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Revised Fiscal Note

(replaces fiscal note dated March 24, 2023)

Drafting Number: LLS 23-0018 Date: May 5, 2023
Prime Sponsors: Rep. Kipp Bill Status: Senate Second Reading
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Bill Topic: DRIVER'S LICENSE EXAMINATION REIMBURSEMENT

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

The bill creates the Driver Education Voucher Program Enterprise to fund driver training and examinations, and requires anyone under the age of 21 to take a driver's education course before the individual can get an instructional permit or driver license. The bill increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This revised fiscal note reflects the reengrossed bill, as amended by the Senate Appropriations Committee.

Table 1
State Fiscal Impacts Under HB 23-1147

Table with 4 columns: Category, Description, Budget Year FY 2023-24, Out Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue (DRIVES Cash Fund, Driver Ed. Voucher Enterprise Fund, Total Revenue), Expenditures (DRIVES Cash Fund, Driver Ed. Voucher Enterprise Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund).

Summary of Legislation

The bill creates the Driver Education Voucher Program Enterprise and modifies requirements regarding driver education and driving instruction, as described below.

Driver Education Voucher Program Enterprise

The bill establishes the Driver Education Voucher Program Enterprise to provide vouchers to pay for driver education for persons with income less than 200 percent of the federal poverty guideline. The bill specifies the makeup of the governing board for the enterprise and authorizes the governing board to issue bonds with approval of the executive director of the Department of Revenue (DOR). The board must set voucher amounts based on available revenue each May starting in 2025, and vouchers may be awarded starting July 1, 2025.

To fund the enterprise, a \$0.50 fee is established on applications for or issuance of an instructional permit or a driver license starting January 1, 2025. Also, beginning July 1, 2025, the bill also prohibits the DOR from collecting a fee when an individual retakes a driving examination not administered by the DOR.

Driver Education and Instruction

Driver license requirement. The bill changes the requirements to receive a Colorado driver license for individuals under the age of 21. For individuals who are receiving their license at 18 or younger, the bill adds the requirement that the individual successfully complete a 30-hour driver education course that is approved by the DOR, and receive a minimum of 6 hours of behind-the-wheel training with a driving instructor or 12 hours of behind-the-wheel training from a parent if no entity within 30 miles offers an approved training. For individuals 18 to 21, the bill adds the requirement that the individual successfully complete a four-hour prequalification driver awareness program or a 30-hour driver education course.

Instructional permit. The bill requires anyone under the age of 18 applying for an instructional permit to complete a 30-hour driver education course and for individuals between the ages of 18 and 21 to complete a 30-hour driver education course or a 4-hour prequalification driver awareness program.

Background checks. Finally, the bill requires commercial driving instructors to get a criminal background check before providing behind-the-wheel instruction to a minor.

Background

Instruction permit. Under current law, anyone over the age of 16 may receive an instructional permit without formal driving instruction. 15-year-olds are required to meet certain instruction requirements, with individuals aged 15 to 15.5 year olds required to take the 30-hour driver education course and individuals aged 15.5 years old to 16 years old required to take a four-hour prequalification driver awareness program. For a complete list of requirements to receive an instructional permit under current law, visit: <https://dmv.colorado.gov/minor-permit>.

Minor driver license. Under current law, a minor under the age of 16.5 must complete 6 hours of behind-the-wheel driving with a driving instructor, as well as hold their permit for 12 months. Those over the age of 16 and a half and younger than 18 do not require six hours of behind-the-wheel driving but do need to have held a permit for 12 months. For complete list of requirements for a minor’s license, visit: <https://dmv.colorado.gov/minor-license#BTW%20Training>. Table 2 outlines the change to driver education requirements under the bill.

Table 2
Changes to Driver Education Requirements Under HB 23-1147¹

To Receive a Permit			To Receive a Driver License		
Permit Age	Current Law	Under SB 23-011	License Age	Current Law	Under SB 23-011
15 to 15.5	30-Hour DE	30-Hour DE	16 to 16.5	6-hour BTW	30-Hour DE AND 6-Hour BTW ²
15.5 to 16	30-Hour DE OR 4-hour DA	30-Hour DE	16.5 to 17	None	30-Hour DE AND 6-Hour BTW
16 to 17	None	30-Hour DE	17	None	30-Hour DE AND 6-Hour BTW
18 to 20	None	30-Hour DE OR 4-Hour DA	18 to 20	None	30-Hour DE OR 4-Hour DA

¹ 30-Hour DE refers to the 30-hour driver education course, 4-hour DA refers to the 4-hour driver awareness course, and 6-hour BTW refers to the 6-hour behind-the-wheel training with an instructor.

² 6-hour behind-the-wheel training course can be substituted for with 12 hour behind-the-wheel training with a parent, legal guardian or an alternate permit supervisor if no entities offer an approved training within 30 miles.

Assumptions

The fiscal note assumes that the state’s approximately 750 commercial driving instructors already undergo fingerprint background checks that review an individual’s criminal history; therefore, no revenue or expenditure impact from background checks is anticipated.

State Revenue

The bill increases state revenue to the Driver Education Voucher Program Enterprise Fund, which is TABOR exempt, and decreases state revenue to the DRIVES Cash Fund, which is subject to TABOR. These impacts are outlined in Table 3 and discussed below.

Table 3
State Revenue Under HB 23-1147

	FY 2023-24	FY 2024-25	FY 2025-26
Driver Ed. Voucher Enterprise Fee	-	\$334,063	\$668,126
DRIVES Cash Fund	-	-	(\$225,700)
Total Revenue	-	-	\$442,426

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 \$0.50 and is applied to approximately 1.3 million licenses and permits issued per year. For FY 2024-25, revenue impacts are prorated for a half-year impact based on the January 1, 2025, start date. Table 4 identifies the fee impact of this bill.

**Table 4
Fee Impact on Drivers Under HB 23-1147**

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2023-24	-	-	-	-
FY 2024-25	Driver Ed. Voucher Enterprise Fee	\$0.50	668,126	\$334,063
FY 2025-26	Driver Ed. Voucher Enterprise Fee	\$0.50	1,336,252	\$668,126

DRIVES Cash Fund. The bill will decrease revenue to the DRIVES Cash Fund by \$225,700 per year starting in FY 2025-26 due to the repeal of the \$15 exam retake fee. Since the DOR ceased conducting driving exams in early 2020, around \$225,700 has been collected annually in driving exam retake fees.

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 about \$625,000 in FY 2024-25, and \$792,000 in FY 2025-26, from the DRIVES Cash Fund and the Driver Education Voucher Program Enterprise Fund. Expenditures are shown in Table 5 and detailed below.

**Table 5
Expenditures Under HB 23-1147**

Department of Revenue	FY 2023-24	FY 2024-25	FY 2025-26
Division of Motor Vehicles			
Personal Services	-	\$158,621	\$98,455
Operating Expenses	-	\$3,915	\$2,430
Capital Outlay Costs	-	\$20,010	-
Computer Programming	-	\$256,275	-
Centrally Appropriated Costs ¹	-	\$46,792	\$29,042
FTE – Personal Services	-	2.9 FTE	1.8 FTE
DMV Subtotal	-	\$485,613	\$129,927

**Table 5
 Expenditures Under HB 23-1147 (Cont.)**

	FY 2023-24	FY 2024-25	FY 2025-26
Driver Education Voucher Enterprise			
Personal Services	-	\$94,178	\$188,355
Operating Expenses	-	\$1,755	\$3,375
Capital Outlay Costs	-	\$20,010	-
Vouchers	-	-	\$425,000
Centrally Appropriated Costs ¹	-	\$23,141	\$45,183
FTE – Personal Services	-	1.3 FTE	2.5 FTE
Enterprise Subtotal	-	\$139,084	\$661,913
Total Costs	-	\$624,697	\$791,840
Total FTE	-	4.2 FTE	4.3 FTE

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

Division of Motor Vehicles

Starting in FY 2024-25, the Division of Motor Vehicles will require 2.9 FTE in FY 2024-25 and 1.8 FTE in FY 2025-26 and ongoing to audit additional documents to ensure that minors are completing the requirements for a license or permit under the bill. These staffing levels assume that the division will receive around 250,000 additional documents in FY 2024-25 and 154,000 additional documents in FY 2025-26 and in future years and that 1.0 FTE can review around 90,000 documents per year.

Information Technology

The DMV will have DRIVES programming costs related to the driver education changes under the bill the removal the \$15 retake fee, the creation of the new enterprise fee, and the development of new code and interfaces. Programming is estimated to require 900 hours at \$238 per hour, paid to the vendor, for a one-time cost of \$ \$214,200 in FY 2024-25. In addition, the DMV requires support from the Office of Information Technology (OIT) in FY 2024-25 only for 425 hours at a rate of \$99 per hour for a total of \$42,075, which will be paid to OIT through real time billing.

Driver Education Voucher Program Enterprise

The DOR requires 2.5 FTE for the enterprise starting in FY 2024-25, prorated in the first year for a January 1, 2025, start date. Staff includes 1.0 FTE Accountant staff to act as a controller and perform accounting activities related to expenses and the reimbursement program, 1.0 FTE Technician staff to process voucher applications, and 0.5 FTE Budget staff to perform budget-related work and required reporting. Reduced or additional costs or staff may be required depending on the type of income verification selected by the board, and will be addressed through the annual budget process. After accounting for staffing, operating, and other expenses, it is estimated that around \$425,000 per year will be available for vouchers starting in FY 2025-26.

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.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown for the DRIVES Cash Fund in the State Revenue section above; however, a forecast of state revenue subject to TABOR is not available beyond FY 2024-25.

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 for driver licenses, instruction permits, and vouchers on or after July 1, 2025.

State and Local Government Contacts

Counties
Personnel

County Clerks
Revenue

Information Technology
Transportation