



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1430: GASOLINE EXCISE TAX

Prime Sponsors:

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Summary Information

Overview. Conditional upon passage of Initiative 175, the bill reduces certain transportation taxes and fees, creates a new cash fund, and modifies spending on road transportation.

Types of impacts. The bill is projected to conditionally affect the following areas on a temporary basis:

- State Revenue
- State Expenditures
- State Diversions
- TABOR Refunds
- State Transfers
- Local Government

Appropriations. For FY 2026-27, the bill requires appropriations totaling \$98,836 to various agencies. The State Highway Fund and Support Road Transportation Fund are continuously appropriated to the Department of Transportation.

Table 1
Conditional State Fiscal Impacts

| Type of Impact | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|-------------------------|---------------------------|------------------------|------------------------|------------------------|
| State Revenue | -\$388.4 million | -\$499.4 million | -\$523.4 million | -\$548.3 million |
| State Expenditures | -\$87.5 million | \$128.7 million | -\$7.6 million | -\$7.7 million |
| Transferred Funds | \$50.0 million | \$100.0 million | \$100.0 million | \$100.0 million |
| Diverted Funds | \$342.7 million | \$690.4 million | \$714.4 million | \$739.2 million |
| Change in TABOR Refunds | -\$136.1 million | -\$499.4 million | not estimated | not estimated |
| Change in State FTE | 0.3 FTE | 0.5 FTE | 0.5 FTE | 0.3 FTE |

**Table 1A
Conditional State Revenue**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|----------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | \$0 | \$0 | \$0 | \$0 |
| HUTF | -\$388.4 million | -\$499.4 million | -\$523.4 million | -\$548.3 million |
| Total Revenue | -\$388.4 million | -\$499.4 million | -\$523.4 million | -\$548.3 million |

**Table 1B
Conditional State Transfers**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|---------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | \$50.0 million | \$100.0 million | \$100.0 million | \$100.0 million |
| State Highway Fund | \$0 | \$0 | \$0 | \$0 |
| Support Road Transp. Fund | -\$50.0 million | -\$100.0 million | -\$100.0 million | -\$100.0 million |
| Net Transfer | \$0 | \$0 | \$0 | \$0 |

The bill replaces General Fund transfers to the State Highway Fund with Support Road Transportation Fund transfers to the State Highway Fund.

**Table 1C
Conditional State Diversions**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|---------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | -\$262.2 million | -\$535.1 million | -\$553.7 million | -\$572.9 million |
| Cash Funds | -\$80.6 million | -\$155.3 million | -\$160.7 million | -\$166.3 million |
| Support Road Transp. Fund | \$342.7 million | \$690.4 million | \$714.4 million | \$739.2 million |
| Net Diversion | \$0 | \$0 | \$0 | \$0 |

**Table 1D
Conditional State Expenditures**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|---------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | -\$45.5 million | \$45.1 million | -\$91.0 million | -\$91.0 million |
| Cash Funds | -\$42.0 million | \$83.6 million | \$83.4 million | \$83.3 million |
| Federal Funds | \$0 | \$0 | \$0 | \$0 |
| Centrally Appropriated | \$6,239 | \$10,409 | \$10,409 | \$6,239 |
| Total Expenditures | -\$87.5 million | \$128.7 million | -\$7.6 million | -\$7.7 million |
| Total FTE | 0.3 FTE | 0.5 FTE | 0.5 FTE | 0.3 FTE |

Summary of Legislation

The bill reduces certain transportation tax and fee rates from January 1, 2027 through June 30, 2030, conditional on the passage of [Initiative 175](#) as follows:

- the gasoline excise tax from 22.0 to 14.0 cents per gallon;
- the special fuel excise tax from 20.5 to 13.0 cents per gallon;
- the late registration fee from \$25 per month up to \$100, to \$15.50 per month up to \$62;
- certain registration fee rates reduced by 38 percent;
- the road safety surcharge rates reduced by 38 percent; and
- the road usage fee reduced from 6.0 to 4.0 cents from January 1, 2027, through June 30, 2027, and in amounts to be determined for FY 2027-28 through FY 2029-30.

The bill requires Legislative Council Staff (LCS) and the Governor's Office of State Planning and Budgeting (OSPB) to project the necessary road usage fee rate in their respective March revenue forecasts for the upcoming fiscal year, such that total reductions in HUTF revenue offset the increases in revenue dedicated to road transportation as a result of Initiative 175. For example, the March 2027 revenue forecast will determine FY 2027-28 rates, the March 2028 revenue forecast will determine FY 2028-29 rates, and the March 2029 revenue forecast will determine FY 2029-30 rates.

Support Road Transportation Fund

The bill conditionally creates the Support Road Transportation Fund (SRTF), consisting of state revenue dedicated to road transportation by Initiative 175. Money in the fund is used to replace certain transportation-related General Fund transfers for payments for the financed purchase of assets or certificate of participation (COP) agreements, and to replace certain General Fund transfers to the State Highway Fund. The money remaining in the fund after making these transfers is allocated as follows:

- 60 percent to the State Highway Fund;
- 23 percent to counties; and
- 17 percent to municipalities.

Transfers to State Highway Fund

Under current law, money in the General Fund is required to be transferred to the State Highway Fund in the amounts of \$50.5 million in FY 2026-27 and \$100.0 million per year from FY 2027-28 through FY 2031-32. The bill reduces General Fund transfers to the State Highway Fund by \$50.0 million in FY 2026-27 and \$100.0 million in FY 2027-28 through FY 2029-30, and correspondingly requires transfers from the Support Road Transportation Fund to the State Highway Fund in the same amounts.

Background

Initiative 175

Initiative 175, if passed by voters during the November 2026 election, would define certain current state revenue streams as state revenue collected for road transportation and require that those revenue streams be spent on road transportation beginning January 1, 2027. Impacted revenue streams include:

- excise taxes and fees imposed on motor vehicles and motor vehicle fuel (cash fund revenue); and
- sales and use taxes imposed on motor vehicles, parts, and accessories (General Fund revenue).

The measure is expected to obligate up to \$2.09 billion per year of state revenue towards road transportation, including \$1.40 billion of Highway Users Tax Fund (HUTF) revenue, \$538.1 million of General Fund revenue, and \$155.4 million of other cash fund revenue. The actual amount obligated will depend on future revenue collections and the revenue streams determined to fall under the initiative's definition of state revenue collected to support road transportation.

The measure creates a new spending requirement for a portion of General Fund and cash fund revenue, requiring General Fund revenue collected for road transportation to be allocated in accordance with the existing HUTF allocation. After off-the-top disbursements to the Department of Revenue and the Department of Public Safety, HUTF revenue is distributed to the State Highway Fund (about 60 percent), counties (about 23 percent), and municipalities (about 17 percent) for transportation purposes.

Senate Bill 17-267 Lease-Purchase Agreements

[Senate Bill 17-267](#) authorized the creation of lease-purchase agreements on existing state facilities that are not part of the emergency reserve, with the value of collateralized state facilities totaling at least \$2 billion, and the execution of those lease-purchase agreements of at least \$500 million annually between FY 2018-19 and FY 2021-22. The state's obligation for lease payments may not exceed \$150 million annually, or \$3 billion over 20 years. The first \$9 million in lease payments is required to be made from the General Fund or any other legally available source of money at the discretion of the General Assembly. The next \$50 million in annual lease payments are paid from the State Highway Fund, and any additional amount may be paid from the General Fund or any other legally available source. In practice, the state spends \$150 million annually for SB 17-267 lease payments. Of this, \$100 million is paid from the General Fund, including \$9 million for capital development related leases and \$91 million for transportation-related leases. The remaining \$50 million is paid from the State Highway Fund.

Assumptions

Revenue assumptions are based on the [fiscal impact statement for Initiative 175](#) and updated for the March 2026 LCS revenue forecast.

Pending Legislation and Current Forecast

This fiscal note reflects the FY 2026-27 Long Bill budget package, and accounts for placeholders approved by the Joint Budget Committee for FY 2026-27 budget balancing. Under the March 2026 LCS forecast and these assumptions for pending legislation, the state is expected to have TABOR surpluses of \$136.1 million in FY 2026-27 and \$969.7 million in FY 2027-28.

[House Bill 26-1419](#) is included as a placeholder in the FY 2026-27 budget package approved by the JBC for balancing. That bill is expected to decrease the amount of state revenue required to be refunded to taxpayers in FY 2026-27 by up to \$153 million. If Initiative 175 is approved by voters, then under this House Bill 26-1430, HB 26-1419 is not expected to reduce TABOR refunds for FY 2026-27.

State Revenue

If Initiative 175 is approved by voters, the bill is expected to reduce HUTF revenue by \$388.4 million in FY 2026-27, \$499.4 million in FY 2027-28, \$523.4 million in FY 2028-29, and \$548.3 million in FY 2029-30, as outlined in Table 1A.

Of the revenue that is distributed to the HUTF, about 60 percent is allocated to the State Highway Fund within CDOT, 23 percent is allocated to counties, and 17 percent is allocated to municipalities. The State Highway Fund portion of revenue loss is estimated to be \$235.9 million in FY 2026-27, \$307.1 million in FY 2027-28, \$321.6 million in FY 2028-29, and \$336.7 million in FY 2029-30.

Table 2 presents expected road usage fee rates required such that road usage fee revenue equals total required state revenue transportation diversions under Initiative 175 less reduced gasoline excise tax revenue, special fuel excise tax revenue, registration fee revenue, reduced transportation lease and State Highway Fund payment amounts.

Table 2
Road Usage Fee Rate Comparison

| Item | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|-----------------------|--------------------|--------------------|--------------------|
| Current Law | 7.00 cents | 8.00 cents | 8.00 cents |
| HB 26-1430 | 3.81 cents | 3.78 cents | 3.20 cents |
| Change in Rate | -3.19 cents | -4.22 cents | -4.80 cents |

State Diversions and Transfers

Diversions

Conditional on the passage of Initiative 175, beginning January 1, 2027, the bill diverts certain sales and use tax revenue from the General Fund and various transportation-related cash fund revenues to the Support Road Transportation Fund (SRTF), up to the amounts shown in Table 3. The actual amount of diverted revenue will depend on the revenue streams determined to fall under Initiative 175's definition of state revenue collected to support road transportation.

Table 3
State Revenue Diversions to the SRTF

| Fund Type | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| General Fund | \$262.2 million | \$535.1 million | \$553.7 million | \$572.9 million |
| Cash Funds | \$80.6 million | \$155.3 million | \$160.7 million | \$166.3 million |
| Total Net Diversion | \$342.7 million | \$690.4 million | \$714.4 million | \$739.2 million |

Transfers

Conditional on the passage of Initiative 175, the bill eliminates General Fund transfers to the State Highway Fund for FY 2026-27 through FY 2029-30 and correspondingly requires transfers from the SRTF to the State Highway Fund. The transfer amounts total \$50.0 million in FY 2026-27 and \$100 million in FY 2027-28 through FY 2029-30, resulting in no net impact on transfers to the State Highway Fund, as shown in Table 1B.

State Expenditures

Conditional on the passage of Initiative 175, the bill decreases state expenditures on net compared to what would be spent on Initiative 175 by up to \$87.5 million in FY 2026-27. For FY 2027-28 only, the bill increases state expenditures on net by up to \$128.7 million. It is expected to decrease state expenditures by up to \$7.6 million in FY 2028-29, and up to \$7.7 million in FY 2029-30. Expenditures are presented by fund in Table 4A below and by department in Table 4B below.

**Table 4A
State Expenditures by Fund**

| Fund | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|--------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | -\$45.5 million | \$45.1 million | -\$91.0 million | -\$91.0 million |
| SRTF | \$45.5 million | \$91.0 million | \$91.0 million | \$91.0 million |
| SHF | up to -\$87.6 million | up to -\$7.4 million | up to -\$7.6 million | up to -\$7.8 million |
| DRIVES CF | \$78,144 | \$0 | \$0 | \$80,064 |
| Central Approp. | \$6,239 | \$10,409 | \$10,409 | \$6,239 |
| Total Costs | up to -\$87.5M | up to \$128.7M | up to -\$7.6M | up to -\$7.7M |
| Total FTE | 0.3 FTE | 0.5 FTE | 0.5 FTE | 0.3 FTE |

**Table 4B
State Expenditures by Department**

| Department | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|--------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Transportation | up to -\$87.6 million | up to -\$7.4 million | up to -\$7.6 million | up to -\$7.8 million |
| Treasury | \$0 | \$136.1 million | \$0 | \$0 |
| Revenue | \$78,144 | \$0 | \$0 | \$80,064 |
| Total Costs | up to -\$87.5M | up to \$128.7M | up to -\$7.6M | up to -\$7.7M |
| Total FTE | 0.3 FTE | 0.5 FTE | 0.5 FTE | 0.3 FTE |

Department of Transportation

Conditional on the passage of Initiative 175, the bill increases General Fund expenditures and decreases State Highway Fund expenditures within CDOT by the amounts shown in Table 4C and discussed below. CDOT's total increase in General Fund expenditures includes:

- \$20,692, including 0.3 FTE in FY 2026-27;
- \$34,006, including 0.5 FTE in both FY 2027-28 and FY 2028-29; and
- \$20,692 including 0.3 FTE in FY 2029-30.

**Table 4C
 State Expenditures
 Department of Transportation**

| Cost Component | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Personal Services (GF) | \$20,308 | \$33,957 | \$33,957 | \$20,308 |
| Operating Expenses (GF) | \$384 | \$640 | \$640 | \$384 |
| Centrally Appropriated Costs | \$6,239 | \$10,409 | \$10,409 | \$6,239 |
| State Highway Fund Programs | -\$87.6 million | -\$7.4 million | -\$7.6 million | -\$7.8 million |
| Total Costs | -\$87.6 million | -\$7.4 million | -\$7.6 million | -\$7.8 million |
| Total FTE | 0.3 FTE | 0.5 FTE | 0.5 FTE | 0.3 FTE |

State Highway Fund

The bill decreases distributions to the State Highway Fund from the HUTF that would have otherwise occurred under Initiative 175, and increases distributions to the State Highway Fund from the Road Transportation Support Fund. On net, the bill results in a decrease in money available to spend from the State Highway Fund by \$87.6 million in FY 2026-27, \$7.4 million in FY 2027-28, \$7.6 million in FY 2028-29, and \$7.8 million in FY 2029-30. The State Highway Fund is continuously appropriated and most funding is dedicated to multi-year projects. Therefore, the amount of the decrease in expenditures for each fiscal year is not known.

Staff

Beginning January 1, 2027 through 2028, CDOT requires an additional 0.5 FTE, including 0.2 FTE budget analyst and 0.3 FTE accountant. The budget analyst is required to provide ongoing support for the SRTF, including implementing budget architecture in CDOT’s finance software and incorporating the fee revenue into CDOT’s annual and long-range revenue models. While the SRTF is receiving diverted funds, budget analyst work will include budget development, budget management and execution activities, and project support. Accounting staff will carry out day-to-day actions such as reviewing and processing invoices, reconciling revenue, maintaining bank accounts, cost accruals, and payroll activities.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in the table above.

Department of the Treasury

The bill decreases SB 17-267 lease-purchase payments from the General Fund and correspondingly increases payments from the Support Road Transportation Fund (SRTF), resulting in no net change in expenditures. For FY 2027-28, the bill requires a General Fund expenditure for homestead exemption reimbursements due to how it changes the state’s TABOR situation. These impacts are shown in Table 4D below.

**Table 4D
 State Expenditures
 Department of Treasury**

| Fund Type | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|-------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund – Lease-Purchase | -\$45.5 million | -\$91.0 million | -\$91.0 million | -\$91.0 million |
| General Fund – Homestead | \$0 | \$136.1 million | Not estimated | Not estimated |
| Cash Fund (SRTF) | \$45.5 million | \$91.0 million | \$91.0 million | \$91.0 million |
| Total Expenditures | \$0 | \$136.1 million | \$0 | \$0 |

Lease-Purchase Agreements

Because the SB 17-267 lease-purchase payments occur monthly, the fiscal note assumes payments from the Road Transportation Support Fund will begin January 1, 2027, resulting in a half-year impact for FY 2026-27.

Homestead Exemption Reimbursements

Reimbursement payments to local governments for their lost revenue associated with the senior and disabled veteran homestead exemptions are accounted as a TABOR refund mechanism when state revenue exceeded the TABOR limit in the prior fiscal year, and as a General Fund expenditure in other years. Under the March 2026 LCS revenue forecast and assuming the enacted FY 2026-27 budget package, the bill conditionally eliminates the \$136.1 million TABOR surplus that would otherwise be expected for FY 2026-27. As a result, an equivalent amount of homestead reimbursements will be paid from the General Fund in FY 2027-28 as a result of the bill

Administrative Costs

Workload will additionally increase for the Department of Treasury to manage and perform accounting for the cash fund created in the bill. While no appropriation is required at this time, these departments may seek additional funding through the annual budget process based on the cumulative impact of all cash funds created through legislation.

Department of Revenue

The bill increases DOR expenditures from the DRIVES Cash Fund by \$78,144 in FY 2026-27 and by \$80,064 in FY 2029-30 to make the registration fee rate adjustments required by the bill.

DRIVES Programming Costs

For FY 2026-27, this bill requires expenditures of \$78,144 to program, test, and update database fields in DRIVES. Programming costs are estimated at \$62,400, representing 240 hours of contract programming at a rate of \$260 per hour in FY 2026-27 and \$268 per hour. Costs for system testing include \$10,496 for 256 hours of innovation, strategy, and delivery programming support and \$5,248 for 128 hours of user acceptance testing, both at a rate of \$41 per hour.

In FY 2028-29, the department will require the same number of hours of work to reverse the rate changes made in FY 2026-27. However, the contract programming rate will increase to \$268 per hour, resulting in programming costs estimated at \$64,320 in FY 2028-29.

TABOR Refunds

If Initiative 175 passes, the bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$136.1 million in FY 2026-27 and \$499.4 million in FY 2027-28. This estimate assumes the March 2026 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. The reduction in the FY 2026-27 refund obligation will reduce the amount refunded via property tax exemption reimbursements in FY 2027-28, resulting in an equivalent General Fund expenditure for these reimbursements, as explained in the State Expenditures section above. The reduction in the FY 2027-28 refund obligation will reduce refunds paid via the six-tier sales tax refund mechanism and the temporary income tax rate reduction for tax year 2028.

Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

Local Government

If the bill decreases revenue to local governments from the HUTF that would have otherwise been distributed to local governments under Initiative 175, and increases revenue distributed to local governments from the SRTF, resulting in a net impact of revenue distributed to local governments as shown in Table 5.

Table 5
HB 26-1430 Impacts to Distributions to Local Governments

| Fund Type | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|------------------|------------------------|----------------------|----------------------|----------------------|
| Counties | -\$34.3 million | -\$0.9 million | -\$0.8 million | -\$0.8 million |
| Municipalities | -\$19.5 million | \$8.3 million | \$8.4 million | \$8.6 million |
| Total | -\$53.9 million | \$7.4 million | \$7.6 million | \$7.8 million |

Effective Date

The bill takes effect only if an initiative that amends the state constitution to change existing law on transportation funding and to increase the amount of state revenue dedicated to road transportation is approved by the people at the next general election, in which case this act takes effect on the date of the official declaration of the vote thereon by the governor or January 1, 2027, whichever is later.

State Appropriations

Conditional upon the passage of Initiative 175, for FY 2026-27, the bill requires the following changes in appropriations:

- \$20,692, including 0.3 FTE, from the General Fund to the Department of Transportation;
- a reduction of \$45.5 million from the General Fund to the Department of Treasury, and a corresponding increase of \$45.5 million from the Support Road Transportation Fund to the Department of Treasury; and
- \$78,144 from the DRIVES Cash Fund to the Department of Revenue. The DOR reports that the DRIVES Cash Fund may not be able to absorb additional expenditures. The General Assembly, at its discretion, may choose to appropriate General fund for the bill instead.

No change in appropriation is required for the State Highway Fund or Support Road Transportation Fund for the Department of Transportation because the funds are continuously appropriated to the department.

State and Local Government Contacts

| | | |
|----------------|--------------------|----------|
| Counties | Revenue | Treasury |
| Municipalities | Secretary of State | |
| Personnel | Transportation | |

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).