



**Colorado
Legislative
Council
Staff**

HB16-1029

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0365
Prime Sponsor(s): Rep. Becker J.
Sen. Cooke

Date: May 19, 2016
Bill Status: Postponed Indefinitely
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BILL TOPIC: KEI VEHICLE ROADWAY REGISTRATION FOR USE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	FY 2018-2019
State Revenue	\$16,514	\$28,073	\$27,367
Cash Funds	16,514	28,073	27,367
State Expenditures	\$49,168	\$12,013	\$5,647
General Fund	1,338	1,434	
Cash Funds	45,621	8,341	4,528
Centrally Appropriated Costs	2,209	2,238	1,119
TABOR Impact		\$28,073	Not estimated.
FTE Position Change	0.2 FTE	0.2 FTE	0.1 FTE
Appropriation Required: \$46,959 - Department of Revenue (FY 2016-17).			
Future Year Impacts: Ongoing state revenue and expenditure increase.			

Note: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill allows the Department of Revenue (DOR) to title, register, and issue a rear license plate to kei vehicles beginning January 1, 2017. A person with a valid driver's license and insurance may operate a registered kei vehicle on a roadway with a posted speed limit of 55 miles per hour (MPH) or less, except on limited access highways.

In order to register the kei vehicle with the DOR, the owner must pay a specific ownership tax (SOT) at the class C personal property rate, a kei vehicle registration fee of \$15, and additional standard material fees. The registration is valid for one year. Vehicle owners must show proof of insurance when registering the vehicle or sign a statement of non-use. Kei vehicles used for agricultural purposes and under other specific circumstances are exempt from registration requirements for on-road use.

The bill defines the features of a kei vehicle and safety equipment requirements that must be met that include having brakes; a head lamp and two tail lights; front and rear turn signals; a windshield with wipers; a rearview mirror; seat belts; and a horn.

Under the bill, it is a class B traffic infraction to operate a kei vehicle on an unauthorized roadway; without proper license, insurance, or registration; or without the required safety equipment.

The bill classifies kei vehicles as off-highway vehicles (OHVs) and powersports vehicles. Persons selling kei vehicles prior to July 1, 2015, may continue to sell kei vehicles so long as they stay in business. After July 1, 2015, kei vehicles must be sold by licensed powersports vehicle dealers.

Background

National Highway Traffic Safety Administration. The National Highway Traffic Safety Administration (NHTSA) certifies that vehicles meet minimum federal safety and equipment standards. Vehicles that are manufactured to reach speeds over 20 MPH are considered motor vehicles under federal law. NHTSA rulings do not currently certify kei vehicles for use on roadways, as they do not meet the NHTSA safety and equipment standards for motor vehicles.

Unconventional Vehicle Working Group — DOR. In an effort to address the issue of titling and registering unconventional vehicles, the DOR has established the Unconventional Vehicle Working Group. This group reviews titling and registration applications for unconventional vehicles that fall outside the NHTSA certification standards. In the event that NHTSA certification is unattainable, the group uses NHTSA rules and American Association of Motor Vehicle Administrators best practices to determine if and how to title and register the vehicles in Colorado. Due to NHTSA rulings and current industry practices, the group has currently denied titling and registration of kei vehicles in Colorado.

Emissions standards — Environmental Protection Agency. The federal Environmental Protection Agency (EPA) requires that kei vehicles be permanently modified to have a maximum speed of 25 MPH and, in some instances, a Certificate of Conformity in order to comply with the Clean Air Act (CAA). When imported kei vehicles do not meet EPA emission requirements, U.S. Customs detains or seizes the equipment and works with the EPA to coordinate enforcement on CAA violations; the maximum penalty is \$32,500 for each illegal engine or vehicle. Imported kei vehicles that are altered to be capable of exceeding the 25 MPH threshold must be regulated as motor vehicles under the CAA, subject to state emissions testing.

Comparable Crime

Colorado law requires Legislative Council Staff to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or changes an element of the existing crime that creates a new factual basis for the offense. This bill creates a Class B traffic infraction for operating a kei vehicle on the road without being properly registered with the DOR, and for violating the kei vehicle safety equipment requirements. The penalty for a Class B traffic infraction is a minimum fine of \$15, up to \$100 maximum.

Under current law, it is a Class B traffic infraction to operate a motor vehicle that is not registered on a roadway, and to operate a motor vehicle on a roadway without a headlight (violating a safety equipment requirement). Over the past five years, there have been 21,177 cases with a charge for operating a motor vehicle on a roadway without the vehicle being properly registered, and 4,168 cases with a charge for violating the motor vehicle safety equipment requirement of having a headlight.

State Revenue

This bill is expected to increase state cash fund revenue by **\$16,514 in FY 2016-17, \$28,073 in FY 2017-18, and \$27,367 in FY 2018-19**. Revenue is detailed below.

Assumptions. The calculations in this fiscal note are based on the following assumptions:

- registration of kei vehicles begins January 1, 2017;
- there are an estimated 1,000 kei vehicles currently in Colorado, which will be registered over two fiscal years, FY 2016-17 and FY 2017-18;
- 200 new kei vehicles will be added annually, beginning in FY 2016-17;
- 13.6 percent of registered kei vehicles will be sold or transferred, beginning in FY 2017-18;
- kei vehicles will have vehicle identification numbers, will use print-on-demand single license plates, and will not be subject to emissions inspection requirements upon registering with the DOR;
- are sold at a cost between \$7,000 and \$12,500; and
- under the class C personal property rate, SOT for kei vehicles will average \$54.28.

Fee impact on kei vehicle owners. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 identifies the estimated average fee impact of this bill on kei vehicle owners in the first year of vehicle registration. Revenue from fees generated by this bill are credited to the License Plate Cash Fund (LPCF) and the Colorado State Titling and Registration System (CSTARS) account in DOR; the Highway Users Tax Fund (HUTF); and to counties.

Table 1. FY 2016-17 Fee Impact on Kei Vehicle Owners Under HB16-1029		
Type of Fee	Initial Registration Fee	Renewal Fee
Kei Vehicle Registration*	\$83.00	\$70.00

* This represents an average which varies widely depending on the Class C personal property SOT assessment.

Departments of Revenue and Transportation. For each kei vehicle registered:

- various license plate fees totaling \$4.42 will be deposited into the LPCF in DOR;
- the full \$15 annual kei vehicle registration fee, a \$3.20 portion of the title fee, and a \$0.50 portion of the SOT collections will be deposited into the CSTARS account in DOR; and
- a \$0.40 portion of the temporary registration fee, and a portion of the dealer block fee will be deposited into the HUTF and distributed, in part, to the State Highway Fund in CDOT.

State cash fund revenue from these fees is estimated at \$16,514 in FY 2016-17, \$28,073 in FY 2017-18, and \$27,367 in FY 2018-19.

Revenue from fines. This bill creates a Class B traffic infraction for operating a kei vehicle on the road without being properly registered with the DOR, and for violating the kei vehicle safety equipment requirements. The penalty for a Class B traffic infraction is a minimum fine of \$15, up to \$100 maximum. Because the bill creates an avenue for kei vehicles to be in compliance, it is expected that changes to fine revenue overall will be minimal.

TABOR Impact

This bill increases state revenue from fees and fines, which will increase the amount required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. No TABOR refund is expected in FY 2016-17.

State Expenditures

This bill will increase state cash fund expenditures in the DOR by **\$49,168 and 0.2 FTE in FY 2016-17, \$12,013 and 0.2 FTE in FY 2017-18, and \$5,647 and 0.1 FTE in FY 2018-19** and thereafter. Expenditures are shown in Table 2 and detailed below. All costs except for materials are paid from the CSTARs account. Materials are paid from the LPCF and the General Fund. General Fund is required because the LPCF does not have sufficient revenue or fund balance to support the purchase of additional inventory.

Table 2. Expenditures Under HB16-1029			
Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services	\$7,151	\$7,151	\$3,575
FTE	0.2 FTE	0.2 FTE	0.1 FTE
Operating Expenses and Capital Outlay Costs	1,420	190	95
Computer Systems Programming	36,050		
Material Costs	2,338	2,434	858
Centrally Appropriated Costs*	2,209	2,238	1,119
TOTAL	\$49,168	\$12,013	\$5,647

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

Department of Revenue. Performing the duties related to titling and registering a new class of vehicles will require 0.2 FTE from an Administrative Assistant II beginning in FY 2016-17. The FTE requirement tapers down to 0.1 FTE in FY 2018-19 once the majority of kei vehicles already in the state are processed. The DOR will also experience a workload increase in order to provide training to agents, Titles and Registration staff, law enforcement, and other entities impacted by this bill. In addition, rules, forms, manuals, and websites will require updating to reflect the change in law. The bill will also create workload within the DOR's Auto Industry Division for license issuance and enforcement activities related to kei vehicle dealers. These latter workload impacts can be absorbed within existing appropriations.

Computer programming. The DOR will be required to purchase one-time computer programming services in FY 2016-17 to modify the CSTARs system to issue titles and registration to kei vehicle owners. Computer programming will be completed by the Office of Information Technology (OIT) at a total cost of \$36,050 (350 hours of programming at a rate of \$103 per hour).

Material costs. The DOR will incur costs to purchase license plates, tabs, temporary registration permits and permit mounting boards, and to retain documents. Material costs are driven by the number of kei vehicles being titled and registered each year.

Judicial Department. This bill may also impact the workload of trial courts within the Judicial Department because it creates a Class B traffic infraction for kei vehicle owners who do not comply with the vehicle safety equipment requirements and the rules of the road. However, the bill also creates an avenue for kei vehicle drivers to do so legally. Judicial officers can process over 30,000 traffic infractions per year; therefore, any impact to workload is expected to be minimal and can be absorbed within current appropriations.

Department of Public Safety. The Colorado State Patrol (CSP) within the Department of Public Safety may experience an increase in workload as a result of kei vehicles being operated on roadways, which may lead to more traffic accidents, investigations, and tickets. It is expected that any workload increase to the CSP will be minimal.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Cost Components	FY 2015-16	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,597	\$1,597	\$799
Supplemental Employee Retirement Payments	612	641	320
TOTAL	\$2,209	\$2,238	\$1,119

Local Government Impact

The bill is expected to increase local government revenue by \$41,966 in FY 2016-17, by \$79,962 in FY 2017-18, and by \$88,018 in FY 2018-19. Local revenue is generated from title and temporary registration fees of \$5.60 per vehicle, and from SOT collections averaging \$54.28 per vehicle. The bill is also expected to minimally increase the workload of county clerk and recorder offices beginning in FY 2016-17, to account for new kei vehicle registrations, temporary permits, and other transactions such as plate replacements, and duplicates.

Effective Date

The bill was postponed indefinitely by the House Transportation and Energy Committee on February 3, 2016.

State Appropriations

For FY 2016-17, the Department of Revenue requires the following appropriations: \$1,338 from the General Fund; \$1,000 from the LPCF; and \$44,621 and 0.2 FTE from the CSTARS account. Of this, the OIT requires spending authority for \$36,050 in reappropriated funds.

State and Local Government Contacts

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Transportation

Corrections
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