INTRODUCTION

The Denver region has relied heavily on traditional federal and state funding sources to fund transportation improvements. To respond more rapidly to growing transportation needs in the last 10 years, other revenue sources and mechanisms have been put in place to supplement the traditional sources, and a Regional Transportation District (RTD) was created with specific authority to levy taxes and collect funds in the district. Recently special districts have been authorized and implemented by Colorado statute that allows the collection of taxes for unique capital infrastructure purposes, including transportation, within the geographic bounds of the district. Although these districts are public entities, they generally are operated by developer interests and provide a unique vehicle for the private sector to supplement traditional transportation funding sources.

Despite the traditional funding sources and supplemental sources, funds for needed transportation improvements are not adequate to meet current and future demand for transportation facilities. In recognition of this problem, the Denver Regional Council of Governments (DRCOG) has been involved in identifying and seeking acceptance of additional local and state funding sources for transportation improvements. This paper summarizes that process.

TRADITIONAL FUNDING SOURCES

The principal sources for funding highway improvements in the Denver region and the state of Colorado are the traditional federal funding sources, including Interstate transfer, Interstate 4R, and primary, secondary, and urban system funds. In fiscal year 1985, these sources provide about $233 million. The State Highway User's Tax Fund (HUTF) is derived primarily from the collection of 12 cents per gallon on motor fuel, supplemented by vehicle registration fees and driver's license fees, and is the principal source of state funds for highway transportation needs. In fiscal year 1985, the Highway User's Tax Fund will produce about $320 million. The funds are used for varying transportation-related activities as follows:

- Administration, state patrol: 17 percent
- Maintenance and operation: 34 percent
- Passthrough to cities and counties: 32 percent
- Capital projects: 17 percent

The funds allotted for capital improvements, currently $54 million, go entirely for matching traditional federal funding sources. It should be noted that substantial funds, under the term "Administration," are used for other than direct highway activities. For example, operation of the State Highway Patrol is funded from the Highway User's Trust Funds, as is trucking regulation and operation of weigh stations.

In an attempt to replace certain funds taken from the Highway User's Trust Fund for other activities, the legislature authorized transfer of sales-tax revenues from transportation-related items from the general fund to the Highway User's Trust Fund. This 1979 authorization is known as the Noble Bill and is due to expire on July 1, 1986.

Of the $290 million available annually for transportation capital projects from federal and state sources, it is estimated that the Denver region receives approximately 40 percent, and collects approximately 55 percent of the motor fuel taxes. With the completion of the Interstate system in the Denver region, it is anticipated that funds made available from state and federal sources may drop to as low as 35 percent by 1990.

In municipalities the sales tax is the principal source of revenue for a wide variety of needs, including transportation. The property tax is the principal general funding source in counties.

DISTRICT FUNDING SOURCES

Regional Transportation District

In 1969 the Colorado General Assembly created the Regional Transportation District and activities were initiated in 1974. This District was created as a political subdivision of the state, with the duties, privileges, immunities, rights, liabilities, and disabilities of a public body politic incorporated to develop, maintain, and operate a mass transportation system for the benefit of the inhabitants of the District. RTD has continued in existence since that time.

Legislation establishing RTD provided a strong, but not entirely adequate, funding base for the District. Currently, RTD has access to five different sources of revenue that include the sales tax, federal grants, operating revenues, interest income, and property taxes. RTD levies a sales tax of 0.6 percent on all commodities, with the exception of food, utilities, and motor fuel. The sales tax is used to provide revenue to finance the operations of the District, defray the cost of construction of capital improvements and acquisition of capital equipment, and pay the interest and principal on the District's securities. The sales-tax revenues yield approximately $70 million annually. In addition to the 0.6 percent sales tax, the legislature has also granted RTD the power to levy an additional sales tax. If the District's electorate should give their approval, RTD could levy an additional districtwide sales tax not to exceed 1 percent. Of this amount, 13 percent could be used for any purposes of the original sales tax, while 87 percent would be used for implementation of a fixed-guideway mass transit system. In the enabling legislation of 1969, RTD received power to levy a property tax. This authority is limited to a maximum of $500,000 and can be levied for no purpose other than for the payment of any annual deficit in the operation and maintenance expenses of the District. The property tax has not been used yet. Annual federal grants of approximately $13 million, annual operating revenues of $18 million, and yearly interest income of $6 million are also funds available to RTD.
In 1972 RTD was also given power by the voters to issue up to $425 million in revenue bonds, backed by sales-tax receipts, to finance the development of a multimodel transportation system. Approximately $45 million of bonds have been issued at this time.

Metropolitan Districts

In 1981 the Colorado Special District Act was enacted, authorizing the creation of metropolitan districts that provide two or more of the following services: fire protection, mosquito control, parks and recreation, safety protection, sanitation, street improvement, television relay and transportation, and water. Formation of a metropolitan district is conditioned on the submittal of a service plan to the Board of County Commissioners. The service plan includes:

- A financial survey
- An engineering survey showing how the services will be provided and financed
- A map of the proposed district boundaries
- Estimates of the population and assessed valuation
- A description of the facilities to be constructed
- A cost estimate

The Board of County Commissioners may approve, with conditions, or disapprove the service plan and its compatibility with other services and plans. When the service plan is approved, a petition signed by 100 persons, or 10 percent of the qualified voters, is filed in District Court. A public hearing is held by the court on the formation of the District, and an election is held to approve the formation and elect five directors for the Special District.

The Special Districts have many of the same powers as municipalities. Among these are powers to enter into contracts and agreements to issue bonds, including revenue bonds; charge and set fees, rates, tolls, and so forth that can constitute a lien on property served; employ staff or consultants; acquire property; and furnish services and facilities outside its boundaries. In addition a metropolitan district may provide traffic control devices; enter into agreements with counties, the Colorado Department of Highways (CDH), or railroads; provide street or transportation improvements; use the power of eminent domain; or provide public transportation services. The Special Districts have power to levy and collect ad valorem taxes on all taxable property in the District, create reserve funds, issue negotiable coupon bonds, issue tax-exempt revenue bonds, and deposit money. Local streets and roads have been particularly important points of cooperation for local jurisdiction roadways that carry the bulk of traffic between and through major communities within the region. The greatest gap between revenues and expenses was projected for these metropolitan districts in funding major arterial and freeway improvements. The Joint Southeast Public Improvement Association (JSPIA) was founded in April 1982 as a cooperative association among Special Districts. By the end of 1985, this association expects to have completed a 10-year, $20 million worth of roadway improvements south of Denver in the I-25 corridor.

In addition to these projects, JSPIA's individual member districts have their own slates of smaller-scale projects, the cost of which is not shared by the association in accordance with their ordinary responsibilities as metropolitan districts. A unique facet of JSPIA is that its mission is to fund off-site improvements that are not necessarily located in each particular member's district but believed to have indirect benefits to all.

In addition to the Special District funding, municipalities and counties use a wide variety of mechanisms, including dedications and tax-increment financing, to fund certain public improvements in their jurisdictions.

PROCESS UNDER WAY TO DEVELOP ADDITIONAL FUNDING SOURCES FOR TRANSPORTATION CAPITAL NEEDS

Despite traditional sources, the funds made available to RTDs for transit, and contributions of the private sector through Special Districts to provide for transportation improvements, an approximate $3.6-billion gap in the funding of needed transportation improvements through the year 2000 has been estimated. This funding shortage has led DRCOG to initiate a process to identify additional funding sources and secure their use.

The Regional Transportation Plan (RTP), adopted in January 1983, identified a substantial deficit in available resources, compared with the costs of projects needed to provide for minimal improvements in mobility. While serving as the stimulus for the process to secure additional funding, this admonition was not new. It has been found in all previous plans prepared for the Denver region. Supporting this statement was the realization among representatives of local governments involved in the allocation of Federal Aid Urban System funds that the amount of federal funding available clearly would not do the job. Concern over initial proposals by the federal government to dispense urban system funding supported the need for local governments to investigate additional sources of needed transportation improvement funds.

In 1983 DRCOG initiated a study to better define the transportation funding gap, examine revenue sources and funding mechanisms, and develop initial recommendations regarding additional funding sources and mechanisms. The study report, "Financing Transportation Capital Projects in the Denver Region," prepared by Cambridge Systematics, Inc., was completed in January 1984. After reviewing a substantial list of possible funding and financing options, the report made a number of specific recommendations. More important than the specific recommendations were the fundamental concepts embodied in these recommendations. They can be summarized as follows:

1. Traditional financing sources must be relied on if the level of funding necessary is to be achieved. While the study recognized the wide variety of more exotic taxing and financing schemes, such as developer taxes, value capture, parking taxes, hotel occupancy taxes, and so forth, that could be implemented, it emphasized that traditional funding sources, such as motor fuel taxes, sales taxes, and vehicle registration, were the only tax vehicles that could provide the magnitude of funding necessary.

2. There is an urgent need to develop an additional funding source for regional roads, for example, those local jurisdiction roadways that carry the bulk of traffic between and through major communities within the region. The greatest gap between revenues and expenses was projected for these...
roadways. This gap reflects the need, inadequacy, and precariousness of authorization of Federal Urban System Funds, the only federal source funds for such roadways.

3. A joint transit and highway transportation funding effort is preferable to individual modal actions. The study recognized the mutually supportive aspects of these two modes of transportation, and strengthened the notion that if transit service was not appropriately provided, far more in the way of highway funding would be necessary to satisfy the travel demands in the region. This was relatively straightforward, needs at the local level were also considered, an attempt was made to estimate the relative value of needs on collector and local service roadways. While the determination of RTP needs was relatively straightforward, needs at the local level were more difficult to ascertain, so their level of needs was estimated by projecting sample situations.

4. Jurisdictions should not be legislatively inhibited from pursuing policies to make more efficient use of available public and private financial sources. The study highlighted specific needs for changes in legislation to allow urbanizing counties to levy increased sales tax and to levy taxes only for the unincorporated portions of the county. Other secondary action recommendations included the imposition of consistent developer fees across the region, the leasing of air and ground rights-of-way, an intergovernmental strategy for advance right-of-way reservation and acquisition, a regional road fund pool, a state loan bank, and joint development along rapid transit corridors.

This capital financing study, prepared with the assistance of a broad-based group of private and public sector individuals, provided the foundation for the work under way in the Denver region by the DRCOG Transportation Finance Task Force to establish specific financing recommendations and develop a base of political support for these recommendations. The task force, comprised of local and state elected officials and private sector representatives, has been meeting regularly since early October and is expected to produce recommendations in December.

The next steps in the process include securing the approval of the recommendations by the state legislature and getting the public to accept them.

ISSUES IN THE DEVELOPMENT OF FUNDING AND FINANCING RECOMMENDATIONS

The selection of funding sources and financing mechanisms involves the consideration of a number of factors that may be considered individually, but in the end must be considered collectively in developing acceptable recommendations. The needs to be addressed are benefits, funding base source funds, administration of fund collection and distribution, legality of the funding source, equity, political acceptability, basis of support for the recommendations, benefits resulting from the recommendations, and the financing mechanism. In developing recommendations for the Denver region, the consideration of each of these factors produced issues that needed to be resolved.

Needs To Be Addressed

Most transportation engineers believe the need for additional transportation funding is obvious; however, this is not always the case with decision makers and the public. The magnitude is not always apparent. To provide a firm base for the development of the funding recommendations, the magnitude of needed transportation expenditures was established. While this may appear to be a relatively simple process, certain issues arose in the development of need.

At issue initially was the extent of needs to be addressed. Consistent with the overall goal of implementing RTP, need was focused on RTP projects. To ensure that local needs were considered, an attempt was made to estimate the relative value of needs on collector and local service roadways. While the determination of RTP needs was relatively straightforward, needs at the local level were more difficult to ascertain, so their level of needs was estimated by projecting sample situations.

Another issue was whether needs should include both capital and maintenance. Inasmuch as maintenance needs were extremely difficult to identify at local and state levels, the decision was made initially to limit needs to capital projects. During the task force deliberations, the question of funding maintenance needs was raised again. CDH, with the help of DRCOG, provided an estimate of the level of maintenance funding required annually through the year 2000. The issue of including maintenance in the funding proposal has not been fully resolved. It is anticipated that only a capital funding proposal will evolve from the task force with maintenance left to be addressed by CDH and the state legislature. This position reflects the priorities of local government relative to raising additional funds and suggests that maintenance should continue to be funded in the traditional manner.

Similarly, funding of highway and transit needs was an issue in the task force. Disagreement among the RTD Board of Directors, DRCOG, and CDH over the extent of the future-year transit system and the appropriate technology has somewhat clouded the prospects of the financing proposal to be a combined transportation proposal. The RTD Board has viewed the Transportation Finance Task Force activities as a mechanism for eliciting a premature response as to the future nature of the transit system from the RTD Board, and has been reluctant to identify any specific projects to be funded or sanction a combined transportation proposal. It is anticipated that the RTD Board will make a decision in sufficient time to allow greater specificity in improvements to be made public and agree on a combined transportation highway and transit proposal. Tied to this issue is the potential for upward revision of highway needs if the level of transit service anticipated in the regional plan is not implemented by RTD. This level of need was not initially identified in the study, since the objective of the study was to implement the regional plan. Later in the process, this level of funding was estimated.

Associated with justifying the need for additional transportation revenues was the recognition that transportation needs were in competition with other infrastructure, social, and educational funding needs. No attempt was made to consider these demands directly relative to transportation needs, leaving this for either legislative debate or voter decision.

Benefits of Additional Funding

At the beginning of the task force process, it was decided that if political and public support was to be gained, the public must know what they would be getting with the additional funds. A listing was prepared of specific projects to be constructed if the additional funding was provided. These projects were developed on the basis of technical criteria that included severity of current problems, use in the year 2000, route continuity, and cost-effectiveness. The improvement list was reviewed with CDH to ensure its acceptability. Because the RTD Board is in the process of reviewing the previous Board's decision relative to a fixed-guideway transit system, no specific transit projects have been identified at this time. It is anticipated that these projects will be better defined by January 1985, in time for possible presentation to the legislature by spring of 1985.

Establishment of Funding Base

Of key concern in developing the funding level needed to fund projects in the Denver region was the establishment of expected resources from federal and state sources to be used in the Denver region, and, based on past experience, this level was assumed to be constant in the future. While the task force has implicitly accepted this position, the State Highway Commission has not adopted such a policy. If this funding base is eroded, even if the recommendations should be implemented, the funds available will not be adequate to meet the region's needs.
Funding Sources

While a number of potential funding sources were identified, few of these sources, with the exception of what might be termed traditional sources, can provide the level of funding needed. The funding recommendations were focused primarily on traditional sources of funds, such as motor fuel tax, sales tax, vehicle registration, and income tax.

Unfortunately, the sales tax that was recommended as the principal source for regional road needs in the capital finance report is coveted by local governments for a variety of local needs, as well as by the state for the possible funding of educational and other statewide needs. The Transportation Finance Task Force clearly identified this conflict and appears to favor only a sales tax on motor fuel as a possible sales tax source.

The geographical unit on which these taxes were to be levied was to be addressed also. It was the initial recommendation of the CSI capital finance report that funding sources be identified for three specific funding tiers. These included the state highway system in the Denver region, regional traffic-serving roadways under the jurisdiction of counties and municipalities, and subregional local traffic-carrying roadways under the jurisdiction of counties and municipalities. With respect to the state highway system, it was recommended in the capital finance study that taxes levied for support of improvements to these facilities be levied only in the Denver region, and funds levied in the region be retained 100 percent for the region without distribution to other parts of the state. This recommendation attempted to focus the incidence and benefits of the tax primarily on the area of need and on the principal users of the facilities. While this approach has appeal, it appears to be viewed negatively by members of the State Highway Commission, who reason that it could preclude the possible levying of additional funds on a statewide basis. It appears that the funding proposal for state highways will include the entire state.

Administration, Equity, and Legality

The manner in which funds are to be collected and distributed was also an issue. The ability to use mechanisms already in place that could collect the additional funds and distribute them, as opposed to creating an additional administrative mechanism to accomplish this purpose, is a key consideration. Tied to this is the question of legality of tax administration. Also of concern was the equity in the distribution of the funds collected. Existing state sources of collection and distribution appear to be preferred. A committee to establish project priorities and funding approval similar to the DRCOG urban system allocation process seems to have some support.

Acceptability

The manner in which the additional funding would be viewed and accepted by taxpayers was also considered. Implicit in the task force deliberations was the desire to include projects in the improvement package to ensure that all areas of the community would receive benefits from the proposal. The inclusion of a transit system, for example, would provide additional mobility in an area where roadway improvements were expected to be minimal.

In addition, the perceived impact on taxpayers was considered in the identification of potential revenue sources. Unfortunately, the sales tax that was perceived to have a perceived level of acceptability. A sales tax on gasoline—removing exemption of motor fuel—was suggested to be limited to 3 percent, which is consistent with sales tax on other commodities. The motor fuel tax per gallon was limited relative to what was perceived to be an acceptable upper limit.

The manner in which the funding proposal would be viewed in the state legislature is also of consideration—regional versus statewide taxation. The statewide approach for state highways and a regional approach for regional roadway needs appear to be the more politically acceptable.

Financing Mechanism

While state statutes allow the highway department to issue highway anticipation warrants, the low interest rates authorized effectively negate any possibility for a bonding-type approach for highway improvements. The possibility of bonding was considered by the task force. The Colorado State Legislature's substantial resistance to a bonding mechanism was stated as the principal reason for not pursuing this approach for highway projects. The proposals developed for funding highway projects will apparently be on a pay-as-you-go basis. It should be noted that RTD has the authority to issue bonds.

FUNDING RECOMMENDATIONS

Tables 1-3 identify the preliminary recommendations suggested by DRCOG staff and its consultant, Browne, Bortz, and Coddington, based on the task force's advice. The task force is expected to have reviewed and taken action on these recommendations before the November 1984 TRB conference on local transportation financing techniques. At the state level, an additional 5.4 cent motor fuel tax per gallon is recommended. The recommendation builds on a traditional source with a strong direct relationship to benefits. Particularly there are the additional recommendations that call for the continuance of historical allocations to the region, as well as for the continuation of the passthrough of funds to cities and counties. In providing additional funding for purely local needs, it is hoped support will be generated at the local level. The recommendation that resources provided by the Noble Bill should be maintained is important, and a major assumption of the recommendations. Consistent policy relative to developer contributions is included also. The ability to acquire needed rights-of-way in anticipation of future construction is highly recommended. Though not discussed with any degree of detail, the recommendation that the ton-mile tax be investigated as a possible revenue source to help cover road maintenance and reconstruction costs is significant. The ton-mile tax could face substantial opposition from trucking interests, and it has not been considered as a primary recommendation.

At the regional level, a special tax on motor fuel, additional vehicle registration fees, or a combination of the two is recommended as the principal fund-raising source. Motor fuel is now exempt from the sales tax, and the bulk of the return would be provided by lifting the exemption. The additional recommendations are also important. An allocation mechanism is called for similar to the current DRCOG Federal Aid to Urban Systems project selection process. The mechanism would ensure that the funds would be used by the RTP.

Recommendations for transit are principally the sales tax increase as well as an employee head tax.

The intent of the effort is to combine the transit and highway funding strategies into a total transportation financing package.

CONCLUSION

The task force will make its final recommendations. These will be reviewed by DRCOG's Transportation Committee and forwarded to the DRCOG Board for approval. The next step will be packaging the recommendations for presentation to appropriate legislative committees. Assuming legislative approval, the final step is an appeal to the public, perhaps culminating in requesting voter approval.
### TABLE 1  Suggested State Financing Strategies

<table>
<thead>
<tr>
<th>Recommended Source</th>
<th>Total Current Rate</th>
<th>Additional Rate Required</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motor-fuel tax</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(per gallon)</td>
<td>12 cents state</td>
<td>5.4 cents</td>
<td>Traditional mechanism used for state funding. Strong direct relationship with benefits. Would need to be indexed to reflect inflation.</td>
</tr>
<tr>
<td></td>
<td>9 cents federal</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Alternative Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special sales tax on motor fuel</strong></td>
<td>No current</td>
<td>5.3 percent</td>
<td>Better revenue generator than per gallon tax but would require new legislation. Direct relationship with benefits.</td>
</tr>
<tr>
<td><strong>Registration fee</strong></td>
<td>$54</td>
<td>$29</td>
<td>Traditional mechanism used for state and local funding. Direct relationship with benefits. Fee would need to be indexed to inflation. Major increase in existing rate.</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>2.6 percent</td>
<td>0.3 percent</td>
<td>Good state revenue source, but not earmarked for special purposes. Little relationship with benefits.</td>
</tr>
</tbody>
</table>

**Additional Recommendations**

- **Regional HUTF share**
  - It is recommended that a statewide tax or fee be assessed, with historical allocations maintained for both the regional project share and also city and county passthroughs for the Denver Metropolitan Area (DMA). With these historic allocation percentages, the rates indicated would generate adequate funding for DMA state project shortfalls and an annual passthrough of $11 million for DMA cities and counties, approximately 1/3 of the total nonregional shortfall.

- **Noble Bill funds**
  - It is recommended that the resources now provided by the transfer of sales-tax revenue to the HUTF be maintained after fiscal year 1986, either through continuation of the transfer authorization or its replacement by alternative revenue sources.

- **Anticipation notes**
  - It is recommended that the state legislature enable CDH to take advantage of debt financing, as appropriate, through federal reimbursement anticipation notes. These debt instruments can be backed by expected flows of federal funds already committed for Interstate, primary and secondary roads.

- **Developer contributions**
  - It is recommended that the Colorado Highway Commission and CDH extend the current policy directive on private funding for state highway projects. Specifically, consistent guidelines for determining the appropriate level of developer contributions should be developed and publicized to more equitably assist the funding of those state highway projects where there are identifiable land development benefits.

- **Joint development**
  - It is recommended that CDH vigorously pursue opportunities for the leasing of air rights or ground rights for land over, adjacent to, or under state highways. This could occur through a review process to assess opportunities associated with planned, but not yet built, major projects.

- **Right-of-way acquisition**
  - It is recommended that a process be set up so that CDH, cooperatively with counties and municipalities, can develop a long-range strategy for advance rights-of-way acquisition and reservation in corridors in which future major regional highway facilities are to be located. After this process is set up, private developer contribution of this right-of-way may be required, depending on guidelines that should be established by CDH. The actual advance acquisition or reservation should be done at the local level, utilizing local land use and zoning powers.

- **Ton-mile tax**
  - It is recommended that the ton-mile tax be investigated as a means to help cover road maintenance and reconstruction costs. Fair-share contributions from truck and railroad assessments might be appropriate for ongoing maintenance expenses and grade separation projects.
### TABLE 2  Suggested Regional Financing Strategies

<table>
<thead>
<tr>
<th>Recommended Source</th>
<th>Total Current Rate</th>
<th>Additional Rate Required</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special sales tax on motor fuel</td>
<td>No current</td>
<td>3.0 percent</td>
<td>Good revenue source that keeps pace with inflation. Strong direct relationship with benefits. Would require special legislation. More easily administered on regional basis than per gallon tax.</td>
</tr>
<tr>
<td>Vehicle registration</td>
<td>$54</td>
<td>$7 annually</td>
<td>Good revenue source. Value-based tax would keep pace with inflation and be more progressive. Direct relationship with benefits. Common local source collected by counties, but regional tax would require special legislation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternative Sources</th>
<th>Total Current Rate</th>
<th>Additional Rate Required</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>General sales tax</td>
<td>6.6 percent</td>
<td>0.3 percent</td>
<td>Good revenue source, but increasingly competitive use by other governmental agencies. Yield rises with inflation. Indirect relationship with benefits. Would require special legislation.</td>
</tr>
<tr>
<td>Motor fuel tax (per gallon)</td>
<td>12 cents state</td>
<td>4.4 cents</td>
<td>Traditional source for state highway funding. Administration difficulties because current tax collected from distributors. Would require special legislation. Would need to be indexed to reflect inflation.</td>
</tr>
<tr>
<td>Income tax</td>
<td>2.6 percent</td>
<td>0.2 percent</td>
<td>Traditional revenue source for state general fund. Major constitutional and legal barriers for local use. Yield rises with inflation, but little relationship with benefits.</td>
</tr>
</tbody>
</table>

### Additional Recommendations

#### Allocation mechanism
It is recommended that revenue from the regional tax for roads be distributed for funding designated projects on the Regional Transportation Plan according to a committee process modeled after the current regional Federal Aid Urban Systems funding committee, with representation from each local government jurisdiction in the region.

#### Regional fund pool
It is recommended that the possible formation of a regional transportation infrastructure pool be explored. Tax revenue for regional roads could be initially channeled through such a pool to facilitate allocation decisions. A revenue pool might also help reduce debt costs for some city and county governments. In any case, it could provide a central mechanism for distributing the recommended regional tax revenues for financing regional road projects.
### TABLE 3  Suggested Transit Financing Strategies

<table>
<thead>
<tr>
<th>Source</th>
<th>Current Rate</th>
<th>Additional Rate</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommended Source</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General sales tax</td>
<td>6.6 percent</td>
<td>0.5 percent</td>
<td>Combined sales and employee head tax would spread burden among residents and businesses benefiting from transit development. Combination could also lessen cumulative impact of individual tax increases and strengthen political support.</td>
</tr>
<tr>
<td>Employee head tax (per month)</td>
<td>$4 (Denver)</td>
<td>$3</td>
<td></td>
</tr>
<tr>
<td><strong>Alternative Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General sales tax</td>
<td>6.6 percent</td>
<td>0.8 percent</td>
<td>Good revenue potential. Expansion of current tax. Few legal or administrative barriers, but increasingly competitive. Required rate from single source could be high.</td>
</tr>
<tr>
<td>Employee tax</td>
<td>$4 (Denver)</td>
<td>$8</td>
<td>Administrative difficulties and limited revenue potential if not indexed to inflation. Required rate would triple existing tax. Related to benefits for commuters.</td>
</tr>
<tr>
<td>Income tax</td>
<td>2.6 percent</td>
<td>0.5 percent</td>
<td>Common state source that rises with inflation. Major legal and political difficulties exist for regional applications.</td>
</tr>
<tr>
<td><strong>Additional Recommendations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal funding</td>
<td>It is recommended that the transit financing plan reflect the assumption that no federal funding will be available for construction of a transit system. While federal support should continue to be sought, current federal policy and likely future funding positions of UMTA make the possibility of federal grants remote.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value capture</td>
<td>It is recommended that value capture funding mechanisms be used to recognize the benefits attributable to transit system development that will accrue to property owners in the vicinity of the corridors. Legislation should be enacted to enable RTD to engage in establishing special assessment or tax increment financing districts at proposed station locations, engage in air- and ground-rights leasing along rights-of-way, and engage in land banking for joint property development adjacent to stations.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>