



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1127: REGISTER & DRIVE SURPLUS MILITARY VEHICLES

Prime Sponsors:

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Published for: House Trans., Hous. & Local Gov.**Drafting number:** LLS 25-0646**Version:** Initial Fiscal Note**Date:** February 7, 2025**Fiscal note status:** The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill allows the owner of a surplus military vehicle to register the vehicle and drive it on a highway.

Types of impacts. The bill is projected to affect the following areas on a limited basis (state expenditures) and ongoing basis (state revenue and local governments):

- State Revenue
- State Expenditures
- Local Government

Appropriations. The bill requires an appropriation of \$61,607 to the Department of Revenue.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue (Cash Funds)	\$55,992	\$54,493
State Expenditures (Cash Funds)	\$61,607	\$542,951
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$55,992	\$54,493
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Beginning January 1, 2026, the owner of a surplus military vehicle — defined as a self-propelled vehicle that was built for the U.S. Armed Forces and purchased for nonmilitary use — may register the vehicle and drive it on a highway.

Background

DRIVES Programming

The Division of Motor Vehicles (DMV) in the Department of Revenue (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 from July 1, 2024, through 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.

Number of Surplus Military Vehicles

The DMV estimates there are 991 surplus military vehicles in the state based on those that have off-highway titles. The fiscal note assumes 33 percent of these vehicles, or 330 vehicles, will register in FY 2025-26, and on an annual basis thereafter.

State Revenue

The bill will increase state revenue by about \$56,000 in FY 2025-26 and \$54,000 in subsequent years from fees collected by DOR for the annual registration of military surplus vehicles. Revenue will increase in various cash funds including the Highway Users Tax Fund (HUTF) and the DRIVES Cash Fund. Revenue from the License Plate Cash Funds will be less after the first year because of one-time plate and tab costs. This revenue, which is subject to TABOR, is summarized in Table 2.

**Table 2
State Revenue**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
DRIVES Cash Fund	\$363	\$363
License Plate Cash Funds	\$1,525	\$149
Highway Users Tax Fund	\$52,470	\$52,470
Emissions-Area AIR Account	\$660	\$660
Peace Officer Standards & Training (P.O.S.T.) Account	\$314	\$314
Emergency Medical Services Account	\$660	\$660
Total Revenue	\$55,992	\$54,493

¹ Fees paid into the DRIVES Cash Fund include the \$0.50 collected by state for specific ownership taxes. Additional revenue from specific ownership taxes, which are based on vehicle age and taxable value, are passed through to local governments and have not been included in this calculation.

Highway Users Tax Fund Distributions

Of the HUTF revenue generated under this bill, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the Department of Transportation, 26 percent is credited to counties, and 9 percent is credited to municipalities. Table 2A outlines the estimated distribution of HUTF revenue generated under this bill.

**Table 2A
HUTF Distributions
Department of Transportation and Local Governments**

HUTF Distributions	FY 2025-26	FY 2026-27
State Highway Fund (65 percent)	\$34,106	\$34,106
Counties (26 percent)	\$13,642	\$13,642
Municipalities (9 percent)	\$4,722	\$4,722
Total HUTF Distribution	\$52,470	\$52,470

State Expenditures

The bill increases state expenditures in the Department of Revenue by about \$62,000 in FY 2025-26 and about \$543,000 in FY 2026-27 only. These costs, paid from the DRIVES Cash Fund, are summarized in Table 3 and discussed below.

Table 3
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Programming Costs	\$61,607	\$62,951
DRIVES Upgrade Extension	\$0	\$480,000
Total Costs	\$61,607	\$542,951
Total FTE	0.0 FTE	0.0 FTE

DRIVES Programming Costs

The bill increases state expenditures in the Department of Revenue by \$61,607 in FY 2025-26 and \$62,951 in FY 2026-27, paid from the DRIVES Cash Fund, for DRIVES programming to allow the DMV to be able to register surplus military vehicles. These programming costs include \$47,040 in FY 2025-26 for 192 hours of programming at a rate of \$245 per hour, plus \$14,567 for ISD development, Office of Information Technology support, and additional testing. The second round of programming in FY 2026-27 requires \$62,951 due to an increase in DRIVES programming costs to \$252 per hour.

DRIVES Upgrade Extension

The required DRIVES programming under the bill is expected to delay completion of the DRIVES upgrade by over two 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 \$480,000.

TABOR Refunds

The bill is expected to increase 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 December 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

The bill increases revenue to local governments through the Highway Users Cash Fund (see Table 2A above) and through specific ownership taxes (SOT). SOT revenue is distributed to county and local governments, including cities, school districts, and special districts based on the proportion of the property taxes levied in the prior year. The amount of SOT charged during vehicle registration is calculated based on a number of different factors, including the vehicle's value and age, and the fiscal note is unable to come up with an estimate of local SOT revenue at this time.

Technical Note

Duplicative DRIVES Costs

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

DRIVES Fund Solvency

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

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2025-26, the bill requires an appropriation of \$61,607 to the Department of Revenue from the DRIVES Cash Fund.

State and Local Government Contacts

Public Safety

Transportation

Revenue