



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

### SB 25-117: REDUCE TRANSPORTATION COSTS IMPOSED BY GOVT

**Prime Sponsors:**  
Sen. Bright

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#### Summary Information

**Overview.** The bill repeals certain transportation-related fees and makes changes to certain transportation-related enterprises.

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

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

**Appropriations.** For FY 2025-26, the bill requires a General Fund appropriation of \$7,929 to the Department of Revenue. The remaining funds are continuously appropriated.

**Table 1**  
**State Fiscal Impacts**

Type of Impact <sup>1</sup>	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$258.9 million	-\$302.5 million
State Expenditures	-\$258.9 million	-\$302.6 million
Transferred Funds	\$0	\$0
Change in TABOR Refunds	-\$194.9 million	-\$228.4 million
Change in State FTE	-0.6 FTE	-1.2 FTE

<sup>1</sup> Fund sources for these impacts are shown in the table below.

**Table 1A  
State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	\$0	\$0
Cash Funds	-\$258,939,777	-\$302,519,933
<b>Total Revenue</b>	<b>-\$258,939,777</b>	<b>-\$302,519,933</b>

**Table 1B  
State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	\$7,929	-\$25,048
Cash Funds	-\$258,939,777	-\$302,519,933
Federal Funds	\$0	\$0
Centrally Appropriated	-\$10,448	-\$20,897
<b>Total Expenditures</b>	<b>-\$258,942,296</b>	<b>-\$302,565,878</b>
<b>Total FTE</b>	<b>-0.6 FTE</b>	<b>-1.2 FTE</b>

## Summary of Legislation

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Effective July 1, 2025, the bill repeals the following fees:

- the Road Usage fee;
- the Bridge and Tunnel Impact fee;
- the Short-term Vehicle Rental fee;
- the passenger per-ride fees on car share rides imposed by the state, the Clean Fleet Enterprise, and the Nonattainment Area Air Pollution Mitigation Enterprise; and
- the waste tire enterprise fee.

The bill additionally repeals the Waste Tire Management Enterprise, effective July 1, 2025.

By January 1, 2026, the bill requires the Nonattainment Area Air Pollution Mitigation Enterprise to establish a program offering reformulated gasoline cost stabilization rebates to individuals who own motor vehicles registered in counties where the federal government requires all gasoline sold to be reformulated gasoline.

## **Background**

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### **Highway Users Tax Fund**

The Highway Users Tax Fund (HUTF) is the primary source of state highway system funding in Colorado. Revenue credited to the HUTF primarily comes from motor fuel taxes and fees plus vehicle registration fees. 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, counties, and municipalities for transportation purposes.

### **Road Usage Fees**

Road Usage fees on gasoline and diesel fuel were originally adopted by [Senate Bill 21-260](#) and went into effect April 1, 2023, at a rate of \$0.02 per gallon. Collected when motor fuel taxes are collected, the current fee rate is set at \$0.04 per gallon in FY 2024-25, and is set to increase to \$0.08 per gallon by FY 2028-29. Revenues from road usage fees came in just under \$93 million in FY 2023-24 and are credited to the HUTF.

### **Bridge and Tunnel Impact Fee**

Senate Bill 21-260 created the Bridge and Tunnel Impact fee on special fuels, effective July 1, 2024. The Bridge and Tunnel Impact fee is applied and collected in the same manner as the state's Road Usage fees, before being credited to the Bridge and Tunnel Enterprise within the Department of Transportation (CDOT) to be used for the maintenance of Colorado's bridges and tunnels. FY 2023-34 revenue from the fee totaled \$21.7 million. Other revenue sources for the enterprise include the Bridge Safety surcharge and a retail delivery fee.

### **Short-Term Vehicle Rental Fee**

The short-term vehicle rental fee is imposed on all motor vehicle rentals of 30 days or less and car sharing rentals lasting 24 hours or more. Senate Bill 21-260 indexed the fee to inflation. The FY 2024-25 rate for the daily vehicle rental fee is \$2.23. Revenue from the short-term vehicle rental fee totaled \$39.2 million in FY 2023-24 and is credited to the HUTF.

### **Passenger Per-Ride Fees on Car Share Rides**

Senate Bill 21-160 authorized both the Clean Fleet Enterprise and the Air Pollution Mitigation Enterprise to collect fees on car share rides beginning in FY 2022-23. Fees on rides are discounted for zero-emission vehicles. The ride fee amounts are shown in Table 2 below and may be adjusted every two years for inflation. Combined fee revenue totaled just over \$10 million in FY 2023-24.

**Table 2**  
**Passenger Per-Ride Fees on Car Share Rides**

<b>Enterprise</b>	<b>Discounted</b>	<b>Full Price</b>
Clean Fleet Enterprise	3.75¢ / ride	7.50¢ / ride
Air Pollution Mitigation Enterprise	11.25¢ / ride	22.50¢ / ride
<b>Total</b>	<b>15.00¢ / ride</b>	<b>30.00¢ / ride</b>

### **Waste Tire Management Enterprise**

The Waste Tire Management Enterprise within the Department of Public Health and Environment (CDPHE) was created by [Senate Bill 24-123](#). The Waste Tire Enterprise fee created by the bill goes into effect July 1, 2025, requiring retailers of new motor vehicle and trailer tires to collect the fee on the sale of each new tire. The fee cannot exceed \$2.50, though this maximum can be adjusted for inflation every two years. A portion of the fee revenue is to be credited to the Waste Tire Management Enterprise Fund for enterprise administrative activities and program grants; the other portion of the fee revenue is to be credited to the End Users Fund for rebates to end users and retailers that sell tire-derived products. Prior to the creation of the Waste Tire Management Enterprise, CDPHE was collecting its own waste tire fee of \$0.55, and CDPHE used the revenue for state programming related to waste tire management.

Senate Bill 24-123 also authorized CDPHE to collect a Waste Tire Administration fee, not to exceed half of the amount of the Waste Tire Enterprise fee. This bill eliminates the Waste Tire Enterprise fee and the Waste Tire Management Enterprise, and correspondingly changes the maximum of the Waste Tire Administration fee to be \$1.25 in FY 2025-26, to be adjusted every two years for inflation.

### **Air Pollution Mitigation Enterprise**

The Air Pollution Mitigation Enterprise was established in 2021 by Senate Bill 21-260 and is authorized to collect revenue through a retail delivery and a per-ride fee on car share rides. The enterprise uses revenue to provides grants for congestion mitigation and air quality projects.

### **Reformulated Gasoline**

Reformulated gasoline is gasoline that is blended to burn cleaner and reduce toxic pollutants. A 1990 amendment to the Federal Clean Air Act mandated the reformulated gasoline program, which requires localities to use reformulated gasoline when their smog levels reach a certain amount. On November 7, 2023, the federal act began requiring the following Colorado counties to sell and use reformulated gasoline by June 1, 2024: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson, Larimer, and Weld.

## Assumptions

The End Users Fund is credited only by fee revenue from the Waste Tire Management Fee. By repealing the fee, it is assumed that CDPHE will no longer provide rebates from the fund to end users or retailers that sell tire-derived products unless the General Assembly appropriates money to the fund.

The Waste Tire Administration Fee currently may not exceed half of the Waste Tire Management Enterprise Fee. The bill changes the maximum Waste Tire Administration Fee to be no greater than \$1.25, adjusted by inflation every two-years. The fiscal note assumes that the Waste Tire Administration Fee would have been set to \$1.25 under current law and therefore, the change in mechanics for maximum fee amount calculations will not affect fee revenue.

The Nonattainment Area Air Pollution Mitigation Enterprise and the Clean Fleet Enterprises receive other funding through retail delivery fees, and the Bridge and Tunnel Enterprise also has additional funding sources. It is assumed that these enterprises will operate with less revenue under the bill, reducing the amount of services they provide.

## State Revenue

The bill decreases state revenue by \$258.9 million in FY 2025-26 and \$302.5 million in FY 2026-27, with increasing amounts in future years. Revenue impacts occur in five state cash funds, including four state enterprises. Table 3A presents revenue reduction estimates through FY 2026-27 by cash fund.

**Table 3A**  
**Revenue Impact by Fund**

<b>Fund</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Highway Users Tax Fund*	-\$194.9 million	-\$228.4 million
Bridge and Tunnel Enterprise	-\$34.7 million	-\$42.3 million
Clean Fleet Enterprise	-\$3.03 million	-\$3.21 million
Nonattainment Area Air Pollution Mitigation Enterprise	-\$10.4 million	-\$12.7 million
Waste Tire Management Enterprise	-\$15.9 million	-\$15.9 million
<b>Total</b>	<b>-\$258.9 million</b>	<b>-\$302.5 million</b>
Total Subject to TABOR*	-\$194.9 million	-\$228.4 million
Total Exempt from TABOR	-\$64.0 million	-\$74.1 million

\* This revenue is subject to the TABOR limit.

## Highway Users Tax Fund

Of the road usage fee and short-term vehicle rental fee that is distributed to the HUTF, 60 percent is allocated to the State Highway Fund within CDOT, 22 percent is allocated to counties, and 18 percent is allocated to municipalities. The State Highway Fund portion of revenue loss is estimated to be \$117.0 million in FY 2025-26. The revenue is spent at the discretion of the Transportation Commission for highway improvements, transit-related projects, and other transportation projects.

## Enterprises

The Bridge and Tunnel Enterprise revenue will be reduced through the repeal of the Bridge and Tunnel Impact fee. Revenue to the Clean Fleet Enterprise and Air Pollution Mitigation Enterprise will be reduced through the repeal of their per-ride fees on car share rides. Revenue to the Waste Tire Management Enterprise, along with the enterprise itself, will be eliminated through the repeal of the Waste Tire Enterprise fee. Table 3B presents revenue reduction estimates through FY 2026-27 by fee.

**Table 3B**  
**Revenue Impact by Fee**

<b>Fund</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Road Usage Fee	-\$150.7 million	-\$181.8 million
Short-term Vehicle Rental Fee	-\$44.2 million	-\$46.6 million
Bridge and Tunnel Impact Fee	-\$34.7 million	-\$42.3 million
Passenger Per-Ride Fees on Car Share Rides	-\$13.4 million	-\$15.9 million
Waste Tire Enterprise Fee	-\$15.9 million	-\$15.9 million
<b>Total</b>	<b>-\$258.9 million</b>	<b>-\$302.5 million</b>

## State Expenditures

The bill reduces state and enterprise expenditures by the amounts described in the State Revenue section on an ongoing basis beginning in FY 2025-26. The bill additionally requires one-time General Fund programming costs in DOR in FY 2025-26, partially offset by a reduction in FTE expenditures for a total General Fund impact of \$7,929. Reductions to FTE within DOR will result in General Fund savings in FY 2026-27 and future years. These impacts are detailed below.

## Department of Revenue

The bill decreases state expenditures in the DOR by \$2,519 and 0.6 FTE in FY 2025-26; \$45,945 and 1.2 FTE in FY 2026-27; \$130,276 and 1.8 FTE in FY 2027-28; and \$173,702 and 2.4 FTE in FY 2028-29 and future years. These costs are summarized in Table 4A and discussed below.

## Staff

The bill results in a reduction in personnel expenditures as workload associated with the fees declines beginning in FY 2025-26; however, with a four-year statute of limitations, the DOR expects ongoing but decreasing audits, returns, collections, and corrections to previous filings where there is a protest or claim for refund. Personnel expenditures will decline by 0.6 FTE tax examiner per year through FY 2028-29, resulting in General Fund savings from reduced personnel needs.

## Computer Programming

The bill requires one-time computer programming estimated at \$49,258 in FY 2025-26. DOR will program, test, and update the DOR's GenTax software system to eliminate the fees being repealed by the bill. Programming costs are estimated at \$34,763, representing 150 hours of contract programming at an hourly rate of \$231.75. Programming support costs are estimated at \$4,095, representing 117 hours of work at an hourly rate of \$35. Costs for testing at the department are estimated at \$2,048, representing 64 hours of work at an hourly rate of \$32.

## 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, leased space, and indirect cost assessments, are shown in the expenditure table below.

**Table 4A**  
**State Expenditures**  
**Department of Revenue**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>
Personal Services	-\$32,209	-\$64,418	-\$96,627	-\$128,836
Operating Expenses	-\$768	-\$1,536	-\$2,304	-\$3,072
Capital Outlay Costs	\$0	\$0	\$0	\$0
Programming Costs	\$49,258	\$0	\$0	\$0
Centrally Appropriated Costs	-\$10,448	-\$20,897	-\$31,345	-\$41,794
<b>Total Costs</b>	<b>-\$2,519</b>	<b>-\$45,945</b>	<b>-\$130,276</b>	<b>-\$173,702 FTE</b>
<b>Total FTE</b>	<b>-0.6 FTE</b>	<b>-1.2 FTE</b>	<b>-1.8 FTE</b>	<b>-2.4 FTE</b>

## **Department of Transportation**

The decrease in revenue to the State Highway Fund, Bridge and Tunnel Enterprise, and Nonattainment Area Air Pollution Mitigation Enterprise will result in a reduction of expenditures in the Department of Transportation by the amounts specified in the State Revenue section.

### **State Highway Fund**

Expenditures from the State Highway Fund for maintenance activities and match funds for the Infrastructure Investment and Jobs Act are expected to decrease under this bill. 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.

### **Bridge and Tunnel Enterprise**

Revenue from the Bridge and Tunnel Impact fee is expected to make up about 20 percent of the enterprise's revenue in FY 2025-26 and FY 2026-27 under current law. The bill will result in fewer bridge and tunnel projects receiving funding, but the amount of the decrease in expenditures for each fiscal year is unknown since the fund is continuously appropriated.

### **Nonattainment Area Air Pollution Mitigation Enterprise**

The Nonattainment Area Air Pollution Mitigation Enterprise is funded by its retail delivery fee and passenger ride fee. The passenger ride fee, which is eliminated by the bill, typically makes up about 74 percent of the enterprise's fee revenue. The bill will result in less expenditures by the enterprise, but because the fund is continuously appropriated, the amount of the decrease in expenditures in each fiscal year is not known.

### **Gasoline Cost Stabilization Program**

The bill additionally requires the enterprise to establish a Gasoline Cost Stabilization Program to offer reformulated gas rebates to motor vehicles registered in counties requiring reformulated gasoline to be sold. The bill requires 10 percent of the enterprise's annual revenue to be dedicated to this program in the first year and 20 percent of the enterprise's annual revenue to be dedicated to this program in subsequent years. The establishment of the program increases the enterprise's personnel expenditures by 1.0 FTE accounting technician to process and manage the rebates, thus reducing available funds to be used for grants and rebates. Table 4B below demonstrates how future enterprise expenditures may be divided with reduced revenue and the Gasoline Cost Stabilization Program.



**Table 4B**  
**Nonattainment Area Air Pollution Mitigation Enterprise Expenditure Reallocation**

<b>Item</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
Forecasted Revenue Total under SB 25-117	\$3,000,000	\$3,400,000
Personnel Expenditures	\$81,982	\$75,312
Gasoline Cost Stabilization Program Expenditures	\$300,000	\$680,000
Expenditures on Existing Activities	\$2,618,018	\$2,644,688

### **Department of Public Health and Environment**

The decrease in revenue to the Clean Fleet Enterprise and the Waste Tire Management Enterprise will result in a reduction of expenditures in the Department of Public Health and Environment by the amounts specified in the revenue section.

#### **Clean Fleet Enterprise**

The Clean Fleet Enterprise is funded by its retail delivery fee and its passenger ride fee. The passenger ride fee currently makes up about 11 percent of the enterprise’s revenue. Repealing the passenger ride fee will result in a decrease in expenditures within the Department of Public Health and Environment. The funds otherwise would be dedicated toward grants for projects supporting electric vehicles and other clean fleet technology in government and private fleets. Because the funds are continuously appropriated, it is not known in which fiscal years the decrease in expenditures will occur.

#### **Waste Tire Management Enterprise**

The sole revenue source for the Waste Tire Management Enterprise is the Waste Tire Enterprise fee, which is scheduled to go into effect July 1, 2025, and generate \$15.9 million in annual revenue beginning in FY 2025-26. The bill repeals the fee and the enterprise, leading to the corresponding elimination of enterprise expenditures for FY 2025-26 and beyond. The funds otherwise would be dedicated to waste tire cleanup activities, waste tire program grants, and enterprise administrative costs.

### **TABOR Refunds**

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$194.9 million in FY 2025-26, \$228.4 million in FY 2026-27, and increasing amounts in future years. Changes in enterprise revenue does not impact TABOR refund amounts. 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, decreased cash fund revenue subject to TABOR will increase the amount of

General Fund available to spend or save. Decreased enterprise revenue will have no impact on the state TABOR refund obligation.

## **Local Government**

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The bill will decrease revenue to local governments from the HUTF by \$78.0 million in FY 2025-26 and \$91.4 million in FY 2026-27 with increasing amounts in future years. Of the FY 2025-26 amount, \$42.89 million is allocated to counties, and \$35.1 million is allocated to municipalities.

## **Technical Note**

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While the bill takes effect on July 1, 2025, due to the number of programming hours required to decommission the fees, the DOR is unlikely to be able to complete all programming by July 1, 2025.

By repealing the state fee on short-term motor vehicle rentals, the bill expands the applicability of the Bridge Safety Surcharge and Road Safety Surcharge, which are currently prohibited from being imposed on vehicles where the short-term motor vehicle rental fee is imposed. Imposing the Bridge and Road Safety Surcharges on short-term rental vehicles currently subjected to the short-term vehicle rental fee is estimated to increase Bridge and Road Safety Surcharge revenues by \$782.3 million in FY 2025-26 and \$807.4 million in FY 2026-27 with comparable amounts in future years. This would additionally drive DOR DRIVES programming expenditures to impose the Bridge and Road Safety Surcharges on short-term rental vehicles in the amounts of \$10,537 in FY 2025-26 and \$48,825 in FY 2026-27. If the bill is not amended to clarify the intent of repealing the short-term vehicle rental fee, this impact will be included in future iterations of the fiscal note.

## **Effective Date**

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The bill takes effect July 1, 2025.

## **State Appropriations**

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For FY 2025-26, the bill requires a General Fund appropriation of \$7,929 to the Department of Revenue, and 0.6 FTE reduction.

The State Highway Fund, Statewide Bridge Enterprise Special Revenue Fund, Nonattainment Area Air Pollution Mitigation Enterprise Fund, Clean Fleet Enterprise Fund, or Waste Tire Management Tire Enterprise Fund are continuously appropriated to their respective departments.

## State and Local Government Contacts

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Counties

Public Safety

Municipalities

Revenue

Natural Resources

Transportation

Public Health and Environment