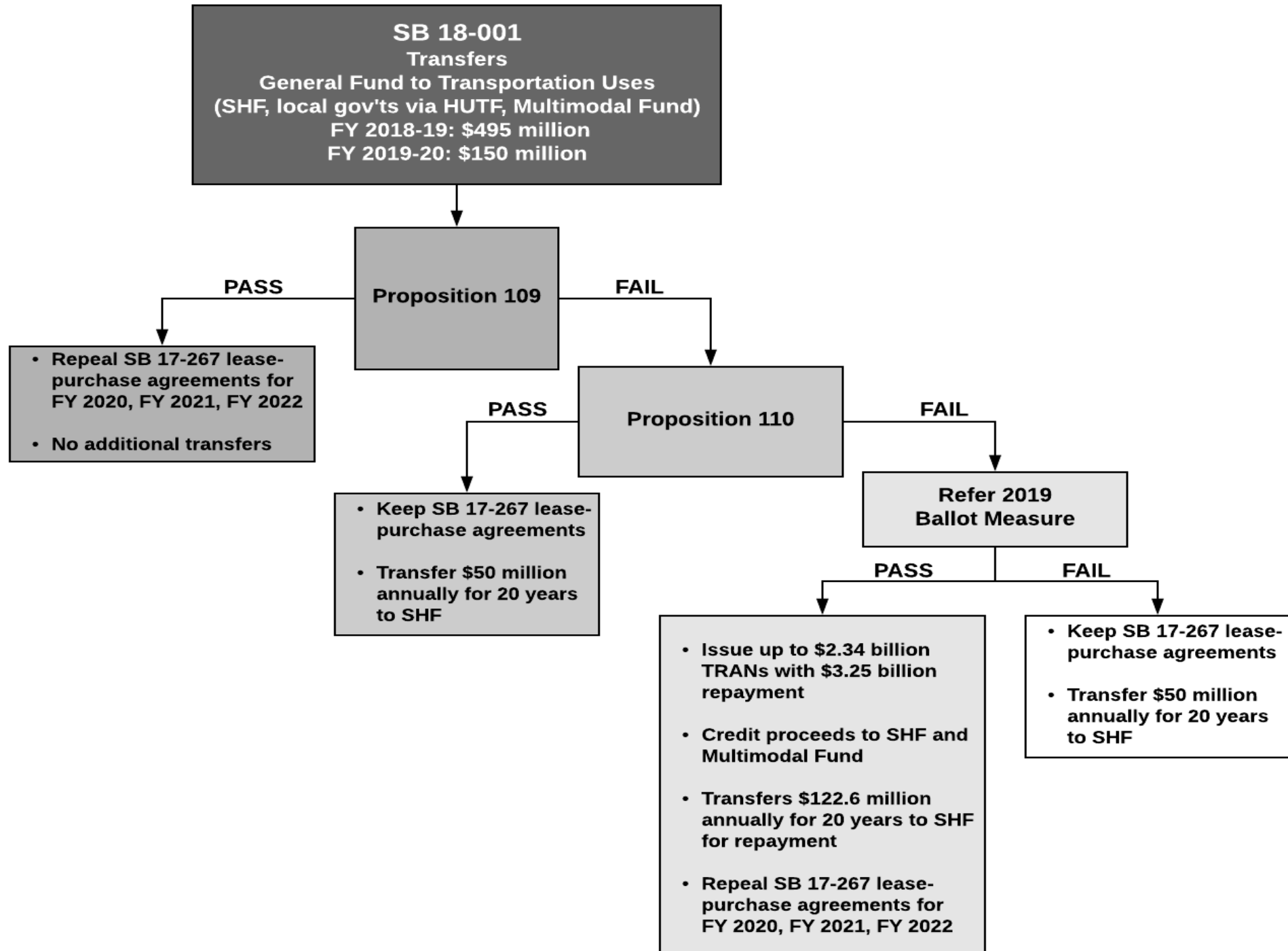
Senate Bill 17-267

- Repealed last two years of SB 09-228 transfers (SFY 2018-19, 2019-20)
- Required the execution of \$2 billion lease-purchase agreements in four \$500 million tranches
 - \$1.88 billion for transportation; \$120 million for capital projects
 - \$150 million annual lease payment
- Also included significant provisions re: hospital funding, Medicaid copays, business personal property tax, marijuana taxes, TABOR



Senate Bill 18-001

- Dedicates General Fund revenue to transportation for two years (CDOT, counties, cities, and multimodal):
 - \$495 million in SFY 2018-19
 - \$150 million in SFY 2019-20
- Contingency planning for ballot outcome permutations:
essentially puts a flow chart in statute





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2018 Ballot Measures

Ballot Measures

Major Transportation Ballot Measures

- Proposition 109
 - “Fix Our Damn Roads”
- Proposition 110
 - “Let’s Go Colorado”
- Hypothetical 2019 ballot measure
 - Referred by SB 18-001 *if and only if both 2018 measures fail*

Proposition 109 – “Fix Our Damn Roads”

- \$3.5 billion bond issuance
- \$5.2 billion repayment amount
 - State may not fund via increased taxes or fees
- 66 specific transportation projects in the measure with estimated cost of \$5.6 billion

Proposition 109 – “Fix Our Damn Roads”

If Prop 109 passes...

- Per SB 18-001, last three years of SB 17-267 lease-purchase agreements repealed (\$1.5 billion)
- No additional General Fund transfers

Proposition 110 – “Let’s Go Colorado”

- Sales and use tax increase of 0.62 percentage points (est. at \$767 million, or roughly \$131 per family)
 - 45 percent to CDOT
 - 20 percent to counties
 - 20 percent to cities
 - 15 percent to multimodal fund
- Up to \$6.0 billion bond issuance
- Up to \$9.4 billion repayment amount
- Bonded projects selected by Transportation Commission

Proposition 110 – “Let’s Go Colorado”

If Prop 110 passes (*and Prop 109 does not pass*)...

- Per SB 18-001, all SB 17-267 lease-purchase agreements continue (\$1.5 billion)
- Per SB 18-001, \$50 million annual transfers from the General Fund to CDOT

What happens if they both pass?

- Prop 109 requires \$3.5 billion bond issuance
- Prop 110 bond issuance is permissive, state could issue between \$3.5 billion and \$9.5 billion at its discretion
- Prop 110 sales tax increase would take effect
- Last three years of SB 17-267 lease-purchase agreements would be repealed (\$1.5 billion)
- No new General Fund transfers to CDOT per SB 18-001

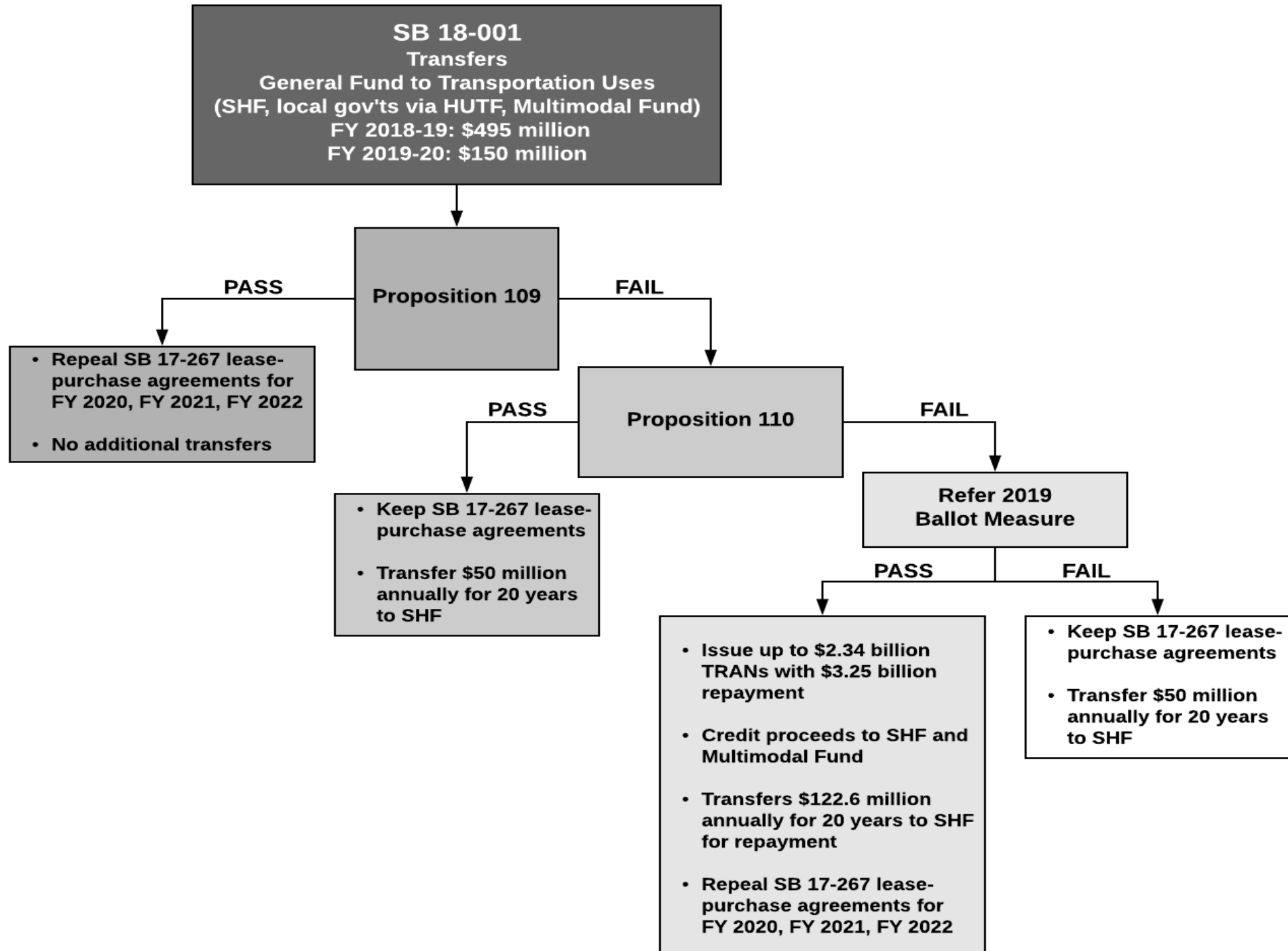
What happens if they both fail?

Senate Bill 18-001 refers a 2019 ballot measure

- \$2.34 billion bond issuance
- \$3.25 billion repayment cost
- Bond proceeds to CDOT and multimodal fund
 - Bonded projects selected by Transportation Commission
- General Fund transfers \$122.6 million annually to CDOT (20 years) for repayment
- Last three years of SB 17-267 lease-purchase agreements would be repealed (\$1.5 billion)

What happens if the 2019 measure fails too?

- Keep SB 17-267 lease-purchase agreements
- \$50 million annual transfers from General Fund to CDOT (20 years) per SB 18-001





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2018 Ballot Measures

What questions do you have?

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School Finance and Oil and Gas Setback 2018 Ballot Measures

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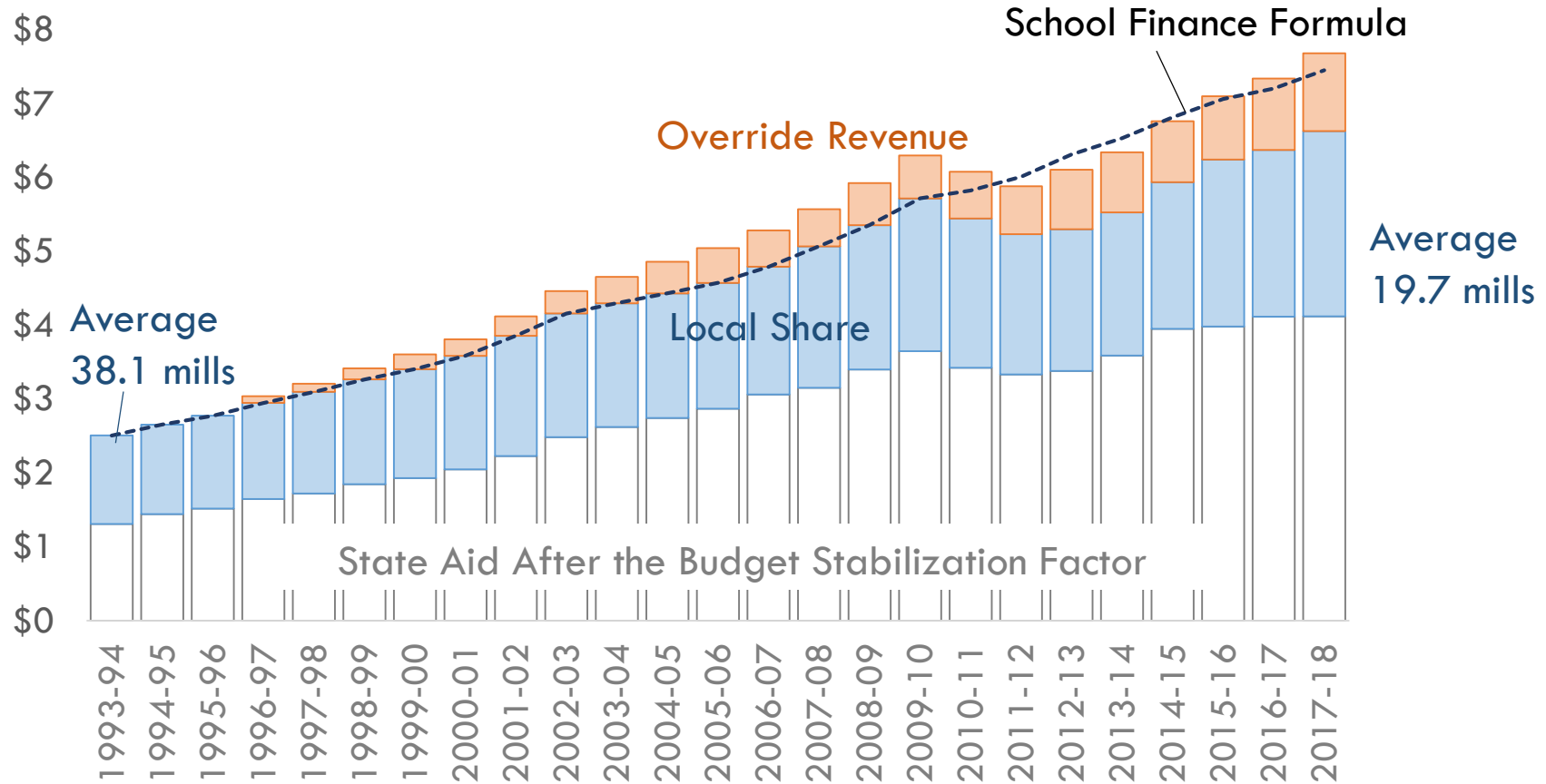
Amendment 73 – School Finance

- Overview of school finance
- What Amendment 73 does
- Income taxes
- Property taxes
- New school funding



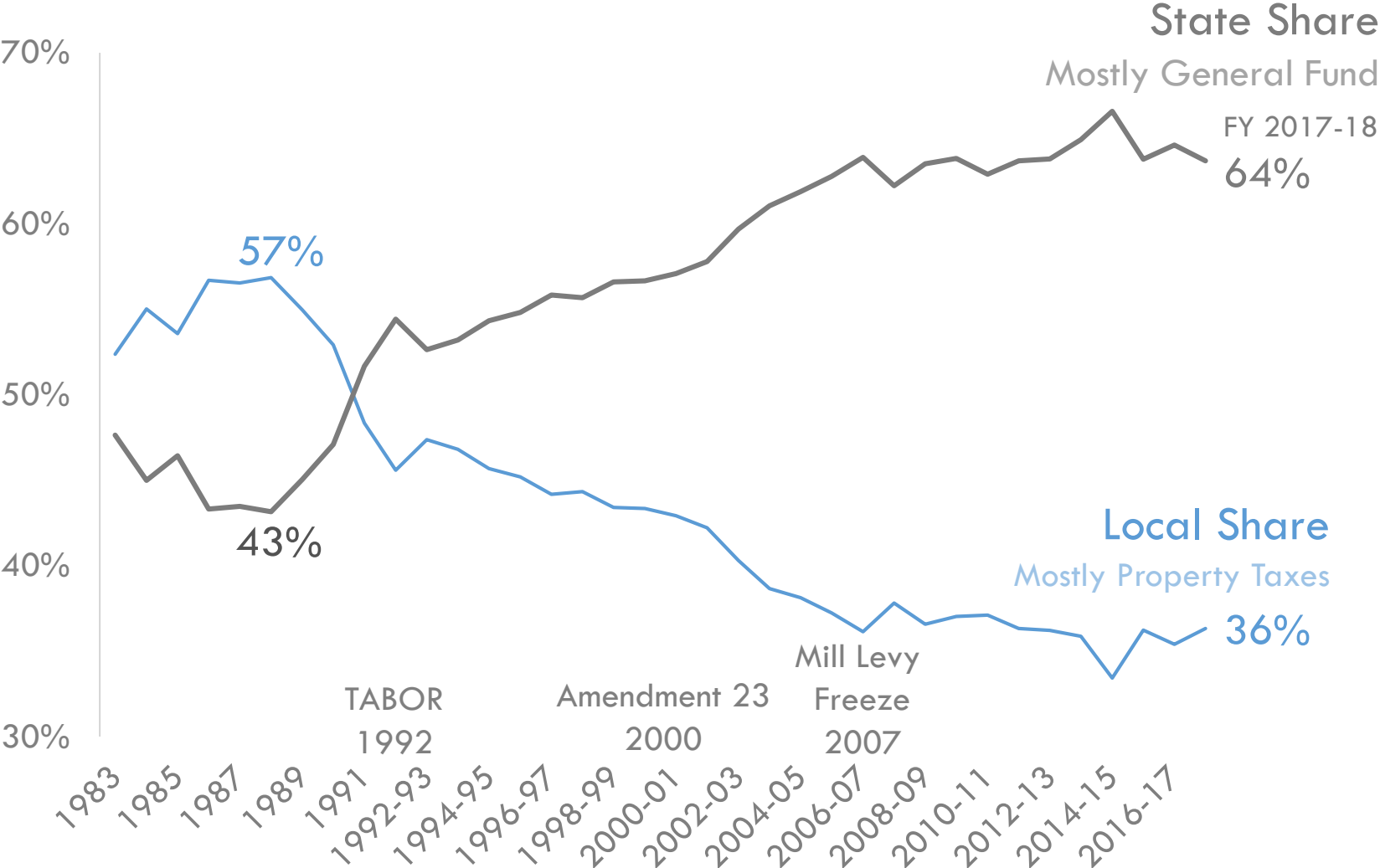
Statewide Funding Sources

Billions of Dollars



Source: Legislative Council Staff Calculations.

State and Local Shares of School Finance

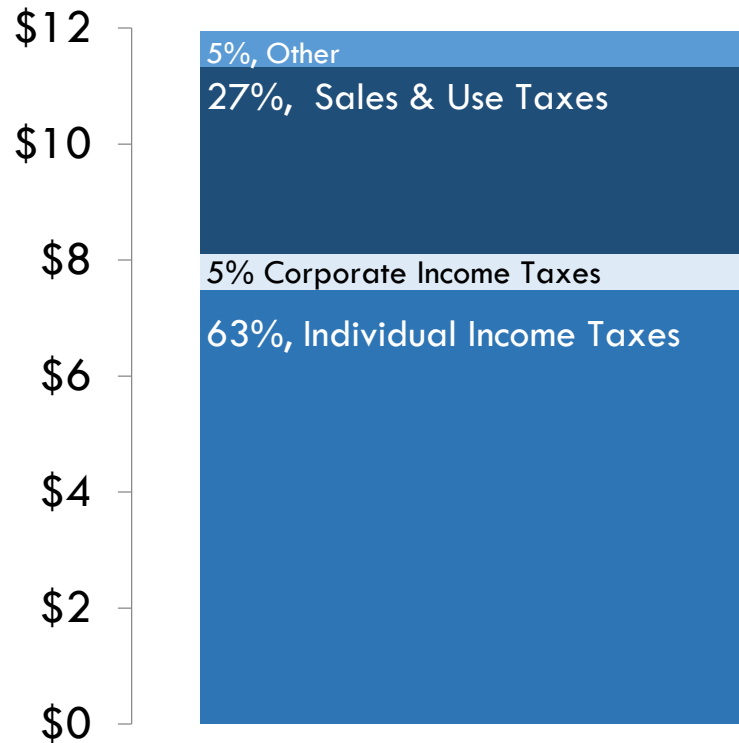


Note: Prior to 1993, K-12 funding was allocated on a calendar year basis.

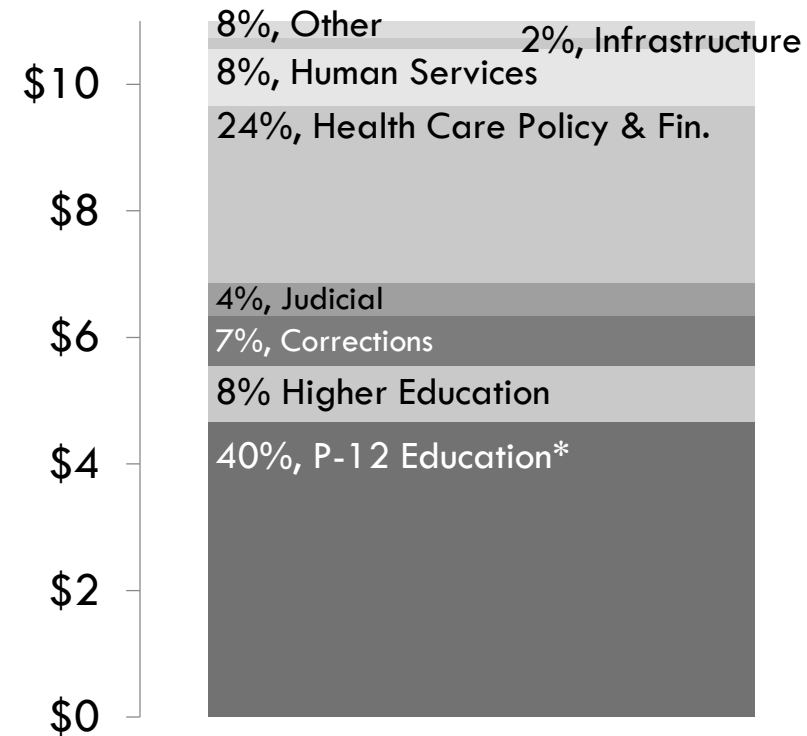
General Fund Revenue and Expenditures

FY 2017-18

Revenue, \$11.9 Billion*



Expenditures, \$11.7 Billion*



Totals may not sum due to rounding. Source: Joint Budget Committee and March 2018 Legislative Council Staff Forecast.

*Revenue and P-12 education expenditures are gross of income taxes transferred to the State Education Fund.

Amendment 73 – School Finance

- Creates a graduated individual income tax
- Increases corporate income tax rate from 4.63% to 6.0%
- For schools only, it fixes the assessment rate at 7.0% for residential property and 24% for most nonresidential property
- Dedicates this revenue to schools



Individual Income Tax

Taxable income between...	is taxed at a rate of...	Percent of taxpayers in each bracket
\$0 and \$150,000	4.63% (current law)	91.8%
\$150,001 and \$200,000	5.0%	3.2%
\$200,001 and \$300,000	6.0%	2.5%
\$300,001 and \$500,000	7.0%	1.4%
Over \$500,000	8.25%	1.1%

Individual Income Tax

If your taxable income is...

your taxes will increase...

equal to...

\$0 and \$150,000

\$0

0%

\$200,000

\$185

2.0%

\$250,000

\$870

7.5%

\$400,000

\$3,925

21.2%

\$1,000,000

\$24,395

52.7%

Corporate Income Tax

4.63%

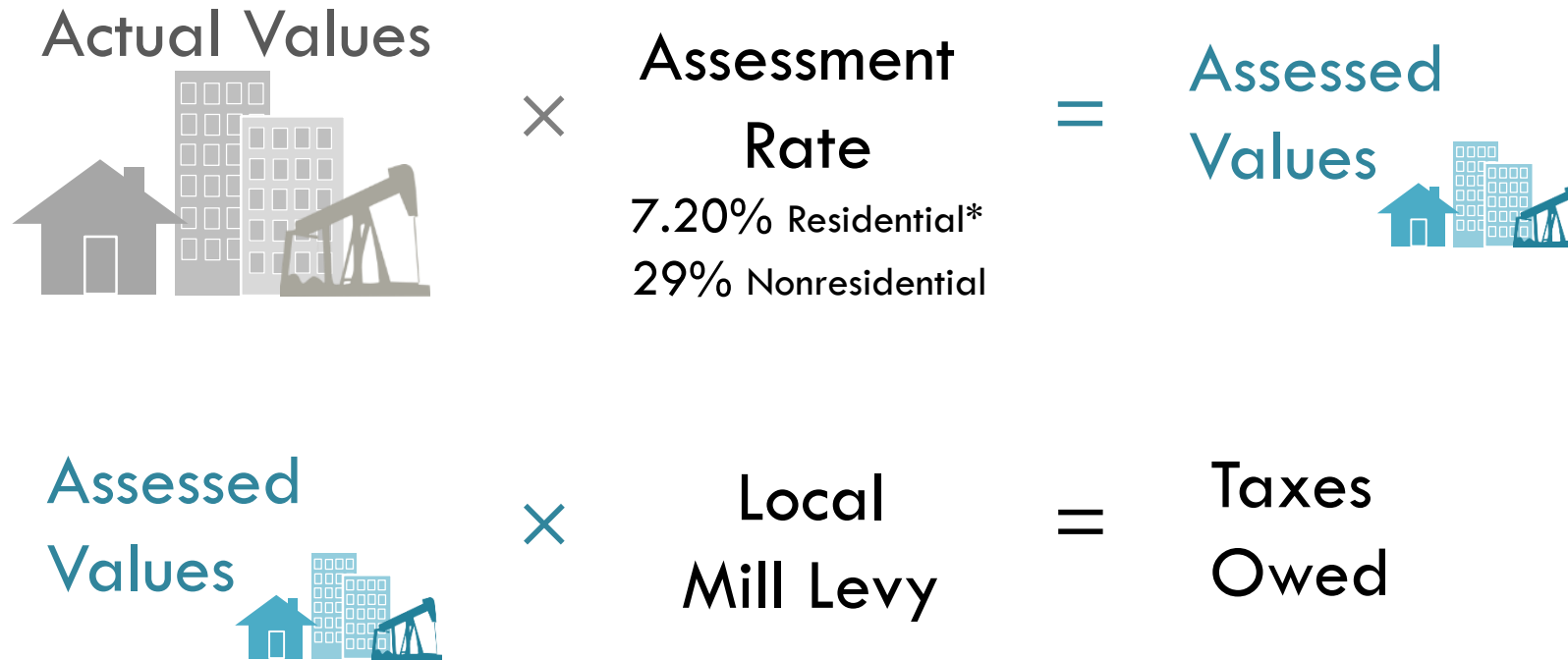
to

6.0%

Revenue Increase

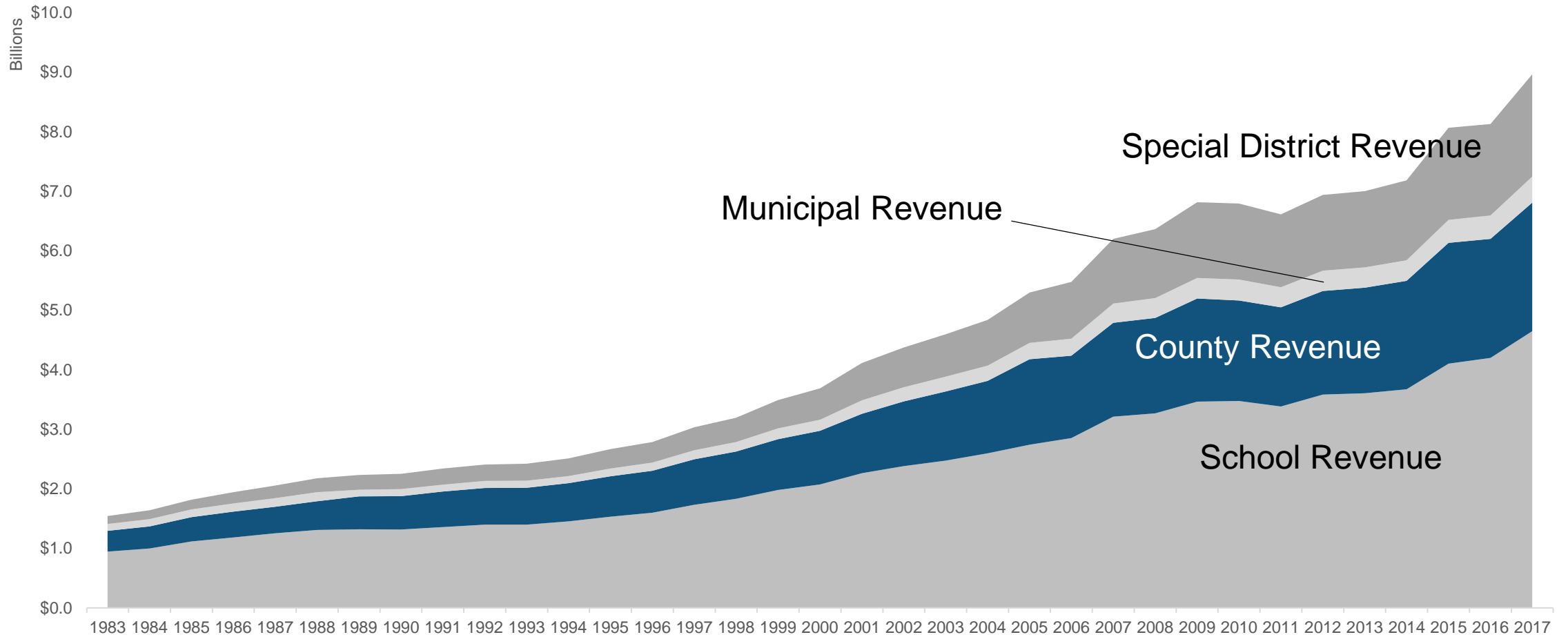
	FY 2018-19	FY 2019-20
Individual Income Tax	\$638.2 million	\$1.4 billion
Corporate Income Tax	\$112.7 million	\$229.4 million
Total New Revenue	\$750.9 million	\$1.6 billion

Property Taxes in Colorado



*2017 Residential Assessment Rate

Property Tax Revenue in Colorado

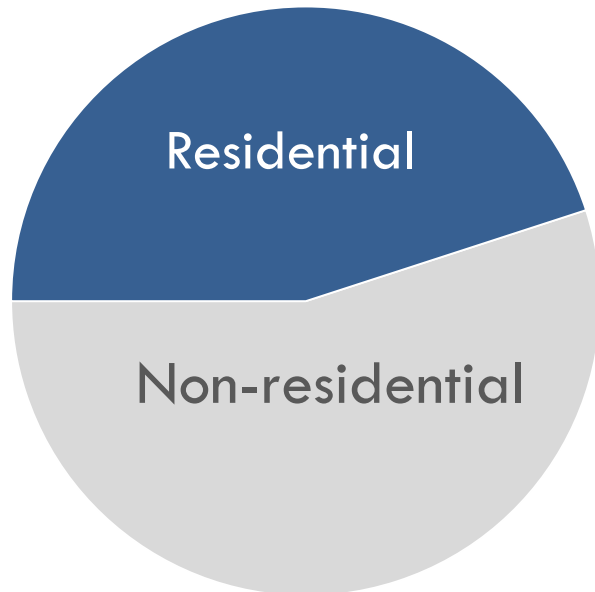


Source: Department of Local Affairs, Division of Property Taxation.

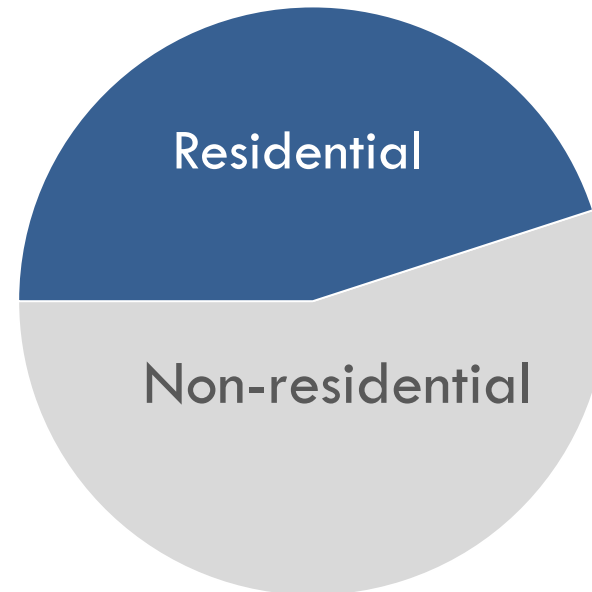
The Gallagher Amendment

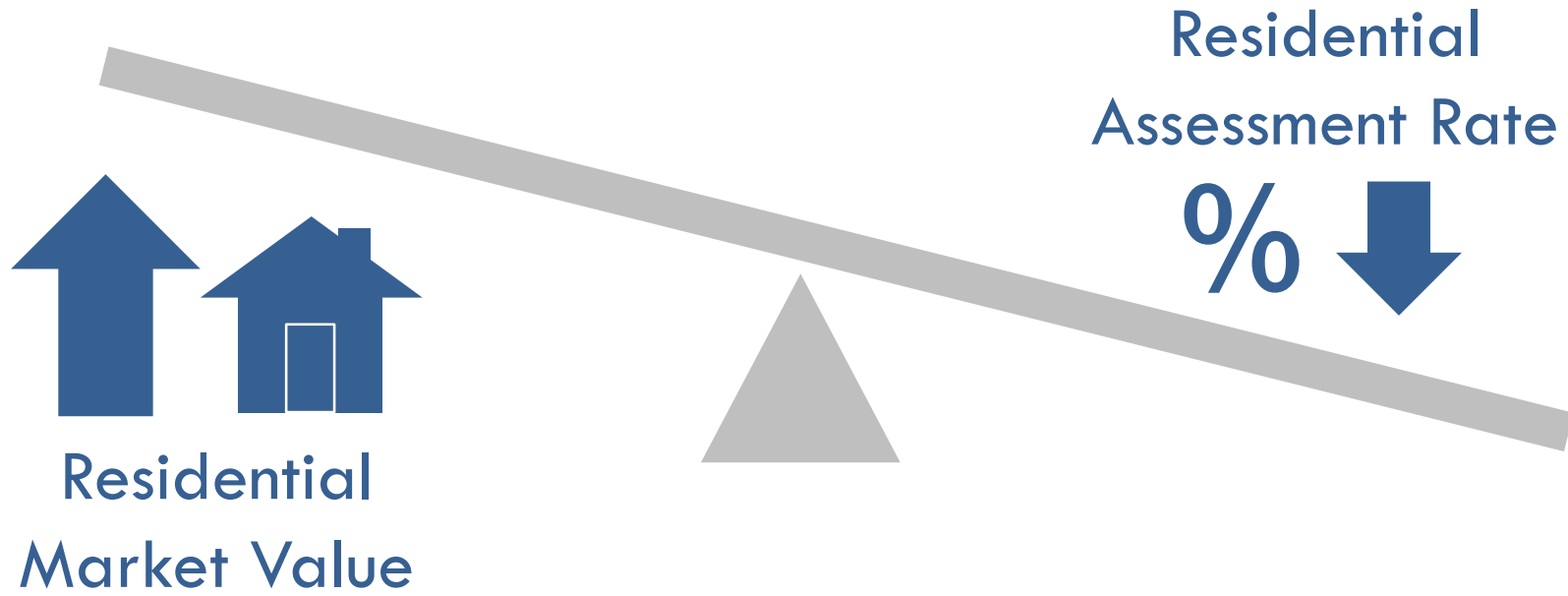
- Share of residential and nonresidential property remains constant between reassessment cycles

2015

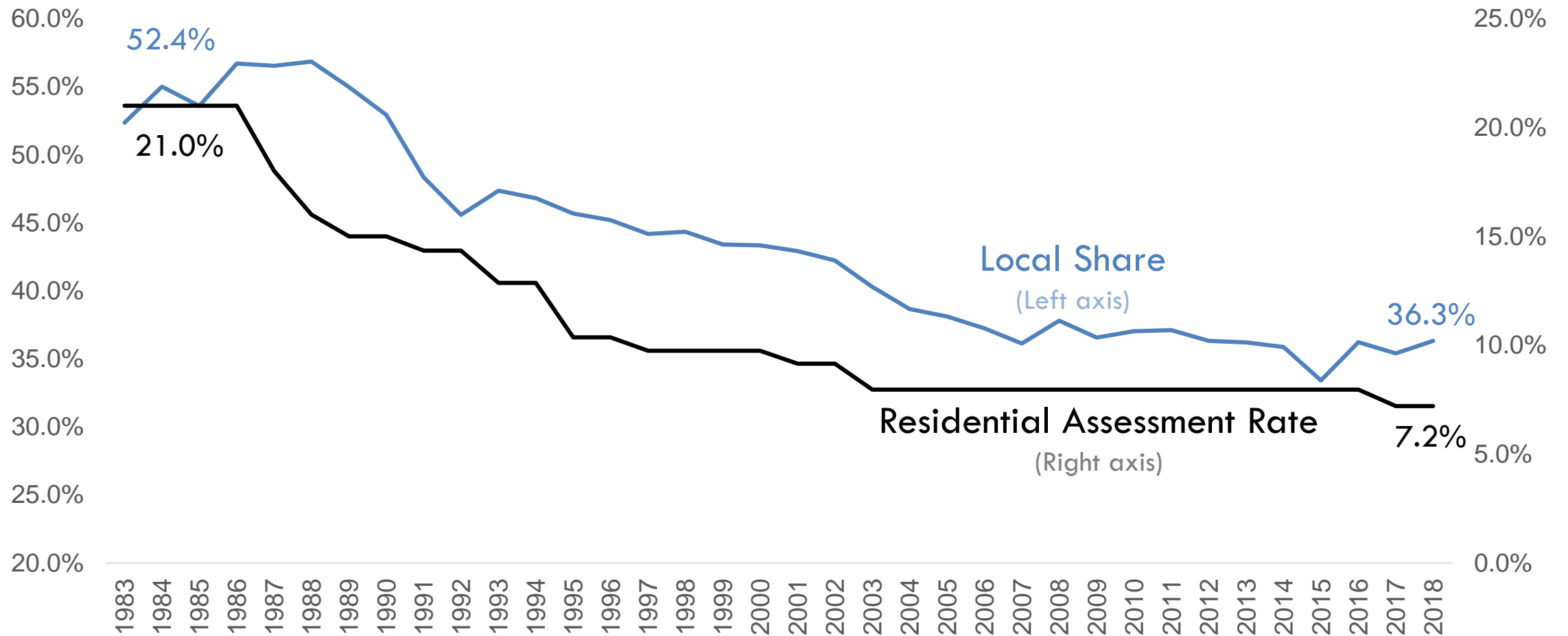


2017



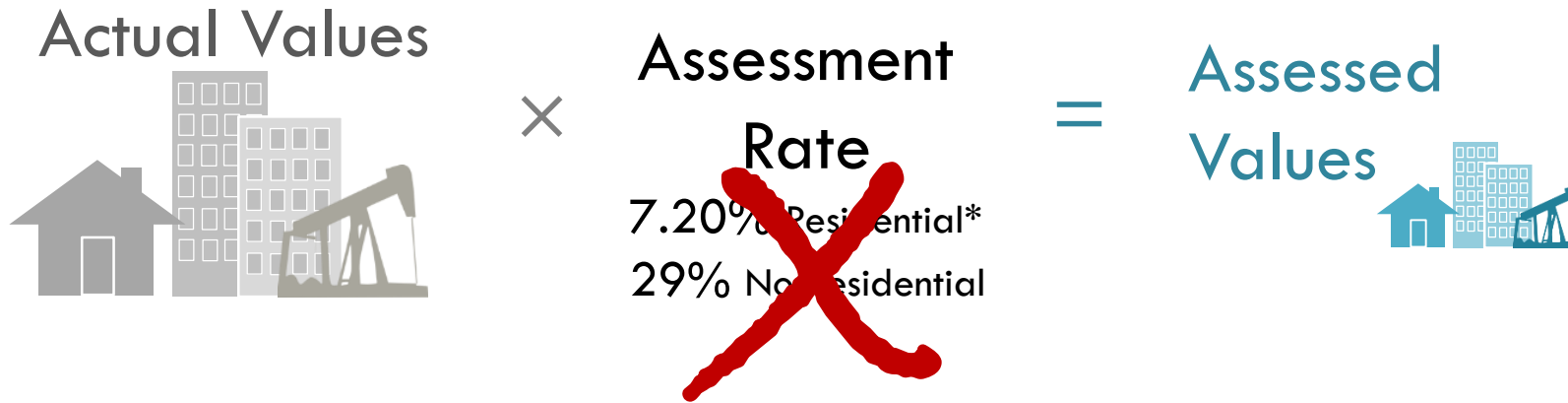


Local Share of School Finance and Residential Assessment Rate



Source: Department of Local Affairs, Division of Property Taxation., and Colorado Legislative Council Staff Calculations

Property Taxes in Colorado



7.0% Residential
24.0% Nonresidential

*2017 Residential Assessment Rate

Property Tax Impact for Schools

2019

Nonresidential Property	-\$317.8 million
Residential Property	\$255.3 million
Total Revenue Impact	-\$62.4 million

Funding in Amendment 73

Funding Criteria	Under Current Law	Under Amendment 73
Base Per-Student Funding	\$6,769 per student	\$7,300 per student
Fully Fund Kindergarten	Districts receive approximately half of the per-student funding for each kindergarten student.	
Low-income Students	Relaxes the income requirements for students to be considered low-income for funding purposes.	
Special Education	\$176.1 million	\$296.1 million (an increase of \$120 million)
Gifted and Talented	\$12.5 million	\$22.5 million (an increase of \$10 million)
English Language Proficiency	\$21.6 million	\$41.6 million (an increase of \$20 million)
Preschool	\$121.0 million	\$131.0 million (an increase of \$10 million)
Remaining funding generated by the measure to be spent on public education as determined by the state legislature.		\$738.6 million*

Arguments for Amendment 73

- Creates a new revenue source dedicated to underfunded schools
- Provides property tax relief to businesses
- Allows local school districts to decide how to use new money
- Frees up the General Fund for other state needs



Arguments against Amendment 73

- A tax increase without any guarantee of improved outcomes
- The tax increase will make Colorado less competitive
- Property tax increase for homeowners and complicates the system
- Income brackets are not adjusted for inflation



Questions on Amendment 73?



Proposition 112 – Oil and Gas Setbacks

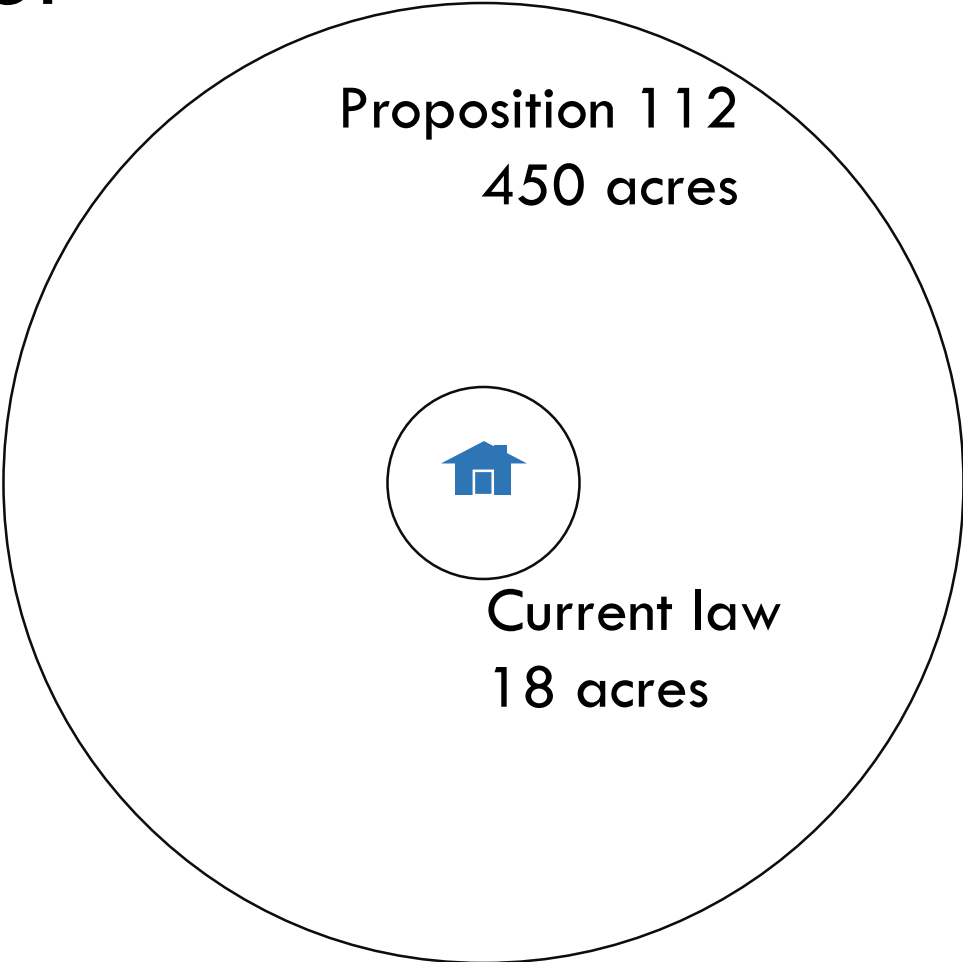
- Requires that new oil and gas development be at least 2,500 feet away from structures, water features, and vulnerable areas



Change in Setback Requirements

	Current Setback	Proposition 112
Homes	500 feet	2,500 feet
High Occupancy Building (schools, hospitals, child care, correctional centers, and neighborhoods with 22+ buildings)	1,000 feet	2,500 feet
Water Features		2,500 feet

Increases the setback from 500 feet to 2,500 feet



Setbacks encompass about 85% of non-federal land in Colorado

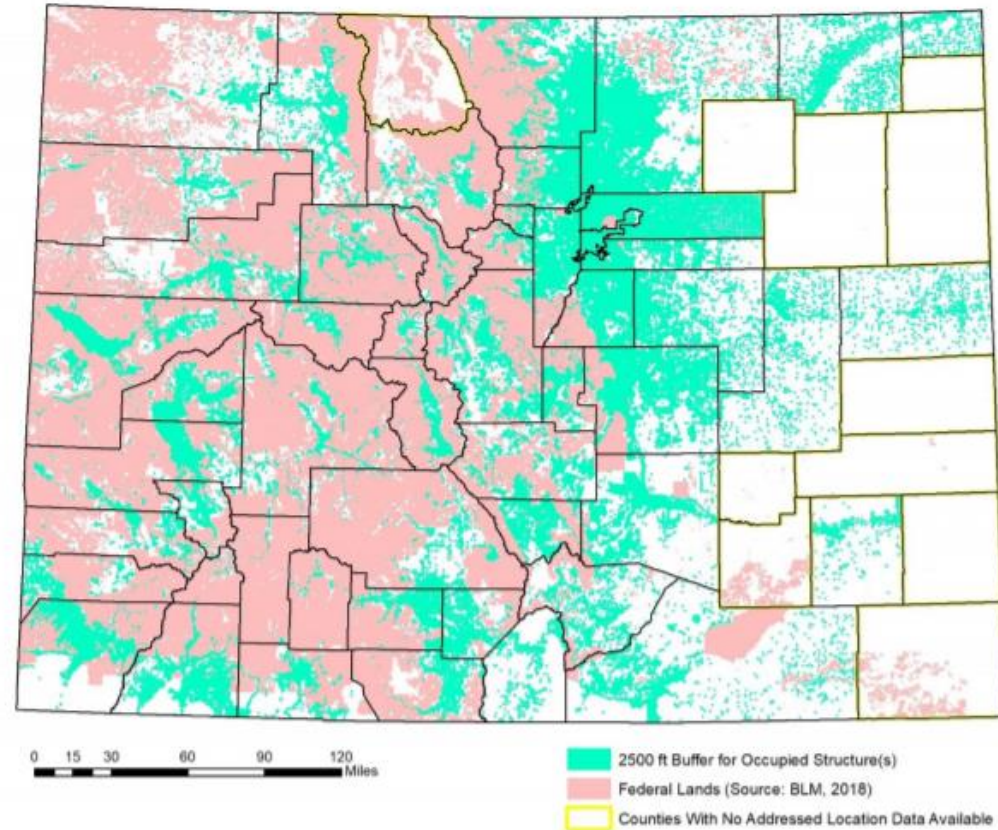


Figure 1 – 2500' buffer zones for "occupied structure". No addressed location data available for counties outlined in yellow.

Source: Colorado Oil and Gas Conservation Commission.

Arguments for Proposition 112

- Current setback is not safe
- Increased urban and oil and gas development has caused more interaction with residential neighborhoods and oil and gas development



Arguments against Proposition 112

- Will eliminate most oil and gas development activity in Colorado
- Unnecessary because current setback balances health and safety concerns with property owners



Questions?

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