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Fiscal Note

Drafting Number: LLS 23-0018
Prime Sponsors: Rep. Kipp

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Bill Status: House Trans. & Local Govt.
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Bill Topic: DRIVER'S LICENSE EXAMINATION REIMBURSEMENT

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

The bill creates the Affordable Driver Education Program Testing Enterprise to fund access to driver training and examinations. The bill increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$5.3 million to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 23-1147

Table with 4 columns: Category, Fund, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include Revenue (ADEPT Enterprise Fund, DRIVES Cash Fund, Total Revenue), Expenditures (ADEPT Enterprise Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts.

Summary of Legislation

The bill creates the Affordable Driver Education Program Testing (ADEPT) Enterprise for the purpose of:

- increasing access to driver training and driving examinations in areas that are underserved by third-party driving examination providers;
- making available to the public, at no cost, an online driver training program that qualifies the student to be issued an instruction permit offered in English and Spanish;
- creating a system that allows a third-party provider to verify whether an individual seeking a driving examination has proof of financial responsibility; and
- reimbursing a third-party provider so that the cost to an individual taking an examination is no more than \$25 for each initial driving examination and \$50 for a reexamination taken after a failed examination.

The bill establishes the makeup of the governing board of the ADEPT enterprise and authorizes the governing board to issue bonds with approval of the executive director of the DOR. In addition, the bill directs to governing board to:

- oversee the implementation of the bill;
- annually report to the executive director and coordinate with the department;
- establish policies; and
- hire employees and obtain necessary office space, equipment, and services.

To implement the bill, a fee is established on applications for or issuance of an instruction permit or a driver license. The bill also prohibits the Department of Revenue (DOR) from collecting a fee when an individual retakes a driving examination not administered by the DOR.

State Revenue

Fee impact on drivers. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The bill sets the fee at \$3; however, to cover the estimated cost outlined in the State Expenditures section, the fee is assumed to be around \$4.35—see Technical Note—applied to approximately 1.3 million licenses and permits issued per year. For FY 2023-24, revenue impacts are prorated to ten months to reflect an assumed September implementation date for the bill. Table 2 identifies the fee impact of this bill.

Table 2
Fee Impact on Drivers

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2023-24	ADEPT Enterprise Fee	\$4.35	1,224,898	\$5,329,208
FY 2024-25	ADEPT Enterprise Fee	\$4.31	1,336,252	\$5,763,102

DRIVES Cash Fund. The bill will decrease revenue to the DRIVES Cash Fund by \$225,700 per year due to the repeal of the \$15 exam retake fee, as shown in Table 3. Since the DOR ceased conducting driving exams in early 2020, around \$225,700 has been collected annually in driving exam retake fees. This amount is prorated to ten months in FY 2023-24 to reflect the September effective date for the bill.

**Table 3
State Revenue Under HB 23-1147**

	FY 2023-24	FY 2024-25
ADEPT Enterprise Fund	\$5,329,208	\$5,763,102
DRIVES Cash Fund	(\$206,892)	(\$225,700)
Total Revenue	\$5,122,316	\$5,537,402

Voter approval of new state enterprises. Current law requires voter approval for a state enterprise with projected or actual revenue from fees and surcharges over \$100 million in its first five fiscal years. The new enterprise in this bill will begin operating in FY 2023-24. Through FY 2027-28, the enterprise is projected to collect under \$100 million in fees.

State Expenditures

The bill increases state expenditures in the DOR by \$5.3 in FY 2023-24 and \$5.8 million in FY 2024-25 and out years, from the ADEPT Enterprise Fund. Expenditures are shown in Table 4 and detailed below.

**Table 4
Expenditures Under HB 23-1147**

	FY 2023-24	FY 2024-25
Department of Revenue		
Personal Services	\$126,628	\$196,980
Operating Expenses	\$2,295	\$3,375
Capital Outlay Costs	\$20,010	-
Computer Programming	\$93,744	-
Third-Party Driver Exam Reimbursements	\$5,057,044	\$5,516,755
Centrally Appropriated Costs ¹	\$29,487	\$45,992
Total Cost	\$5,329,208	\$5,763,102
Total FTE	1.6 FTE	2.5 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Staff. The DOR requires 2.5 FTE to perform work specific to the enterprise. This includes 2.0 FTE accounting staff to act as controller and perform accounting activities related to expenses and the

reimbursement program, as well as 0.5 FTE budget staff to perform budget-related work and required reporting. 1.0 FTE of accounting staff will start on January 1, 2024, due to the estimated increase in workload around that time. These expenditures use the Natural Disaster Mitigation Enterprise as a proxy.

Computer programming. DRIVES programming will be required to create the new ADEPT enterprise fee, remove the \$15 retake fee, and develop new code and interfaces. Programming is estimated to require 348 hours at \$225 per hour, paid to the vendor, for a one-time cost of \$78,300 in FY 2023-24. Required development and testing work in support of DRIVES programming is within the department's absorbable range. In addition, the DOR requires support from the Office of Information Technology in FY 2023-24 only for 156 hours at a rate of \$99 per hour for a total of \$15,444, reappropriated to the Office of Information Technology.

Third-party driver exam reimbursements. The bill will increase cash fund expenditures by \$5.1 million in FY 2023-24 and \$5.5 million in FY 2023-24 to provide reimbursements to third-party providers of driver examinations. This fiscal note assumes approximately 142,005 driving exams are conducted annually for an average of \$70, and that the ADEPT Enterprise Fund will provide reimbursement for costs over \$25 for the initial test and over \$50 for a second or subsequent test. Of the exams conducted annually, it is expected that approximately 107,067 will be initial tests and 34,938 will be subsequent tests.

Online driver training program. The bill will also increase expenditures in the ADEPT Enterprise Fund to develop an online driver training program at no cost to the public. Because it is unknown what the requirements of this program will be at the time of this writing, a cost estimate cannot be determined at this time. The fiscal note assumes that any increase in expenditures will be paid from the ADEPT Enterprise Fund.

Governor's Office. Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required appointment under the bill. This work can be accomplished within existing appropriations.

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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Technical Note

Effective date – programming. The DOR cannot meet the bill's mid-August effective date due to DRIVES programming requirements.

Effective date – enterprise board and fee collection. The ADEPT enterprise board created by this bill will decide upon the rules and procedures necessary to implement the programs described in this fiscal note; however, the provisions of this bill will be applicable to driving exams taken upon the effective date, before the ADEPT enterprise board will be able to meet. The DOR may require General Fund in FY 2023-24 to cover start-up costs until fees are collected.

Fee insufficient to cover costs. The \$3 amount in the bill for the ADEPT Enterprise Fee is insufficient to implement the programs described in the bill. This fiscal note assumes a \$4.35 fee, the minimum amount required to pay for administration and reimbursements alone. These costs do not take other costs for the ADEPT enterprise into consideration, including staffing, travel, translation services, and online course creation.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires an appropriation of \$5,299,721 and 1.6 FTE to the Department of Revenue from the ADEPT Enterprise Fund.

State and Local Government Contacts

Counties
Personnel

County Clerks
Revenue

Information Technology
Transportation