



CDOT DEBT

The Colorado Department of Transportation (CDOT) currently budgets \$168 million annually to service debt on Tax Revenue Anticipation Notes (TRANS) issued during the Owens administration. This level of debt service will continue until 2016. These bonds were issued in order to build the I-25 Southeast Corridor through Denver (known as “T-REX”), including the light rail line running parallel to I-25. The same bonds also financed new transportation construction throughout other areas of the state. In 2017, payments drop to \$130 million, the year in which this outstanding debt will be retired.

Funds for annual payments come from the State’s gas tax and federal transportation revenues remitted to Colorado. The payments are mandated to be made before any money can be spent for operations, maintenance or construction. All this debt is contractual in nature. Investment banks will monitor the current outstanding debt and suggest refinancing if it is economically feasible to do so.

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While this level of debt service is large, it is not the major concern with CDOT debt. All the current outstanding debt was voted on by the people. In 2009, new legislation¹ reconstituted the Colorado Tolling Authority as the High Performance Transportation Enterprise and created a second enterprise called the Statewide Bridge Enterprise. Enterprise status enables the state to move significant categories of expenditures off

the books of state government operations, and thereby enables borrowing without a vote of the people.²

The Statewide Bridge Enterprise forecasts that revenues will exceed \$100 million annually after a three-year phase-in period. Elected officials raise these revenues from a surcharge, the Bridge Safety Fee, levied as part of the new vehicle registration fees. The enabling legislation is wrong in several ways. It is really a tax, not a fee. The charge is based on the weight of each truck and not on the frequency that any particular truck uses a Colorado bridge. As a tax, it required prior voter approval, which was never requested.

Nor is the so-called “Bridge Enterprise” really an independent enterprise under the constitutional definition. According to the state constitution, an “Enterprise” is a “government business receiving under 10% of annual revenue in grants from all Colorado state and local governments combined.”³ Examples of an Enterprise envisioned in TABOR would be a government-owned parking garage or a university dormitory, each functioning independently, and the cost of building and operating each facility funded directly by those who use it. The Bridge Enterprise is based on the erroneous concept that a surcharge collected as part of a general vehicle registration is somehow not government revenue collected at large and granted to the enterprise.

A hundred million dollars of annual revenue would allow the Bridge Enterprise to service an enormous amount of debt. One rule of thumb would place the estimate at 15 times the funds available to service the debt, or about \$1.5 billion. The state has transferred title to many bridges into the name of the Enterprise at this point. While the debt incurred by the Enterprise is “technically” not debt of the State of Colorado, if economic issues cause a potential default or cause other problems with the repayment process, the State of Colorado will be implicated.

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Perhaps the most disturbing aspect of this entire discussion of CDOT debt is the fact that major portions of the function of the agency are being moved “off budget” for the state. These enterprises are required to report to the state each year, but technically are not constrained by the legislature. If substantial debt is issued by either or both of these entities, the result simply will be a further reduction in trust in government.

ACKNOWLEDGEMENTS

We appreciate the substantial leadership and work contributed by **Dick Murphy**, who researched and authored this section. He has made a career as an institutional money manager and financial advisor, operating his own firm since 1991. He earned a Ph.D. in Economics from Iowa State University and taught at various colleges and universities before coming to Colorado in 1974. Dr. Murphy provided expertise in Colorado in public school finance, and under the tenure of different Colorado State Treasurers, managed the State Treasury from 1976 to 1980 and again in 2003-2004. Dr. Murphy managed institutional taxable sales and trading operations for regional brokerages before starting his own firm.

ENDNOTES

¹ Senate Bill 09-108.

² Defined in the Taxpayer’s Bill of Rights, Article X, Section 20 of the State Constitution (paragraph 2(d)), an enterprise is a government entity that receives less than 10 percent of its income from tax subsidies, and has the power to bond. It is meant to operate as a business. The 10 percent limit on tax subsidies is a total from all sources.

³ Taxpayer’s Bill of Rights, Article X, Section 20, paragraph 2(d).