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Fiscal Note

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Prime Sponsors:
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Bill Topic: REGISTRATION OF MOTOR VEHICLES IN FLEETS

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

This bill allows fleet operators to manage vehicle titling and registration independent of an authorized agent, maintain a transferrable license plate inventory, and use a third-party provider. It will increase state revenue and expenditures on an ongoing basis beginning in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$2.0 million to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under Bill 1

Table with 4 columns: Category, Sub-category, Budget Year FY 2023-24, Out Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund).

Summary of Legislation

The bill allows motor vehicle fleet operators owning a fleet of at least 25 Class B or C motor vehicles to transfer license plates in good condition from one fleet vehicle to another during a title or interest transfer. The Department of Revenue (DOR) must allow fleet operators to maintain an inventory of new number plates and to use a third-party provider to handle registration, lien, and titling, and its plate inventory, management, and distribution. The DOR may promulgate rules related to requirements of participating fleet operators, as well as oversight and auditing requirements.

Background

Since the passage of [Senate Bill 21-069](#), fleet operators are prohibited from transferring license plates between fleet vehicles, and must now purchase new license plates during the titling and registration process at the local county clerk's office. This transaction is completed in the Colorado Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES), administered by the DOR. Fleet vehicle owners are currently permitted to conduct bulk transactions.

State Revenue

The bill will increase state revenue to the License Plate Cash Fund from license plate fees by an estimated \$62,473 per year as a result of anticipated physical inventory needs of fleet operators, and assuming that the number of fleet plates in stock at county clerks offices will not be adjusted until usage data are available. The number of license plates on hand at fleet operator locations assumes 5.33 percent of vehicles annually replace their license plates. There are currently 145,458 fleet vehicles registered in Colorado, resulting in 7,751 license plates purchased annually at a material fee of \$8.06 per plate.

State Expenditures

The bill increases state expenditures in the DOR by the amounts shown in Table 2 and discussed below from the DRIVES Vehicle Services Account and the License Plate Cash Fund. Costs in FY 2025-26 represent the ongoing costs of the program.

Department of Revenue. In FY 2023-24 only, the bill requires the DOR to program its DRIVES system to allow specialized access to fleet operators and their contractors to manage their inventory and perform license plate transactions. On an ongoing basis, the DOR will perform audits of fleet operator locations with physical inventory of licenses plates, and staff a help desk for fleet operator transactions.

- **Assumptions.** The fiscal note assumes that:
 - that all costs begin September 1, 2023, but that the DOR will need at least six months to perform computer programming, which may delay first-year operations;
 - approximately 13 percent, or 200, of the state's 1,497 eligible fleet operators will utilize the bill's registration program and maintain a license plate inventory; and

- o that the DOR will perform an annual audit of fleet operators that maintain license plate inventory.

Table 2
Expenditures Under Bill 1

	FY 2023-24	FY 2024-25	FY 2025-26
Department of Revenue			
Personal Services	\$298,523	\$292,784	\$279,695
Operating Expenses	\$6,615	\$6,480	\$6,210
Capital Outlay Costs	\$40,020	-	-
DRIVES Programming	\$1,631,998	-	-
Auditor Travel	\$17,656	\$21,188	\$21,188
License Plate Manufacture	\$62,473	\$62,473	\$62,473
Centrally Appropriated Costs ¹	\$77,042	\$75,503	\$72,273
Total	<u>\$2,134,327</u>	<u>\$458,428</u>	<u>\$441,839</u>
<i>DRIVES Cash Fund</i>	<i>\$1,994,812</i>	<i>\$320,452</i>	<i>\$307,093</i>
<i>License Plate Cash Fund</i>	<i>\$62,473</i>	<i>\$62,473</i>	<i>\$62,473</i>
<i>Centrally Appropriated</i>	<i>\$77,042</i>	<i>\$75,503</i>	<i>\$72,273</i>
Total FTE	<u>4.9 FTE</u>	<u>4.8 FTE</u>	<u>4.6 FTE</u>

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

- **DRIVES Programming.** DRIVES programming costs are estimated at \$1.6 million in FY 2023-24 only, including \$1,214,550 to the DRIVES vendor for an estimated 5,398 hours of programming at \$225 per hour, and \$417,448 to the Office of Information Technology for business and quality assurance analysts at rates ranging from \$30 to \$99 per hour. In addition, 1.3 FTE Administrator III is required to assist with the programming modifications, which will be backfilled by temporary staff.
- **Help desk.** Using county clerk support as a proxy, the DOR assumes that 3.0 FTE Program Assistant II are required to assist fleet operators with vehicle registration and user interface.
- **Auditor.** The DOR requires 1.5 FTE Program Assistant II to perform audits at approximately 200 locations, based on an estimated 16 hours of work per audit. It is assumed auditors will travel to the inventory locations.
- **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 increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section. This estimate assumes the June 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Technical Note

The bill will require extensive computer programming, which will result in the DOR being unable to meet the bill's August 2023 effective date. The fiscal note shows the relevant cost drivers, but has not adjusted for an alternate effective date.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires the following appropriations to the Department of Revenue:

- \$1,994,812 from the DRIVES Vehicle Services Account, and 4.9 FTE, of which \$417,448 is reappropriated to the Office of Information Technology; and
- \$62,473 from the License Plate Cash Fund.

State and Local Government Contacts

Information Technology

Revenue