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Fiscal Note

Drafting Number: LLS 22-0926 Date: March 28, 2022
Prime Sponsors: Rep. Herod; McCluskie Bill Status: House Appropriations
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Bill Topic: MERGE DOR DIVISION OF MOTOR VEHICLES CASH FUNDS

- Summary of Fiscal Impact:
[X] State Revenue [X] TABOR Refund
[X] State Expenditure [X] Local Government
[X] State Transfer/Diversion [] Statutory Public Entity

Budget package bill. The bill combines two cash funds, and requires interest earnings from DRIVES account funds to be credited to the DRIVES account. As a result, the bill diverts state revenue from the General Fund, requires a one-time transfer of funds, and minimally impacts state and local workload on an ongoing basis, starting in FY 2022-23.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as part of its FY 2022-23 Long Bill package.

Table 1
State Fiscal Impacts Under HB 22-1339

Table with 3 columns: Category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue, Expenditures, Transfers/Diversions (with sub-items: Diversion from General Fund, Transfer from Licensing Services Cash Fund, Transfer/Diversion to DRIVES Account), Net Transfer/Diversion, and Other Budget Impacts.

1 Actual Licensing Services Cash Fund transfer will depend on the fund's balance on July 1, 2022, and actual DRIVES account interest diversions from the General Fund will depend on annual interest earnings.

Summary of Legislation

The bill combines the Licensing Services Cash Fund and the DRIVES Account in the Highway Users Tax Fund (HUTF), and requires DRIVES Account interest earnings to be deposited into that account. These provisions are described in more detail below.

Cash fund combination. The Department of Revenue (DOR) primarily uses the Licensing Services Cash Fund for the issuance of driver licenses, driving permits, and state identification cards. The DOR uses the DRIVES Account for development and operation of Colorado DRIVES, the state’s driver and motor vehicles services software platform. This bill eliminates the Licensing Services Cash Fund, and transfers all of the remaining fund balance into the DRIVES Account on July 1, 2022. In FY 2020-21, the Licensing Services Cash Fund had an ending fund balance of around \$11.4 million and the DRIVES Account had an ending fund balance of around \$18.7 million.

The bill also requires all fees that are currently credited to the Licensing Services Cash Fund to be credited to the DRIVES Account, and requires all functions that are currently funded from the Licensing Services Cash Fund to instead be funded by the DRIVES Account. In FY 2020-21, Licensing Services Cash Fund revenue totaled around \$40.8 million and expenditures totaled around \$44.5 million

Investment account earnings. Currently, the General Fund collects all interest earned on the fund balance of the DRIVES Account. This bill requires these earnings to instead be deposited into the DRIVES Account. The fiscal note estimates that DRIVES Account interest revenue will total around \$228,000 in FY 2022-23 and future years.

State Transfers and Diversions

The fiscal note estimates that the bill will result in a one-time transfer of \$10.4 million to the DRIVES Account in FY 2022-23 and diverts around \$228,000 in interest earnings annually from the General Fund to the DRIVES Account in FY 2022-23 and future years, as shown in Table 2 and discussed below.

Table 2
Transfers Under HB 22-1339

	FY 2022-23	FY 2023-24
Licensing Services Cash Fund ¹	(\$10,135,414)	-
Drives Account Interest Diverted from General Fund ²	(\$228,000)	(\$228,000)
DRIVES Account	\$10,363,414	\$228,000
Net Transfer	\$0	\$0

¹ Actual Licensing Services Cash Fund transfer will depend on the fund’s balance on July 1, 2022.

² FY 2023-24 is an estimate only; the actual diversion will depend on annual interest earnings in the DRIVES Account.

In FY 2022-23, the bill requires a one-time transfer from the Licensing Services Cash Fund to the DRIVES Account in the HUTF. The bill also requires an annual diversion of around \$228,000 from the General Fund to the DRIVES Account from DRIVES Account interest earnings. Actual interest earnings from the DRIVES Account will depend on the annual fund balance and interest rates in FY 2022-23 and future years.

State Revenue and Expenditures

Starting in FY 2022-23, the bill redirects around \$42 million per year in state cash fund revenue from the repealed Licensing Services Cash Fund to the DRIVES Account. Workload will decrease in the DOR to the extent that consolidating these funds simplifies management and administration of the programs that are funded by these revenue sources. It is assumed that any adjustments to appropriations from consolidating the funds will be addressed in the Long Bill, and that the bill will not result in a net change in expenditures.

Local Government

Workload will minimally increase for county clerks and recorders that provide services paid from the Licensing Services Cash Fund to update accounting processes and distribute related revenue to the DRIVES Account.

Effective Date

The bill takes effect July 1, 2022, upon signature of the Governor, or upon becoming law without his signature; except that Section 4 of the bill only takes effect if House Bill 22-1338 does not become law.

State and Local Government Contacts

County Clerks

Revenue

Treasury