



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 25, 2022)

Drafting Number: LLS 22-1006
Prime Sponsors: Rep. Valdez A.

Date: April 29, 2022
Bill Status: House Finance
Fiscal Analyst: Will Clark | 303-866-4720
Will.Clark@state.co.us

Bill Topic: **VEHICLE REGISTRATION & CERTIFICATE OF TITLE**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill makes various changes to vehicle title and registration regulations, creates a new license plate, and expands a license plate reissuance requirement. It increases state expenditures, decreases state revenue and increases local revenue on an ongoing basis starting in FY 2022-23, and increases local expenditures in FY 2022-23 only.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$318,840 to the Department of Revenue.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the House Transportation and Local Government Committee.

Table 1
State Fiscal Impacts Under HB 22-1388

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	(\$1,977,783)	(\$1,541,432)
	Total Revenue	(\$1,977,783)	(\$1,541,432)
Expenditures	General Fund	\$76,482	-
	Cash Funds	\$242,358	\$678,510
	Total Expenditures	\$318,840	\$678,510
Transfers		-	-
Other Budget Impacts	TABOR Refund	(\$1,977,783)	(\$1,541,432)
	General Fund Reserve	\$11,472	-

Summary of Legislation

The bill requires creation of a new license plate, expands a license plate reissuance process, and makes various changes to vehicle title and registration regulations starting in FY 2022-23, including:

- when a vehicle is registered for less than a year and the owner owns multiple vehicles, the vehicle registrations can be set to expire at the same time, as long as the owner pays prorated surcharges, taxes and fees;
- late registration fees for trailer coaches are set at the same rate as campers and multipurpose trailers;
- distinctive special license plates, group special license plates, and special alumni license plates may be transferred after purchase of a vehicle;
- trailer coach owners must pay \$16 annually for the road safety surcharge and \$13 annually for the bridge safety surcharge;
- vehicle owners no longer need to provide a notarized bill of sale when obtaining a bonded certificate of title if they are unable to present ordinary proof of ownership for collector's items, street-rod vehicles, or horseless carriages that are 25 years old or older;
- the owner of a truck may present a manufacturer's certificate of origin, certificate of title, certified scale ticket or other documents or systems as determined by rule when registering their vehicle, instead of only being able to present a certified scale ticket;
- lienholders are no longer required to certify copies of lien documents, and lien filings are no longer public records; and
- lienholders may file a notarized declaration instead of a written declaration that is made under penalty of perjury when releasing a lien.

Inoperable vehicles. Currently, a vehicle that is inoperable must pay all required taxes and fees and be issued a license plate with validation tabs. The bill allows the owner of an inoperable vehicle undergoing maintenance, repair, restoration, rebuilding, or renovation on private property to not pay fees or surcharges if they receive evidence of registration and attach it to their vehicle. Owners of inoperable vehicles must still pay an annual specific ownership tax.

Dealer titles. The bill allows vehicle dealers seeking expedited titling for vehicles in their inventory to obtain these services from a local county motor vehicle office instead of the Division of Motor Vehicles (DMV). If title fees are paid to a county clerk, the bill allows them to keep \$21.80 of registration fees that they process and transfer the remaining balance to the DRIVES Cash Fund.

Recreational trucks. Current law requires the Department of Revenue to assess certain weight-based fees for recreational trucks that weigh less than 10,000 pounds. This bill lowers that threshold to 6,000 pounds.

150th Statehood Anniversary License Plate. The bill requires the DOR to issue a 150th Statehood Anniversary License Plate starting on or after August 1, 2023. The DOR must hold a plate design competition to design the license plate, and the final plate may be issued as a standard or personalized plate. The new plate will be available for purchase until August 1, 2027, and will require the same taxes and fees charged for regular motor vehicle license plates.

Class B, D, and F license plate reissuance. The bill specifies that license plates for Class B, D, and F motor vehicles will expire upon transfer of the owner's title or interest in the vehicle. However, the owner will retain the priority right to use the same combination of letters or numbers from the expired plates when registering a new vehicle. To do so, the owner must surrender their expired plates to the Department of Revenue (DOR) and then apply for a new set of personalized plates.

Background and Assumptions

Inoperable vehicles. Inoperable vehicles are not reported to DOR or county motor vehicle offices. The fiscal note assumes that 18,565, or 0.27 percent of the state's 6,875,908 currently registered vehicles, are inoperable. To establish annual registration costs for inoperable vehicles, the fiscal note assumes an average per-vehicle cost of \$64.07 in state fees and \$7.20 in county fees, which are the fees charged for a 10-year old passenger vehicle weighing 4,000 pounds with a standard license plate and registered in a county that requires emissions testing.

Recreational trucks. There are currently 27,940 recreational trucks registered in Colorado with a weight of 10,000 pounds or less, and 279 that weigh over 10,000 pounds. The average base registration fee for trucks weighing 6,000 to 10,000 pounds is \$69.28 per vehicle, and the fiscal note assumes the bill will decrease this to \$41.00 per vehicle. The average base registration fee for recreational trucks weighing over 10,000 pounds is \$126.54, and the fiscal note assumes the bill will decrease this to \$106.48 per vehicle.

Dealer titles. Over the last year, 21,952 expedited dealer titles were issued at a price of \$25.00 by the DMV. The fiscal note assumes that as a result of the bill, half of vehicle dealers will choose to seek titles from their local county motor vehicle office instead of the DMV.

150th statehood anniversary license plate. Expected demand for the 150th Anniversary Statehood License Plate is based on actual demand for the Pioneer Special License Plate.

Class B, D and F license plate replacement. The fiscal note assumes that 100,430 Class B, D, and F vehicle owners transfer their plates to a new vehicle each year, and that transfer rates will be similar in future years. Transfer rates in FY 2022-23 are prorated for a half-year impact (50,215 license plates) to reflect the bill's effective date of January 1, 2023. The fiscal note assumes that all transfers for the expanded classes of vehicles will involve embossed license plates.

State Revenue

The bill is anticipated to decrease state cash fund revenue by \$2.0 million in FY 2022-23 and by \$1.5 million in FY 2023-24, as shown in Table 2 and described. This revenue is subject to TABOR.

Table 2
Revenue Under HB 22-1388

	FY 2022-23	FY 2023-24
Highway Users Tax Fund (HUTF)	(\$1,872,617)	(\$1,872,617)
DRIVES Cash Fund	(\$250,416)	(\$250,416)
Emergency Medical Services Cash Fund	(\$37,130)	(\$37,130)
Air Cash Fund	(\$37,130)	(\$37,130)
POST Board Cash Fund	(\$18,565)	(\$18,565)
License Plate Cash Fund	\$238,074	\$674,426
Total Revenue	(\$1,977,783)	(\$1,541,432)

Inoperable vehicle fees. Starting in FY 2022-23, revenue from multiple state cash funds—including the HUTF, DRIVES Cash Fund, EMS Cash Fund, Air Cash Fund, POST Board Cash Fund, and License Plate Cash Fund—will decrease by a total of \$1.2 million annually as a result of 18,565 inoperable vehicles not paying registration fees. The DOR will recover \$0.25 from each inoperable vehicle registration to produce and mail an inoperable vehicle decal, resulting in \$4,641 annually to the License Plate Cash Fund.

Recreational trucks. Starting in FY 2022-23, HUTF revenue will decrease by around \$800,000 annually as a result of reductions in base registration fees charged to recreational trucks weighing 6,000 pounds or more.

Dealer titles. Starting in FY 2022-23, DRIVES Cash Fund revenue will decrease by around \$240,000 annually as a result of around 11,000 expedited dealer titles being issued at local county motor vehicle offices instead of by the DMV.

License plate revenue increase. Starting in FY 2022-23, the bill creates a new license plate and requires new classes of vehicles to replace their license plates upon change in ownership. These changes will increase state revenue by the amounts shown in Table 3 and discussed below.

- *150th Statehood Anniversary Statehood License Plate.* The bill creates a new license plate to commemorate the 150th anniversary of Colorado’s statehood. From August 1, 2023 until August 1, 2027, the 150th Anniversary Statehood License Plate will be available to any vehicle owner who pays the regular digital passenger license plate and tab production fee of \$8.06 upon registration.
- *Class B, D, and F license plate replacement.* The bill requires three new classes of vehicles to replace their license plates upon change of ownership. As discussed in the Assumptions section, this will increase the number of embossed license plate sets replaced by around 50,000 in FY 2022-23, and 100,000 in FY 2023-24 and future years, at a cost of \$4.73 per license plate and tab set.

**Table 3
License Plate Revenue Under HB 22-1388**

	FY 2022-23	FY 2023-24
150 th Statehood Anniversary License Plate Sets Issued	-	24,669
License Plate Cash Fund (\$8.06)	-	\$198,835
Class B, D & F License Plate Sets Issued	50,215	100,430
License Plate Cash Fund (\$4.73)	\$237,517	\$475,034
Total Cost	\$237,517	\$673,869

HUTF Reductions. Of the HUTF revenue decreased by the bill, 65 percent is reduced from the State Highway Fund (SHF), 26 percent is reduced from counties, and 9 percent is reduced from municipalities. Table 4 outlines the estimated HUTF revenue that decreased under this bill.

**Table 4
Estimated HUTF Distributions Under HB 22-1388**

	FY 2022-23	FY 2023-24
State Highway Fund (65 percent)	(\$1,217,202)	(\$1,217,202)
Counties (26 percent)	(\$486,880)	(\$486,880)
Municipalities (9 percent)	(\$168,535)	(\$168,535)
Total HUTF Distribution	(\$1,872,617)	(\$1,872,617)

State Expenditures

State expenditures in the DOR will increase by \$318,840 in FY 2022-23 and \$678,510 in FY 2023-24, as shown in Table 5 and detailed below.

**Table 5
Expenditures Under HB 22-1388**

	FY 2022-23	FY 2023-24
Department of Revenue		
150 th Statehood Anniversary License Plate Materials	-	\$198,835
Class B, D, & F License Plate Materials	\$237,517	\$475,034
Computer Programming	\$76,482	-
Inoperable Vehicle Decal	\$4,641	\$4,641
License Plate Design Fee	\$200	-
Total Cost	\$318,840	\$678,510

150th statehood anniversary license plate materials. As discussed in the State Revenue section, plate tab and production costs for the 150th statehood anniversary license plate are \$8.06 per license plate set. This fiscal note assumes that 24,669 license plates will be issued in FY 2023-24. License plate and tab production costs and the license plate design fee are expended from the LPCF.

Class B, D, and F license plate materials. As discussed in the State Revenue section, plate tab and production costs for embossed license plates is \$4.73 per set. This fiscal note assumes that requiring replacement of license plates upon transfer of class B, D and F vehicles will increase the number of embossed license plate sets issued by 50,215 in FY 2022-23 and by 100,430 in FY 2023-24 and future years. License plate and tab production costs and the license plate design fee are expended from the LPCF.

Computer programming. The DOR requires one-time programming costs of \$76,482 in FY 2022-23 to update the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs, to be paid from the General Fund, are based on 268 hours of programming at a rate of \$225 per hour, as well as \$16,182 in other implementation costs, which include implementation support to the vendor from DOR staff and quality assurance support from the Office of Information Technology.

Inoperable vehicle decal. Starting in FY 2022-23, the DOR requires \$4,641 annually in material costs for the production and shipping of new inoperable vehicle decals, based on the assumption that 18,565 new decals will be produced annually at \$0.25 per decal. These costs are expended from the License Plate Services Cash Fund.

Policy updates, training and design contest. The DOR will be required to update rules, forms, manuals, and the department's website to reflect the changes in law, and to provide training to authorized agents, Title and Registration Section staff, and law enforcement. The DOR will also be required to hold a design competition for the new 150th statehood anniversary license plate. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$2.0 million for FY 2022-23 and \$1.5 million for FY 2023-24. This estimate assumes the December 2021 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. Because TABOR refunds are paid from the General Fund, decreased cash fund revenue will increase the amount of General Fund available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, which will decrease the amount of General Fund available for other purposes.

Local Government

Starting in FY 2022-23, this bill will decrease HUTF revenue to municipalities by the amounts shown in Table 3, and decrease county government revenue by the amounts shown in Table 6 and described below.

**Table 6
 County Revenue Under HB 22-1388**

	FY 2022-23	FY 2023-24
Dealer Titles	\$239,277	\$239,277
Inoperable Vehicle Fee Decrease	(\$133,668)	(\$133,668)
HUTF Decrease	(\$486,880)	(\$486,880)
Net County Revenue	(\$381,272)	(\$381,272)

Dealer titles. Starting in FY 2022-23, the bill increases county revenue by around \$240,000 annually by allowing vehicle dealers to seek expedited title services from local county motor vehicle offices instead of the DMV, and allowing counties to keep \$21.80 from each expedited title they process.

Inoperable vehicle fees. Starting in FY 2022-23, HUTF revenue to counties will decrease by around \$490,000 as a result of removing the requirement that inoperable vehicles pay certain registration fees. It will also reduce other county registration fees by around \$135,000 annually.

Policy updates and training. Workload will increase in FY 2022-23 for county motor vehicle offices to update their policies and procedures and provide related training to staff.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. It applies to applications made and amounts collected on or after the bill’s effective date.

State Appropriations

For FY 2022-23, the bill requires appropriations of \$318,840 to the Department of Revenue. Of this total:

- \$76,482 is from the General Fund; of which \$10,197 is reappropriated to the Office of Information Technology; and,
- \$242,358 is from the License Plate Cash Fund.

State and Local Government Contacts

Counties	County Clerks	Information Technology
Revenue	Transportation	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.