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To: Managers, Clerks, Public Works Directors, Finance Directors and Budget Directors  
From: Morgan Cullen, Legislative and Policy Advocate  
Date: August 13, 2019  
Subject: Highway User Tax Fund Revenue Estimates

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CML has prepared the attached Highway User Tax Fund (HUTF) estimates to assist you with modifying your current 2019 budget and in developing your 2020 budget.

**What's new:** Some progress was made during the 2018 and 2019 legislative sessions to address the need for additional revenue for the HUTF. CML worked diligently to not only secure more General Fund dollars for transportation but also ensured that some of those dollars would go to support transportation funding at the local level. Two sessions ago, CML supported SB 18-001 which provided an additional \$150 million in General Fund dollars in FY 2019-20. The bill includes a \$22.5 million HUTF transfer to local governments. The funds will be divided 50/50 between cities and counties and dispersed through the HUTF later this month. This transfer will provide an additional \$11.2 million in HUTF revenue for Colorado's cities and towns.

In 2019, CML supported SB 19-262 which allocated an additional \$100 million in General Fund dollars in FY 2019-20, which includes an additional \$18 million in HUTF revenue for Colorado municipalities. These funds will also be dispersed through the HUTF later this month.

**The appropriations allocated under SB 18-001 and SB 19-262 are one-time funding that each municipality will receive in one aggregate sum with their July HUTF disbursement by August 19<sup>th</sup>, 2019. Because this is one-time funding, CML has prepared additional HUTF estimates specifically for the revenue provided by these pieces of legislation.**

### Highway User Tax Fund Background

The Highway Users Tax Fund (HUTF) is a statutorily defined, state-collected, locally-shared revenue that is distributed monthly among the state, counties and municipalities. HUTF revenues are derived primarily from:

- **Basic Fund** – the first seven cents of motor fuel tax and various motor vehicle registration, title and license fees and taxes;
- **Motor Fuel Tax Increases** – the 1981 two cents gasoline and special fuel, 1983 three cents gasoline/four cent special fuel, and 1986 six cents gasoline/seven and one-half cents special fuel tax increases;
- **1989 HUTF Increase** – a two cents per gasoline tax increase/two and one-half cents special fuels tax decrease, driver's license and motor vehicle registration fee increase, an increase of certain truck registration fees to offset the reduced special fuel tax effective in 1989; and the additional two cents per gallon gasoline tax increase effective January 1, 1991;
- **1995 HUTF Increase** – SB 95-47 phased in over three years a reduction in the allowable purposes for which HUTF revenues can be allocated. This resulted ultimately in \$39 million a year more in HUTF receipts being available for streets and roads; and
- **FASTER surcharges** – SB 09-108 imposed a road safety surcharge to vehicle registration fees for deposit into the HUTF with an 18% municipal share. Also deposited in HUTF and shared are a daily rental car fee, an oversize vehicle permit surcharge, and an increase in the penalties for late vehicle registration.

Revenues from each of the above sources are distributed among the state, counties and municipalities on different formulas.

**Basic Fund** These revenues are distributed on a 65-26-9 percentage share basis to the state, counties and municipalities respectively and are subject to off-the top allocations for the State Patrol, Ports of Entry and the Department of Revenue – Motor Vehicle Business Group. Governments may spend these Basic Fund HUTF revenues for acquisition of rights-of-way, construction, engineering, safety, reconstruction, improvements, repairs, maintenance and administration of streets, roads and highways. Administrative expenditures cannot exceed five percent (C.R.S. 43-3-208 (1)).

**Motor Fuel Tax, HUTF Increases** These revenues are distributed on a 60-22-18 (state, county, municipal) percentage share basis and are to be spent for improvements to highways, including new construction, safety improvements, maintenance and capacity improvements. None of these funds can be spent for administrative purposes (C.R.S. 43-4-205(6)(b) and (13)).

**FASTER** The road safety surcharge revenues are distributed on a 60-22-18 (state, county, municipal) percentage share basis. These funds are designated for road safety projects that are defined as “a construction, reconstruction, or maintenance project that...a municipality determines is needed to enhance the safety of a city street.” (C.R.S. 43-4-803 (21)). Administrative expenditures cannot exceed five percent.

### **Municipal Share**

Each municipality receives a share of the municipal portion of the HUTF based on a formula that takes into account the number of vehicles registered and the center line miles of streets in each municipality relative to the same data in other municipalities. Generally, 80 percent of the distribution is based on the number of vehicles registered and 20 percent on the center line miles of streets in a community. Each municipality’s percentage share is recalculated annually in July and is based on: 1) its previous year’s vehicle registration figure as certified by the Department of Revenue to the State Treasurer and 2) its previous year’s miles of open, used and maintained streets as certified to the Treasurer by CDOT which uses data from each entity’s Annual Certification of Condition and Mileage Report (C.R.S. 43-4-208(2) through (6)).

### **Revised 2019 HUTF Revenue Estimate – last six months** (Revenue Estimate #1)

Revenue Estimate #1 is an estimate of July through December 2018 municipal HUTF revenues and is provided to assist in revising your current year HUTF estimate. We recommend adding your first six months of actual revenues to the revenue Estimate #1 for a revised 2018 HUTF revenue estimate.

### **2020 HUTF Revenue Estimate** (Revenue Estimate #2)

Revenue Estimate #2 is the aggregate municipal HUTF revenue estimate for January through December 2019. Please note that your municipality’s HUTF revenue may not track the growth of the total fund. Each municipality’s HUTF share is based on the number of vehicles and center lines miles in each community relative to the same statistics in other municipalities. These figures are recalculated annually. Consequently, your municipality’s percentage share may change whether or not your own statistics change.

## Aggregate Revenue Estimates

The following chart lists the sources of the municipal HUTF Revenue estimates:

	<b>Estimate #1</b>	<b>Estimate #2</b>
	<b>JUL-DEC 2019</b>	<b>JAN-DEC 2020</b>
Basic Fund	\$ 11.3 m	\$ 22.6 m
Additional Revenues (1981, 83, 86, 89, SB 95-47, SB 09-108)	<u>\$ 61.6 m</u>	<u>\$ 124.2 m</u>
TOTAL	\$ 72.9 m	\$146.8 m

**Estimates for each municipality are attached.** Please keep in mind that these are only estimates and are based on the Colorado Department of Transportation's revenue projections.

### Required Annual Reports

As a condition of continuing to receive monthly HUTF payments, state law requires that municipalities annually submit two reports: Certification of Condition and Mileage Report (due March 1) and the Annual Receipts and Expenditures Report (due June 30). If these reports are not provided to the state in a timely manner, by statute (C.R.S. 43-4-209), your jurisdiction's HUTF payments will be withheld for up to six months or until the reports have been provided to the state. After six months, if the reports have not been provided, your municipality's withheld HUTF payments will be paid to your county.

Please contact Morgan Cullen [mcullen@cml.org](mailto:mcullen@cml.org) if you have questions. This memorandum is posted on the CML website: [www.cml.org](http://www.cml.org)