



## Policy Brief: *State of Colorado is near the bottom in funding public transit*

January 30, 2016

Colorado invests just one twentieth of the national average and is ranked 29<sup>th</sup> in per capita investment in public transit

Lawmakers in Colorado are debating how to adequately fund transportation in Colorado. Much of the discussion has focused on revenue to maintain and expand highways.<sup>1</sup> However, it is important to understand the broader picture of how Colorado funds all types of transportation infrastructure. In this policy brief, SWEEP examines how the state funds public transportation and how this compares to other states.

Colorado has historically invested very little state money into public transit compared to other states. As shown below, Colorado state funding for public transit is only *one twentieth* of the national average, and is lower than nearby states such as North Dakota, Wyoming and New Mexico. At the same time, there is significant demand for additional investment in transit across the state, for improvements including rural transit services that provide lifeline access to medical care, as well as urban transit services.

The major source of state funding for the Colorado Department of Transportation (CDOT) is the state gas tax, which has not increased since 1992. Under current state law, this funding is limited to highway expenditures and cannot be used for transit.<sup>2</sup> However, nationwide, there are 20 states in which gas taxes are used to support public transit.<sup>3</sup>

The only consistent state source of transit revenue in Colorado is \$15 million per year coming from vehicle registration fees that was established as part of the 2009 FASTER state legislation. This is a fixed level of funding, rather than a percentage of the total collected, so each year it declines in buying power due to inflation. Compounding the published values for the consumer price index in the Denver-Boulder area, the buying power of FASTER transit revenues declined by 13 percent since the legislation passed in 2009.

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<sup>1</sup> <http://www.denverpost.com/2017/01/22/colorado-roads-tax-hike/>

<sup>2</sup> City and county governments, however, have been allowed to use their share of gas tax for transit since the passage of SB13-048, [http://www.leg.state.co.us/clics/clics2013a/csl.nsf/fsbillcont2/9D4690717C1FF9DC87257AEE00572392/\\$FILE/048\\_enr.pdf](http://www.leg.state.co.us/clics/clics2013a/csl.nsf/fsbillcont2/9D4690717C1FF9DC87257AEE00572392/$FILE/048_enr.pdf)

<sup>3</sup> Robert Puentes and Ryan Prince, The Brookings Institution, *Fueling Transportation Finance*, March 2003.

In addition, FASTER authorized the state to use toll revenues from a highway corridor to support all transportation modes in that corridor. To date, the state's High Performance Transportation Enterprise (HPTE), which administers toll lanes, has not spent any toll revenues to support transit. The HPTE has signed a Memorandum of Understanding with local governments along the U.S. 36 corridor committing that transit will be eligible for funding from toll revenues once the revenue hits certain targets, but that date is undetermined.

Besides FASTER, the state has some temporary sources of transit funds. In 2009, the legislature passed Senate Bill 09-228 authorizing a transfer of up to \$200 million a year of funds from the general fund to CDOT under certain conditions, and requires that a minimum of 10 percent be used for public transit.<sup>4</sup> However, there have only been two years since 2009 that the conditions have been met to allow the transfer, and future transfers are uncertain. The maximum amount that this could generate for transit in a single year is \$20 million.

Compared to other states, the level of state support for public transit in Colorado is one of the lowest in the country. In Colorado's Statewide Transit Plan, CDOT used information from the National Transit Database to compare Colorado's state funding for both capital and operations to the nation as a whole. Nationwide (including states that do not provide *any* support for transit), states on average provide 26 percent of the operating costs and 12 percent of the capital costs for transit.

At the time of the CDOT analysis, the state provided zero transit operating funding and only one percent of transit capital funding. Since then, investment in operating costs has gone up slightly but remains at less than one percent.

Another way to look at this issue is to ask what the state investment in public transit is in per capita expenditures. Colorado invests \$2.61 per person per year, less than one cent per day.<sup>5</sup> The average state invests \$53.90, or twenty times more than Colorado. The chart on the following page shows annual per capita transit investment by state.<sup>6</sup>

Colorado is ranked number 29 on the chart, with per capita investments below states such as Wyoming, Kansas, North Dakota and New Mexico. Colorado's investment is approximately 100 times lower than the leading states, which invest around \$250 per person each year in transit service.

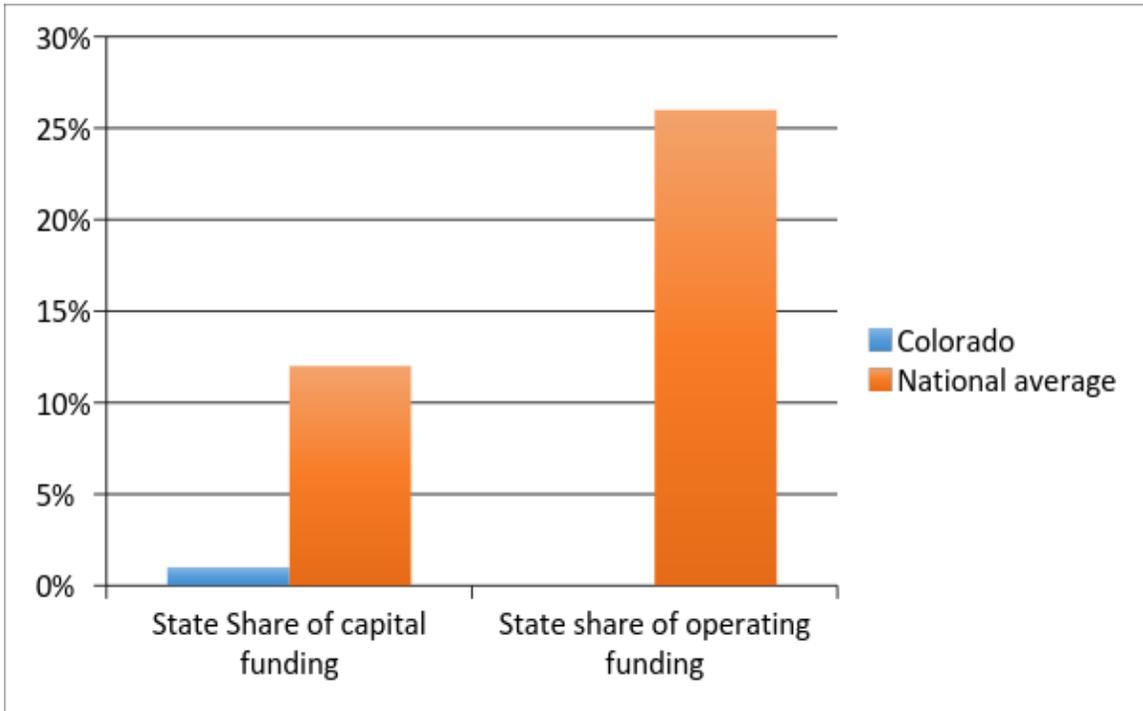
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<sup>4</sup> Under SB 228, the transfer is triggered when personal income growth exceeds 5% in a year, but is reduced in years when state revenue levels trigger a TABOR refund, and can be eliminated if the refund exceeds 3% of general fund revenues, <https://www.codot.gov/programs/planning/documents/stac-archives/2014-stac/march-2014/sb-228-memo>

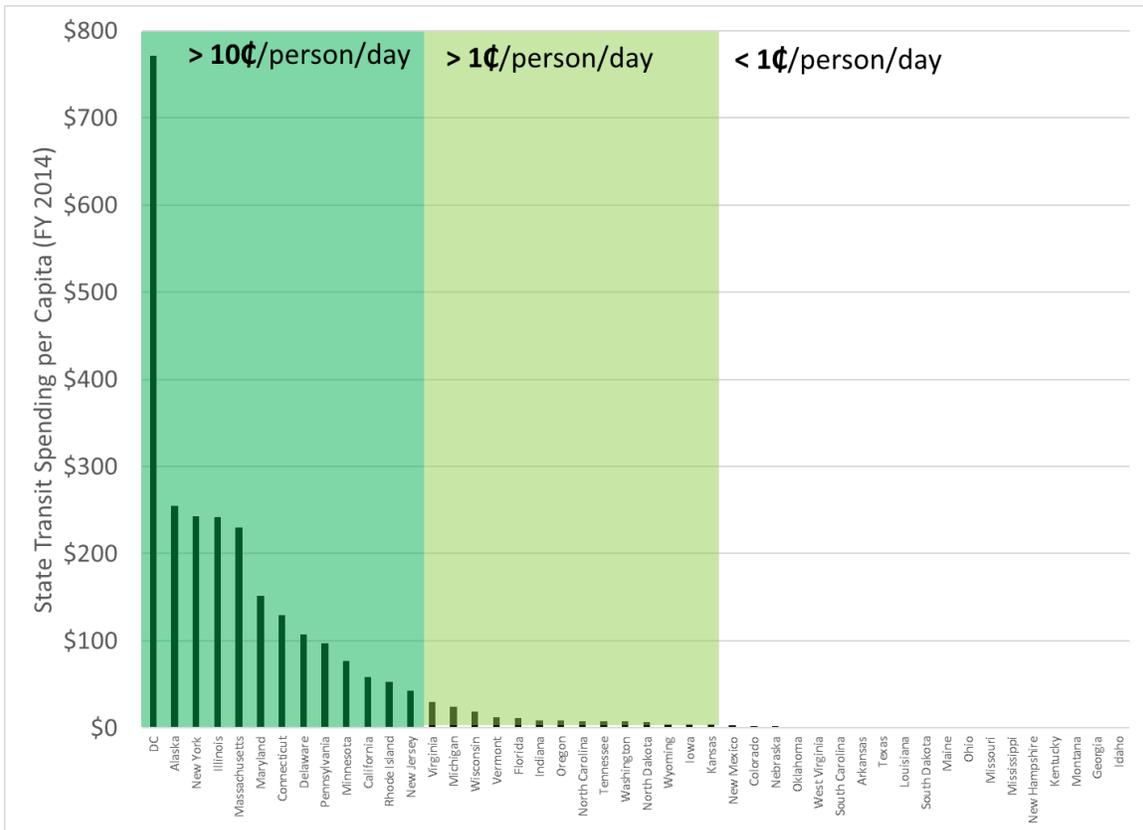
<sup>5</sup> American Association of State Highway and Transportation Officials, *Final Report 2016 – FY 2014 Data: Public Transportation: Survey of State Funding*, April 2016, <http://scopt.transportation.org/Documents/SSFP-10-UL.pdf>

<sup>6</sup> Source: Chart is extracted from *50 Steps Toward Carbon-Free Transportation: Rethinking U.S. Transportation Policy to Fight Global Warming*, Frontier Group, 2016.

Colorado funding for transit operations and capital compared to the national average



Annual per capita transit investment by ranked by state



## The funding gap for public transit in Colorado

The above analysis points out that Colorado ranks near the bottom in state funding for public transit. To some extent, local governments and regional transit agencies have stepped into this gap, raising local tax revenues to help fund transit. However, these local revenues have not been enough to meet the need for transit, leaving a large funding gap. Several studies characterize this gap in different ways, but all of them conclude that Colorado faces a public transit funding gap exceeding \$500 million per year. The CDOT Statewide Transit Plan, issued in 2015, identifies the following funding gaps:<sup>7</sup>

- \$107 million/year for rural transit funding (such as for access to medical care)
- \$900 million/year for transit needs in the Denver metropolitan area
- \$13 million/year in the North Front Range area
- \$5 million/year in the Pueblo area
- \$10 million/year in the Grand Junction area
- “Many millions” (unquantified) in the Colorado Springs area

A statewide transportation taskforce offered an earlier estimate in 2008. At that time, then Governor Ritter commissioned a blue ribbon panel, known as the Colorado Transportation Finance and Implementation Panel, which summarized its work in a 2008 Report to the public.<sup>8</sup> The panel graded Colorado’s transportation infrastructure, giving existing urban and rural transit a “C” and interregional transit a “D”. The report concluded that state funding of \$317 million per year was needed to bring inter-regional transit up to a bare standard of “C+”; \$72 million in annual state funds to match local investment in rural and urban transit to bring these up from a “C” to a “B”; and another \$632 million per year to multimodal corridor projects that combine highway improvements with transit.

Another recent estimate comes from a 2016 study conducted by the Colorado Public Interest Research group and the Southwest Energy Efficiency Project.<sup>9</sup> This study concluded that there was a statewide funding gap of \$574 million per year for public transit operations and capital order to provide basic levels of rural transit service and interregional service, and to improve transit service in urban areas statewide.

<sup>7</sup> CDOT Statewide Transit Plan, Chapter 6 Funding and Financial Outlook, pages 97-99, figures annualized, [http://coloradotransportationmatters.com/wp-content/uploads/2015/03/SWTP\\_Final\\_Chap6\\_Funding-and-Financial\\_March2015\\_web.pdf](http://coloradotransportationmatters.com/wp-content/uploads/2015/03/SWTP_Final_Chap6_Funding-and-Financial_March2015_web.pdf)

<sup>8</sup> *A Report to Colorado*, Colorado Transportation Finance and Implementation Panel, January, 2008

<sup>9</sup> Katz et al, Colorado’s Transit, Biking and Walking Needs Over The Next 25 Years, SWEEP/COPIRG 2016, <http://www.swenergy.org/data/sites/1/media/documents/publications/documents/COPIRG-Transit-Report.pdf>

## **New state transportation funding should meet the broad multimodal transportation needs of our residents**

This analysis clearly shows that Colorado is well below the norm for state funding for public transit, and summarizes analyses that demonstrate that public transit in Colorado is underfunded by at least \$500 million per year. Note that if Colorado were to fund public transit at the national average of \$53.90 per year, transit revenue would increase by \$277 million, filling half of the funding gap.

While the state is not solely responsible for transportation investment – local and federal funding play a big role – it is a crucial partner for implementing good public transit, bicycle and pedestrian infrastructure, in addition to highways.

In the last two years, state lawmakers have introduced several pieces of legislation and proposed ballot issues to increase transportation funding, although none were approved. In 2016, the two proposals to increase state funding that received the most attention were a proposal to issue \$3.5 billion in bonds and another to raise the state sales tax by \$670 million per year. Unfortunately, neither of these proposals provided significant funding for transit, walking or biking.

This type of highway-oriented funding will not adequately address the diverse transportation needs of Colorado. Any new transportation funding, whether implemented through legislation or by ballot, should include meaningful funding for all modes.

The Southwest Energy Efficiency Project is a public interest organization dedicated to advancing energy efficiency in Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. For more information, visit [www.swenergy.org](http://www.swenergy.org).

SWEEP's Transportation Program seeks to identify and promote the implementation of policies designed to achieve significant energy savings and reductions in emissions from the transportation sector. SWEEP's work focuses on two general strategies: reducing vehicle miles traveled and improving vehicle fuel efficiency.

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