Initiative 175: Redirect State Funds to Roads

Placed on the ballot by citizen initiative • Passes with 55 percent of the vote

Initiative 175 proposes amending the Colorado Constitution to:

- require that certain motor vehicle-related state taxes and fees are only used for road construction and maintenance projects, and to fund the Colorado State Patrol.

What Your Vote Means

YES

A "yes" vote on Initiative 175 redirects and dedicates certain motor vehicle-related taxes and fees away from other programs and towards roads and road safety.

NO

A "no" vote on Initiative 175 means that the state and local governments maintain their existing authority to determine funding levels for transportation and other programs.

Summary and Analysis of Initiative 175

What does the measure do?

Initiative 175 amends the state constitution to require that the state and local governments spend certain motor vehicle-related taxes and fees exclusively on roads and road safety. These include all state sales and excise taxes on motor vehicles and fuel, plus two-thirds of sales taxes collected on vehicle parts and accessories. This revenue is restricted to four uses:

- construction, maintenance, and operation of public roads;
- design and engineering costs for road projects;
- safety improvements for motor vehicles on public roads; and
- Colorado State Patrol operations.

While the state constitution already requires revenue from some of these vehicle-related taxes and fees to be spent on roads and road safety, other impacted revenue streams are currently spent on general government operations, transit, and other transportation programs. If the measure passes, the state and local governments receiving money would be required to spend all those dollars on roads and road safety.

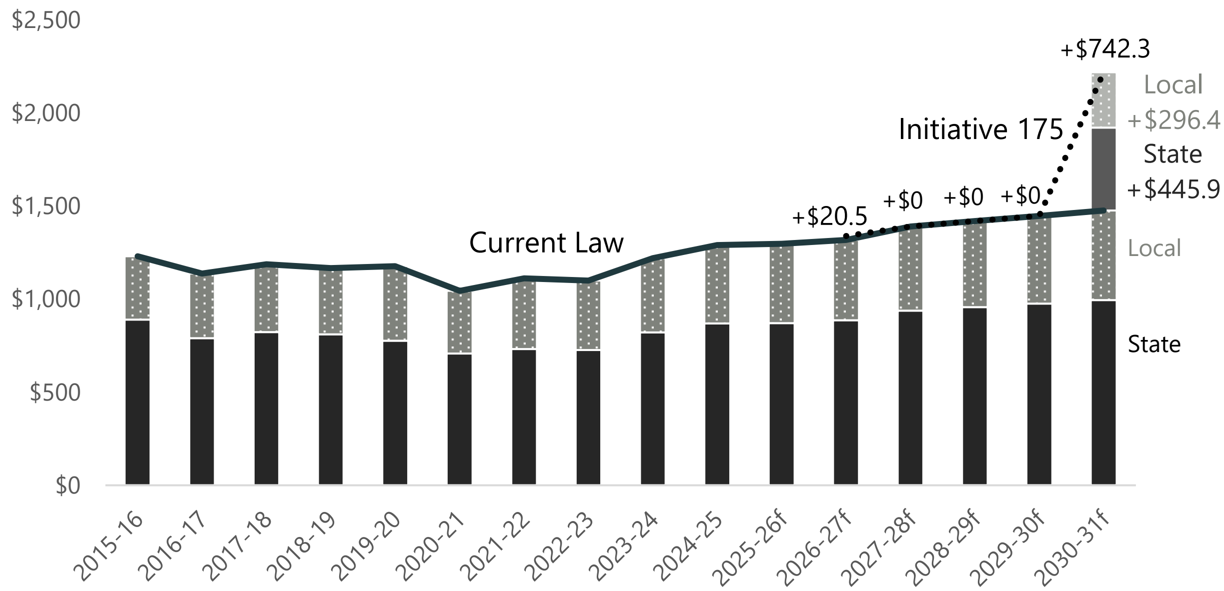
How will the redirected funding be distributed?

The measure requires that motor vehicle-related taxes and fees affected by Initiative 175 be allocated between the state, counties, and municipalities in the same way many transportation-related sources are currently allocated:

- 60 percent to the state for public highways and roads;
- 23 percent to counties for county road projects; and
- 17 percent to municipalities for municipal road projects.

Figure 1 presents current transportation revenue allocated under this formula if the measure passes. Depending on how the measure is interpreted, it may redirect less money than shown in Figure 1.

Figure 1
Actual and Forecasted Allocation of Vehicle-Related Taxes and Fees for Transportation
Millions of Dollars



f=forecast

When does Initiative 175 take effect?

If Initiative 175 passes, it takes effect in January 2027, but its full impact is delayed by a law passed by the state legislature in 2026. House Bill 26-1430[1] temporarily reduces fuel excise taxes, registration fees, and other transportation-related charges through June 2030 if Initiative 175 passes.

HB 26-1430's temporary reduction in taxes and fees roughly offsets the new spending requirements, maintaining funding for roads and general government operations near current levels, while diverting funds away from transit and other transportation programs and reducing taxpayer refunds. A more detailed description of the net effects on taxpayers and general government operations can be found in the Fiscal Impact section below.

Beginning July 2030, taxes and fees return to their current levels. From that point on, the overall amount of state revenue collected is unchanged, and certain motor vehicle-related revenue is

[1] Online at leg.colorado.gov/bills/hb26-1430.

redirected away from general budget operations, transit, and other transportation programs and towards roads and road safety.

How does redirecting funding to roads and road safety affect other state operations?

Starting January 2027 through June 2030, it is estimated that up to $170 million per year will be diverted away from transit and transportation programs other than roads and road safety, while the overall net effects on general state operations and taxpayers are expected to be minimal. Impacts will depend on the state budget situation.

Starting July 2030, it is estimated that up to $740 million per year will be directed away from current uses and toward roads and road safety. However, the actual amount can only be determined after the shifted sources of transportation-related revenue are clarified. The broadest interpretation of these sources includes the following two categories:

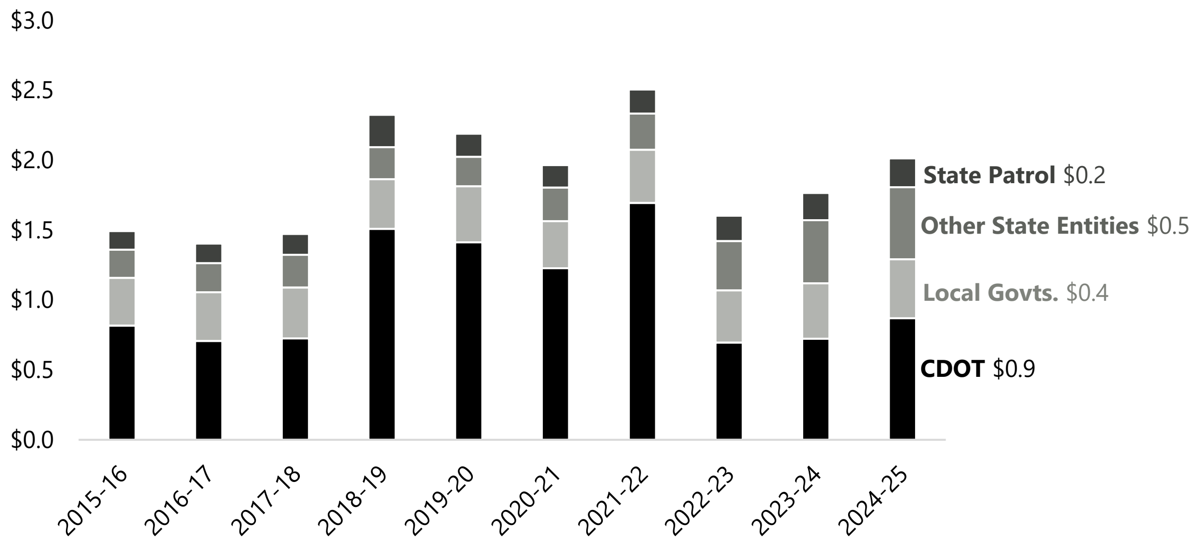
- **Sales tax on motor vehicles and parts.** State sales and use taxes collected on the sale of automobiles, parts, and accessories are currently credited to the state's General Fund and support general government operations, such as health care, education, and higher education. Initiative 175 requires that an estimated $570 million be spent on roads and road safety rather than general government operations.
- **Vehicle-related taxes for transit and other transportation programs.** In addition to funding roads, some of the revenue from taxes on gasoline and fees and surcharges from vehicle registrations support other transportation programs such as Division of Motor Vehicle (DMV) services, license plate manufacturing, police officer training, statewide emergency medical services, air pollution control, pedestrian and bicycle infrastructure, rapid transit, certain impaired driving enforcement programs, and electric vehicle charging stations, among others. Initiative 175 requires that an estimated $170 million of annual funding for these programs be spent on roads instead.

Some state and local transportation projects are eligible for matching federal grants. In cases where the measure reallocates state funding away from transit or transportation programs other than roads and road safety, federal matching grants will also become unavailable. However, in cases where the measure allocates more state funding to roads and road safety projects eligible for federal match, it will make more federal money available to the state.

How much funding currently goes towards roads and overall transportation?

The state's main sources of transportation funding include motor fuel taxes, registration fees, retail delivery fees, and other transportation-related fees and surcharges, along with federal matching funds. Transportation-related state enterprises are not affected by the measure. Figure 2 shows total state transportation funding over the past 10 years broken down into funding received by Colorado's Department of Transportation (CDOT), other state entities, local governments, and the Colorado State Patrol. The figure does not include federal funding.

Figure 2
State Transportation Funding by Recipient
Billions of Dollars



Arguments For Initiative 175

1) Colorado's roads rank among the worst in the nation. Poorly maintained roads are not just an inconvenience, they are a safety hazard that cost road users significant money and time and cause congestion, property damage, and injuries or fatalities. Despite this, our roads remain severely underfunded. Less than 5 percent of the state's operating budget goes towards the state's transportation department (CDOT), and not all of CDOT's budget is used for road and bridge maintenance and repair. The state's budget has grown over recent years while ongoing dedicated funding for roads and road safety has not kept up.

2) Without raising taxes, Initiative 175 locks in sustainable funding for roads by redirecting existing revenue generated from motor vehicles and fuel exclusively to road and bridge construction, maintenance, safety improvements and the Colorado State Patrol. Money that drivers pay in vehicle-related taxes and fees should go towards roads and road safety. The measure prioritizes the maintenance and safety of our roads in the state budget.

Arguments Against Initiative 175

1) Initiative 175 redirects hundreds of millions of dollars away from health care, education, and other essential state services. On top of that, redirecting funding away from public transit, bicycle, and pedestrian transportation could reduce travel options that help reduce traffic congestion and emissions. The measure redirects sales tax revenue, money that nearly every other state uses to fund core government operations, to the road construction industry.

2) Everyone wants our roads to be better, but the measure's rigid constitutional formulas undermine the state's ability to balance road funding against other essential state services.

Despite many limitations on the state budget, an additional $4.1 billion has been invested in transportation over the past 10 years, on top of the many dedicated revenue sources it already receives. The need for better roads deserves attention, but the measure’s vaguely defined terms risk unintended consequences that will be hard to reverse once part of the state constitution.

Information about the organizations supporting and opposing this measure is available on the Colorado Secretary of State's website:

www.coloradosos.gov/pubs/elections/Initiatives/ballot/contacts/2026.html

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Fiscal Impact of Initiative 175

State Revenue

The measure by itself has no impact on state revenue. Passage of the measure will trigger a state law that is anticipated to reduce state revenue by about $226.7 million in state budget year 2026-27 and by between $500 million to $550 million per year from budget year 2027-28 through budget year 2029-30. This revenue reduction is the result of a temporary decrease in certain motor vehicle tax and fee rates of about 38 percent.

The lower fee and tax collections will reduce state revenue relative to the state’s constitutional revenue limit, also known as the Taxpayer’s Bill of Rights (TABOR) limit. Less revenue subject to TABOR will reduce or eliminate TABOR refunds to taxpayers, which are paid from the state’s general operating budget when state revenue is over the TABOR limit. In years where TABOR refunds are eliminated, the measure instead reduces the amount of money available for other budget priorities.

State Spending

Through June 2030, the measure keeps transportation funding similar to current funding levels, after accounting for the reduction in state revenue described above. In years where revenue is above the TABOR limit, the measure results in minimal changes to overall state spending. In years where the revenue reductions cause state revenue to fall near or below the TABOR limit, state spending for purposes other than transportation will be reduced.

After June 2030, the measure increases money required to be spent on roads and road safety by up to an estimated $740 million per year. This required spending will reduce money available for other state programs by up to $740 million per year. The exact fiscal impact of the measure on other programs will depend on budgeting decisions and any future legislative actions to clarify implementation of the measure.

Local Government Revenue and Spending

Through June 2030, the measure keeps funding for county and municipal governments similar to current levels. After June 2030, about $296 million will be distributed annually to county and municipal governments in the same way transportation-related sources are currently allocated.

The measure additionally prevents local governments from using road transportation revenue collected and distributed by the state on projects not permitted under this measure.

Taxpayer Impacts

After June 2030, the measure has no impact on taxpayers.

Through June 2030, in years when state collects revenue above the TABOR limit, taxpayers will pay less in certain motor vehicle taxes and fees. However, there will be a corresponding decrease in TABOR refunds, resulting in no net impact to taxpayers overall, though individual taxpayer impacts may differ based on refunds claimed and motor vehicle taxes and fees paid. In years when revenue falls below the TABOR limit, taxpayers will pay less in various motor vehicle taxes. This situation is not currently expected to occur before June 2030.

Figure 3
Impact of Initiative 175 and HB 26-1430