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SB 20-051

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 4, 2020)

Drafting Number: LLS 20-0343
Prime Sponsors: Sen. Priola
Rep. Valdez A.

Date: March 25, 2020
Bill Status: Senate Second Reading
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Bill Topic: **LICENSE PLATE EXPIRATION ON CHANGE OF OWNERSHIP**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates a license plate reissuance process beginning in January 2021. The bill increases state revenue and expenditures and local revenue beginning in FY 2020-21.

Appropriation Summary: For FY 2020-21, the bill requires and includes an appropriation of \$9,000 to the Department of Revenue.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the Senate Finance and Appropriations Committee.

**Table 1
State Fiscal Impacts Under SB 20-051**

		FY 2020-21	FY 2021-22
Revenue	Cash Funds	\$362,918	\$725,836
Expenditures	Cash Funds	\$9,000	-
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill creates a license plate reissuance process and changes Colorado's license plate color scheme beginning on January 2021.

License plate reissuance. On or after January 1, 2021, the standard license plates expire for any owner who transfers or assigns their title or interest in another vehicle, and the plates may not be transferred to another vehicle. Owners retain a priority interest in the number and letter combination on the expiring license plates and may apply for personalized plates to keep their unique set of numbers and letters. Owners requesting personalized plates must pay any associated personalized license plate fees and owners of expired license plates will be required to pay any associated fees with the issuance of new license plates. The bill applies to all Class C motor vehicles, except for horseless carriages.

Background

There are currently 180 license plate types in Colorado. Colorado Correctional Industries (CCi) is the state's license plate manufacturer. This enterprise is located in the Department of Corrections and is TABOR-exempt. Their materials fee is set at \$3.78 for a set of embossed license plates and \$5.64 for a set of digitally printed plates. DOR pays for license plates through the License Plate Cash Fund (LPCF). Of the 180 license plates, 26 are considered high issuance and are ordered quarterly from CCi and stocked at Division of Motor Vehicle (DMV) county offices. All other license plates are printed on demand.

Personalized license plate fees. Applicants for personalized license plates are also required to pay an additional annual fee. Upon initial application, applicants pay an additional \$35, which is distributed to the HUTF. Upon renewal, owners pay an additional \$25, which is also distributed to the HUTF.

Special license plate fees. Applicants for group special license plates are required to pay an additional \$50 fee, of which \$25 is credited to the Highway Users Tax Fund (HUTF) and \$25 is credited to the Licensing Services Cash Fund (LSCF).

Assumptions

Based on historical license plate transfer and issuance data, this fiscal note assumes that 192,020 owners of Class C vehicles transfer their license plates to a new vehicle in one fiscal year. Transfers in FY 2020-21 are prorated to a half-year impact (96,010 license plates) to reflect the effective date of January 1, 2021. In addition, the fiscal note assumes that the DOR may exhaust its supply of year and month tabs and that further production tab orders can be covered from the LPCF balance. The fiscal note assumes that the DOR will use the existing LPCF for expenditures and may adjust their cash fund spending authority if needed.

Because the number of personalized and group special license plates transferred in this period cannot be predicted, the fiscal note has assumed the cost of the standard embossed plates, \$3.78 per set. Similarly, the fiscal note has not estimated the impacts to the HUTF from personalized and group special license plates.

State Revenue

The bill will increase state cash fund revenue by \$362,918 in FY 2020-21 and \$725,836 in FY 2021-22. These increases are discussed below.

Department of Revenue. The bill will increase cash fund revenue to the DOR by \$362,918 in FY 2020-21 and \$725,836 in FY 2021-22. Upon expiration, all vehicle owners must pay a material fee of \$3.78 for a passenger vehicle plate set and motorcycle. This fiscal note assumes that 96,010 new license plates will be issued in FY 2020-21 (half-year impact), and 192,020 will be issued in FY 2021-22 and thereafter. Fees are credited to the License Plate Cash Fund (LPCF).

Department of Corrections. As discussed above, the bill will increase state cash fund revenue to the LPCF. Funds in the LPCF are then paid to CCI in the Department of Corrections by the DOR in order produce the new license plates. Materials costs are \$3.78 per license plate set, which includes costs for raw material, labor, overhead, freight, and programming expenses. CCI is an enterprise located in the Department of Corrections and is TABOR-exempt.

Department of Transportation. The bill will increase revenue to the HUTF by an indeterminate amount due to vehicle owners purchasing new group special license plates. The bill does not exempt group special license plates from reissuance or from paying the \$50 fee. Of the HUTF revenue generated under this bill from the fee, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the department, 26 percent is credited to counties, and 9 percent is credited to municipalities. This revenue increase has not been estimated.

State Expenditures

The bill will increase state cash fund expenditures by the DOR by \$9,000 in FY 2020-21 only and may increase expenditures from the LPCF. These expenditures are discussed below.

Department of Revenue. In FY 2020-21, one-time programming costs of \$9,000 are required to update the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs are calculated at 40 hours at a rate of \$225 per hour and are paid from the DRIVES Vehicle Services Account. DOR will also provide training to authorized agents, Vehicle Services Section staff, and law enforcement. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

Additionally, the bill may increase cash fund expenditures by up to \$362,918 from the LPCF to order additional license plates as needed. This fiscal note assumes that the DOR will exhaust its current supply of year and month tabs and then use the existing LPCF balance to order additional supplies as needed. As discussed in the State Revenue section, materials costs for license plates are \$3.78 per license plate set. This fiscal note assumes that 96,010 license plates will be issued in FY 2020-21, and 192,020 will be issued in FY 2022-21 and thereafter.

TABOR refunds. Under the March 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Local Government

This bill will increase local government HUTF revenue from the group special license plate fee. HUTF revenue generated by license plate fees is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs. This revenue impact has not been estimated.

Effective Date

The bill takes effect January 1, 2021, if no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires and includes a cash fund appropriation in the amount of \$9,000 from the DRIVES Vehicle Services Account to the Department of Revenue.

State and Local Government Contacts

Corrections
Information Technology
Transportation

Counties
Municipalities

County Clerks
Revenue