

Referendum D - State Borrowing

The measure:

- * permits the state to borrow up to \$2.072 billion with a maximum repayment of \$3.225 billion, including principal and interest;
- * requires the money to be used for transportation projects, K-12 and higher education buildings, and local fire and police pension obligations;
- * takes effect only if voters also approve Referendum C at this election; and
- * increases the revenue that Referendum C allows the state to keep by up to \$100 million per year, beginning in budget year 2010-11.

Background

The Colorado Constitution requires voter approval for the state to borrow money if more than one year is needed to repay it. Referendum D allows the state to borrow up to \$2.072 billion, as shown below, and to repay it over a number of years.

Maximum Amount	Use
\$1.7 billion	Transportation - To accelerate the construction, repair, and replacement of roads and bridges designated by the Colorado Transportation Commission from projects recommended by local governments. See Appendix A for a listing of the proposed projects.
\$175 million	Fire and Police Pensions - To satisfy the state's remaining obligation to assist local pension plans for police officers and firefighters hired prior to April 8, 1978.
\$147 million	K-12 Public School Buildings - To repair, maintain, and replace public school buildings. This money will go towards a settlement agreement from a lawsuit. Projects will be approved by the State Board of Education based on criteria set in law.
\$50 million	Public College and University Buildings - To repair, maintain, and replace public university, state college, and community college facilities. Projects will be approved by the state legislature based on recommendations prioritized by each school.
\$2.072 billion	Total - Maximum amount of borrowing permitted.

Repaying the money. The debt will be repaid from state tax revenue, which includes the additional money kept by the state from Referendum C. Further, if voters approve both Referenda C and D, the state will be allowed to keep up to an additional \$100 million each year beginning in budget year 2010-11. Otherwise, this money will be returned to taxpayers.

Limits on borrowing. Referendum D limits both the total and annual amount the state can pay in principal and interest. These limits, along with the interest rate the state pays and borrowing expenses, will determine the actual amount the state can borrow. There is no limit on when the state can borrow money, but any debt must be repaid within 25 years of the loan.

Transportation project spending. The state is permitted to borrow up to \$1.7 billion for transportation projects. However, no more than \$600 million may be borrowed before January 1, 2007. If the voters approve Referendum D, the state intends to borrow money beginning early in 2006 to begin construction during the spring and summer of 2006.

In 1999, voters approved state borrowing for up to \$1.7 billion to pay for up to 24 transportation projects with an estimated cost of \$4.4 billion. The maximum repayment amount for that borrowing is \$2.3 billion, including principal and interest. Federal and state transportation dollars were earmarked as the source of money to repay the debt. The state was able to borrow \$1.47 billion under the \$2.3 billion repayment limit. This money is scheduled to be repaid over time through 2017.

Borrowing for nontransportation purposes. Up to \$372 million may be borrowed for nontransportation items, including fire and police pensions, repair of public school buildings, and repair of public college and university buildings. The table below provides information about the state's original commitment to fund the pension plans and school building repairs. The measure limits the total amount that can be borrowed to repair public college and university buildings to \$50 million.

	State Fire and Police Pension Obligation	State Commitments for K-12 Public School Building Repairs
Year of original obligation	1978	2000
Amount paid to date	\$443 million	\$43 million
Outstanding obligation	\$175 million	\$147 million

Arguments For

1) Now is the time to invest in the important public works projects that were delayed because of the recent recession. State transportation officials report that 39 percent of the state's roads are in poor condition and 474 bridges need to be repaired or replaced. Referendum D provides money to address immediate safety hazards and health concerns in public schools. Also, a backlog of maintenance and construction projects at the state's public schools, colleges, and universities needs to be addressed to keep them safe and functioning properly.

2) Borrowing money to repair and replace schools and roads makes sense. It may cost less than waiting because interest rates on debt are low and construction costs continue to rise. In addition, fixing things now is often less expensive than replacing them in the future. The costs will be spread over time, just as the benefits are spread over time. Also, the measure satisfies the state's existing pension obligation for firefighters and police officers.

3) Everyone benefits from safe and reliable roads and schools. Colorado's long-term economic growth and stability are linked to efficient and well-maintained roads and schools. Employers consistently say that good road and school systems are important factors when they decide where to open or relocate a business. People and products are moved more efficiently over roads that are in good condition. Citizens rely on the government to wisely invest public money in these systems.

4) Referendum D allows voters to direct a portion of their tax dollars towards critical needs of the state such as roads and bridges. The Transportation Commission has already approved a list of 55 high-priority projects that benefit citizens in all parts of the state. Also, spending up to \$1.7 billion on transportation construction projects will provide a boost to local economies statewide.

Arguments Against

1) The state should live within its means and not go into greater debt. Instead of borrowing more money, it has to do a better job of prioritizing the state's current \$14.6 billion budget to meet the needs of Colorado citizens. On top of the money the state will keep from Referendum C, this measure essentially increases taxes in the future by up to \$100 million a year, even after the debt has been repaid. The state is asking for this money now without knowing if it is needed in the future.

2) The measure is vague about how the money will be used and how long the state will be in debt. Before supporting a potential \$3.225 billion financing plan, voters should know exactly how and when the money will be spent. Nothing prevents the list of transportation projects from being changed after the election, and no list of school repairs exists for voters

to review. The one specific allocation of money is to shore up fire and police pension plans that only benefit a small number of people. No one knows how long the state will be paying off the debt because there is no deadline for borrowing the money and no restrictions on future refinancing of the debt.

3) The state's credit rating will suffer permanent damage if even one debt payment is missed. As a result, the measure commits the state to making up to \$125 million in debt payments each year before paying for anything else in the budget. Other programs may have to be cut during an economic downturn to ensure that the state makes its payments.

4) Borrowing money shifts the burden of payment to future generations. In some cases, borrowing will cost the state more than building the projects with existing resources because of the interest payments on debt. In addition, the payback costs may last longer than the benefit. For example, using long-term debt for fire and police pensions will likely cost the state more in the long run because it stretches the state's obligation from seven years to 25 years. The state already owes nearly \$2 billion on money it borrowed during the past five years for transportation projects. Many of those same projects also appear in this measure.

Estimate of Fiscal Impact

Referendum D impacts state revenue, expenditures, and taxpayer refunds as described below.

State revenue. State revenue will increase by the amount that the state borrows. The maximum amounts the state can borrow are:

- up to \$972 million by January 1, 2007; and
- up to an additional \$1.1 billion after January 1, 2007.

Of this money, up to \$1.7 billion is for transportation purposes and \$372 million is for other purposes. State transportation officials currently estimate that the limitations on principal, interest, and annual debt payments will restrict borrowing to approximately \$1.2 billion over the next four years. The state could borrow the remaining \$500 million of authorized debt in the future, so long as it stays within the total principal, interest, and annual repayment limits.

State expenditures. Referendum D will increase state expenditures for debt payments beginning in budget year 2005-06, and these expenditures will continue until the debt is repaid. The maximum amount the state can spend to repay the debt is \$3.225 billion, and any debt must be repaid within 25 years of the loan. Offsetting a portion the increase for debt payments is a reduction in state expenditures for local fire and police

pension plans. Finally, Referendum D reduces the amount of money that the state must refund to taxpayers by up to \$100 million per year beginning in budget year 2010-11. The table below shows these impacts over the next eight years.

Referendum D Expenditure Impacts

Budget Year	Debt Payments	Fire and Police Pensions	Taxpayer Refunds	Total
2005-06	\$55 million	-\$56 million ¹	\$0	-\$1 million
2006-07	\$95 million	-\$25 million	\$0	\$70 million
2007-08	\$125 million	-\$25 million	\$0	\$100 million
2008-09	\$125 million	-\$25 million	\$0	\$100 million
2009-10	\$125 million	-\$25 million	\$0	\$100 million
2010-11	\$125 million	-\$25 million	-\$100 million	\$0
2011-12	\$125 million	-\$25 million	-\$100 million	\$0
2012-13	\$125 million	\$0	-\$100 million	\$25 million

¹ This amount includes a \$25 million annual payment and assumes an additional one-time payment of \$31 million is made in budget year 2005-06.

Appendix A
Projects Approved By The Colorado Transportation Commission

County	Project Location	Description	Total Estimated Project Cost
Douglas	I-25 South, Meadows Parkway to 5th Street	widening	\$22.5 million
Douglas	I-25 South, 5th Street to south of Plum Creek	widening and interchange improvements at Plum Creek	\$17.1 million
Douglas	I-25 South, Ridgeway Interchange	new interchange construction and frontage roads	\$7.0 million
Clear Creek	I-70 West at Empire Junction and another location yet to be determined	acceleration lane	\$11.0 million
Jefferson	US 285 between Conifer and Bailey, Richmond Hill to Shaefer's Crossing	widening and interchange construction	\$29.1 million
Park	US 285 between Conifer and Bailey, Deer Creek Interchange	new interchange construction	\$5.4 million
Lincoln	US 40/US 287 between Limon and Campo, Hugo east	minor widening to add shoulders and reconstruction (22 miles)	\$30.5 million
Cheyenne	US 40/US 287 between Limon and Campo, just south of Kit Carson	bridge reconstruction	\$7.5 million
Summit	State Highway 9 from Valley Brook north	widening (4 miles)	\$21.2 million
El Paso	I-25 through Colorado Springs	reconstruction of interchanges	\$91.0 million
Baca, Prowers	US 287, State Highway 116 north	roadway reconstruction (11.4-mile segment)	\$15.0 million
Prowers	US 287, Lamar south	roadway reconstruction (16-mile segment)	\$15.0 million
Las Animas	I-25 in Trinidad	viaduct reconstruction	\$75.0 million
Pueblo	I-25 in Pueblo, Eden Interchange	new interchange construction	\$30.0 million
Fremont	US 50/State Highway 115 in Canon City	safety improvements	\$2.0 million
Garfield Moffat Jackson	I-70 in Glenwood Springs US 40 at Maybell US 40 over Rabbit Ears Pass	resurfacing	\$11.5 million
Pitkin Routt Gunnison Eagle	State Highway 82 Maroon Creek Bridge in Aspen State Highway 131 Bridge in Oak Creek State Highway 114 Tomichi Creek Bridge, east of Gunnison State Highway 82 at Basalt	bridge replacements and bridge enhancement at Basalt	\$9.4 million
Mesa	I-70 Business Route in Grand Junction	widening and intersection improvements (1.5-mile segment)	\$2.9 million
Mesa	I-70 Business Route in Grand Junction	widening and multiple intersection improvements (2.8 miles)	\$15.8 million
Delta	State Highway 92 between Austin and Hotchkiss	minor widening for shoulders and reconstruction (1.5-mile segment)	\$2.4 million

	County	Project Location	Description	Total Estimated Project Cost
1	Gunnison	US 50 between Montrose and Sargents	minor widening for shoulders and reconstruction (1.5-mile segment)	\$2.6 million
2	Gunnison	US 50 between Montrose and Sargents	climbing lanes and widening for shoulders, reconstruction (9-mile segment)	\$22.7 million
3	Rio Blanco	State Highway 13 south of State Highway 64	minor widening for shoulders and reconstruction (1.6-mile segment)	\$3.7 million
4	Lake	US 24 at the bottom of Tennessee Pass	minor widening for shoulders and reconstruction (0.2-mile segment)	\$6.4 million
5 6	Pitkin, Garfield	Roaring Fork Transit Authority	provides federal transit fund match for bus maintenance facility reconstruction	\$0.8 million
7	Mesa	Grand Valley Transit	provides federal transit fund match for bus maintenance facility	\$0.6 million
8 9	Eagle and Summit	I-70 over Vail Pass	environmental clearance and eastbound climbing lanes (2.2-mile segment)	\$7.0 million
10	Mesa	I-70, west end of DeBeque Canyon to Palisade	widening for shoulders, reconstruction and curve smoothing (6-mile segment)	\$13.4 million
11	Mesa	I-70 at State Highway 340 in Fruita	ramp improvements and intersection signalization	\$0.8 million
12	Eagle	I-70 at Dowd Junction/US 24	ramp improvements, curve smoothing, retaining wall replacement	\$13.4 million
13	Grand	State Highway 9 and US 40 just outside of Kremmling	widening for shoulders and reconstruction	\$20.1 million
14	Moffat	State Highway 13 from the Wyoming state line south	widening for shoulders and reconstruction (5-mile segment)	\$5.7 million
15	Weld	I-25 North from State Highway 52 to State Highway 119	widening	\$50.0 million
16	Morgan	I-76 between Fort Morgan and Brush	reconstruction and interchange improvements (6-mile segment)	\$40.2 million
17	Weld	US 34 Business Route, State Highway 257 to 71st Street in Greeley	widening	\$24.0 million
18	Boulder	State Highway 119/State Highway 52	new interchange construction	\$18.0 million
19 20 21 22	Boulder, Broomfield, Jefferson, Adams	US 36/Boulder Turnpike	transit and highway improvements to be determined by environmental study	\$37.5 million
23	Alamosa	US 160 through Alamosa	reconstruction and widening to provide for one-way pairs of traffic	\$13.3 million
24	Mineral	US 160 Wolf Creek Pass, Park Creek east	reconstruction and widening for shoulders and safety improvements (2-mile segment)	\$16.0 million

	County	Project Location	Description	Total Estimated Project Cost
1	Alamosa	US 160 from the Alamosa/Rio Grande county line east	construction of passing lanes (4-mile segment)	\$8.9 million
2	La Plata	US 160/County Road 222/223, east of Durango	intersection relocation and reconstruction	\$3.3 million
3	La Plata	US 160 at Farmington Hill (US 550), east of Durango	construction of an additional westbound lane though the Farmington Hill intersection	\$12.2 million
4	La Plata	US 550, New Mexico state line north	widening and intersection improvements (4-mile segment)	\$15.0 million
5	Montezuma	US 160/US 491, New Mexico state line to Cortez	widening to add shoulders and passing lanes, reconstruction and intersection improvements (locations to be determined within a 17-mile segment)	\$13.2 million
6	Ouray	State Highway 62 through Ridgway	construction of auxiliary lanes and other improvements	\$10.0 million
7	Adams	I-25/US 36/I-270/I-76 Interchange Complex	complete the multiple-phase project by adding a ramp to connect south/eastbound I-270 to north/eastbound I-76	\$15.0 million
8	Denver	I-70 at Quebec Street	interchange reconstruction	\$43.0 million
9	Jefferson	US 6 (6th Avenue) at Wadsworth Boulevard	interchange reconstruction and roadway widening	\$63.5 million
10	Jefferson	I-70 at State Highway 58	interchange improvements	\$41.3 million
11	Denver	I-25, Broadway to Alameda	widening, bridge replacement, and interchange improvements	\$55.0 million
12	Broomfield	US 36/120th Avenue extension	builds new four-lane extension of 120th Avenue over US 36	\$77.0 million
13	Arapahoe, Adams	I-225 at Colfax Avenue (US 40) in Aurora	interchange improvements	\$36.5 million
15	Douglas, Arapahoe	C-470 at Santa Fe Drive	interchange reconstruction	\$35.0 million
17	Arapahoe	Arapahoe Road (State Highway 88) at Parker Road (State Highway 83)	intersection improvements to accommodate future interchange	\$36.0 million
18	Adams	State Highway 44 (104th Avenue), Colorado Boulevard to US 85	capacity improvements	\$25.0 million
19			TOTAL 55 PROJECTS	\$1.207 billion