

# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Scott Thompson, JBC Staff, x4957

**SUBJECT:** DMV Fee Options

**DATE:** March 18, 2016

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On page 3 there are two tables that provide estimates for new revenue if eight select fees administered by the Division of Motor Vehicles are increased to more closely approximate the amount it costs the Division to provide that service. During the meeting on March 10, 2016, staff presented the second table with *Options 1, 2, and 3*, for the Committee to discuss. At the end of that meeting, the Committee made a motion that resulted in fees being set at the amount included in *Option A* on the first table. These are the fees that are included in the current bill draft.

On March 16, 2016, it was brought to JBC staff's attention that the volume of certified driving records in FY 2014-15 included in the chart initially presented to the Committee included both certified driving records and non-certified driving records and that certified driving records represent less than 1 percent of the total. Therefore, staff has included increasing the cost for the non-certified records in *Options B and C* on page 3.

At the conclusion of the meeting on March 10, 2016, there was still some discussion over whether the certified driving record fee should be increased from \$3.20 to \$22.50, or if the fee should continue to be subsidized because people obtaining certified driving records are often individuals seeking careers that require a clean driving record or professional licensure. There was no clear consensus on what the final certified driving record fee should be. Therefore, staff provided *Options B and C*, which only differ in the fee for the certified driving record.

## *Cash Fund Reserve*

JBC staff discussed with the Department the possibility of incorporating a variable reserve amount based on projected activities of the Division for the year being budgeted for. The draft currently exempts the Licensing Services Cash Fund from the cash fund reserve requirement. If the Committee wants to adjust the allowable reserve amount each year for the Licensing Services Cash Fund, JBC staff believes that best process would be for the Department to include in its yearly budget request a request for the reserve the Department estimates it requires for the year being budgeted.

## *Mandatory Fee Increase in FY 2017-18 and FY 2018-19*

The Department expressed no desire to exercise its fee-setting authority to raise some or all of the fees charged by the Division in FY 2016-17 because it had just raised fees by up to 20 percent and due to the TABOR impact. The Committee has thus far discussed fees that still do not entirely pay for the cost to the Division to provide that service, specifically for the driver's license. If the goal of the Committee is to increase fees yearly to eventually reach the cost to provide, JBC staff recommends including an expiring mandate to raise the fees for driver's

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licenses from \$26 to \$27 in FY 2017-18 and from \$27 to \$28 in FY 2018-19, when it will exceed the estimated cost to provide. This should minimize the yearly TABOR impact of raising fees.

<b>Division of Motor Vehicle Fee Options New Options</b>									
<b>Fee Description</b>	<b>Current Fee</b>	<b>Cost to Provide<sup>1</sup></b>	<b>Option A Current Bill Draft</b>	<b>Option B</b>	<b>Option C</b>	<b>Volume in FY 2014-15</b>	<b>Option A New Revenue</b>	<b>Option B New Revenue</b>	<b>Option C New Revenue</b>
Driver's License	25.00	27.88	26.00	26.00	26.00	1,013,372	1,013,372	1,013,372	1,013,372
Duplicate License or Permit	9.00	12.33	12.00	12.00	12.00	36,855	110,565	110,565	110,565
Driver's License Extension	3.60	6.51	6.50	6.50	6.50	4160	12,064	12,064	12,064
Certified Driving Record	3.20	21.72	22.50	15.00	10.00	704	13,587	8,307	4,787
Driving Record	2.60	17.37	0.00	14.00	9.00	104,896	0	1,195,814	671,334
CDL Testing Unit License (Initial)	360.00	3,093.17	3,094.00	3,094.00	3,094.00	4	10,936	10,936	10,936
CDL Testing Unit License (Renewal)	120.00	1,051.49	1,052.00	1,052.00	1,052.00	89	82,948	82,948	82,948
CDL Tester License (Initial)	120.00	147.29	148.00	148.00	148.00	31	868	868	868
CDL Tester License (Renewal)	60.00	139.11	140.00	140.00	140.00	171	<u>13,680</u>	<u>13,680</u>	<u>13,680</u>
<b>Total</b>							<b>\$1,258,020</b>	<b>\$2,448,555</b>	<b>\$1,920,555</b>

<b>Division of Motor Vehicle Fee Options Originally Presented March 10, 2015</b>									
<b>Fee Description</b>	<b>Current Fee</b>	<b>Cost to Provide<sup>1</sup></b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Volume in FY 2014-15</b>	<b>Option 1 New Revenue</b>	<b>Option 2 New Revenue</b>	<b>Option 3 New Revenue</b>
Driver's License	25.00	27.88	28.00	27.00	30.00	1,013,372	3,040,116	2,026,744	5,066,860
Duplicate License or Permit	9.00	12.33	13.00	12.00	12.00	36,855	147,420	110,565	110,565
Driver's License Extension	3.60	6.51	7.00	5.00	7.00	4160	14,144	5,824	14,144
Certified Driving Record	3.20	21.72	22.00	5.00	22.00	105,600	1,985,280	190,080	1,985,280
CDL Testing Unit License (Initial)	360.00	3,093.17	3,094.00	3,000.00	3,100.00	4	10,936	10,560	10,960
CDL Testing Unit License (Renewal)	120.00	1,051.49	1,052.00	1,000.00	1,060.00	89	82,948	78,320	83,660
CDL Tester License (Initial)	120.00	147.29	148.00	140.00	150.00	31	868	620	930
CDL Tester License (Renewal)	60.00	139.11	140.00	120.00	140.00	171	<u>13,680</u>	<u>10,260</u>	<u>13,680</u>
<b>Total</b>							<b>\$5,295,392</b>	<b>\$2,432,973</b>	<b>\$7,286,079</b>

<sup>1</sup>Cost to provide includes all fixed and variable costs to provide the service.