

MAY 2026

TRANSPORTATION FUNDING: INITIATIVE 175 AND HB26-1430

AUTHORS: COLE ANDERSON AND THOMAS YOUNG

OVERVIEW

The condition of Colorado's roads and bridges has long been central to debates over state transportation spending, and recent declines in infrastructure quality have prompted both a ballot initiative and an offsetting bill in the final days of Colorado's legislative session.

Initiative 175, *State Revenue Supporting Road Transportation*, would constitutionally **require state revenue collected from specified transportation-related taxes and fees to be spent only on road transportation**. In practice, it would move existing state revenue toward road and bridge repair and construction, road safety, related planning and engineering, and the Colorado State Patrol.

In response, Colorado lawmakers have drafted and are currently considering HB26-1430. The bill, which would take effect only if voters approve Initiative 175, would reduce fuel taxes, vehicle fees, and road usage fees for four years while creating a Support Road Transportation Fund (SRTF) to receive the revenue affected by the initiative.

HB26-1430 would dramatically blunt Initiative 175's practical effect. Rather than allowing the measure to direct established funds towards road and bridge construction and repair, **the bill would reduce the taxes and fees that generate transportation revenue and use the remainder to replace existing state transportation obligations, leaving little money left to be rededicated for road construction and repair during the bill's three-and-a-half-year window.**

If Initiative 175 passes on its own, nearly \$700 million of existing state revenue would be newly designated to road transportation in FY 2027–28, the measure's first full fiscal year. The measure would not change tax or fee rates but would change how certain existing revenues may be spent, directing them to the State Highway Fund, counties, and municipalities for eligible road transportation purposes.

KEY FINDINGS

- The passage of HB26-1430 would dramatically blunt Initiative 175's proposed effects.
 - Aside from \$20.5 million in the first fiscal year (FY2027), enacting HB26-1430 would result in **\$0** net new road revenue during its effective fiscal years (FY2027–30).
- Without the effects of HB26-1430, Initiative 175 would direct over **\$2.49 billion** in revenue from transportation-related taxes and fees to be spent on road transportation/repair from FY2027 to FY2030.
- From FY2027 to FY2040, but for HB26-1430, Initiative 175 would rededicate \$11.5 billion in revenue to road investments. This is not new tax revenue, but rather a repurposing of existing revenue towards road investments.
- It is likely that upon HB26-1430's sunset the state will revisit the issue and could extend the offsets, reduce other transportation-related revenues, or use newly dedicated dollars to backfill existing General Fund obligations.

WHAT INITIATIVE 175 WOULD DO ON ITS OWN

Initiative 175 would add a new section to Article X of the Colorado Constitution effective January 1, 2027. The measure defines road transportation to include construction, surface repairs, maintenance, and operation of public roads and bridges used primarily for motor vehicles; driver safety improvements; directly related design, engineering, and management costs; and Colorado State Patrol costs.

The measure defines the affected revenue sources broadly. They include state sales, use, excise taxes, and fees imposed and collected on motor vehicles and motor vehicle fuel, plus two-thirds of state sales and use taxes collected on motor vehicle parts, equipment, materials, and accessories affixed to a vehicle.

- Dedicated new spending on roads: CSI **estimates \$343 million in FY2026–27, a half-year impact, \$690 million in FY2027–28, and \$1.04 billion in revenue rededicated to road transportation from the General Fund and cash funds.**

How HB26-1430 Would Change the Outcome

HB26-1430 is designed to counteract Initiative 175. If Initiative 175 passes, the bill will lower revenue from several sources that would otherwise flow through the Highway Users Tax Fund (HUTF) or be counted as transportation-related revenue under the initiative.

The bill reduces certain transportation tax and fee rates from January 1, 2027 through June 30, 2030, conditional on the passage of Initiative 175 as follows:

- the gasoline excise tax from 22 to 14 cents per gallon,
- the special fuel excise tax from 20.5 to 13 cents per gallon,
- the late registration fee from between \$25 and \$100 per month to between \$15.50 and \$62 per month,
- certain registration fee rates by 38%,
- the road safety surcharge rates reduced by 38%, and
- the road usage fee from 6 to 4 cents from January 1, 2027, through June 30, 2027, and in amounts to be determined from FY2027–28 through FY2029–30.

Fiscal effect on state revenue and road spending if both HB26-1430 and Initiative 175 pass:

Projected State Revenue and Infrastructure Spending Changes: Initiative 175 Alone vs. Initiative 175 + HB26-1430			
Fiscal Year	Initiative 175 alone: new spending on roads	Initiative 175 + 1430: new spending on roads	Cumulative Tax Cuts under HB26-1430
FY2027	\$342.7	\$20.5	\$226.7
FY2028	\$690.4	\$0.0	\$499.4
FY2029	\$714.4	\$0.0	\$523.4
FY2030	\$739.2	-\$0.1	\$548.3
FY2031	\$764.9	\$573.9	\$0.0
FY2032	\$791.4	\$791.4	\$0.0
FY2033	\$818.9	\$818.9	\$0.0
FY2034	\$847.3	\$847.3	\$0.0
FY2035	\$876.7	\$876.7	\$0.0
FY2036	\$907.2	\$907.2	\$0.0
FY2037	\$938.7	\$938.7	\$0.0
FY2038	\$971.2	\$971.2	\$0.0
FY2039	\$1,005.0	\$1,005.0	\$0.0
FY2040	\$1,039.8	\$1,039.8	\$0.0
Total	\$11,447.8	\$8,790.5	\$1,797.8

*Dollars in millions

If Initiative 175 is approved by voters, in the first four fiscal years after passage taxpayers would receive nearly \$1.8 billion in temporary tax cuts while new road spending remains essentially flat; once those tax cuts expire, road funding would begin increasing in FY2031 and total \$8.8 billion through FY2040.

It is important to note that the table above displays new spending on roads, not total revenue restricted by Initiative 175.

The practical result, should both pass, is lower taxes and smaller transportation investments than under voter-approved Initiative 175 alone. The fiscal note estimates that HB26-1430 would reduce HUTF revenue by nearly \$500 million in FY2027–28 and by more than \$500 million annually after that through FY2029–30. Because HUTF revenue is split between the State Highway Fund (60%), counties (23%), and municipalities (17%), those reductions affect state and local transportation dollars.

POSSIBLE STATE ACTION UPON HB26-1430 SUNSETTING

HB26-1430's major offsets are scheduled to sunset after FY2030, at which point revenue would begin flowing more directly under Initiative 175's original framework, but that outcome is not guaranteed.

Given the size of the revenue shift, the state is likely to revisit the issue before the sunset date and could extend the offsets, reduce other transportation-related revenues, or use newly dedicated dollars to backfill existing General Fund obligations. If that happens, the state could continue limiting the amount of funding available for road and bridge construction even after HB26-1430's initial window closes.

BOTTOM LINE

If Initiative 175 passes on its own, Colorado will dedicate a larger share of existing transportation-related state revenue to road transportation. The measure would increase dollars flowing to the State Highway Fund, counties, and municipalities for roads and bridges, without raising taxes or fees.

If HB26-1430 passes alongside Initiative 175, it will largely neutralize that effect during the bill's four-year window. HB26-1430 would lower transportation-related taxes and fees, reducing the amount of revenue collected, and would route newly dedicated dollars into the Support Road Transportation Fund to replace existing state transportation obligations that otherwise would have been paid from the General Fund. Except in the first partial fiscal year, the fiscal note indicates the bill would leave essentially no additional state spending rededicated to roads while it is in effect.

REFERENCES

Colorado General Assembly, HB26-1430 Transportation Funding Adjustments bill page, accessed May 11, 2026.

Legislative Council Staff, Fiscal Note for HB26-1430, First Revised Note, May 6, 2026.

Colorado Secretary of State, Results for Proposed Initiative #175, title set November 19, 2025.

Legislative Council Staff, Fiscal Summary of Initiative 175, November 13, 2025.

Legislative Council Staff, Initiative 2025-2026 #175 final text.