



Legislative
Council Staff

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FISCAL NOTE

Drafting Number: LLS 20-0343
Prime Sponsors:

Date: October 24, 2019
Bill Status: Bill Request
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Bill Topic: LICENSE PLATE EXPIRATION ON CHANGE OF OWNERSHIP

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates a license plate reissuance process and changes Colorado's license plate color scheme beginning in January 2021. The bill increases state revenue and expenditures and local revenue beginning in FY 2020-21.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$371,918 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the bill draft as requested by the Transportation Legislation Review Committee.

Table 1
State Fiscal Impacts Under Bill 1

		FY 2020-21	FY 2021-22
Revenue	Cash Fund	\$362,918	\$725,836
Expenditures	General Fund	\$362,918	-
	Cash Funds	\$9,000	\$725,836
	Total	\$371,918	\$725,836
Transfers		-	-
TABOR Refund	General Fund	\$362,918	\$725,836

Summary of Legislation

The bill creates a license plate reissuance process and changes Colorado's license plate color scheme beginning on January 2021.

License plate reissuance. On or after January 1, 2021, the license plates expire for any owner who transfers or assigns their title or interest in another vehicle, and the plates may not be transferred to another vehicle. Owners retain a priority interest in the number and letter combination on the expiring license plates and may apply for personalized plates to keep their unique set of numbers and letters. Owners requesting personalized plates must pay any associated personalized license plate fees. Owners of expired license plates will be required to pay any associated fees with the issuance of new license plates, but the Department of Revenue (DOR) may not recover any incremental costs from producing or distributing the new license plates. The bill applies to all Class C motor vehicles, except for horseless carriages.

License plate color scheme. Colorado's current regular license plate displays dark green letters and numbers over a background of white mountains and dark green sky. This bill requires license plates issued on or after January 1, 2021, to display white letters and numbers over a background of dark green mountain and a white sky. The DOR must exhaust its stock of current license plates before issuing license plates with the new color scheme.

Background

There are currently 180 license plate types in Colorado. Colorado Correctional Industries (CCi) is the state's license plate manufacturer. This enterprise is located in the Department of Corrections and is TABOR-exempt. Their materials fee is set at \$3.78 for a set of embossed license plates and \$5.64 for a set of digitally printed plates. DOR pays for license plates through the License Plate Cash Fund (LPCF). Of the 180 license plates, 26 are considered high issuance and are ordered quarterly from CCi and stocked at Division of Motor Vehicle (DMV) county offices. All other license plates are printed on demand.

Personalized license plate fees. Applicants for personalized license plate are also required to pay an additional annual fee. Upon initial application, applicants pay an additional \$35, which is distributed to the Highway Users Tax Fund (HUTF). Upon renewal, owners pay an additional \$25, which is also distributed to the HUTF.

Special license plate fees. Applicants for group special license plates are required to pay an additional \$50 fee, of which \$25 is credited to the Highway Users Tax Fund (HUTF) and \$25 is credited to the Licensing Services Cash Fund (LSCF).

Assumptions

Based on historical license plate transfer and issuance data, this fiscal note assumes that 192,020 owners of Class C vehicles transfer their license plates to a new vehicle in one fiscal year. Transfers in FY 2020-21 are prorated to a half-year impact (96,010 license plates) to reflect the effective date of January 1, 2021. In addition, the fiscal note assumes that the DOR will exhaust its supply of year and month tabs and that further production tab orders can be covered from the LPCF balance.

Because the number of personalized and group special license plates transferred in this period cannot be predicted, the fiscal note has assumed the cost of the standard embossed plates, \$3.78 per set. Similarly, the fiscal note has not estimated the impacts to the HUTF from personalized and group special license plates.

State Revenue

The bill will increase state cash fund revenue by \$362,918 in FY 2020-21 and \$725,836 in FY 2021-22. These increases are discussed below.

Department of Revenue. The bill will increase cash fund revenue to the DOR by \$362,918 in FY 2020-21 and \$725,836 in FY 2021-22. Upon expiration, all vehicle owners must pay a material fee of \$3.78 for a passenger vehicle plate set and motorcycle. This fiscal note assumes that 96,010 new license plates will be issued in FY 2020-21 (half-year impact), and 192,020 will be issued in FY 2021-22 and thereafter. Fees are credited to the License Plate Cash Fund (LPCF).

Department of Corrections. As discussed above, the bill will increase state cash fund revenue to the LPCF. Funds in the LPCF are then paid to CCI in the Department of Corrections by the DOR in order to produce the new license plates. Materials costs are \$3.78 per license plate set, which includes costs for raw material, labor, overhead, freight, and programming expenses. CCI is an enterprise located in the Department of Corrections and is TABOR-exempt.

Department of Transportation. The bill will increase revenue to the HUTF by an indeterminate amount due to vehicle owners purchasing new group special license plates. The bill does not exempt group special license plates from reissuance or from paying the \$50 fee. Of the HUTF revenue generated under this bill from the fee, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the department, 26 percent is credited to counties, and 9 percent is credited to municipalities. This revenue increase has not been estimated.

State Expenditures

The bill will increase state General Fund expenditures by the DOR by \$362,918 in FY 2020-21 and state cash fund expenditures by \$725,836 in FY 2021-22. These expenditures are discussed below.

Department of Revenue. The bill increases expenditures from the General Fund by \$362,918 in FY 2020-21 and expenditures from the LPCF by \$725,836 in FY 2021-22. Due to the insufficient LPCF balance to cover the initial costs of producing license plates, the DOR requires a one-time General Fund appropriation of \$362,918 in order to pre-order the new license plates from CCI. As discussed in the State Revenue section, materials costs for license plates are \$3.78 per license plate set. This fiscal note assumes that 96,010 license plates will be issued in FY 2020-21, and 192,020 will be issued in FY 2022-21 and thereafter.

Additionally, in FY 2020-21, one-time programming costs of \$9,000 are required to update the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs are calculated at 40 hours at a rate of \$225 per hour. DOR will also provide training to authorized agents, Vehicle Services Section staff, and law enforcement. Any workload increases or costs associated with these activities can be accomplished within existing appropriations.

TABOR refunds. The bill is expected to increase state General Fund obligations for TABOR refunds by \$362,918 in FY 2020-21 and \$725,836 in FY 2021-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers, which will first be issued via reimbursements to local governments, followed by sales tax refunds made available on income tax returns for tax years 2021 and 2022, depending on the total amount to be refunded each year.

Local Government

This bill will increase local government HUTF revenue from the group special license plate fee. HUTF revenue generated by license plate fees is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs. This revenue impact has not been estimated.

Effective Date

The bill takes effect January 1, 2021, if no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires an appropriation of \$362,918 from the General Fund to the Department of Revenue. In addition, the bill requires an appropriation of \$9,000 from the DRIVES Vehicle Services Account, and cash fund spending authority in the amount of \$362,918 from the License Plate Cash Fund to the Department of Revenue.

State and Local Government Contacts

Corrections
Information Technology
Transportation

Counties
Municipalities

County Clerks
Revenue