



Legislative Council Staff

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Fiscal Note

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Prime Sponsors: Rep. Pico

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Bill Status: House Energy & Environment
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Bill Topic: **ELECTRIC VEHICLE ROAD USAGE EQUALIZATION FEE**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill creates an annual fee for plug-in electric vehicles to be used for maintenance of existing highways, streets, and roads. The bill increases state revenue and expenditures and local revenue on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$32,300 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 21-1205

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	State Highway Fund	\$979,875	\$2,359,935
Expenditures	Cash Funds	\$32,300	\$5,300
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill requires plug-in electric vehicle owners to pay a road usage equalization fee each year when they register their vehicles, initially set at \$75 and annually adjusted for inflation thereafter. Revenue from the fee will be credited to the Highway Users Tax Fund (HUTF) and must be used for maintenance of existing highways, streets and roads. Plug-in electric vehicle owners will begin paying the registration fee on January 1, 2022.

The bill also requires the Department of Transportation (CDOT) and the Department of Revenue (DOR) to establish a joint working group to ensure that the road usage equalization fee is increased appropriately in future years, taking motor fuel excise taxes, vehicle type and weight, and other factors into consideration. Recommendations from the joint working group must be presented to and reviewed by the Transportation Legislation Review Committee during the 2022 legislative interim.

Background

Plug-in electric vehicles include motor vehicles that qualify for the federal plug-in electric vehicle credit under 26 U.S.C. section 30D, or any motor vehicle that can be recharged from an external source of electricity and that uses electricity stored in a rechargeable battery pack to drive or contribute to the drive of the vehicle's wheels. As of December 2020, there were 43,550 plug-in electric vehicles registered in Colorado. Approximately 8,900 new plug-in electric vehicles are newly registered and titled each year.

CDOT is primarily funded from the State Highway Fund (SHF), which is comprised of federal funds, the state's share of the HUTF, and other various sources of revenue. The decision-making authority for the majority of state transportation revenue rests with the Transportation Commission, which is responsible for allocating funds from the SHF.

State Revenue

This bill is anticipated to increase state and local revenue by a total of \$1.6 million in FY 2021-22, and \$3.9 million in FY 2022-23, as shown in Tables 2 and 3. This revenue is subject to TABOR.

Table 2
Fee Impact on Plug-in Electric Vehicle Owners

Fiscal Year	Type of Fee	Fee	Vehicles	Total
FY 2021-22	Road Usage Equalization Fee	\$75	21,775	\$1,633,125
FY 2022-23		\$75	52,443	\$3,933,225

Road usage equalization fee. Upon registration, all plug-in electric vehicle owners will be required to pay an annual road usage equalization fee of \$75 starting on January 1, 2022. The fee amount for FY 2022-23 is an estimate only; actual fees in out years will be adjusted for inflation. The fiscal note assumes that half of all plug-in electric vehicle owners will register in the second half of FY 2021-22, and that all current and new owners will register in future years. Fee revenue will be credited to the HUTF, using the "second stream" allocation formula. This distribution is shown in Table 3.

Highway Users Tax Fund. Of the HUTF revenue from the road usage equalization fee, 60 percent is credited to the SHF, 22 percent is credited to counties, and 18 percent is credited to municipalities. All revenue must be used for maintenance of existing highways, streets, and roads. Table 3 outlines the estimated HUTF revenue generated by this bill.

**Table 3
 Estimated HUTF Distributions Under HB 21-1205**

	FY 2021-22	FY 2022-23
State Highway Fund (60 percent)	\$979,875	\$2,359,935
Counties (22 percent)	\$359,288	\$865,310
Municipalities (18 percent)	\$293,963	\$707,981
Total Revenue	\$1,633,125	\$3,933,225

State Expenditures

This bill increases cash fund expenditures in the DOR by \$32,300 in FY 2021-22 and \$5,300 in FY 2022-23 and future years, as show in Table 4 and detailed below. The bill also increases available funding for CDOT highway maintenance project expenditures by an estimated \$979,875 in FY 2021-22 and \$2,359,935 in FY 2022-23.

**Table 4
 Expenditures Under HB 21-1205**

	FY 2021-22	FY 2022-23
Department of Revenue		
Computer Programming	\$27,000	-
Advance Fuel Module Program	\$5,300	\$5,300
Total Expenditures	\$32,300	\$5,300

Department of Revenue. The bill will increase costs in DOR for computer programming, training, information updates, and participation in the equalization fee joint working group.

DRIVES programming. In FY 2021-22, one-time programming costs of \$27,000 and recurring maintenance and support costs of \$5,300 are required to update and maintain the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. These costs are further described as follows:

- One-time DRIVES programming costs will include updating DRIVES to create the new equalization fee, as well as related work for configuration, development, testing, verification, documentation and other implementation tasks. DRIVES programming costs are calculated at 120 hours, at a rate of \$225 per hour, and are paid from the DRIVES Vehicle Services Account.

- Recurring maintenance and support costs in DRIVES will include implementing and maintaining the Advance Fuel Module program. This program will allow DOR to identify plug-in electric vehicles using VIN verification, instead of the current practice of relying on a vehicle owner's declaration during titling and registration. This annual programming cost of \$5,300 will likewise be paid from the DRIVES Vehicle Services Account.

CORE programming. DOR uses the CORE system to account for and distribute taxes and fees. DOR will be required to program CORE with new accounts to allow the equalization fee to be identified separately for the Department of Treasury. Workload increases and costs associated with this activity can be accomplished within existing appropriations.

Information updates, training and joint working group. DOR will be required to update rules, forms, manuals, and the department's website to reflect the change in law. Additionally, the DOR will provide training to authorized agents, Vehicle Services Section staff, and other affected entities. DOR will also participate and conduct work on behalf of the equalization fee joint working group with CDOT to create recommendations for future fee changes. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

Department of Transportation. As a result of the new SHF revenue generated, CDOT will increase expenditures on state highway maintenance projects beginning in FY 2021-22. Funding from the SHF is allocated by the Transportation Commission, which will adjust SHF spending to accommodate the increase in CDOT expenditures under this bill. The bill will also increase CDOT workload to participate in the equalization fee joint working group with DOR, however, this workload can be accomplished within existing appropriations.

Legislative Department. The bill requires the Transportation Legislation Review Committee to review recommendations from the equalization fee joint working group. This workload can be accomplished within existing appropriations.

TABOR refunds. Under the December 2020 Legislative Council Staff Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2021-22 or FY 2022-23, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Local Government

This bill will increase local government HUTF revenue by the amounts shown in Table 3. HUTF revenue generated by equalization fees will be distributed to counties (22 percent) and municipalities (18 percent) for maintenance of existing highways, streets and roads.

Technical Note

Costs related to implementing and maintaining the Advance Fuel Module program, shown in Table 4 above, are also included in the fiscal note for HB 21-1141. If both of these bills pass, these costs are redundant and can be removed from one of the fiscal notes.

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 2021-22, the bill requires an appropriation of \$32,300 from the DRIVES Vehicle Services Account to the Department of Revenue.

Departmental Difference

The DOR estimates that it requires \$32,300 in FY 2021-22 for DRIVES system programming and that the General Fund is required to pay for these costs. The fiscal note estimates that the DOR will have sufficient cash fund balance in the DRIVES Vehicle Services Account to cover the costs related to DRIVES programming.

State and Local Government Contacts

Colorado Energy Office
Information Technology
Revenue

Counties
Legislative Council Staff
Transportation

County Clerks
Municipalities