



## Fiscal Note

### Legislative Council Staff

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## HB 25-1044: LOCAL FUNDING FOR VULNERABLE ROAD USERS

**Prime Sponsors:**

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**Published for:** House Trans., Hous. & Local Gov.**Drafting number:** LLS 25-0233**Version:** Initial Fiscal Note**Date:** January 15, 2025

**Fiscal note status:** The fiscal note reflects the introduced bill, which was recommended by the Transportation Legislation Review Committee.

### Summary Information

**Overview.** The bill authorizes local governments to impose vehicle registration fees to fund vulnerable road user protection strategies.

**Types of impacts.** The bill is projected to affect the following areas through FY 2025-26 and conditionally thereafter:

- State Expenditures
- Local Government

**Appropriations.** The bill requires appropriations to the Department of Revenue of \$129,465 in the current FY 2024-25 and \$935,245 in FY 2025-26.

**Table 1**  
**State Fiscal Impacts<sup>1</sup>**

Type of Impact	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0	\$0
State Expenditures (Cash Funds)	\$129,465	at least \$935,245	Conditional
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.0 FTE	Conditional	Conditional

<sup>1</sup> Conditional impacts will depend on local governments implementing the new fees permitted by the bill and have not been estimated. See State Expenditures section for more detail.

## Summary of Legislation

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For motor vehicle registration periods beginning on or after January 1, 2026, the bill allows local governments to impose fees on the registration of light trucks and passenger cars to fund vulnerable road user protection strategies. Fees must defray only the costs of funding vulnerable road user protection strategies, must impose higher fees on heavier motor vehicles, and may impose higher fees on less fuel-efficient vehicles.

The bill establishes maximum fee amounts, based on vehicle weights, for the first year of fees beginning January 1, 2026. In subsequent years, fees may not exceed the prior year's inflation-adjusted amounts. Local governments must deposit net fee revenue into a dedicated cash fund or account, and must annually report fee schedules to the Department of Revenue (DOR) so the DOR can collect fees on behalf of local governments.

## Background

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The Division of Motor Vehicles (DMV) in the DOR uses its Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) information technology system for all driver license and motor vehicle transactions. The DRIVES system requires an extensive 18-month upgrade, which is scheduled to take place until March 31, 2026. As a result, the DOR has requested that any new legislation requiring DRIVES programming have an effective date of July 1, 2027, with roll-forward spending authority through FY 2028-29, noting that each programming requirement during the system upgrade period may increase the overall project timeline. Based on the current effective date in the bill, the fiscal note includes costs for the DRIVES programming to take place twice—in the existing and new system.

## State Expenditures

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The bill increases state expenditures for the Department of Revenue by about \$129,000 in FY 2024-25 and \$929,225 in FY 2025-26 for the DOR to make changes to its DRIVES computer system to collect fees from local governments. It may also increase expenditures by an indeterminate amount in FY 2025-26 and beyond for additional staffing to manage the collection of any new fees imposed by local governments. Expenditures are shown in Table 2 and detailed below.

**Table 2  
State Expenditures  
Department of Revenue**

<b>Cost Component</b>	<b>Current Year FY 2024-25</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Programming Costs	\$129,465	at least \$135,245	Conditional
DRIVES Upgrade Extension	\$0	\$800,000	\$0
Staffing Costs <sup>1</sup>	\$0	Conditional	Conditional
Centrally Appropriated	\$0	Conditional	Conditional
<b>Total Expenditures</b>	<b>\$129,465</b>	<b>at least \$935,245</b>	<b>Conditional</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>Conditional</b>	<b>Conditional</b>

<sup>1</sup> Staffing costs in the DOR will depend on the number of local governments that elect to impose new fees, with about 0.3 FTE required for every 10 local governments that create new fees.

### **DRIVES Programming**

The bill requires \$129,465 for DRIVES programming in FY 2024-25 to set up the new fees for collection in time to meet the timeline laid out in the bill. Programming costs include \$86,700 for 340 hours of programming at a rate of \$238 per hour, plus \$42,765 for ISD development, Office of Information Technology support, and additional testing. The second round of programming in FY 2025-26 requires \$135,245, accounting for an increase in DRIVES programming costs to \$255 per hour.

Local governments that adopt new fees will also require individual DRIVES programming. The amount of DRIVES programming necessary will vary considerably depending on local government type, how many local governments adopt new fees, the geographic boundaries of each local government, and the timing of when each local government chooses to impose new fees. Therefore, the fiscal note is unable to estimate these DRIVES programming costs, which are reflected as conditional impacts in Table 2.

### **DRIVES Upgrade Extension**

The required DRIVES programming under the bill is expected to delay completion of the DRIVES upgrade by approximately 4 months. Any change to the project timeline will require the vendor to retain additional personnel beyond the current agreement, with the DOR responsible for these additional costs. For each month the upgrade is delayed, the vendor will charge the DOR an additional \$200,000, resulting in an estimated cost of \$800,000

## Staff

Beginning January 1, 2026, the DOR may require additional staff to address an increase in workload. It is estimated that 0.3 FTE Business Analyst at a cost of about \$25,000 will be required for every 10 local governments that impose the new fee. This staff would develop rules and procedures and accept applications and annual fee schedules from local governments. The fiscal note is unable to estimate how much staff may be necessary and this has been reflected with conditional impacts in Table 2. It is assumed that staffing costs will be requested through the annual budget process based on the number of local governments implementing the new fees.

## 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 Table 2.

## Local Government

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For local governments that choose to impose new registration fees, the bill increases costs for these local governments to create, staff, and administer new enterprises or grant programs. Revenue will increase for these local governments on an ongoing basis once they begin collecting registration fees as early as January 1, 2026. This revenue can only be used to fund vulnerable road user protection strategies.

## Technical Note

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The fiscal note currently includes a duplicative programming cost and upgrade extension for the DOR's DRIVES system, as discussed in the Background section. These costs would be removed if the bill's effective date were amended to July 1, 2027, when the DRIVES upgrade is complete.

The fiscal note assumes that increased costs for the bill will be paid from the DRIVES Cash Fund, and that the DOR will raise fees as necessary to ensure that it has sufficient funds to pay for program expenses. However, the DOR reports that recent cash fund consolidations have placed the fund above the allowable statutory reserve and it is unable to raise fees currently. At the same time, current spending from the fund is projected to deplete the available fund balance within the next two years. If the DOR is unable or unwilling to raise fees, the General Fund may be required, either in this bill or through the annual budget process, to ensure cash fund solvency.

## **Effective Date**

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

## **State Appropriations**

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The bill requires the following appropriations to the Department of Revenue from the DRIVES Cash Fund:

- \$129,465 for the current FY 2024-25; and
- \$935,245 for FY 2025-26.

## **State and Local Government Contacts**

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Counties	Revenue
Local Affairs	Special District Association
Municipalities	Transportation

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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](#).