



TRANS II - GET COLORADO MOVING!

*Financing and Accelerating the Next Generation of
Major Transportation Projects in Colorado*

By Senator Randy Baumgardner/Rep Brian DelGrosso

\$3.5 BILLION. STATEWIDE TRANSPORTATION PROJECTS. NO NEW TAXES.

TRANS bonding is the most effective use of one of Colorado's existing transportation funding streams. Leveraging today's revenue stream to accelerate investment in major infrastructure projects will enhance Colorado's economy, create and sustain jobs, and get Colorado moving.

The Challenge

The Colorado Department of Transportation recently released the 2040 Statewide Transportation Plan that is focused upon preserving and maintaining the existing highway system and helping drivers use them more efficiently. The plan does little to expand capacity, mitigate increasing congestion on Colorado's critical corridors or meaningfully address inefficient and crumbling infrastructure throughout the state. Shailen Bhatt, CDOT's Executive Director, understandably acknowledged that "Colorado needs to explore funding options and finance mechanisms to stretch dollars further, replace declining gas tax revenues, and reduce dependency on uncertain federal funding."

Currently, the only option to deliver large-scale, economically significant transportation projects is partnering with the private sector for the private financing of projects. To make the projects economically viable for the private sector, tolls will be utilized as the revenue stream. This option, however, is the most costly and financially inefficient means to deliver projects, ultimately resulting in fewer projects being built in the long term.

The Opportunity

Upon referral and voter approval in 2015, Colorado can generate \$3.5 Billion in funding by renewing the successful 1999 TRANS Bonding Program. With interest rates at their lowest in history, the state can bond against 50% of federal gas tax dollars to generate the approximately \$3.5 Billion in bond proceeds ... a lump sum which will be used to accelerate defined, and much needed, transportation projects throughout Colorado. In addition to over 30 important projects located in every region of the state, signature projects for TRANS II would be congestion mitigation of the I-70 Mountain Corridor and the North I-25 Corridor.

State financing (TRANS Bonds), versus private financing presents the least expensive and most financially efficient means to deliver projects.

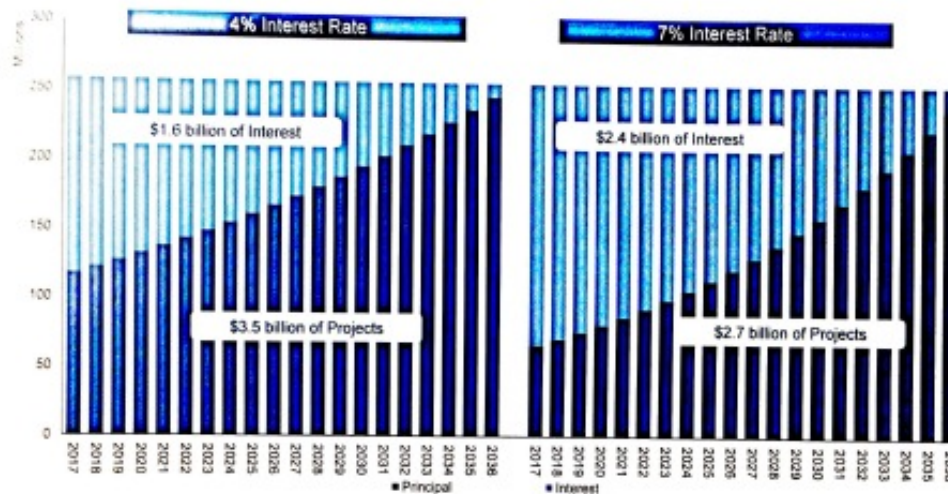
The History

In 1999, the legislature passed a referred measure to set aside 50% of federal gas taxes (14% of CDOT's total budget) to leverage a bond that generated \$1.7 billion. The proceeds accelerated 24 transportation projects throughout the state, including the I-25 T-REX project that was the signature project of the 1999 TRANS program. The 24 "7th Pot" Projects were "shovel-ready" projects defined by CDOT through their project prioritization process and deemed the highest priority. The referred measure passed with 62% of the vote. Final maturity of these bonds is 2017.

The TRANS II Rationale

- The Basics
 - No new taxes
 - Most effective and efficient use of federal gas tax
 - Lowest cost of money
 - Lock in low interest rates as soon as possible

- Forestall construction inflation
- Maximize the dollars available
- Accountability for funding
- State/CDOT has, and should continue to, set aside a portion of their budget to fund large, economically significant transportation projects.
- Provides ultimate flexibility to deliver state projects at the lowest possible cost
- Public bonds produce more projects per dollar than private sector bonds under P3 finance models because of the difference in available interest rates for state tax exempt bonds.
 - State tax exempt v. private sector financing
 - 4% state tax exempt interest rate v. 7% private sector rate
 - Secure \$3.5 B in proceeds for projects versus \$2.7B



- Transportation inflation costs exceed the 3-4% state tax exempt rate
 - 2014 Construction Cost Index: 4.8484
- Funding is concurrently allocated throughout the state to all types and sizes of projects
- Works with the full range of delivery methods including Public Private Partnerships (P3) and Design, Build, Operate, Maintain, among others
- Secure funds today in climate of potentially decreasing federal gas taxes

TRANS II – The elements

Aligned with 1999 TRANS, TRANS II will utilize 50% of federal gas tax revenue, or 14% of CDOT's total budget (approximately \$220M annually) for a 20-year bonding program to generate approximately \$3.5 Billion in funding. Important transparency and accountability measures will be included.

The TRANS II Projects

Projects funded by the TRANS II Program would be located throughout Colorado and include a mixture of project sizes. As was the case in 1999, CDOT has already identified \$2.93 billion in transportation projects that meet the following criteria: 1) the project or corridor is strategic in nature 2) it does not have significant construction funding already identified 3) must be able to begin construction within 5 years and 4) must be economically significant for the state and/or region in which it resides.

Why Now?

It is imperative that the TRANS II Bonding Program be pursued in 2015. With interest rates anticipated to be increased, the sooner we can get voter approval the sooner we can lock in the lowest interest rates which maximize the amount of the bonding proceeds that will fund critical projects. Additionally, because the TRANS II referred measure is a TABOR question, the issue is allowed on the off-election year ballot providing the advantage of no ballot clutter and a lower cost of delivering a voter campaign without increased election year advertising costs. 2015 is the ONLY year that TRANS II can happen.

For more information, please contact Sandra Hagen Solin, Capitol Solutions, shsolin@capitol-solutions.com or 303.810.1914.