



**Colorado
Legislative
Council
Staff**

HB16-1056

**REVISED
FISCAL NOTE**

(replaces fiscal note dated February 2, 2016)

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

Drafting Number: LLS 16-0363 **Date:** February 23, 2016
Prime Sponsor(s): Rep. Tyler **Bill Status:** House Finance
 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>\$10,936</u>	<u>\$21,870</u>
Cash Funds	10,936	21,870
State Expenditures*	<u>\$28,508</u>	<u>\$47,728</u>
Cash Funds	21,929	34,454
Centrally Appropriated Costs	6,579	13,274
TABOR Impact	10,936	21,870
FTE Position Change	0.4 FTE	0.8 FTE
Appropriation Required: \$21,929 – Department of Revenue (FY 2016-17).		
Future Year Impacts: Ongoing state revenue and expenditures increase.		

* Expenditures exceed revenue because only tow operators, not law enforcement, are charged for national records searches under the bill.

Summary of Legislation

The bill, **as amended by the House Transportation and Energy 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 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 DOR may charge tow operators a fee for the national search not to exceed the lesser of \$5 or its direct and indirect costs.

The bill also increases the notification deadline, from three to five days, in which tow operators must determine whether there is an owner or lienholder registered with the DOR and send notice to those parties, and clarifies that the time spent by the DOR conducting the national records search does not count against the tow operator's 10-day deadline to contact the motor vehicle's owner or lienholder.

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 \$10,936 in FY 2016-17, and by \$21,870 in FY 2017-18.

Fee impact on tow operators. State law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The direct and indirect costs for DOR to perform the national searches for tow operators is estimated at \$21,870 per year. Because FY 2016-17 includes only six months of national searches, direct and indirect costs are prorated to \$10,936. To recover these costs through fees, the total costs are divided by the average number of annual tow operator searches (9,677) resulting in an estimated fee of \$2.26 per search. The actual fee will be set administratively by DOR, and will not exceed \$5. Table 1 below identifies the fee impact of this bill on tow operators.

Table 1. Fee Impact on Tow Operators Under HB16-1056					
Type of Fee	Fee per Search	FY 2016-17 Searches	FY 2017-18 Searches	FY 2016-17 Fee Impact	FY 2017-18 Fee Impact
National database record search	\$2.26	4,839	9,677	\$10,936	\$21,870

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 increases state cash fund expenditures from the CSTARS account in DOR by \$28,508 and 0.4 FTE in FY 2016-17, and by \$47,728 and 0.8 FTE in FY 2017-18 and each year thereafter. Table 2 and the summary that follows provide more information on these costs.

Table 2. Expenditures Under HB16-1056		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$14,302	\$28,606
FTE	0.4 FTE	0.8 FTE
Operating Expenses and Capital Outlay Costs	5,083	760
National Database Search Fee	2,544	5,088
Centrally Appropriated Costs*	6,579	13,274
TOTAL	\$28,508	\$47,728

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

Assumptions and data. The bill requires the DOR to perform a national records search for every abandoned vehicle report received from both tow operators and law enforcement. In the past seven fiscal years, tow operator and law enforcement searches where no Colorado record was found have averaged 9,677 and 10,672 respectively, or about 20,350 total. As a result, the DOR will be required to conduct 20,350 new records searches each year. It may assess a fee to tow operators to recover half of those indirect costs.

Personal services. The DOR will require 0.4 FTE in FY 2016-17 and 0.8 FTE in FY 2017-18 to perform the required national record searches under the bill. The work is completed by an Administrative Assistant II. Standard operating costs of \$5,083 in FY 2016-17 and \$760 in FY 2017-18 include supplies, telephones, furniture, and computers for this staff support.

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 \$5,088 annually, prorated for the effective date of the search requirement in the bill 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 3.

Table 3. Centrally Appropriated Costs Under HB16-1056		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$3,195	\$6,391
Supplemental Employee Retirement Payments	1,224	2,563
Leased Space	2,160	4,320
TOTAL	\$6,579	\$13,274

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 \$21,929 from the Colorado State Registration and Titling System account in the Department of Revenue and an allocation of 0.4 FTE.

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.