SB 25-320

Fiscal Note

Legislative Council Staff

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SB 25-320: COMMERCIAL MOTOR VEHICLE TRANSPORTATION

Prime Sponsors:
Sen. Bridges; Kirkmeyer
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Fiscal note status: This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee.

Summary Information

Overview. The bill increases the Bridge and Tunnel Impact Fee from FY 2025-26 through FY 2027-28 and reinstates the sales and use tax exemption for low-emitting and alternative fuel trucks from August 1, 2025, through December 31, 2028.

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

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

Appropriations. For FY 2025-26, the bill requires an appropriation of $43,621 to the Department of Revenue.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	$13.5 million	$6.6 million	$6.8 million	-$0.3 million
State Expenditures	$43,621	$12,769	$8,702	$8,702
Transferred Funds	$0	$0	$0	$0
Change in TABOR Refunds	-$0.5 million	-$0.5 million	-$0.5 million	-$0.3 million
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

[1] Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	-$0.5 million	-$0.5 million	-$0.5 million	-$0.3 million
Cash Funds	$14.0 million	$7.1 million	$7.3 million	$0
Total Revenue	**$13.5 million**	**$6.6 million**	**$6.8 million**	**-$0.3 million**

Table 1B
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	$39,662	$8,702	$8,702	$8,702
Cash Funds	$3,959	$4,067	$0	$0
Federal Funds	$0	$0	$0	$0
Centrally Appropriated	$0	$0	$0	$0
Total Expenditures	**$43,621**	**$12,769**	**$8,702**	**$8,702**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

Summary of Legislation

The bill increases the Bridge and Tunnel Impact Fee rate from FY 2025-26 through FY 2027-28 as shown in Table 2 below.

Table 2
Bridge and Tunnel Impact Fee Per Gallon of Special Fuels

Fee (per gallon)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Current Law	$0.04	$0.05	$0.06	$0.07	$0.08
SB 25-320	$0.04	$0.07	$0.07	$0.08	$0.08
Change in Fee	**$0.00**	**$0.02**	**$0.01**	**$0.01**	**$0.00**

The bill also reinstates the Low-Emitting Vehicles sales and use tax exemption from August 1, 2025, through December 31, 2028. The exemption originally expired at the end of 2024.

Background

Bridge and Tunnel Impact Fee

Senate Bill 21-260 created the Bridge and Tunnel Impact fee on special fuels, effective beginning in FY 2022-23 at a rate of $0.02 per gallon and increasing incrementally by one cent per year to reach $0.08 per gallon in FY 2028-29. The Bridge and Tunnel Impact fee is applied to diesel fuel sales 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 2023-24, revenue from the fee totaled $21.7 million at a rate of $0.03 per gallon, representing 13.2 percent of total revenue to the Bridge and Tunnel Enterprise. Other revenue sources for the enterprise include the Bridge Safety surcharge; a retail delivery fee; federal funds; and any gifts, grants, and donations received.

Low-Emitting Vehicles Exemption

From 1999 through 2024, the sale, storage, use, and consumption of a qualifying vehicle, qualifying power source for any motor vehicle, or qualifying parts used for converting the power source of any motor vehicle was exempt from state sales and use taxes. The exemption applied to heavy-duty trucks that complied with certain emission standards established by the federal Environmental Protection Agency and motor vehicles with gross vehicle weight ratings greater than 10,000 pounds that used certain fuel alternatives.

House Bill 24-1036 eliminated the sales and use tax exemption effective January 1, 2025. In 2023, the most recent year of data, Low-Emitting Vehicles exemptions totaled $452,100.

DRIVES Programming

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 Revenue

The bill increases state revenue by $13.5 million in FY 2025-26, $6.6 million in FY 2026-27, and $6.8 million in FY 2027-28. Revenue impacts occur in the Bridge and Tunnel Enterprise and the General Fund. The bill reduces General Fund revenue by $0.3 million in FY 2028-29. Revenue estimates by impact are shown in Table 3 below.

The Low-Emitting Vehicles Exemption reinstatement impacts the General Fund and reduces revenue subject to TABOR, while the Bridge and Tunnel Impact Fee rate change impacts the Bridge and Tunnel Enterprise and increases revenue exempt from TABOR. The Low-Emitting Vehicles Exemption impact is estimated based on recent actual exempted amounts in Colorado. The Bridge and Tunnel Enterprise impact is based on the Department of Transportation's (CDOT) revenue forecast for the enterprise.

Table 3
State Revenue by Impact

Impact	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Bridge and Tunnel Impact Fee	$13,971,690	$7,124,262	$7,280,788	$0
Low-Emitting Vehicles Exemption	-$458,333	-$500,000	-$500,000	-$250,000
Total Revenue	**$13,513,357**	**$6,624,262**	**$6,780,788**	**-$250,000**

State Expenditures

The bill increases state expenditures within the Department of Revenue by $43,621 in FY 2025-26, $12,769 in FY 2026-27, and $8,702 in FY 2027-28, and FY 2028-29 to make required programming changes for the reinstatement of the Low-Emitting Vehicles Exemption, as summarized in Table 4 below.

Table 4
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
GenTax Programming and Testing	$27,525	$0	$0	$0
Office of Research and Analysis	$8,778	$8,702	$8,702	$8,702
Document Management (paid to DPA)	$3,674	$0	$0	$0
DRIVES Programming and Testing	$3,644	$4,067	$0	$0
Total Costs	**$43,621**	**$12,769**	**$8,702**	**$8,702**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

GenTax Programming and Testing

Based on reporting requirements for the Office of the State Auditor, it is assumed that the DOR will add a new line to the sales and use tax return forms for the Low-Emitting Vehicles exemption. Programming costs to add the new line are estimated at $18,540, representing 80 hours of contract programming at a rate of $231.75 per hour. Costs for testing at the department include $6,265 for 179 hours of innovation, strategy, and delivery programming support at a rate of $35 per hour, and $2,720 for 85 hours of user acceptance testing at a rate of $32 per hour. Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at $8,778, representing 231 hours for data management and reporting at $38 per hour. GenTax Programming and Testing expenditures will be paid from the General Fund.

Document Management

For FY 2025-26, DOR will incur $3,764 in document management costs. This includes updates to two tax return forms. These expenditures will occur in the Department of Personnel and Administration (DPA) using reappropriated DOR funds from the General Fund.

DRIVES Programming

The reinstatement of the Low-Emitting Vehicles exemption requires DRIVES programming expenditures in the amount of $3,959 in FY 2025-26 and $4,067 in FY 2026-27. Expenditures will be paid from the DRIVES Cash Fund.

The required DRIVES programming under the bill is expected to delay completion of the DRIVES upgrade by almost 2 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 $357,143.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by $458,333 in FY 2025-26 and $500,000 in FY 2026-27. This estimate assumes the March 2025 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 General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

Local Government

The bill will decrease sales and use tax revenue for the state-collected local governments that incorporate the exemption and conform to the state tax base. The bill allows special districts and state-collected city and county governments to include the exemption in their sales tax base, but does not require them to do so.

The Regional Transportation District (RTD) and Scientific and Cultural Facilities District (SCFD) are the two special districts that use the state's sales tax base in all instances, and the exemptions in the bill would apply to those districts. Therefore, the bill will decrease revenue for RTD and SCFD. Based on the amount of sales and use tax revenue collected in these special districts compared to that for the state, decreased revenue is estimated as shown in Table 4.

Table 4
Local Government Impacts

Local Government	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
RTD	-$93,098	-$101,561	-$101,561	-$50,781
SCFD	-$9,336	-$10,185	-$10,185	-$5,092
Total Local Revenue	**-$102,434**	**-$111,746**	**-$111,746**	**-$55,873**

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 upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of $39,662 to the Department of Revenue, of which $3,674 is reappropriated to the Department of Personnel and Administration. For FY 2025-26, the bill additionally requires an appropriation of $3,959 to the Department of Revenue from the DRIVES Cash Fund.

State and Local Government Contacts

Joint Budget Committee Staff

Revenue

Transportation

Personnel

State Auditor