



Who is MPACT64?

MPACT64 was originally comprised of four regional organizations that collectively span Colorado's 64 counties: **Metro Mayors Caucus (MMC), Progressive 15, Action 22 & Club 20**. MPACT64 has met for several years to discuss water and transportation issues, and began meeting in 2012 to discuss transportation finance, funding priorities, and develop consensus on revenue strategies. MPACT64 has since expanded to include many other groups with a common interest in improving Colorado's multi-modal transportation system.

Colorado Transportation Funding

Colorado is largely dependent on the state motor fuels tax of **22¢ per gallon** to fund the construction, maintenance and operation of its transportation infrastructure. After an off the top allocation to support the State Patrol and other Department of Revenue activities, proceeds of the motor fuels tax, **last raised in 1991**, are shared among Colorado's Department of Transportation (CDOT), 64 counties and 271 municipalities.

While Colorado's population has grown considerably since 1991, state and federal revenues to fund transportation have declined due to inflation and increases in fuel efficiency. Colorado's combined state and federal fuel taxes are among the lowest at **\$0.08 below the 2012 average**. In 2009, FASTER provided a \$173M/year infusion for transportation and marked the first new revenue source for transportation in nearly two decades.

With the ongoing partisan gridlock in Washington D.C., there is small hope that Congress will provide a solution. The federal gas tax of just over 18¢ was last raised in 1993 and in the 2012 transportation reauthorization offered no new dollars. The Congressional Budget Office is forecasting near-term bankruptcy of the federal Highway Users Trust Fund absent a substantial revenue increase. With such bleak prospects, in 2013 many states opted to save themselves by raising new revenues from a variety of sources to fund their transportation needs.

The Transportation Shortfall

Currently, 81% percent of CDOT's \$1.1B budget is dedicated to maintaining, maximizing or servicing debt on the current system. In 2007, the bi-partisan Colorado Transportation Finance and Implementation Panel conservatively pegged unfunded transportation needs at \$1.5B dollars per year. Recent CDOT analysis estimates urgent shortfalls at **\$772M/year**. Through aggressive belt tightening, repayment of TRANS bond debt and changes in how projects are budgeted (RAMP), unmet priority needs will dip as low as \$472M/year in the next few years and then rise again in 2017.

Annual Funding Gap			
After RAMP/TRANS Bond Debt Retirement			
Transportation Category	Annual Gap*	Annual Funding	
		RAMP 2013-2017	TRANS Retirement 2018-2022
Maintain the System	\$157	\$150	\$167
Rural Road Safety/Reliability	\$100	\$0	\$0
Congestion Relief/Mobility	\$500	\$150	\$0
Inter-Regional Transit	\$15	\$0	\$0
TOTAL	\$772	\$300	\$167
*TBD Colorado		Deficit	Deficit
All \$ in millions		\$432	\$605

Due to Colorado's TABOR constraints and the cost of mounting a successful campaign, there was early agreement that any option must provide a base level of funding for CDOT to secure MPACT64 support. The minimum level of funding targeted is **\$250M/year to CDOT**.

Funding Priorities

MPACT64 believes that significant new transportation funding is necessary to keep Colorado a safe and desirable place to live and do business. Despite varying needs and lifestyles across the state, MPACT64 quickly reached consensus around the following funding priorities.

1. Multi-modal improvements to roadways, bike/pedestrian, and transit infrastructure
2. System preservation and annual maintenance
3. Safety improvements, including shoulders and passing lanes in rural areas
4. New capacity and managed lanes where appropriate

Revenue Strategies

The group discussed Mileage Based User Fees, expansion of the state sales tax to fuel, indexing of the motor fuels and a 10¢ gas tax increase. MMC also convened a metro area group to explore a Denver regional sales tax to pay for high priority regional and local roadway, transit and pedestrian and bicycle needs. Understanding that a Denver area vote for a regional sales tax could compromise the chances of a successful statewide funding question, MPACT64 members agreed to **first pursue revenues to address statewide needs**.

The attached chart shows the levels of funding provided by various revenue sources. MPACT64 members agreed that the motor fuels tax, while ultimately a declining revenue source, was the most suitable in the near-term because system users pay it. However, in November 2012, statewide polling changed the course of the discussion. The polling revealed that while a majority of Coloradans were willing to pay **up to \$90/year** for transportation improvements, and were particularly interested in enhanced transit (60% statewide), the vast majority were **unwilling to support any increase in the gas tax**. This included extending sales tax to fuels or indexing it to inflation. National polls have also found the majority of Americans unwilling to support gas tax increases. Surprisingly, the Colorado poll revealed that **a sales tax was the revenue source preferred by most voters**.

Option	Description	10 YR AVG	CDOT Annual	CITY/CTY Annual	TRANSIT Annual
Gas Tax	10¢ not indexed	\$264	\$158	\$106	NA
	15¢ not indexed	\$396	\$238	\$158	NA
	10¢ indexed	\$386	\$232	\$154	NA
	15¢ indexed	\$538	\$323	\$215	NA
Apply Sales Tax to Gas*	2.9% @ \$3/gallon	\$215	\$129	\$86	NA
	2.9% @ \$4/gallon	\$286	\$172	\$114	NA
General Statewide Sales Tax*	.5¢	\$432	\$173	\$115	\$144
	.7¢	\$605	\$242	\$161	\$202
	1¢	\$864	\$347	\$232	\$285

* State sales tax does not currently include a local share, allocation reflects possible 60/40 split

** State Sales tax does not currently include a local share, allocation reflects proposed 1/3 off the top for transit with 60/40 split on remainder

The urgency of Colorado's unmet state, local and regional transportation needs and recognition that gas tax is ultimately a declining and unpopular revenue source led to the tabling of further discussion around a gas tax increase. An earnest discussion around a sales tax began.

A Sales Tax for Transportation

MPACT64 members put forth a series of conditions under which they might support a sales tax for transportation as early as 2014.

1. **Rate:** a sales tax increase of .7% appears to be most broadly supported though some participants recommend considering a full 1%
2. **Single Question: Statewide, regional and transit funding** must be included in same measure
 - o Distribution between HUTF and Transit at **67% and 33%**
 - Transit distribution to transit agencies and interregional transit projects
 - HUTF distribution— **60%** to State, **22%** to counties, **18%** to municipalities
 - May need flexibility to determine formulas for distribution of 18% local share differently in each area of the state (e.g., population in metro but lane miles in rural areas)
3. **Specificity:** Any revenue increase must be dedicated to a broadly supported and specific list of projects.
 - o CDOT to provide list of projects
 - o MPACT64 participants to submit project lists developed by stakeholders within own regions, including roadway, transit and bike/ped
 - o Local communities encouraged to identify projects that could be funded/accelerated with their local share
4. **Transportation Lockbox:** No “off the top” diversions and revenues protected/dedicated to transportation only
5. **Sunset:** For a variety of reasons, many feel that any new sales tax for transportation must eventually sunset.
 - o Revenues are intended to **bridge the gap** between declining gas tax and implementation of a new sustainable revenue source (e.g., MBUF/VMT)
 - o Sunset important due to dependence of municipalities on sales tax
 - o **12-20 year timeframe to allow for bonding**
 - o Sunset timeframe dependent on tax amount and project lists

Distribution assuming .7% sales tax dedicated to transportation — with 33% for transit and 67% to the HUTF
 Typical HUTF split — 60% to the State — 22% to the Counties — 18% to the municipalities

Distribution Categories	Total	67% HUTF	33% Transit	60% HUTF to State	22% HUTF to Counties	18% HUTF to Municipalities
.7% Sales Tax Annual Statewide (10 Year Average)	\$605,000,000	\$405,350,000	\$199,650,000	\$243,210,000	\$89,177,000	\$72,963,000