



Legislative Council Staff

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Revised Fiscal Note

(replaces fiscal note dated April 8, 2022)

Drafting Number:	LLS 22-0524	Date:	April 21, 2022
Prime Sponsors:	Rep. Roberts; McLachlan Sen. Pettersen	Bill Status:	House Appropriations
		Fiscal Analyst:	Will Clark 303-866-4720 Greg Sobetski 303-866-4105

Bill Topic: TEMPORARILY REDUCE ROAD USER CHARGES

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill delays implementation of certain fees on gasoline and other fuels, and temporarily reduces the amount of vehicle registration road safety surcharges. The bill decreases state revenue in FY 2022-23 and FY 2023-24 and increases expenditures in FY 2022-23 only.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$5,850 to the Department of Revenue.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the House Finance Committee.

**Table 1
State Fiscal Impacts Under HB 22-1351**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	(\$61.5 million)	(\$17.0 million)
	Total Revenue	(\$61.5 million)	(\$17.0 million)
Expenditures¹	General Fund	\$5,850	-
	Total Expenditures	\$5,850	-
Transfers	General Fund	(\$78.5 million)	-
	Cash Funds	\$78.5 million	-
	Net Transfer	\$0	-
Other Budget Impacts	TABOR Refund	(\$61.5 million)	(\$17.0 million)
	General Fund Reserve	\$878	-

¹ The fiscal note does not include the expenditure of the transferred funds.

Summary of Legislation

Senate Bill 21-260 created phased-in road usage fees on gasoline and diesel fuel, and temporarily reduced the amount of the road safety surcharge, which is imposed annually when a motor vehicle is registered. This bill delays the start of the phased-in road usage fees from July 1, 2022, to April 1, 2023, and further reduces the amount of road safety surcharge for registrations in 2023. The bill makes transfers from the General Fund to both the State Highway Fund (SHF) and Highway Users Tax Fund (HUTF) to compensate for reductions to cash fund revenue caused by the fee delay and increased fee reduction. It also makes a technical change to statute to ensure that federal funds transferred to the HUTF in SB 21-260 are allocated from the HUTF to counties and municipalities.

State Revenue

This bill is anticipated to decrease HUTF revenue by \$61.5 million in FY 2022-23 and by \$17.0 million in FY 2023-24. This revenue is shown in Table 2 and discussed below. The bill reduces revenue from the road usage fee and road safety surcharge, which are subject to TABOR.

Table 2
Revenue Under HB 22-1351

	FY 2022-23	FY 2023-24
Road Usage Fees (HUTF)	(\$44.8 million)	-
Road Safety Surcharge (HUTF)	(\$16.7 million)	(\$17.0 million)
Total Revenue	(\$61.5 million)	(\$17.0 million)

Highway Users Tax Fund. The bill decreases state revenue from road usage fees that would have been collected in the first nine months of FY 2022-23, and decreases state revenue from the road safety surcharge in calendar year 2023, resulting in half-year impacts for FY 2022-23 and FY 2023-24.

- Road usage fees are currently set to be assessed on gasoline and diesel fuel purchases starting July 1, 2022. These fees begin at \$0.02 per gallon and are increased incrementally to reach \$0.08 per gallon in FY 2028-29. The bill delays the start of this fee collection to April 1, 2023, but does not change the scheduled fee amounts in future years.
- The road safety surcharge is a registration fee applied to all vehicles. The road safety surcharge is currently reduced for all vehicles by \$11.10 in 2022, and is set to be reduced by \$5.55 in 2023. This bill reduces the fee by \$11.10 in 2023, rather than by \$5.55 as under current law.

The estimates shown in Table 2 reflect assumptions for fuel consumption and vehicle registrations consistent with the March 2022 Legislative Council Staff Forecast. Revenue from these fees and surcharges are distributed in shares of 60 percent to the SHF for state transportation projects, 22 percent to county governments, and 18 percent to municipal governments.

State Transfers

In FY 2022-23 only, the bill transfers \$78.5 million from the General Fund to the State Highway Fund and the Highway Users Tax Fund, as shown in Table 3 below. The transfer to the HUTF is allocated in shares of 55 percent for county governments and 45 percent for municipal governments.

**Table 3
 Transfers Under HB 22-1351**

	FY 2022-23	FY 2023-24
General Fund	(\$78,500,000)	-
State Highway Fund	\$47,100,000	-
Highway Users Tax Fund	\$31,400,000	-
Net Transfer	\$0	-

Net impacts. Table 4 below presents the net impacts of revenue changes and transfers expected under the bill on the General Fund, the State Highway Fund in the Department of Transportation, and distributions from the state to county and municipal governments for transportation projects. The net impact of the transfer and fee changes is to increase money available in FY 2022-23, and reduce funding available in FY 2023-24. The bill has no fiscal impact beyond FY 2023-24.

**Table 4
 Net Impacts of Revenue and Transfers on Transportation Projects
 Under HB 22-1351**

	FY 2022-23	FY 2023-24
State Highway Fund	\$10,200,000	(\$10,200,000)
County Governments	\$3,740,000	(\$3,740,000)
Municipal Governments	\$3,060,000	(\$3,060,000)

State Expenditures

The bill increases state expenditures in the Department of Revenue by \$5,850 in FY 2022-23 only, paid from the General Fund. These costs are required to update the Driver License, Record, Identification and Vehicle Enterprises Solutions (DRIVES) system. Programming costs are based on 26 hours of programming at a rate of \$225 per hour.

In addition, the DOR will be required to update rules, forms, manuals, and the department's website to reflect the change in law; provide training to authorized agents, Title and Registration Section staff, and law enforcement; and program the fee change reduction of the Road Safety Surcharge in the Colorado Operations Resource Engine (CORE) system. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. 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 these years.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$878 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

Local Government

Overall, the bill increases local government HUTF revenue in FY 2022-23 and decreases it in FY 2023-24 by the amounts shown in Table 4 above. This reflects a revenue increase of \$17.3 million to counties and \$14.1 million to municipalities in FY 2022-23, as well as revenue decreases of \$13.5 million to counties and \$11.1 million to municipalities in FY 2022-23, and \$3.7 million to counties and \$3.0 million to municipalities in FY 2023-24.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill requires appropriations of \$5,850 to the Department of Revenue from the General Fund.

State and Local Government Contacts

Counties	Municipalities	Revenue
Transportation	Treasury	