

Referendum D - State Borrowing

Referendum D:

- * 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 each year into the future, beginning in 2011.

Background

The Colorado Constitution requires voter approval for the state to borrow money if more than one year is needed for repayment. 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. Projects will be selected 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 the state receives from Referendum C. Further, if voters approve both Referendums C and D, the state will be allowed to keep up to an additional

\$100 million each year beginning in 2011. Otherwise, this money will be returned to taxpayers in the form of a TABOR refund.

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 other borrowing expenses, will determine the actual amount the state can borrow. There is no limit on when the state must complete the borrowing, but any debt must be repaid within 25 years of the date it is borrowed.

Borrowing for transportation purposes. Referendum D permits the state to borrow up to \$1.7 billion for transportation projects. No more than \$600 million may be borrowed before January 1, 2007. If the voters approve both Referendums C and 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 this 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 pension plans, repair of public school buildings, and repair of public college and university buildings. Money borrowed for fire and police pension plans and the repair of public school buildings will go toward paying off current state obligations.

* In 1978, the state legislature passed a law to help fund local fire and police pension plans after determining that the plans did not have enough money to cover future retirement benefits. The money provided by Referendum D will satisfy the state's obligation for these plans.

* As a result of a lawsuit settlement in 2000, the state is required to pay \$190 million to help repair and replace public school buildings. The money provided by Referendum D will go towards this settlement.

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. Many

1 of Colorado's public school buildings have health and safety hazards so significant that the
2 state agreed to a \$190 million lawsuit settlement to address these issues. During the last
3 three years, the state spent an average of \$4 million a year on public college and university
4 buildings, compared with an average of \$136 million a year during the three years prior.
5 As a result, many projects that would keep the state's college and university buildings safe
6 and functioning properly have been delayed. Referendum D provides money for all of these
7 needs.

8 2) Borrowing money to repair and replace schools and roads makes sense. It may cost less
9 than waiting because interest rates on debt are low and construction costs continue to rise.
10 In addition, fixing things now is often less expensive than replacing them in the future. The
11 costs will be spread over time, just as the benefits will be spread over time. Also,
12 Referendum D will complete the state's long-standing obligation to assist local fire and
13 police pension plans.

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

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

25 **Arguments Against**

26 1) The state should live within its means and not go into greater debt. Instead of
27 borrowing more money, it has to do a better job of prioritizing the current \$13.8 billion
28 budget to meet the needs of Colorado citizens. On top of the money the state will keep
29 from Referendum C, this measure essentially increases taxes in the future by up to \$100
30 million a year, even after the debt has been repaid. The state is asking for this money now
31 without even knowing if it is needed in the future.

32 2) Referendum D is vague about how the money will be used and how long the state will
33 be in debt. Before asking voters to support a potential \$3.225 billion financing plan, the
34 state should say exactly how and when the money will be spent. The list of transportation
35 projects could be changed after the election. Projects on the list are not prioritized and
36 there are no completion deadlines. Also, a list of school repairs is not available for voters

1 to review. The one specific allocation of money is to shore up a few fire and police pension
2 plans that benefit a small number of people. No one knows how long the state will be
3 paying off the debt or how much it will pay in interest. There is no deadline for borrowing
4 the money and there is no limit on the total amount of interest to be paid.

5 3) Using general tax dollars for debt payments on roads means that debt payments will be
6 prioritized over everything else in the state budget. Because the state's credit rating will
7 suffer permanent damage if even one payment is missed, other state programs could be cut
8 during an economic downturn to make the debt payments. Using general tax dollars to help
9 pay for roads means that drivers do not pay the entire cost of using the roads. If they were
10 required to do so, they may choose to drive a little less, use more fuel-efficient cars, or use
11 public transportation more often. Further, Referendum D will likely reduce the amount of
12 money the state spends on public transportation projects, compared with how money is
13 allocated under current law.

14 4) Borrowing money shifts the burden of payment to future generations. In some cases,
15 borrowing will cost the state more than building the projects with existing resources
16 because of interest payments on the debt. In addition, the payback costs may last longer
17 than the benefit. Using long-term debt for fire and police pensions will stretch the state's
18 obligation from 7 years to 25 years. Also, the state already owes nearly \$2 billion on money
19 it borrowed during the past five years for transportation projects.

20 **Estimate of Fiscal Impact**

21 Referendum D impacts state revenue, spending, and taxpayer refunds as described
22 below.

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

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

27 Of this money, up to \$1.7 billion is for transportation purposes and \$372 million is
28 for other purposes. State transportation officials currently estimate that the limitations on
29 principal, interest, and annual debt payments will restrict transportation borrowing to
30 approximately \$1.2 billion over the next four years. The state could borrow the remaining
31 \$500 million for transportation projects in the future, so long as it stays within the total
32 principal, interest, and annual repayment limits of the measure.

1 ***State spending.*** Referendum D will increase state spending for debt payments by
2 up to \$55 million in 2006, \$95 million in 2007, and \$125 million in 2008 and each year
3 thereafter until the debt is repaid. The maximum amount the state can spend to repay the
4 debt is \$3.225 billion.

5 A portion of the increase in spending for debt payments is offset by a \$25.3 million
6 annual reduction in state spending for local fire and police pension plans through 2012, plus
7 an additional amount of between \$31 million and \$50 million, depending on when the
8 payment is made. The state's obligation for the repair and maintenance of public schools
9 is also reduced.

10 ***Taxpayer refunds.*** Referendum D reduces the amount of money that the state must
11 refund to taxpayers by up to \$100 million each year into the future, beginning in 2011.

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	County	Project Location	Description	Total Estimated Project Cost
1	Metro Denver (continued)			
2	Arapahoe, Adams	I-225 at Colfax Avenue (US 40) in Aurora	interchange improvements	\$36.5 million
3	Boulder	State Highway 119/State Highway 52	new interchange construction	\$18.0 million
4	Boulder, Broomfield, Jefferson, Adams	US 36/Boulder Turnpike	transit and highway improvements to be determined by environmental study	\$37.5 million
5	Broomfield	US 36/120th Avenue extension	new four-lane extension of 120th Avenue over US 36	\$77.0 million
6	Denver	I-70 at Quebec Street	interchange reconstruction	\$43.0 million
7	Denver	I-25, Broadway to Alameda	widening, bridge replacement, and interchange improvements	\$55.0 million
8	Douglas	I-25 South, Meadows Parkway to 5th Street	widening	\$22.5 million
9	Douglas	I-25 South, 5th Street to south of Plum Creek	widening and interchange improvements at Plum Creek	\$17.1 million
10	Douglas	I-25 South, Ridgeway Interchange	new interchange construction and frontage roads	\$7.0 million
11	Douglas, Arapahoe	C-470 at Santa Fe Drive	interchange reconstruction	\$35.0 million
12	Jefferson	US 285 between Conifer and Bailey, Richmond Hill to Shaefer's Crossing	widening and interchange construction	\$29.1 million
13	Jefferson	US 6 (6th Avenue) at Wadsworth Boulevard	interchange reconstruction and roadway widening	\$63.5 million
14	Jefferson	I-70 at State Highway 58	interchange improvements	\$41.3 million
15	Northern			
16	Weld	I-25 North from State Highway 52 to State Highway 119	widening	\$50.0 million
17	Weld	US 34 Business Route, State Highway 257 to 71st Street in Greeley	widening	\$24.0 million

	County	Project Location	Description	Total Estimated Project Cost
1	Southern			
2	Alamosa	US 160 through Alamosa	reconstruction and widening to provide for one-way pairs of traffic	\$13.3 million
3	Alamosa	US 160 from the Alamosa/Rio Grande county line east	construction of passing lanes (4-mile segment)	\$8.9 million
4	El Paso	I-25 through Colorado Springs	reconstruction of interchanges	\$91.0 million
5	Fremont	US 50/State Highway 115 in Canon City	safety improvements	\$2.0 million
6	Las Animas	I-25 in Trinidad	viaduct reconstruction	\$75.0 million
7	Pueblo	I-25 in Pueblo, Eden Interchange	new interchange construction	\$30.0 million
8	Eastern			
9	Baca, Prowers	US 287, State Highway 116 north	roadway reconstruction (11.4-mile segment)	\$15.0 million
10	Cheyenne	US 40/US 287 between Limon and Campo, just south of Kit Carson	bridge reconstruction	\$7.5 million
11	Lincoln	US 40/US 287 between Limon and Campo, Hugo east	minor widening to add shoulders and reconstruction (22 miles)	\$30.5 million
12	Morgan	I-76 between Fort Morgan and Brush	reconstruction and interchange improvements (6-mile segment)	\$40.2 million
13	Prowers	US 287, Lamar south	roadway reconstruction (16-mile segment)	\$15.0 million
14	Western			
15	Clear Creek	I-70 West at Empire Junction and another location yet to be determined	acceleration lane	\$11.0 million
16	Delta	State Highway 92 between Austin and Hotchkiss	minor widening for shoulders and reconstruction (1.5-mile segment)	\$2.4 million
17	Eagle	I-70 at Dowd Junction/US 24	ramp improvements, curve smoothing, retaining wall replacement	\$13.4 million
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	County	Project Location	Description	Total Estimated Project Cost
1	Western (continued)			
2	Eagle and Summit	I-70 over Vail Pass	environmental clearance and eastbound climbing lanes (2.2-mile segment)	\$7.0 million
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4	Garfield	I-70 in Glenwood Springs	resurfacing	\$11.5 million
5	Moffat	US 40 at Maybell		
6	Jackson	US 40 over Rabbit Ears Pass		
7	Grand	State Highway 9 and US 40 just outside of Kremmling	widening for shoulders and reconstruction	\$20.1 million
8	Gunnison	US 50 between Montrose and Sargents	minor widening for shoulders and reconstruction (1.5-mile segment)	\$2.6 million
9	Gunnison	US 50 between Montrose and Sargents	climbing lanes and widening for shoulders, reconstruction (9-mile segment)	\$22.7 million
10	Lake	US 24 at the bottom of Tennessee Pass	minor widening for shoulders and reconstruction (0.2-mile segment)	\$6.4 million
11	La Plata	US 160/County Road 222/223, east of Durango	intersection relocation and reconstruction	\$3.3 million
12	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
13	La Plata	US 550, New Mexico state line north	widening and intersection improvements (4-mile segment)	\$15.0 million
14	Mesa	I-70 Business Route in Grand Junction	widening and intersection improvements (1.5-mile segment)	\$2.9 million
15	Mesa	I-70 Business Route in Grand Junction	widening and multiple intersection improvements (2.8 miles)	\$15.8 million
16	Mesa	I-70, west end of DeBeque Canyon to Palisade	widening for shoulders, reconstruction and curve smoothing (6-mile segment)	\$13.4 million
17	Mesa	Grand Valley Transit	bus maintenance facility	\$0.6 million
18	Mesa	I-70 at State Highway 340 in Fruita	ramp improvements and intersection signalization	\$0.8 million

	County	Project Location	Description	Total Estimated Project Cost
1	Western (continued)			
2	Mineral	US 160 Wolf Creek Pass, Park Creek east	reconstruction and widening for shoulders and safety improvements (2-mile segment)	\$16.0 million
3	Moffat	State Highway 13 from the Wyoming state line south	widening for shoulders and reconstruction (5-mile segment)	\$5.7 million
4	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
5	Ouray	State Highway 62 through Ridgway	construction of auxiliary lanes and other improvements	\$10.0 million
6	Park	US 285 between Conifer and Bailey, Deer Creek Interchange	new interchange construction	\$5.4 million
7	Pitkin,	Roaring Fork Transit Authority	bus maintenance facility reconstruction	\$0.8 million
8	Garfield			
9	Pitkin	State Highway 82 Maroon Creek Bridge in Aspen	bridge replacements and bridge enhancement at Basalt	\$9.4 million
10	Routt	State Highway 131 Bridge in Oak Creek		
11	Gunnison	State Highway 114 Tomichi Creek Bridge, east of Gunnison		
12	Eagle	State Highway 82 at Basalt		
13	Rio Blanco	State Highway 13 south of State Highway 64	minor widening for shoulders and reconstruction (1.6-mile segment)	\$3.7 million
14	Summit	State Highway 9 from Valley Brook north	widening (4-mile segment)	\$21.2 million
15			TOTAL 55 PROJECTS	\$1.207 billion