



**Colorado
Legislative
Council
Staff**

HB16-1415

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 16-0924
Prime Sponsor(s): Rep. Hamner
Sen. Steadman

Date: September 8, 2016
Bill Status: Signed into Law
Fiscal Analyst: Larson Silbaugh (303-866-4720)

BILL TOPIC: DRIVER & MOTOR VEHICLE SERVICES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	FY 2018-19
State Revenue	<u>\$1,503,607</u>	<u>\$2,074,362</u>	<u>\$2,630,875</u>
Cash Funds	1,503,607	2,074,362	2,630,875
State Expenditures	\$0		
General Fund	(3,200,000)		
Licensing Services Cash Fund	1,200,000		
Highway Users Tax Fund	2,000,000		
TABOR Impact		\$2,074,362	Not Estimated
FTE Position Change			

Appropriation Required: See State Appropriations section.

Future Year Impacts: Ongoing state cash fund revenue increase.

Summary of Legislation

This bill changes how the state funds driver and vehicle services within the Division of Motor Vehicles (DMV) in the Department of Revenue (DOR). Specifically, this bill increases the fees charged for services, allows for funding through the Highway Users Tax Fund (HUTF), eliminates the end of the year transfer of the excess reserve from the Licensing Services Cash Fund (LSCF) to the HUTF, and exempts the LSCF from the limit on cash reserves. The bill also specifies that the surcharge to retake a driving test applies regardless of whether an applicant retakes the exam with the DMV or with an approved third-party. The bill increases the amount that counties retain for each driver's license that they issue, rather than depositing this money in the LSCF. Finally, this bill appropriates \$2,000,000 from the HUTF and \$1,200,000 from the LSCF to the DOR and reduces the General Fund appropriation by \$3,200,000 in FY 2016-17.

Background

In 2007, the General Assembly created the LSCF and directed that fees charged by the DMV were to be deposited in the LSCF to pay for the operation of the DMV. There have been several modifications to the funding of the DMV since 2007, including authorization for the DMV

to raise fees in a limited way beginning in 2014. Despite the changes in 2014, a gap remains between the DMV appropriations and fee revenue generated in the LSCF. In the past two budgets, the funding gap has been filled by one-time only appropriations from the General Fund.

State Revenue

State revenue. The net increase in LSCF revenue from the fee increases and the reduced remittances from counties that issue drivers licenses is \$1,503,607 in FY 2016-17, \$2,074,362 in FY 2017-18, and \$2,630,875 in FY 2018-19. Table 1 below compares the cost to provide each document with the current fee and new fee.

This bill increases state and local revenue raised by fees by \$1,776,850 in FY 2016-17, \$2,609,089 in FY 2017-18, and \$3,242,266 in FY 2018-19 and similar amounts in future fiscal years as shown in Table 3 through Table 5. The bill allocates a portion of driver's license fee revenue to counties that issue driver's licenses. In the past three fiscal years, 15.7 percent of driver's licenses were issued by counties. These counties are allowed to keep an additional portion of fees per driver's license issued. Counties are allowed to keep an additional \$2.00 per license issued in FY 2016-17, \$4.00 per license in FY 2017-18, and \$5.00 per license in FY 2018-19 and future fiscal years. This will decrease the remittances counties make to the LSCF by \$273,243 in FY 2016-17, \$534,727 in FY 2017-18, and \$611,389 in FY 2018-19. The net increase in state revenue is shown in Table 2.

	Cost to Provide	Current fee	New Fee
Driver's License	\$27.88	\$25.00	\$28.00*
Duplicate License or Permit	\$12.33	\$9.00	\$12.00
Driver's License Extension	\$6.51	\$3.60	\$6.50
Driving Record	\$17.37	\$2.60	\$9.00
Certified Driving Record	\$21.72	\$3.20	\$10.00
Commercial Driver's License (CDL) Testing Unit License (Initial)	\$3,093.17	\$360.00	\$3,094.00
CDL Testing Unit License (Renewal)	\$1,051.49	\$120.00	\$1,052.00
CDL Tester License (Initial)	\$147.29	\$120.00	\$148.00
CDL Tester License (Renewal)	\$139.11	\$60.00	\$140.00

Source: Joint Budget Committee

*The fee for driver's licenses increases by \$1.00 per fiscal year until it reaches \$28.00 on July 1, 2018.

	FY 2016-17	FY 2017-18	FY 2018-19
Fee increases	\$1,776,850	\$2,609,089	\$3,242,264
Retained by Counties	(\$273,243)	(\$534,727)	(\$611,389)
Net State Increase	\$1,503,607	\$2,074,362	\$2,630,875

Fee Impact on Individuals. State law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The DMV forecasts the number of documents issued based on historical trends. The new fees were applied to these forecasts to determine the increase in LSCF revenue. Tables 3 through 5 identify the fee impact of this bill for FY 2016-17, FY 2017-18, and FY 2018-19, respectively. Tables 4 and 5 differentiate the fee impact for driver's licenses separate from that for other documents affected by the bill because the bill increases the fee for driver's licences gradually through FY 2018-19, while the fee for other documents are increased only once. Relative to current law, fee revenue from all other documents are estimated to increase \$907,183 each fiscal year, while fee revenue from driver's licences will increase by \$869,667 in FY 2016-17, \$1,701,906 in FY 2017-18, and \$2,335,083 in FY 2018-19.

Table 3. Fee Impact on Individuals Under HB 16-1415 for FY 2016-17					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Driver's License	\$25.00	\$26.00	\$1.00	869,667	\$869,667
Duplicate License or Permit	9.00	12.00	3.00	36,855	110,565
Driver's License Extension	3.60	6.50	2.90	4,160	12,064
Driving Record	2.60	9.00	6.40	104,896	671,334
Certified Driving Record	3.20	10.00	6.80	704	4,787
CDL Testing Unit License (Initial)	360.00	3,094.00	2,734.00	4	10,936
CDL Testing Unit License (Renewal)	120.00	1,052.00	932.00	89	82,948
CDL Tester License (Initial)	120.00	148.00	28.00	31	868
CDL Tester License (Renewal)	60.00	140.00	80.00	171	13,680
TOTAL					\$1,776,850

Table 4. Fee Impact on Individuals Under HB 16-1415 for FY 2017-2018					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Driver's License	\$25.00	\$27.00	\$2.00	850,953	\$1,701,906
All Other Documents					907,183
TOTAL					\$2,609,089

Table 5. Fee Impact on Individuals Under HB 16-1415 for FY 2018-19					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Driver's License	\$25.00	\$28.00	\$3.00	778,361	\$2,335,083
All Other Documents					907,183
TOTAL					\$3,242,266

TABOR Impact

This bill increases state revenue from DMV services, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount during years in which a TABOR refund is required.

Local Government Impact

This bill will reduce local government HUTF revenue by \$700,000 in FY 2016-17. HUTF revenue is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs.

Counties that issue driver's licences will retain an additional fees per license issued. This will increase county revenue by \$273,243 in FY 2016-17, \$534,727 in FY 2017-18, and \$611,389 in FY 2018-19.

Effective Date

The bill was signed into law and took effect on April 14, 2016. The new fees took effect July 1, 2016.

State Appropriations

Consistent with this fiscal note, the bill appropriates \$2,000,000 from the HUTF and \$1,200,000 from the License Services Cash Fund to the Department of Revenue for FY 2016-17. In addition, the General Fund appropriation to the Department of Revenue in the long bill is reduced by \$3,200,000.

State and Local Government Contacts

Counties Municipalities Revenue Transportation