

Initiative 175: Redirect State Funds to Roads

Placed on the ballot by citizen initiative • Passes with 55 percent of the vote

Initiative 175 proposes amending the Colorado Constitution to:

- require that certain motor vehicle-related state taxes and fees, which are currently used for transportation programs and general government operations, be spent exclusively on road construction and maintenance, road safety for motor vehicles, and the Colorado State Patrol.

What Your Vote Means

YES

A “yes” vote on Initiative 175 redirects and dedicates certain motor vehicle-related taxes and fees away from other programs and towards roads, road safety for motor vehicles, and the state patrol.

NO

A “no” vote on Initiative 175 means that the state and local governments maintain their existing authority to determine funding levels for roads, transit, and other programs.

Summary and Analysis of Initiative 175

What does the measure do?

Initiative 175 amends the state constitution to require that state and local governments spend certain motor vehicle-related taxes and fees that are collected by the state exclusively on roads, road safety for motor vehicles (road safety), and the Colorado State Patrol beginning January 1, 2027. These include all state sales and excise taxes on motor vehicles and fuel, plus two-thirds of sales taxes collected on vehicle parts and accessories. This revenue would be distributed between state and local governments and restricted to four uses:

- construction, maintenance, and operation of public roads;
- design and engineering costs for road projects;
- safety improvements for motor vehicles on public roads; and
- state patrol operations.

Functionally, the measure will impact two categories of existing funds.

- **Existing transportation funds.** Under current law, most transportation funds are already distributed between the state and local government and used for roads, road safety for all road users, state patrol, public transit, and other transportation programs. The measure narrows allowed uses of some of these transportation funds so that they can only be used for roads, road safety for motor vehicles, and the state patrol.

- **Other funds newly directed to roads.** The measure requires certain existing sales taxes and other vehicle-related taxes and fees, which are currently used for general government operations (such as health care and education), transit, and other transportation programs, to be spent exclusively for roads, road safety for motor vehicles, and the state patrol.

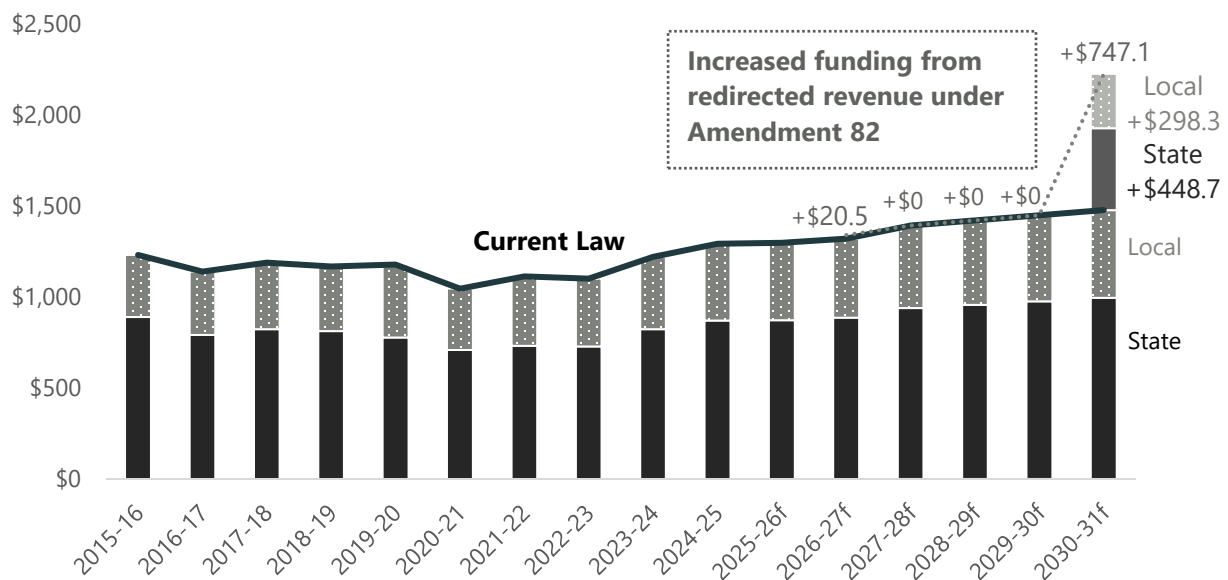
Much of this measure's impact is delayed by House Bill 26-1430,¹ a law that only goes into effect if Initiative 175 passes, as explained later in this analysis.

How much do the state and local governments currently spend on transportation?

The state and local governments currently receive about \$1.4 billion per year in ongoing state transportation funding, including revenue from gas taxes, registration fees, and other transportation-related taxes and fees. A significant portion of this funding is already required to be spent on roads, road safety, and the state patrol, while some is also spent on transit or other non-road transportation purposes. The measure may result in reduced spending on transit and other non-road transportation programs.

Figure 1 presents current state transportation funding distributed to state and local governments and how this funding may increase for roads, road safety, and the state patrol under the measure. The increase in funding shown in Figure 1 is an estimate. Depending on how the measure is legally interpreted, the measure may redirect less money than shown in Figure 1.

Figure 1
Actual and Forecasted Allocation of Vehicle-Related Taxes and Fees for Transportation
Millions of Dollars



Budget years with an "f" indicate that the funding amounts are forecasted.

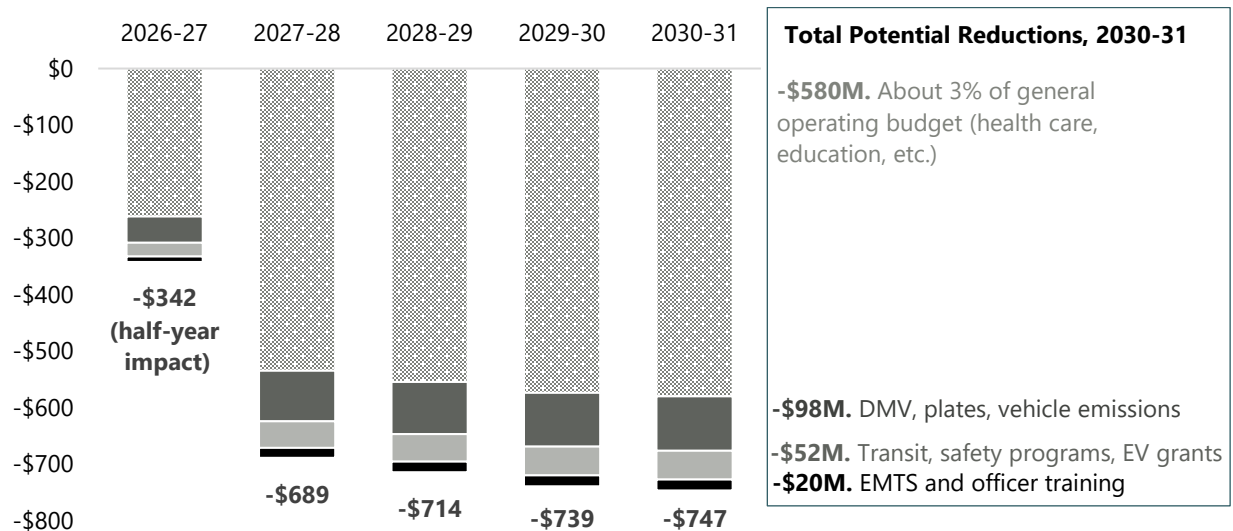
¹ Online at leg.colorado.gov/bluebook.

What other funds will be redirected to roads?

It is estimated that the measure will require up to \$750 million per year in existing funds to be distributed to state and local governments for roads, road safety, and the state patrol. The actual amount will depend on how the measure is interpreted by the legislature and the courts.

Figure 2 presents the current funding uses for the sources affected under the broadest interpretation of the measure.

Figure 2
Potential Reduction in Other Program Funds under Initiative 175
Millions of Dollars, Funds by Current Use



The funds shown in Figure 2 are from the following sources:

- Sales tax on motor vehicles and parts.** State sales and use taxes collected on the sale of automobiles, parts, and accessories are currently credited to the state's General Fund and support general government operations, such as health care, K-12 education, higher education, human services, and prisons. Initiative 175 requires that an estimated \$580 million instead be spent on roads, road safety, and the state patrol, making this money unavailable for general government operations.
- Vehicle-related taxes for transit and other transportation programs.** In addition to funding roads, some vehicle registration-related fees currently support other transportation programs such as Division of Motor Vehicles (DMV) services, license plate manufacturing, police officer training standards, statewide emergency medical and trauma services, air pollution control, pedestrian and bicycle infrastructure, rapid transit, certain impaired driving enforcement programs, and electric vehicle charging stations, among others. Initiative 175 requires that an estimated \$170 million of annual funding for these programs be spent on roads instead.

Some state and local transportation projects are eligible for matching federal grants. In cases where the measure reallocates state funding away from transit or transportation programs other than roads, road safety, and the state patrol, federal matching grants will also become

unavailable. However, in cases where the measure allocates more state funding to roads and road safety projects eligible for federal match, it may make more federal money available.

When does increased funding for roads, road safety, and the state patrol begin?

Initiative 175 takes effect in January 2027, but its full impact is delayed by a law passed by the state legislature in 2026. House Bill 26-1430 goes into effect if Initiative 175 passes. Through June 2030, the law temporarily reduces fuel excise taxes, registration fees, and other transportation-related charges to roughly offset the funding being newly directed to roads under Initiative 175. The reduction in transportation-related taxes and fees creates budget space for general government operations by reducing the state's obligation for refunds to taxpayers. As a result, HB 26-1430 may result in the measure having minimal impact to road and state spending through June 2030 based on current expectations. While HB 26-1430 is effective, taxpayers will pay less in transportation-related taxes and fees like gasoline taxes, but will receive fewer tax refunds from the state. Actual impacts to spending on roads, the state budget, and taxpayers will depend on state revenues over the next few years. A more detailed description of the net effects on taxpayers and general government operations can be found in the Fiscal Impact section below.

Beginning July 2030, taxes and fees return to their current levels. From that point on, the overall amount of state revenue collected is unchanged. Funding for roads, road safety, and the state patrol increases, offset by decreases in funding for general government operations, transit, and other transportation programs.

Arguments For Initiative 175

- 1) Colorado's roads rank among the worst in the nation. Poorly maintained roads are not just an inconvenience, they are a safety hazard that cost road users significant money and time and cause congestion, property damage, and injuries or fatalities. Despite this, Colorado's roads remain severely underfunded. Less than 5 percent of the state's operating budget goes towards the state's transportation department (CDOT), and not all of CDOT's budget is used for road maintenance and repair. The state's budget has increased more than 60 percent over the past 10 years while ongoing funding for roads has not kept up.
- 2) Without raising taxes, Initiative 175 locks in sustainable funding for roads by redirecting existing revenue generated from motor vehicles and fuel exclusively to road construction, maintenance, safety improvements and the state patrol. The state has previously dedicated sales tax revenue from motor vehicles to roads, but without constitutional protection, the investment has eroded over time. Money that drivers pay in vehicle-related taxes and fees should be used for clearly connected purposes, going towards roads, road safety, and the state patrol. The measure prioritizes safe, well-maintained roads that drivers depend on and expect.

Arguments Against Initiative 175

- 1) Initiative 175 diverts hundreds of millions of dollars away from health care, education, and other essential state services by redirecting sales tax revenue to the road construction industry, money that nearly every other state uses to fund general government operations. On top of that, it also diverts funding away from public transit, bicycle, and pedestrian transportation options, which could lead to increased traffic congestion and emissions, as well as endangering the most vulnerable road users such as pedestrians and bicyclists.
- 2) Everyone wants well-maintained roads, but the measure's rigid constitutional formulas and vaguely defined terms undermine the state's ability to balance road funding against other essential state services and risk unintended consequences that will be hard to reverse once the measure is part of the state constitution. Mandated formulas mean that local governments lose the ability to prioritize how they spend transportation funds to meet the specific needs of their community, and instead are forced to spend exclusively on roads. The state is already making responsible progress balancing roads with other state priorities, investing an additional \$4.1 billion in transportation over the past 10 years, on top of the many dedicated revenue sources it already receives.

Information about the organizations supporting and opposing this measure is available on the Colorado Secretary of State's website:

www.coloradosos.gov/pubs/elections/Initiatives/ballot/contacts/2026.html

Fiscal Impact of Initiative 175

State Revenue

The measure by itself has no impact on state revenue. If the measure passes, House Bill 26-1430 will also go into effect and reduce state revenue by about \$227 million in state budget year 2026-27 and up to \$580 million per year through budget year 2029-30. This revenue reduction is the result of a temporary decrease in certain motor vehicle tax and fee rates by about 38 percent.

The lower fee and tax collections will reduce state revenue relative to the state's constitutional revenue limit, also known as the Taxpayer's Bill of Rights (TABOR) limit. Less revenue subject to TABOR will reduce or eliminate TABOR refunds to taxpayers, which are paid from the state's general operating budget when state revenue is over the TABOR limit. In years where TABOR refunds are eliminated, the measure instead reduces funds available for other budget priorities.

State Spending

Through June 2030, the measure combined with HB 26-1430 keeps transportation funding distributed to the state and local governments for roads, road safety, and the state patrol near current levels, while decreasing funding for transit and other transportation programs. In years where revenue is above the TABOR limit, the measure results in minimal changes to general

state spending (health care, education, human services, etc.). In years where the revenue reductions cause state revenue to fall near or below the TABOR limit, state funding for purposes other than roads, road safety, and the state patrol will be reduced.

After June 2030, the measure increases funding required to be spent on roads, road safety, and the state patrol by up to an estimated \$750 million per year. This required spending will reduce money available for other state programs (the largest being health care, education, transit, and other transportation programs) by up to \$750 million per year. The exact fiscal impact of the measure on other programs will depend on budgeting decisions and any future legislative actions to clarify implementation of the measure.

Local Government Revenue and Spending

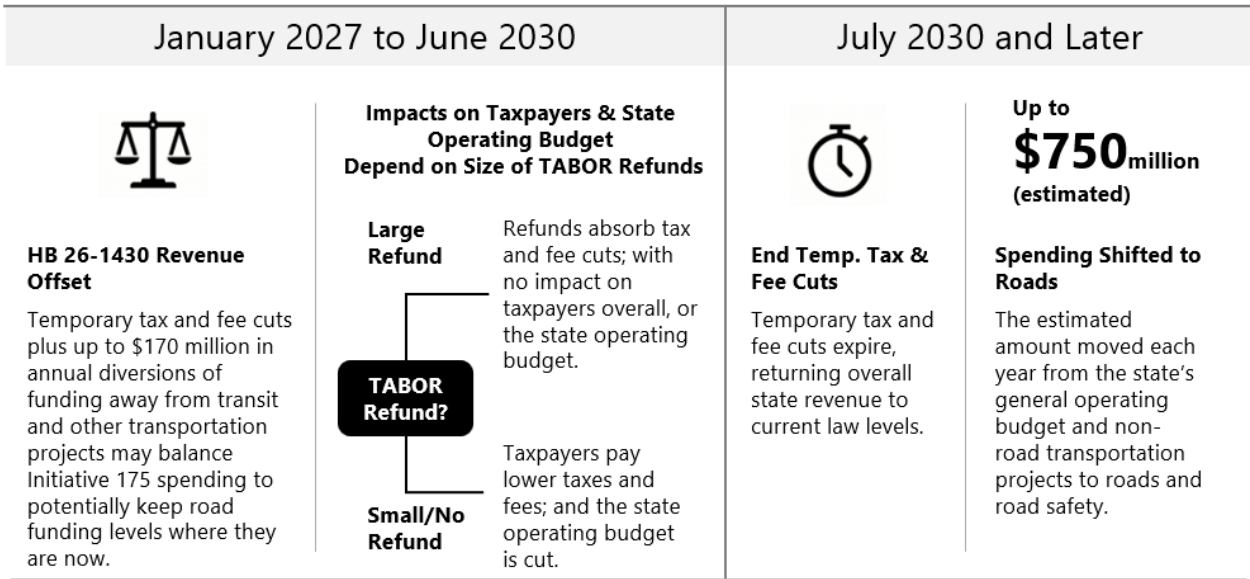
Through June 2030, the measure keeps state transportation funding for counties and cities similar to current levels, while disallowing certain state-distributed funds from being spent on transit or other transportation programs. After June 2030, up to an additional \$296 million per year will be distributed to counties and cities for roads and road safety.

Taxpayer Impacts

After June 2030, the measure has no impact on taxpayers.

Through June 2030, taxpayers will pay less in certain motor vehicle taxes and fees. In years where revenue is sufficiently above the TABOR limit, the decrease in motor vehicle taxes and fees paid will be offset by a corresponding decrease in TABOR refunds to taxpayers. This results in no net impact to taxpayers overall, though individual taxpayer impacts may differ based on refunds claimed and motor vehicle taxes and fees paid. More information about the TABOR limit and refunds can be found in the accompanying [Legislative Council Staff memorandum](#).

Figure 3
Impact of Initiative 175 and HB 26-1430



1 **Interactions with Other Measures**

2 Proposition NN allows the state to keep and spend revenue that would otherwise be refunded
3 to taxpayers under TABOR, up to a newly established limit. With House Bill 26-1430,
4 Initiative 175 reduces tax and fee revenue through June 2030, which will temporarily reduce the
5 amount of money the state keeps and spends under Proposition NN if both measures pass.