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FASTRACKS FLAW

BALLOT INITIATIVE COULD MEAN PERMANENT TAX INCREASE

DENVER, CO—Metro-area taxpayers could see a permanent—not a temporary—.4% increase in their sales tax rate if voters pass RTD's FasTrack's proposal this November, according to an analysis by State Treasurer Mike Coffman.

"There is a technical flaw in this proposal that could allow RTD to continue the .4% tax increase indefinitely," Coffman commented today.

Coffman's analysis does not address the question of whether or not the $7 billion FasTrack's program would be a potential solution for the Denver Metro area's transportation woes, but focuses on the financial mechanics of the plan. After reviewing the proposal's language, Coffman noted what he sees as a "technical flaw" in the proposal, leading the Treasurer to announce his opposition to the 2004 ballot initiative.

Based on Coffman's analysis, the proposed tax increase to fund the FasTracks program contains no substantive sunset provision. Instead, the ballot language as approved by the General Assembly permits the RTD board to lower the tax rate at its discretion once all the bonds are paid. The district then may keep the tax in place to pay all costs "necessary for the continued operation of the system."

This language led Coffman to conclude that the tax could in fact become a permanent .4% increase in the district's sales tax rate. "I fully understand that RTD could lower the tax when the bonds are fully repaid but I have been in government long enough to understand that 'trust me, I'm from the government,' just isn't credible," Coffman commented. "The tax increase should end as soon as the bonds are paid off and the bonds should be paid off as soon as possible."
According to Coffman, mass transit, as proposed in FasTrack's, requires a significant subsidy by the taxpayers to both build and operate. Allowing the RTD board to decide whether to continue the tax after repayment of the bonds is a recipe for inefficient government.

"A clear sunset provision would pressure RTD to operate the system as efficiently as possible, because it will be forced to go back to the taxpayers to justify any level of operational subsidy," Coffman explained.

The lack of a clear sunset provision is just one potential exposure to taxpayers that Coffman has identified. The "operation of the system" provision also could allow RTD to use the proceeds of the tax to fund other operations within RTD not related to FasTracks. The result, according to the Treasurer's analysis, is that RTD has no incentive to increase efficiency or to make the most of the taxpayer's dollar.

Coffman's recommendation to RTD is to go back to the General Assembly with revised language that is both fair to the taxpayers of the district and meets the mass transit needs of the Metro area. "This proposal is not in the best interests of the taxpayers of the district," Coffman concluded.