



**Colorado
Legislative
Council
Staff**

HB16-1056

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0363 **Date:** February 2, 2016
Prime Sponsor(s): Rep. Tyler **Bill Status:** House Transportation and Energy
 Sen. Baumgardner; Todd **Fiscal Analyst:** Erin Reynolds (303-866-4146)

BILL TOPIC: TOW OPERATOR ABANDONED VEHICLE TITLE SEARCH

| Fiscal Impact Summary | FY 2016-2017 | FY 2017-2018 |
|---|------------------------|-------------------------|
| State Revenue | <u>\$39,325</u> | <u>\$78,650</u> |
| Cash Funds | 39,325 | 78,650 |
| State Expenditures | <u>\$65,717</u> | <u>\$127,047</u> |
| Cash Funds | 47,624 | 90,545 |
| Centrally Appropriated Costs | 18,093 | 36,502 |
| TABOR Impact | \$39,325 | \$78,650 |
| FTE Position Change | 1.1 FTE | 2.2 FTE |
| Appropriation Required: \$47,624 – Department of Revenue (FY 2016-17). | | |
| Future Year Impacts: Ongoing state revenue and expenditures increase. | | |

Summary of Legislation

The bill, **recommended by the Transportation Legislation Review Committee**, broadens the records search employed by the Department of Revenue (DOR) to locate owners and lienholders of abandoned motor vehicles. Under current law, only Colorado records are searched in order to locate the owner or lienholder of an abandoned vehicle. Under the bill, the DOR must perform a Colorado records search as well as a national records search using a qualified entity that has a national database and that can retrieve records based both on the vehicle's VIN (vehicle identification number) and registration number (license plate). The qualified entity must also be able to provide appropriate owner and lienholder contact information. The bill also aligns provisions related to vehicles abandoned on public lands to vehicles abandoned on private land. Finally, the bill increases the notification deadline, from three to five days, in which tow operators must determine whether there is an owner and/or lienholder registered with DOR and send notice to those parties.

Background

Under current law, the DOR provides a user interface for tow operators and law enforcement to perform Colorado records searches related to abandoned vehicles. Records are used to return stolen vehicles and to notify relevant parties that the vehicle will be sold at auction if not claimed. Tow operators are required to pay a fee of \$2.60 for each vehicle search performed; there is no charge for vehicle searches performed by law enforcement.

State Revenue

The bill is expected to increase state cash fund revenue from fees to the CSTARS account in DOR by \$39,325 in FY 2016-17, and by \$78,650 in FY 2017-18. For state revenue purposes, only the tow operator-paid Colorado records searches will generate fee revenue. The DOR assesses a fee of \$2.20, set in statute, per each vehicle search performed by or for a tow operator. In the past seven fiscal years, the average number of paid searches per year was 35,750. Using this average, the fiscal note estimates that the bill will increase state cash fund revenue from fees to the CSTARS account by \$39,325 in FY 2016-17, prorated for the bill's effective date, and by \$78,650 in FY 2017-18 and each year thereafter.

TABOR Impact

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

State Expenditures

This bill is expected to increase state cash fund expenditures from the CSTARS account in DOR by \$65,717 and 1.1 FTE in FY 2016-17, and by \$127,047 and 2.2 FTE in FY 2017-18 and each year thereafter. Table 1 and the summary that follows provide more information on these costs.

| Table 1. Expenditures Under HB16-1056 | | |
|--|-------------------|-------------------|
| Cost Components | FY 2016-17 | FY 2017-18 |
| Personal Services | \$39,332 | \$78,665 |
| FTE | 1.1 FTE | 2.2 FTE |
| Operating Expenses and Capital Outlay Costs | 5,748 | 6,793 |
| National Database Search Fee | 2,544 | 5,087 |
| Centrally Appropriated Costs* | 18,093 | 36,502 |
| TOTAL | \$65,717 | \$127,047 |

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. The bill requires the DOR to perform a Colorado records search and a national records search for every abandoned vehicle report received from a tow operator, as well as to perform a national records search for every abandoned vehicle report received from law enforcement where no Colorado record was found. In the past seven fiscal years, the average number of:

- total paid searches per year was 35,750;
- paid searches where no Colorado record was found was 9,677; and
- unpaid law enforcement searches where no Colorado record was found was 10,672.

As a result, the fiscal note assumes that the DOR will be required to conduct 56,099 new searches each year.

Personal services. The DOR will require 1.1 FTE in FY 2016-17, prorated for the bill's effective date, and 2.2 FTE in FY 2017-18. The additional FTE will perform the required searches under the bill. Each paid search takes an average of five minutes. The work is completed by an Administrative Assistant II. In addition, standard operating costs of \$5,748 in FY 2016-17 and \$6,793 in FY 2017-18 are included.

National records search fee. Currently, the DOR does not have access to a national database to perform the out-of-state vehicle searches. The division will be required to pay an average of \$0.25 fee per search in a national database. The fiscal note estimates that 20,350 national record searches will take place annually at a cost of \$5,087 annually, prorated for the bill's effective date in FY 2016-17 at \$2,544.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

| Table 2. Centrally Appropriated Costs Under HB16-1056 | | |
|--|-------------------|-------------------|
| Cost Components | FY 2016-17 | FY 2017-18 |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$8,787 | \$17,573 |
| Supplemental Employee Retirement Payments | 3,366 | 7,049 |
| Leased Space | 5,940 | 11,880 |
| TOTAL | \$18,093 | \$36,502 |

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled and no referendum petition is filed. The bill applies to all vehicles towed on and after January 1, 2017.

State Appropriations

For FY 2016-17, this bill requires an appropriation of \$47,624 and an allocation of 1.1 FTE to the Colorado State Registration and Titling System account in the Department of Revenue.

State and Local Government Contacts

Information Technology

Revenue

Transportation

Research Note Available

An LCS Research Note for HB16-1056 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.