



**Colorado
Legislative
Council
Staff**

HB17-1162

FISCAL NOTE

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

Drafting Number: LLS 17-0429
Prime Sponsor(s): Rep. Gray

Date: February 22, 2017
Bill Status: House Judiciary
Fiscal Analyst: Ryan Long (303-866-2066)

BILL TOPIC: OUTSTANDING JUDGMENTS AND DRIVER LICENSES

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|---|-----------------------------|-----------------------------|
| State Revenue | <u>(\$1,533,000)</u> | <u>(\$1,533,000)</u> |
| Cash Funds | (766,500) | (766,500) |
| Highway Users Tax Fund | (766,500) | (766,500) |
| State Expenditures | <u>\$1,219,448</u> | <u>\$1,241,771</u> |
| General Fund | 1,185,574 | 1,188,425 |
| Highway Users Tax Fund | (10,940) | (10,940) |
| Centrally Appropriated Costs | 44,814 | 64,286 |
| TABOR Impact | <u>(\$1,533,000)</u> | <u>(\$1,533,000)</u> |
| FTE Position Change | 2.5 FTE | 3.6 FTE |
| Appropriation Required: \$1,174,634 - Multiple Departments (FY 2017-18). | | |
| Future Year Impacts: Ongoing revenue decrease and expenditure increase. | | |

Summary of Legislation

This bill repeals the current penalties for failing to appear at a hearing or failing to pay the fine for certain traffic infractions. It also provides the courts with the option of withholding a driver's state income tax refund in order to satisfy an outstanding judgment.

Background

Under current law, an individual cited for certain traffic infractions must either pay the penalty assessment or appear in court for a hearing. If the individual fails to do either, the court may issue a judgment against them. Individuals with an outstanding judgment may:

- have their driver license cancelled;
- not receive a new driver license; or
- not renew a current driver license.

State Revenue

Beginning in FY 2017-18, this bill will result in a net revenue decrease of \$1,533,000 per year to the Judicial Department and the Department of Revenue (DOR). The revenue impacts of this bill are described below.

Assumptions. The fiscal note assumes the loss or suspension of a license generally compels people to pay traffic infraction fines; therefore, there will be no substantial increase in fine revenue collected by allowing the courts to transfer funds from an individuals tax return.

Judicial Department. This bill will reduce Judicial Department revenue by approximately \$766,500 per year from its portion of the administrative processing fee that is collected from outstanding judgments issued for traffic offenses. A \$30 administrative processing fee is collected each time the court issues an outstanding judgment or warrant. Of this fee, \$15 is deposited in the Fines Collection Cash Fund used to support the operating budget of trial courts in the Judicial Department. Annually, there are approximately 73,000 judgments and warrants, of which 70 percent are related to judgments for traffic infractions.

Department of Revenue. Similar to the Judicial Department, fee revenue credited to the DOR will be reduced by approximately \$766,500 from the \$15 in administrative processing fees that are remitted from outstanding judgments related to traffic infractions. These fees are deposited in the Highway Users Tax Fund (HUTF).

TABOR Impact

This bill reduces state cash fund revenue from fees, which will reduce the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill reduces 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 increase by an identical amount.

State Expenditures

In FY 2017-18 and thereafter, this bill will result in the following expenditure impacts shown in Table 1 and described below.

| Table 1. Expenditures Under HB17-1162 | | |
|--|-------------------|-------------------|
| Cost Components | FY 2017-18 | FY 2018-19 |
| Judicial Department Subtotal | \$980,740 | \$980,740 |
| Information Technology | \$214,240 | \$214,240 |
| General Fund Backfill | 766,500 | 766,500 |

| Table 1. Expenditures Under HB17-1162 (Cont.) | | |
|--|--------------------|--------------------|
| Cost Components | FY 2017-18 | FY 2018-19 |
| Department of Revenue Subtotal | \$238,708 | \$261,031 |
| Personal Services | \$131,655 | \$184,762 |
| FTE | 2.5 FTE | 3.6 FTE |
| Operating Expenses and Capital Outlay Costs | 16,864 | 8,408 |
| Information Technology | 44,800 | 3,000 |
| Postage | 575 | 575 |
| Centrally Appropriated Costs* | 44,814 | 64,286 |
| TOTAL COSTS | \$1,219,448 | \$1,241,771 |
| TOTAL FTE | 2.5 FTE | 3.6 FTE |

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

Assumptions. Given the differing IT systems and processes between municipalities, the fiscal note assumes a centralized model is needed to consolidate and send municipal court data pertaining to tax returns. There are approximately 175 municipal courts in Colorado.

Judicial Department. The Judicial Department will require \$1,071,200, or \$214,240 per year for five years, to contract with a software engineer to integrate and transfer data from state municipal courts to the DOR for tax refund offsets. Additionally, \$766,500 of General Fund is required to offset lost administrative processing fee revenue from judgments on traffic infractions, which are used to support the trial court's operating budgets.

Department of Revenue. The DOR will have a net expenditure increase of \$193,867 in FY 2017-18 and \$196,788 in FY 2018-19. These expenditures are outlined below.

Personal services. The DOR will require 2.8 FTE in FY 2017-18 and 3.9 FTE in FY 2018-19 and after to process tax intercepts and communicate with individuals who have refunds affected by this bill. FTE costs for the first year are prorated to account for start date and the General Fund pay date shift. Additionally, the DOR can reduce FTE by 0.3 per year in their Driver Control section, as fewer outstanding judgments need to be processed. These costs are paid from DOR's off-the-top HUTF funding.

Information technology. In FY 2017-18, the DOR will require \$41,800 in General Fund to modify the GenTax system. This will require 209 hours of computer programming at \$200 per hour. Additionally, DOR will incur about \$3,000 per year in data management costs to enter data into GenTax. This bill will also require modification to the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES) system to remove the actions that are removed under this bill. The modification to DRIVES can be accomplished within existing appropriations.

Postage. This bill will require about \$575 of additional postage to correspond with individuals about tax intercepts.

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. Leased

space is included to show the incremental impact of the additional FTE, and calculated at DOR's rate of 200 square feet per FTE at a rate of \$27 per square foot. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2

| Table 2. Centrally Appropriated Costs Under HB17-1162 | | |
|--|-------------------|-------------------|
| Cost Components | FY 2017-18 | FY 2018-19 |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$19,652 | \$28,290 |
| Supplemental Employee Retirement Payments | 11,797 | 16,556 |
| Leased Space | 13,365 | 19,440 |
| TOTAL | \$44,814 | \$64,286 |

Local Government Impact

Under this bill, municipal courts can divert tax refunds to pay for fines. To the extent that this occurs, revenue to local governments will be impacted. This impact is not estimated in this fiscal note.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2017-18, the bill requires the following appropriations to the Department of Revenue:

- \$204,834 of General Fund for personal services, GenTax modifications and postage, and an allocation of 2.8 FTE; and
- \$10,940 from the Highway Users Tax Fund and a reduction of 0.3 FTE.

For FY 2017-18, the bill requires an appropriation of \$980,740 to the Judicial Department from the General Fund to offset lost fee revenue and pay for IT costs.

State and Local Government Contacts

| | | | |
|----------------|------------------------|----------------|-----|
| Counties | Information Technology | Judicial | Law |
| Municipalities | Revenue | Transportation | |